

ICLC Conference 2009

Boosting local investments

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A multilateral development bank with a social vocation

- ❑ CEB: supranational financial institution set up in 1956 by 8 member countries of the Council of Europe
- ❑ Main objective: foster **social cohesion** in Europe
- ❑ **40 European member States** today
among them 21 Central and Eastern European countries have joined the Bank since the early 1990s

Key figures

- ❑ **€30 billion** in loans disbursed since inception
- ❑ Outstanding loan portfolio: **€12.4 billion**
- ❑ Total assets: **€21 billion**
- ❑ Own funds: **€4.7 billion**
- ❑ Loans disbursed in 2008: **€1 505 million**
- ❑ Rating **AAA/Aaa** (Moody's, S&P, Fitch)

(figures as of December 2008)



Outline

Introduction

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Introduction

- ❑ Since 2008, negative economic growth in most countries of the region
- ❑ In this context, national governments and intergovernmental organisations have played a major role in tackling the crisis with:

new developments in regulation of financial services, bank recapitalisation, fiscal stimulus packages, support for industries/companies, and assistance to workers displaced by the crisis

- ❑ The uncertain nature of the crisis adds to its challenge, and gives rise to a need for action internationally, nationally, and **locally**

I - The key role of regional policies (1)

- ❑ Public spending in infrastructure is an effective tool to create jobs and provide the foundation for economic recovery and sustained growth
- ❑ However it is not sufficient condition for economic recovery and sustained growth:

its impact increases where investments in human capital, innovation are present, hence the need for integrated regional policies in shaping growth and economic recovery policies

I. The key role of regional policies (2)

Regional policies have a key role to play in overcoming the crisis because they:

- allow the **combination of different types of investment** to maximise the impact on growth
- **accelerate the implementation of public investment**
- mobilise **local competitive advantages**
- provide **clear roadmaps** based on agreed priorities
- and bring **differentiated tools** to address the challenges of regions and communities in need

II. Infrastructure and the crisis: areas of action

The reduction in financing availability for infrastructure projects in Europe in general and in CEE in particular is all the more regrettable, as the region is facing significant social needs primarily due to **three long-term trends**:

1. rapidly ageing of the population
2. increased cost of energy
3. degradation of the urban & rural environment

(1) Rapidly ageing of the population:

- ❑ Europe is confronted with rapidly ageing populations, due to increasing life expectancy and low birth rates:

e.g.: the percentage of the population aged over 65 in the EU will increase by more than 50% between 2000 and 2025 to reach around 23% of the population

- ❑ Major investments in **housing** and **healthcare infrastructure for the elderly** are needed

(2) Increased cost of energy:

- ❑ Europe should also have to deal with a rising trend in the cost of energy, driven by increased energy consumption in developing countries:
 - worldwide energy consumption will increase by 50% between now and 2030, with China and India accounting for nearly half of that increase
 - the impact is likely to be all the more significant as states have to develop the production of renewable energy to reduce their greenhouse gas emissions
- ❑ In anticipation of this new challenge, major investments to improve the **energy efficiency of buildings and housing** must be made

(3) Degradation of the urban & rural environment:

- ❑ Lastly, most countries in the region are confronted with the degradation of their urban and rural environment, as a result of rapid urbanisation and the obsolescence of certain infrastructure:

e.g.: over the period 1980-2004, CEE countries built, on average, 4 housing units/'000/year, compared to 6.5 in other European countries

- ❑ This phenomenon is due to chronic under-investment in **housing** and **local public infrastructure**, in particular in CEE countries

Major investments in these two segments are needed!

III. CEB's response to the crisis

(1)

- ❑ CEB's mandate is to contribute to the financing of social investments in favour of **sustainable social development** in Europe
- ❑ For this, CEB is to maintain rigorous focus on the financing of infrastructure projects in favour of social cohesion
- ❑ The Bank's support will make it possible to:
 - o compensate for the scarcity of financing by the private sector
 - o cause its borrowers, first and foremost of which are local authorities, to benefit from appropriate expertise and financial conditions

III. CEB's response to the crisis

(2)

- ❑ Financing of social infrastructure projects in CEE countries is one of the main CEB priorities that should lead to an increase in applications for CEB loans
- ❑ This increase in demand is likely to be particularly high among CEE countries, as they are more affected by:
 - the decrease in available financing
 - the three long-term trends referred to earlier, as their level of economic development is lower than that of other European countries
- ❑ CEB is to place sustainable development requirements at the heart of projects
- ❑ Enhanced cooperation with CEE to co-finance EU Operational Programmes

III. CEB's response to the crisis

(3)

Greater synergy through closer partnerships:

- In recognition of the increasing role that the IFIs can play in providing financing in the countries heavily hit by the crisis, an enlarged and constant dialogue is ongoing with other development banks and the IMF
- In parallel, cooperation with the EU is focusing on CEE countries, mainly within the framework of pre-accession and neighbourhood policies.

IV. CEB's support for government sectoral programmes

- As a general rule, CEB may finance national/regional projects implemented by a Member State or local/regional authorities, often in co-financing with other IFIs or the EU

A recent example:

Partial financing of three Regional OPs in Hungary: € 196 million, in conjunction with EU structural funds

- Additional financial support for specific operations to provide a basis for implementation of sectoral reforms

Two recent examples:

- Support for the Government's social housing policy in North Rhine-Westphalia: € 110 million (with NRW.Bank)
- Renovation of the Tirana Univ. Hospital (Albania): € 11 million

Outlook for 2009 and beyond

- ❑ The CEB will step up even more its efforts to improve the quality and focus of its operations towards its Target Group and within its priority sectors
- ❑ The pace in approvals and disbursements will pick up due to increased demand from the CEB's Member States that the Bank participate in financing their social infrastructure and employment and SME support initiatives during the challenging economic times
- ❑ In this respect, CEB is determined to develop even more its efforts to focus on the sectors where the added value is the greatest

Conclusions

Highlight on several factors decisive for boosting investments at local level:

- ❑ Pursue the process of promoting cities and major urban areas as key actors and major partners to tackle the crisis
- ❑ To provide long-term financing for local infrastructure
- ❑ Coordinated contribution from the European development banks in support of crisis responses





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