

# Handbook for the Preparation and Implementation of Projects



**The Handbook is a document prepared by the CEB services to describe the Bank's modus operandi. It cannot therefore be read as conferring any rights on third parties. Terms and conditions applicable to CEB's financing will be the ones defined in the corresponding contractual documentation.**

## Table of contents

Chapter N°	Name of Chapter/Section	Page
	Preamble	4
1	Eligible counterparties	5
2	CEB's social mission	6
	CEB's lines of action	6
	Sectors of action, eligibility criteria and mapping of SDGs	9
3	Sectors of activity excluded from CEB financing	19
4.1	Financial means of action - Project Loan (PR)	20
4.2	Financial means of action - Programme Loan (PM)	22
4.3	Financial means of action - EU Co-financing Facility (ECF)	25
4.4	Financial means of action - Public Sector Financing Facility (PFF)	27
4.5	Financial means of action - Cross Sectoral Loan (CSL)	29
4.6	Financial means of action - PPP Financing	31
4.7	Financial means of action - Guarantees	32
4.8	Financial means of action - Grants	33
5	Eligible costs	37
6.1	Environmental and Social Safeguards Policy (ESSP) Standards - General considerations	39
6.2	ESSS 1 – Environmental and Social Safeguard Assessment and Management	42
6.3	ESSS 2 – Land acquisition, economic displacement and involuntary resettlement	52
6.4	Green finance and Paris alignment assessment	56
7	Project cycle	59
8	Loan document	65
9	Technical assistance	68
10	CEB financing	70
11	Project modifications	72
12	CEB monitoring, reporting and evaluation	74
13	Management of the stock of projects	76
14	Sustainable Development Goals and related indicators	77
	Glossary of terms	81

**Relevant Policies (available at <https://coebank.org/en/about/policies-and-guidelines/>):**

- Loan and Project Financing Policy
- Loan Regulations
- Environmental and Social Safeguards Policy
- Procurement Guidelines
- Anti-Corruption Charter
- Personal data Protection Regulation
- Policy on Non-Compliant/Uncooperative Jurisdictions

## Preamble

This Handbook for the Preparation and Implementation of Projects is an operational manual intended for CEB services and accessible to the Bank's borrowers. It is available, in its electronic format, on the CEB website (<https://coebank.org/>).

The Handbook provides, from an operational perspective, the necessary information regarding preparation, financing, implementation and monitoring of CEB loans. Based on the CEB's Loan and Project Financing Policy and the CEB Loan Regulations, it also takes into account the principles from different CEB guidelines and policies, including CEB Environmental and Social Safeguards Policy, CEB Procurement Guidelines, CEB Anti-Corruption Charter, CEB Social Dividend Account Policy, CEB Compliance Policy, Personal data Protection Regulation, Policy on Non-Compliant/Uncooperative Jurisdictions and general governance.

The Handbook is updated by CEB, wholly or partially, on a regular basis.

## CHAPTER 1

### Eligible counterparties

The CEB acts in the form of loans, guarantees and contributions from the trust accounts in order to finance bankable projects.

Eligible CEB counterparts include:

- its member states;
- any legal entity approved and guaranteed by a member state;
- any legal entity approved by one of the CEB's member states if the Administrative Council deems that the loan has sufficient guarantees.

The type of counterparty may be the member state itself, a central or local government authority, a financial institution (such as public development banks, local commercial banks, leasing companies, microfinance institutions etc.) or any other public or private entity.

The ability to engage with a diverse set of borrowers and provide tailor-made financing solutions is one of the recognised features of the CEB's added value and a key strength of its business model. Continuing to diversify the borrower pool, broadening the menu of available financing instruments and innovating its approach to social investment financing, especially for underserved borrowers and communities, are key actions that will allow the CEB to deliver on its overarching goals.

