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## Book

Investing for inclusive cities : CEB's unique mandate - promoting social cohesion in Europe - makes it a natural partner for inclusive cities seeking to diversify their financing

## Provided in Cooperation with:

CEB Council of Europe Development Bank, Paris

*Reference:* (2017). Investing for inclusive cities : CEB's unique mandate - promoting social cohesion in Europe - makes it a natural partner for inclusive cities seeking to diversify their financing. Paris : Council of Europe Development Bank.

This Version is available at:

<http://hdl.handle.net/11159/2557>

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# Investing for inclusive cities



CEB's unique mandate – promoting social cohesion in Europe – makes it a natural partner for inclusive cities seeking to diversify their financing



# Why cities matter for inclusive growth

**Cities are the engines of economic growth in Europe, attracting an increasing number of people with job opportunities, access to education and better quality of life.**

About 75% of the EU population lives in cities, and rapid urban expansion across the continent will see that number rise even further.

European cities are crucial to the success of the European project. They contribute to a stronger, more sustainable Europe by impacting the daily lives of millions of Europeans. Many cities are in the driving seat when it comes to promoting the 2030

Sustainable Development Goal Agenda.

Promoting inclusive growth through the financing of social infrastructure projects is one of the priority areas of operation for the Council of Europe Development Bank (CEB). In recent years, the Bank has stepped up its cooperation with cities and municipalities in its member countries in order to lend its full support to their social investments.

## AT THE FRONTLINE OF INCLUSION

Cities are on the frontline of social cohesion, as they design and deliver services for all, including the most vulnerable citizens. In recent years, however, cities have faced numerous challenges, including rapid urbanisation, ageing population and the need to adapt to climate change, while, at the same time, bearing the burden of austerity policies. Moreover, many European cities welcomed significant refugee and migrant arrivals, resulting in additional pressures on the local services.





# Investing in social infrastructure



**The scale of needs in local infrastructure across the continent is particularly large, given demographic pressures and climate change adaptation.**

Local governments are responsible for a quarter of all public expenditure and almost half of all public investment; however, slow and uneven recovery in public investments since 2009 has been a concern.

To be able to support an inclusive economy in which the benefits of growth are distributed fairly and there are opportunities for all citizens cities and municipalities need to invest in social infrastructure, which has a strong, immediate impact on the daily lives of millions of Europeans. These long-term investments at the local level ultimately support sustainable growth and prosperity in Europe as a whole.

The CEB has an important role in promoting social investment at the local level across all its member countries. In the last ten years the CEB invested €1.5 billion for municipal social infrastructure through loans directly contracted and implemented by cities. In the same period the CEB has approved €17.7 billion in loans, or 69% of the entire loans portfolio, to support social projects across Europe which improve people's daily lives.

The CEB's investments in local infrastructure – involving the construction or rehabilitation of schools, social housing, medical and social care facilities, social aid centres, local roads and transport systems – contribute to delivering affordable and sustainable essential services to local populations.

# CEB: a trusted partner for cities and regions

Creating a more attractive, inclusive and sustainable living environment is key not only to improving the conditions and quality of urban life, but also to establishing a more dynamic local economic base, spurring stronger social and cultural identities and supporting thriving communities.

## ■ PARIS, FRANCE

Faced with a growing number of school children as a result of migration and urbanisation, the City of Paris is making the modernisation of educational infrastructure one of its investment priorities. The CEB's €200 million loan to the City of Paris will part-finance investments in education infrastructure as well as reception facilities for refugees.

## ■ ŁÓDŹ, POLAND

With a €50 million loan to the City of Łódź, the CEB partially financed New Centre of Łódź, one of the biggest urban renewal projects in the history of this Polish city. The EC1 project – the revitalisation of the heat and power plant and its adaptation for cultural and artistic purposes – was the flagship of the urban renovation of Łódź.



### VANTAA, FINLAND

The CEB is supporting the City of Vantaa's long-term strategy and investment plan in response to the city's changing demographic profile and growing population. The Bank's €60 million loan will contribute to Vantaa's efforts to adapt and improve its social infrastructure and provide a higher standard of service to its citizens, particularly in the fields of education, health, culture and sports.



### NICOSIA, CYPRUS

A high-tech wastewater treatment plant in Nicosia, funded with a €68 million loan from the CEB, is meeting the growing needs of both Greek Cypriot and Turkish Cypriot communities. The new plant protects the shared environment and natural resources of both communities, and provides both communities with a modern, high-tech plant with the capacity to meet future needs.



### BRATISLAVA, SLOVAK REPUBLIC

Thanks to its thriving economy, Bratislava attracts jobseekers from the entire country. Large numbers of daily commuters put pressure on the road network and public transportation. With a €40 million loan to the City of Bratislava, the CEB is financing the modernisation of urban public infrastructure and the upgrading and replacement of old trams and trolleybuses with new and more efficient ones.



# Flexible financing for local investment

Whether through direct lending to governments, cities and municipal utility companies or on-lending operations with commercial banks and specialised municipal lending institutions, the CEB is a provider of tailored support to local communities, filling the funding gaps for the successful implementation of socially oriented investments.

The CEB finances a wide range of bankable projects through a range of financing instruments that allow flexibility to its borrowers and best address their needs. This makes it an attractive partner for cities and municipalities looking to diversify sources of funding for their public investments.

In addition to project and programme loans, the CEB offers the following instruments particularly suitable to municipalities.

- **CROSS-SECTORAL LOAN (CSL)**

The CSL provides flexibility in the use of funds for all purposes, which can be a significant advantage, especially for smaller municipalities. This type of loan is a great match for urban renewal projects with many interdependent components that are not easily boxed into neatly defined sectors.

- **EU CO-FINANCING FACILITY (ECF)**

ECF loans allow for co-financing and/or ex-ante financing of EU-funded investment activities. They are developed in conjunction with different EU financing instruments directly supporting current EU objectives and facilitate better absorption of EU funds in the CEB's priority sectors.

- **PUBLIC SECTOR FINANCING FACILITY (PFF)**

The PFF is a financing instrument for maintaining the viability and sustainability of social investment programmes faced with a lack of funding over time. PFF loans cover temporary financing gaps in the public sector and facilitate the continuation of investments and reform programmes, particularly in the areas of high social relevance.





# Support and capacity building

CEB's partnership with cities and municipalities goes beyond the provision of simple financing. While the lack of capacity to deal with complex financing is often a major obstacle for municipalities when it comes to obtaining funds, the CEB's technical, operational and financial knowhow provides invaluable support.

The CEB's supple and agile institutional and organisational structure allows it to address the needs of cities through rapid and proactive turn-around.

When helping cities and municipalities address challenges of today the Bank draws upon its 60 years of experience in the field of social inclusion, coupled with its proven capacity to adapt to the changing environment and evolving borrower needs.

## €17.7 billion

in loans since 2007 to support social projects across Europe which improve people's daily lives

## €1.5 billion

for municipal social infrastructure through loans directly contracted and implemented by cities in the last ten years



# Investing for inclusive cities



## About the CEB...

Set up in 1956, the CEB (Council of Europe Development Bank) has 41 member states. Twenty-two Central, Eastern and South Eastern European countries, forming the Bank's target countries, are listed among the member states. As a major instrument of the policy of solidarity in Europe, the Bank finances social projects by making available resources raised in conditions reflecting the quality of its rating (Aa1 with Moody's, outlook stable, AA+ with Standard & Poor's, outlook positive and AA+ with Fitch Ratings, outlook stable). It thus grants loans to its member states, and to financial institutions and local authorities in its member states for the financing of projects in the social sector, in accordance with its Articles of Agreement.

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