



DEVELOPMENT COMMITTEE
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of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

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Statement by

**Carlo Monticelli
Governor**

Council of Europe Development Bank

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106th Meeting of the Development Committee

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I am grateful for the opportunity to share the perspective of the Council of Europe Development Bank (CEB) on the food and energy crisis, and its implications for social cohesion.

Let me start by reaffirming the solidarity of the CEB with the people of Ukraine and all those who are suffering from the ongoing war and its repercussions. In line with its mandate, the CEB is supporting refugees fleeing Ukraine, their host communities, and other vulnerable people across Europe – including in Ukraine itself as soon as the ongoing process of its accession to the CEB is completed.

Food insecurity and energy poverty are on the rise

The world is faced with a food and energy crisis of excruciating proportions. The crisis is pushing millions of people into poverty and exacerbating long-standing inequalities, already intensified by the Covid-19 pandemic.

Europe is no exception. Already in 2020, about 56 million people across the CEB's 42 member countries (10% of the total population) were unable to keep their homes adequately warm. With gas and electricity prices currently skyrocketing, energy poverty is on the rise.

The problem of food insecurity – the lack of access to safe, nutritious and adequate food – has also been growing globally, including in Europe. In 2019, 65 million people, or about 11.6% of the population in CEB countries were unable to afford a meal every second day. With the outbreak of the Covid-19 pandemic, the number of people experiencing food insecurity grew by 9 million, to 74 million (13.2% of the total population) in 2020.

The soaring prices of energy and other inputs, such as fertilizer, are now severely impacting food production in Europe. Food prices have reached the highest levels in 50 years, and producers are warning of looming shortages. A further deterioration in food security is therefore fully expected.

The crises disproportionately affect the most vulnerable, adding to legacy issues

Overall, the poorest and most vulnerable people are bearing the brunt of the economic repercussions of the war. Higher energy and food prices are placing exceedingly heavy burdens on the budgets of low-income families. Inflationary pressures are further eroding incomes, with workers in many European countries having already registered sharp declines in their salaries in real terms.

Against this backdrop, Europe is also faced with an unfinished social development agenda which long pre-dates the Covid-19 and Ukraine crises. Progress slowed down, or even stalled, in key areas of the 2030 Agenda for Sustainable Development, including for eminently “social” Sustainable Development Goals. Despite positive developments in the past decade, one in five Europeans is at risk of poverty or social exclusion. Equal access to affordable, high-quality essential services remains a key challenge. Growing

numbers of people are priced out of housing markets and live in sub-standard, energy-inefficient, overcrowded and sometimes dangerous conditions. The climate crisis, with its disproportionate and growing impact on vulnerable groups, is unfolding as a social crisis.

Food insecurity and energy poverty impinge on social cohesion

As defined by the Council of Europe, social cohesion is the capacity of a society to ensure the welfare of all its members, minimizing disparities and avoiding polarization.

Through their direct negative impact on the health, wellbeing, and quality of life of affected individuals, energy poverty and food insecurity erode social cohesion. In turn, communities with lower levels of social cohesion are also associated with higher prevalence of food insecurity and energy poverty, even after considering socioeconomic factors at the household level. Furthermore, over time, energy poverty and food insecurity hinder human capital accumulation, with a detrimental impact on productivity, growth, and inequality.

The CEB's mission is more relevant than ever

The CEB's mission is to promote social cohesion in Europe. The CEB pursues its mission by financing projects that serve vulnerable groups and increase the well-being of the most disadvantaged and marginalized members of society.

In the current context, the CEB's mandate is more relevant than ever. The multiple crises that Europe is experiencing are converging to the detriment of the most vulnerable, adding to an unfinished social agenda, and hampering social cohesion. With its member countries spread across Europe and its unique social mandate, the CEB has a special and distinctive role to play in mitigating the effects of the energy and food crisis throughout the region.

The CEB has deployed its resources to support people affected by the war in Ukraine from day one. To date, the CEB has provided over EUR 1.3 billion in fast-track emergency loans and almost EUR 6 million in grants in favour of people fleeing the conflict and their host communities. To support these operations, the CEB issued two Social Inclusion Bonds, in April and June 2022. The upcoming accession of Ukraine to the CEB will allow it to launch operations on the ground and deepen its action in favour of those most affected by the war.

The CEB can leverage decades of experience in financing social and affordable housing for vulnerable populations that is energy efficient, helping to reduce energy poverty while also supporting inclusive mixed neighbourhoods. The CEB recognises the importance of the nexus between climate change and social cohesion and is therefore mainstreaming climate considerations in all its public social investment. The CEB also works with its financial intermediary clients to help micro, small and medium enterprises benefit from the energy transition and create sustainable jobs.

Going forward

In these turbulent times, the support of MDBs – in line with their specific roles and mandates – will be instrumental to rapidly counteract the poverty and inequality effects of the crisis. A decisive focus on serving vulnerable and low-income people will be crucial to weather the storm of the food and energy crisis, and to provide relief from the repercussions of the war in Ukraine.

The CEB is proud to be working hand in hand with relevant development partners to identify synergies and maximize our collective impact. Looking ahead, the CEB stands ready to act as a partner of choice, deploying its resources where they are most needed to achieve greater social cohesion for all.