## CHAPTER 2

### CEB's social mission

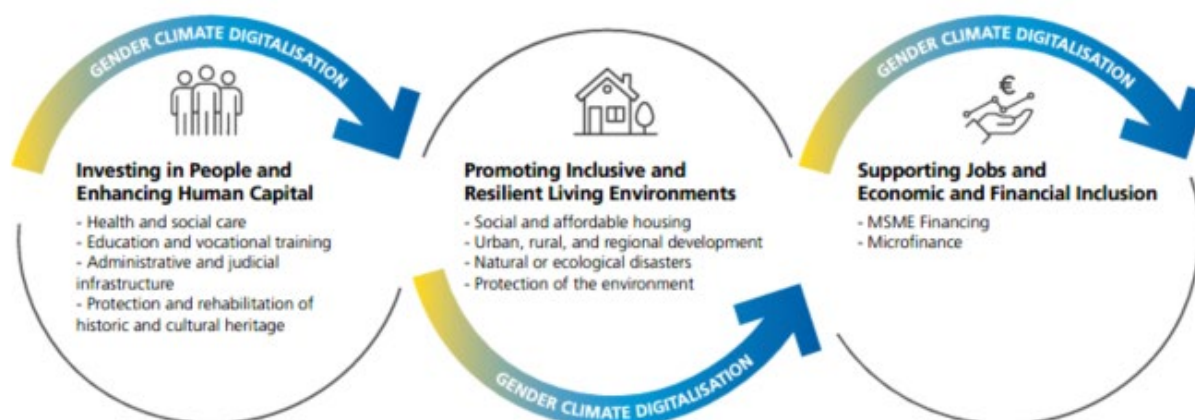
#### *CEB's mission*

1. The CEB's mission is to promote social cohesion in Europe, defined as "the capacity of a society to ensure the well-being of all its members, minimising disparities and avoiding marginalisation".<sup>1</sup> In line with its mandate, statutory priorities and evolving member states' needs, the CEB aims to respond to evolving social development and inclusion challenges in a comprehensive yet flexible manner.

#### *Focus on vulnerable groups*

2. The focus on vulnerable groups is a hallmark of the CEB's activity and defines its commitment to social cohesion. The CEB fulfils its mandate by financing operations that serve vulnerable groups and increase the wellbeing of the most disadvantaged and marginalised members of society. Serving vulnerable people and enhancing their resilience is instrumental to ensuring that no one is left behind, thus boosting social cohesion.
3. The CEB adopts an integrated approach to assessing vulnerability and systematically applies a vulnerability lens to all its lending operations. With each project it finances, the CEB aims to address specific sources of vulnerability and contributes to designing the most adapted solutions to further boosting social cohesion.

Figure 1. Lines of action and sectors



### CEB's lines of action

#### *CEB's lines of action*

4. The CEB's lines of action stem from its social mandate and are in line with the Council of Europe's values and overall objectives. They provide direction on the issues the Bank intends to address through the orientations of its Strategic Framework and, more specifically, its project and loan activity.
5. The Bank's core social mandate is currently defined by three lines of action that reflect the different channels through which the CEB's engagement in its different sectors of operation contributes to promoting social cohesion. Those lines of action can be outlined as follows:

<sup>1</sup> Council of Europe (2008). Report of the High-Level Task Force on Social Cohesion in the 21<sup>st</sup> Century, page 14.

*Investing in People and  
Enhancing Human Capital*

*Promoting Inclusive and  
Resilient Living  
Environments*

*Supporting Jobs and  
Economic and financial  
Inclusion*

*Cross-cutting  
considerations*

**Investing in People and Enhancing Human Capital** through investments centred on (i) health and social care, (ii) education and vocational training, (iii) administrative and judicial infrastructure and (iv) protection and rehabilitation of historic and cultural heritage.

**Promoting Inclusive and Resilient Living Environments** through support to investments in (i) social and affordable housing, (ii) urban, rural and regional development, (iii) natural or ecological disasters and (iv) protection of the environment.

**Supporting jobs and economic and financial inclusion** through MSME financing and microfinance.

The CEB identifies three cross-cutting themes that interact with its core sectors of activity and are instrumental to achieving progress on social cohesion, namely: (i) climate action; (ii) gender equality, and (iii) digitalisation. Explicit and systematic focus on these themes guides the way in which CEB activities in all sectors are designed and implemented in order to bolster the social cohesion of all CEB-financed projects, as follows:

**To address climate considerations**, the CEB has defined a Paris Alignment Approach and Roadmap which it will progressively apply to all activities. The CEB will systematically consider climate-related issues in the design and implementation of its social investments. Given the significant social impacts of climate-related hazards, the CEB focuses on financing activities that enhance the climate resilience of vulnerable populations and support communities' responses to climate-related and other disasters. As part of its support for local authorities, the CEB helps support just and inclusive transition so as to address the challenges of vulnerable groups that may be less able to reap the benefits or more exposed to adverse impacts of the green transition.

**To address gender equality considerations** as a matter of fundamental rights, the CEB mainstreams gender issues across all activities to protect the rights of women and girls. The CEB systematically assesses the potential impacts of CEB-financed activities on gender equality. This enables the CEB to ascertain that its financing does not contribute to gender inequality. The CEB strives to enhance positive impacts for all, including women and girls, especially looking to create positive impacts for refugee and migrant women. The CEB will continue to pursue opportunities to finance activities that enhance gender equality and empower women and girls, including by enhancing their access to finance.

**To address considerations of digital transformation**, The CEB works with borrowers to support the adoption of digital technologies when they contribute to increase social impact and are designed to meet the need of the most vulnerable. The CEB may support selected investment in "last mile" infrastructure to enable people to connect to existing networks. The CEB may also support (i) the acquisition and training in the use of digital equipment for the delivery of education, health, social care and other social services; (ii) initiatives to enhance digital skills, with a special focus on closing the digital gender gap and the gap of vulnerable groups, such as the elderly, ethnic minorities, etc.

The CEB adds elements of additionality to the preparation and implementation of all the projects it finances, through its focus on:

**Maximising social content of operations**, including through incorporation of the United Nation's Sustainable Development Goals (SDGs) in its projects. The CEB carries out comprehensive project screening which scrutinises the social added value of a project and aims to increase it based both on project's characteristics and on the context in which it is carried out. The CEB helps address different dimensions of vulnerability in its social sectors of action for the benefit of greater social cohesion and integration in Europe.

**Enhancing the project quality** by serving the vulnerable while aiming to address transversal issues (outlined in "Cross-cutting considerations" above) such as climate change, gender inequality or digital divide. By systematically incorporating these considerations, the CEB improves the quality of operations it finances. CEB's comprehensive due diligence and follow-up transpose its overarching philosophy and project quality considerations into practical steps that are easy to incorporate and evaluate. In addition, the CEB provides hands-on support during all phases of a project cycle, including through Technical Assistance where appropriate, to ensure quality and high social value of projects while building long-lasting relationships with the borrowers.

**Providing tailored financing to match borrower requirements**, including in project structuring and lending terms. The CEB has developed a number of financial instruments that can be adapted to specific project and finance needs, including the optimisation of treasury flows. The CEB provides added value in the financing plan of the borrowers through favourable rates, customised structures and adapted tenors. Participating alongside its partners, including the European Union, in new instruments and initiative such as InvestEU<sup>2</sup>, enables the CEB to help address market failures and lack of access to financing.

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<sup>2</sup> CEB may benefit from a partial InvestEU guarantee that may be used to secure in part loan operations in the social sectors approved or to be approved by the CEB.



## Sectors of action, eligibility criteria and mapping of SDGs

<i>Sectors of action</i>	6. Each CEB sector of action derives from its stated lines of action and is defined by clear and detailed eligibility criteria.
<i>Sector selectivity</i>	7. The CEB enhances selectivity at the sectoral level in order to deploy its limited resources where they can contribute the most to the pursuit of the overarching strategic goals.
<i>Focus sectors</i>	8. To this end, the CEB has identified several “focus sectors”, as follows: <ul style="list-style-type: none"> <li>• Health and social care;</li> <li>• Education and vocational training;</li> <li>• Social and affordable housing;</li> <li>• Urban, rural and regional development;</li> <li>• MSME financing;</li> <li>• Microfinance.</li> </ul> <p>9. Financing of projects in the other sectors will continue to be fully considered.</p>
<i>Mapping of associated SDGs</i>	10. Mainstreaming SDGs into CEB’s activities offers the Bank a unique opportunity to track the contribution to the ambitious UN 2030 Agenda for Sustainable Development and capitalise on its distinctive mandate and institutional capacity.
	11. The CEB maps its sectors of action with the related set of SDGs that could be effectively addressed through investments in those sectors.
<i>Applying SDGs to CEB sector of action and investment at hand</i>	12. As the responsibility and accountability for achieving the SDG goals and targets lies with the signatory countries of the UN 2030 Agenda, the CEB’s endeavours to integrate the SDGs into its operations are foremost in support of the stated commitments of its member states.
	13. Discussed with the borrower and/or CEB member state, particular SDGs are thus assigned to each project on a case-by-case basis depending on the sector and the overall goal and scope of the social investment financed.

## Line of Action: Investing in People and Enhancing Human Capital

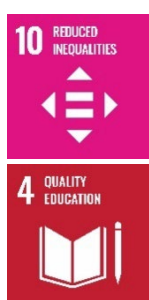
### Health and social care (*focus sector*)



14. The CEB finances projects concerning health and social care and related infrastructure in order to foster healthy lives and well-being by ensuring access to high-quality, affordable healthcare for all. To be eligible to CEB financing, private establishments and infrastructure must be approved by the public health authorities and in compliance with the criteria established for this type of establishment.
15. The CEB can finance projects concerning health, social care and related infrastructure or services such as:
  - 15.1. Construction and/or rehabilitation of:
    - 15.1.1. public or private hospitals;
    - 15.1.2. public or private medical service infrastructure;
    - 15.1.3. specialised centres dedicated to assisting vulnerable and dependent populations;
    - 15.1.4. nursing homes for the elderly and welfare centres, including housing for elderly people who are still independent;
    - 15.1.5. health-related research and development facilities.

- 15.2. Supply and installation of medical or non-medical equipment and furniture
  - 15.3. Adaptation of such premises to facilitate access for persons with reduced mobility
  - 15.4. Acquisition of health management, related material and equipment; this may involve outright purchase, leasing or other forms of long-term hire of such equipment
  - 15.5. Home-based care and support services
  - 15.6. Health-related research and development programmes
  - 15.7. Training and support programmes in favour of persons with disabilities
  - 15.8. Training of medical and sociomedical specialised staff.
16. Within the framework of health projects, financing can be also granted for basic infrastructure such as water supply and wastewater systems and facilities, solid waste collection and treatment facilities, including hazardous waste, as well as for electricity and gas supply systems, IT infrastructure and communication facilities (such as telephone, internet, cable, etc.).
17. The CEB strives to promote a more integrated approach to healthcare, which can also better support access to healthcare for refugees and migrants. It does so by financing effective health and social care systems, with a focus on multidisciplinary primary health centres, selected specialised care hospitals that are inclusive and climate-resilient, and community-based long-term care and social care that enables the elderly as well as people with disabilities or other vulnerable groups to lead more independent and quality lives in the community.
18. Financing health and social care also contributes to gender equality and women empowerment, as well as better living conditions for refugees and migrants, who often suffer worse health outcomes than hosting communities and face difficulties in accessing health services.

## Education and vocational training *(focus sector)*



19. The CEB's financing for education and vocational training aims to support inclusive, equitable, high-quality education that fosters better learning outcomes and social cohesion. To this end, the CEB finances projects that enable the efficient use of education infrastructure and enable innovative teaching and learning methods.
20. The CEB can finance education and vocational training projects, and related infrastructure, such as:
- 20.1. Construction and/or expansion, rehabilitation and modernisation of early childhood education facilities, primary and secondary schools, secondary vocational technical colleges, vocational training centres, establishments of higher education or specialised learning and/or research and development centres.
  - 20.2. Eligible investments may also include sports and socio-cultural centres/equipment as well as residence facilities pertaining to such establishments, learning materials, furniture and equipment
  - 20.3. Adaptation of such premises in order to facilitate accessibility for persons with reduced mobility
  - 20.4. Continuing training and lifelong learning programmes for social and education professionals

- 20.5. Training programmes for the unemployed and disadvantaged groups; support for professional re-training programmes; natural or ecological disaster prevention/preparedness for members of the civil protection forces; in-service training programmes for magistrates, administrators, civil servants and government officials
  - 20.6. Education-related research and development programmes and public or private investments in research and development centres
  - 20.7. Training programmes in favour of vulnerable groups
  - 20.8. Training of education and vocational training specialised staff
  - 20.9. Student loans programmes.
21. Education-related investments may also include basic infrastructure needed to ensure access to basic services for the education establishments and their beneficiaries, including water supply and wastewater, solid waste collection and treatment, electricity and gas, IT infrastructure and communications facilities (such as telephone, internet, cable, etc.).
22. In particular, education investments may include measures to boost energy efficiency and strengthen resilience to a changing climate – including school design that can increase overall community resilience.
23. The CEB's activities in the education sector also aim at embedding digital technologies in the ways schools operate and deliver education.
24. Private establishments must be state-approved, with recognition of diplomas and degrees at national level and in compliance with the criteria established for these types of establishment.
25. Costs related to the payment of university or college tuition fees and student living costs may be eligible for CEB financing. The scope and specifications will be defined during appraisal on a case by case basis.
26. By financing education and vocational training, the CEB can accompany the most vulnerable, low skilled workers whose jobs are threatened by global trends and challenges and foster the integration of refugees and migrants.

## Administrative and judicial infrastructure



- 27. The CEB finances projects for the construction or rehabilitation of infrastructure and for the conversion of buildings into premises intended for public service use. This includes in particular investments in support of the organisation and functioning of administrative and judicial public services as well as training of the related staff.<sup>3</sup>
- 28. Projects in this sector must exclusively concern buildings intended for national, regional or local government(s), or for technical agencies in which such bodies have a majority interest as well as related infrastructure. This may include facilities such as penitentiary infrastructure, fire/police stations, and training centres or buildings connected to municipal/local/regional administrations.
- 29. With regard to penitentiary infrastructure, the projects financed by the CEB must be in conformity with the principles of the Recommendations made by the Committee of Ministers of the Council of Europe concerning European Prison

<sup>3</sup> In compliance with point 1.5. of the Action Plan of the 3<sup>rd</sup> Summit of Heads of State and Government of the Council of Europe held on 25 and 26 May 2005.



Rules.<sup>4</sup> A special focus is given to supporting structures and activities aimed at enhancing the reintegration of former prisoners into their communities.

30. Costs related to equipment and costs required to support the educational and vocational training components of judicial infrastructure projects may be eligible for CEB financing under this sector.

### Protection and rehabilitation of historic and cultural heritage



31. The CEB finances the restructuring and rehabilitation of historic and cultural heritage classified as such by the member state concerned recognising that access to culture and creative expression make an important contribution to Europe's inclusive growth and are becoming increasingly critical to building a shared sense of European identity and values,

### Line of Action: Promoting Inclusive and Resilient Living Environments

#### Social and affordable housing (*focus sector*)



32. The CEB finances social and affordable housing for vulnerable populations, including low-income persons as well as targeted middle-income groups, to reduce housing poverty and support inclusive, mixed neighbourhoods. In this respect, the CEB supports the development of projects for the renovation, construction, refurbishing of housing and for the purchase and conversion of buildings into accommodation so as to achieve significant social benefits and provide decent housing for low-income persons and targeted middle-income groups, corresponding to social housing criteria whenever these are defined by the national legislation.
33. Eligible projects can be targeted to provide access to property ownership, rental housing or related infrastructure (such as access providing adequate and affordable water, electricity and gas, collection and treatment of wastewater and solid waste, commercial premises, playgrounds).
34. The criteria that the CEB takes into account are income, the physical characteristics of the housing and the purchase and/or sale conditions applicable in each member country or in the region of the member country hosting the project, in compliance with the legal or regulatory provisions in force. Other criteria linked with specific vulnerability dimensions that reduce access to affordable housing in the country or region of the operation may also be considered.
35. In the absence of satisfactory regulations, the eligibility criteria can be based on the following principles, or on other specific criteria to be established by the CEB during appraisal:
  - 35.1. the income of the target population is limited to a percentage of a relevant income indicator selected according to statistical data available for each member state or region concerned<sup>5</sup>;

<sup>4</sup> Approved by the Committee of Ministers on 11 January 2006, at the 952<sup>nd</sup> Meeting of the Ministers' Deputies, the Recommendation Rec (2006)2 of the Committee of Ministers of the Council of Europe to the member states concerning European Prison Rules.

<sup>5</sup> Other than GDP per inhabitant.

- 35.2. the floor area is limited in principle to a maximum of 35 m<sup>2</sup> per person, in the case of households comprising between 1 and 2 people, and up to 23 m<sup>2</sup> per person for larger households. However, the minima shall not be inferior to commonly accepted habitability criteria and the maxima can be determined during project appraisal.
- 35.3. housing units must have a maximum total floor space of 92 m<sup>2</sup>, except those occupied by large families (i.e. those made up of more than 4 persons);
- 35.4. the floor space of commercial or office premises may not exceed 20% of the total floor space of the building;
- 35.5. in the case of projects involving access to property ownership, this must be for the main residence, with a firm undertaking to occupy the premises for a minimum period of 5 years.
- 36. Projects involving the renovation and/or the rehabilitation and conversion of buildings into housing shall also meet the following criteria, or other specific criteria as established by the CEB during appraisal:
  - 36.1. housing units must belong to public or private entities lessors of social housing, or to owner-occupants of assisted affordable housing;
  - 36.2. rented housing units must be controlled-rent properties;
  - 36.3. the renovation of housing for energy saving purposes may be financed according to Eligibility criteria determined during project appraisal.
- 37. Moreover, projects in favour of priority or vulnerable populations can be financed according to specific criteria established for each project.
- 38. At the borrower's request, the Administrative Council may, if it deems it to be justified, approve housing projects aimed at populations for whom special measures have been taken by the member state or a local/regional authority.
- 39. At the borrower's request, the Administrative Council may, if it deems it to be justified, approve housing projects developed as part of EU initiatives, within or outside the EU.
- 40. The CEB also finances student housing to facilitate access to affordable accommodation for students with no or low income, the provision of housing solutions for the elderly and programmes addressing accommodation needs of homeless, migrants and refugees and other vulnerable groups.

### Urban, rural and regional development (*focus sector*)



- 41. The CEB finances investments that strengthen resilience and address sources of vulnerability in communities of all sizes. Contributing to sustainable and inclusive territorial development, the CEB partially finances the implementation of multi-sectoral investment plans in line with local and regional authorities' development strategies. The CEB objective is to create inclusive neighbourhoods that contribute to the well-being of all, including migrants and refugees.
- 42. Investments in construction or rehabilitation of local infrastructure – such as social aid, cultural and sports' centres, local roads or public transport systems – contribute to delivering affordable and sustainable services to local populations.
- 43. The CEB-financed loans can also support more transformative initiatives and programmes that strengthen local institutions and enhance the quality of the environment, social cohesion and economic inclusion.

44. Projects aimed at urban development and improving living conditions in urban areas must concern urban areas lacking sufficient urban infrastructure and/or social and cultural amenities.
45. Projects aimed at rural development and improving living conditions in rural areas must concern regions characterised by a low population density or a declining population or by activities in fields such as agriculture, forestry, aquaculture and fishing, infrastructure and service delivery as defined by the national legislation.
46. Projects can be carried out by public or private entities. Only those infrastructure investments included in the national, regional or municipal budget will be considered eligible, so long as they respond to the goals defined in the other points in this section and are aligned with climate goals and in line with environmental and social safeguards (ESS) requirements, such as:
  - 46.1. utilities such as water supply, electricity and gas distribution networks, sewers and drainage systems, treatment of solid and liquid waste;
  - 46.2. local road network infrastructure and maintenance, as well as road safety investment;
  - 46.3. local public transportation infrastructure, equipment and maintenance;
  - 46.4. public lighting;
  - 46.5. digital transformation;
  - 46.6. district heating;
  - 46.7. community services, educational and medical facilities;
  - 46.8. temporary shelters and social housing;
  - 46.9. socio-cultural or sports facilities such as playgrounds, green spaces, exhibition sites, theatres and libraries;
  - 46.10. development of industrial estates;
  - 46.11. administrative buildings and public housing;
  - 46.12. nature-based solutions and green infrastructure investment in both urban and rural areas, including sustainable urban drainage, development of parks/green areas, urban farming, improved water resources and land management practices, and so forth;
  - 46.13. irrigation projects involving the building of water-retaining dikes, dams and related infrastructure are eligible as long as the criteria detailed by the CEB's Environmental and Social Safeguards Policy are met.

## Natural or ecological disasters



47. The purpose of the actions undertaken in this sector is to provide national and local authorities with assistance in the reconstruction of the affected areas in application of the “build back better” ameliorative approach (in line with the Sendai framework) or in the prevention of natural, ecological and man-made disasters (“disasters” in the rest of this section).
48. Projects in this sector usually involve the reconstruction or rehabilitation of destroyed or damaged priority infrastructure, including:
  - 48.1. basic service provision and the related infrastructure such as water supply and wastewater systems and facilities, solid waste treatment facilities, electricity and gas supply systems;
  - 48.2. social infrastructure such as healthcare and educational facilities; public service/social care facilities and infrastructure (such as student dormitories, child protection centres, fire/police stations, etc.);
  - 48.3. shelter and housing infrastructure;





48.4. intervention materials and equipment.

49. The CEB also finances projects specifically aimed at reducing the vulnerability to disasters and mitigating disaster risk, as well as initiatives aimed at improving adaptation or enhancing resilience to climate-related risks.
50. Disaster risk management programmes for improved disaster preparedness and response capacity, including public training and awareness activities, can also be financed by the CEB.
51. Projects approved in favour of the populations concerned may, under certain circumstances as defined in [Chapter 7 #14 below](#), benefit from accelerated, fast-track procedures for appraisal, approval and, if justified, disbursement.
52. Within the framework of projects for the prevention of natural or ecological disasters, projects aimed at the construction of water-retaining dikes are eligible, provided that the criteria detailed in the CEB's Environmental and Social Safeguards Policy are met.

## Protection of the environment



53. The CEB finances projects, undertaken by public or private entities, that contribute to protecting and improving the environment, and thus to improving living conditions. In parallel to its specific action in this sector, climate-related and environmental aspects are systematically taken into account during the appraisal of all the projects proposed for financing, regardless of the sector concerned.
54. The CEB can finance projects concerned with:
  - 54.1. reduction and treatment of solid and liquid waste;
  - 54.2. clean-up and protection of surface and underground water;
  - 54.3. decontamination of soils and aquifers;
  - 54.4. protection against noise;
  - 54.5. production of renewable energy;
  - 54.6. energy saving measures (excluding energy production/distribution);
  - 54.7. reduction of air pollution;
  - 54.8. protection and development of biodiversity;
  - 54.9. cleaner transport means and networks.
55. As regards the production of renewable energy, projects eligible for CEB financing must be strictly in line with the specifications and requirements defined by CEB during appraisal. The CEB does not finance fossil fuel-based energy projects.
56. Investments related to the protection of the environment undertaken by private entities as beneficiaries of a CEB loan shall be restricted to those undertaken by MSMEs, as defined by the Handbook (see Chapter 2, [MSME financing](#) and [Microfinance](#)).
57. Investments undertaken by private enterprises for the creation of infrastructure for the treatment of solid and liquid waste and wastewater that is not produced by the enterprises themselves are eligible.
58. Lastly, these projects must concern populations defined at local or regional level.

## Line of Action: Supporting Jobs and Economic and financial Inclusion

### MSME financing (focus sector)



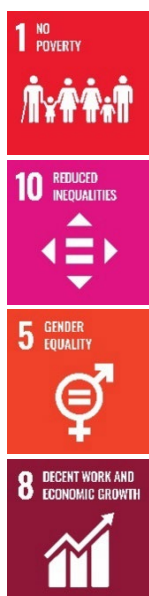
59. The CEB finances micro, small and medium-sized enterprises (MSMEs) through intermediary financial institutions in order to promote the creation and preservation of viable permanent and/or seasonal jobs and support development of vibrant and inclusive local economies by facilitating access to credit and enhancing financial inclusion.
60. Aimed at MSMEs, including those exercising craftsmanship/artisan activities or small family-owned enterprises engaged in regular economic activity, such loans can finance fixed productive investments, including through leasing, or working capital requirements as deemed eligible by the CEB.
61. The CEB may support initiatives driven by governments in this sector developed with specialised State-owned development or promotional banks and to those implemented by other licenced financial institutions (FIs) – commercial banks or non-banking FIs such as leasing companies.
62. The CEB interventions can also target social enterprises and other types of private sector social and solidarity economy organisations that foster social and labour market inclusion and play a pivotal role in promoting social cohesion and supporting vulnerable groups.
63. The CEB particularly promotes MSME lending programmes that support the financial inclusion of women and vulnerable groups as well as energy efficiency and climate resilience. The CEB also aims to reach underserved regions and contribute to territorial cohesion by working with smaller, local cooperative banks and inciting commercial banks to operate in these areas.
64. The CEB uses the same **definition of MSMEs** as the European Union (EU Commission Recommendation 2003/361/EC), which may be updated from time to time. Reflecting its social mandate, CEB prioritises the smaller MSMEs and those with constrained access to credit which may include start-ups and enterprises owned by women, by minorities and by vulnerable groups of population.
65. Extract of Article 2 of the Annex of Recommendation 2003/361/EC: *“The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ less than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro”*. To be eligible for CEB funding, MSMEs should be “autonomous enterprises” within the meaning of the Recommendation, i.e. be either completely independent or have a stake of less than 25% held by a non-SME company.
66. The CEB-supported intermediaries will need to demonstrate upfront a clear commitment and an ability to on-lend funds to the targeted MSMEs on a commercially sound and economically sustainable basis.
67. To reach MSMEs effectively for the purpose of supporting job creation, the CEB support may either be in the form of direct lending to a selected FI which subsequently “on-lends” to MSMEs, or indirectly through an apex (wholesale) structure providing credit lines to approved FIs for on-lending to MSMEs.
68. The CEB does not finance personal consumer loans.
69. **Working capital** funding aims to provide a stable growth base for well-managed companies and to encourage intermediating FIs to develop longer term financing



relationship with MSMEs, including for the recurrent needs required to cover day-to-day business expenses and to ensure uninterrupted operations, independently of the specific FI financing arrangements.

70. To support **small companies** (those with 10 to 49 employees) **and medium sized enterprises** (those with between 50 and 249 employees) the CEB will incorporate **limits with respect to the financing of any working capital** requirement, as a maximum share of the CEB loan on a loan portfolio and/or as ceilings per individual beneficiary SME. Such parameters will be determined based on the CEB's assessment of the targeted loan portfolios during appraisal and presented in the Loan Document approved by the CEB's Administrative Council.
71. **For micro enterprises** (those with less than 10 employees), **all working capital needs can be financed**, as long as the FI establishes that the end-borrower is well managed, has a sound financing plan and demonstrates good management and current account cash flow. This approach aims to give FIs the necessary flexibility to support sound micro firms' growth.
72. Irrespective of the MSME categorisation, in order to ensure that permanent MSME working capital requirements are covered by stable funding, minimum maturity eligibility requirements of at least 18 months applicable to the FIs' on-lending instruments shall be established during appraisal and presented in the Loan Document approved by the Bank's Administrative Council. Where appropriate, consideration shall be given to the disbursement of tranches dedicated to the financing of working capital.
73. Investments in the field of renewable energy, education (schools/universities) and health (hospitals/clinics) should not be financed under CEB's "MSME financing" sector of action, but under the specific criteria of the sector concerned (i.e. "Protection of the environment", "Education and vocational training" or "Health and social care"). Smaller scale sub-projects related to health and education (e.g. privately-owned dental/medical practices, childcare/kindergarten or elderly care facilities) may be financed under the "MSME financing" sector of action provided that the sub-borrowers concerned comply with the definition of MSMEs, as stated above.

## Microfinance (*focus sector*)



74. The CEB also provides Programme Loans to Microfinance Institutions (MFIs) with the objectives of promoting entrepreneurship and self-employment, supporting the establishment and scaling-up of micro-businesses, thereby contributing to income generation, preservation and creation of jobs, as well as the financial inclusion of vulnerable populations, including rural community, women, migrants and ethnic minorities, with the goal to address regional disparities, income inequalities and gender imbalances.
75. MFIs can channel the CEB loan in the form of:
  - business loans for investment and working capital financing needs of start-ups and existing small businesses;
  - personal microloans which finance social investments of a household such as education, emergency healthcare or improvements in living conditions (e.g. house improvements or small-scale energy efficiency investments). The objective of these loans is to contribute to the financial inclusion of vulnerable populations, to address gender inequalities and regional disparities. Such support shall follow the eligibility criteria established for the related sectors of action.

76. The CEB promotes microfinance as an important tool for facilitating the long-term integration of migrants and refugees, who generally suffer from financial exclusion.
77. The CEB does not finance personal consumer microloans.
78. The CEB can also support adoption of digital tools by MFIs when they contribute to financial inclusion and increase social impact. Such support should not constitute the main purpose of the loan nor account for a substantial amount of the total cost of the programme. The acceptable share will be defined on a case by case basis.
79. For micro enterprises, all working capital needs can be financed, as long as the FI establishes that the end-borrower is well managed, has a sound financing plan and demonstrates good management and current account cash flow.

## CHAPTER 3

### Sectors of activity excluded from CEB financing

The following activities defined by the NACE<sup>1</sup> nomenclature of the European Union shall be excluded from the CEB's financing:

1. Extractive industries (NACE B) except division 8 Other mining and quarrying (8.1 Quarrying of stone, sand and clay; 08.91 Mining of chemical and fertiliser minerals and 08.92 Extraction of peat; 08.93 Extraction of salt)
2. Distilling, rectifying and blending of spirits (NACE C11.01)
3. Manufacture of tobacco products (NACE C12)
4. Manufacture of coke and refined petroleum products (NACE C19)
5. Manufacture of explosive products (NACE C20.51)
6. Processing of nuclear fuel<sup>2</sup> (NACE C24.46)
7. Manufacture of weapons and ammunition (NACE C25.4)
8. Manufacture of military fighting vehicles (NACE C30.4)
9. Financial and insurance activities (NACE K64-66)
10. Real estate activities (NACE L68)
11. Gambling and betting activities (NACE R92)
12. Activities of membership organisation (NACE S94)

Investment projects linked to pornography and to products regarded by the CEB's member states regulations as harmful to the health and the environment<sup>3</sup> shall also be excluded.

The CEB will also continue not financing (i) fossil fuel-based energy projects; (ii) projects in the transport sector other than sustainable low-carbon local public transport and local roads. As regards its support for productive activities, the CEB will continue financing solely micro, small and medium-sized enterprises.

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<sup>1</sup> The French acronym NACE refers to the "Statistical Classification of Economic Activities in the European Community". Developed since 1970, NACE provides a framework for the collection and presentation, according to economic activity, of a wide range of statistics in the economic areas (for example: production, employment, national accounts) or others – See Regulation (CE) No. 1893/2006 of the European Parliament and of the Council of 20/12/2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains.

<sup>2</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the CEB considers the radioactive source to be insignificant and/or adequately shielded.

<sup>3</sup> Production or trade in any product or activity deemed illegal under the member states laws or regulations or international conventions and agreements, such as unbonded asbestos fibers, pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES).

## CHAPTER 4.1

### Financial means of action

#### Project Loan (PR)

<i>Definition</i>	CEB Project Loans (PRs) are direct loans to an entity to finance a pre-defined investment or a group of related investments. The investments financed through a CEB PR are normally concentrated in one of the CEB's sectors of action.
<i>Borrower's responsibility during implementation</i>	The borrower shall implement the project in line with the stipulations of the Loan Document and the Framework Loan Agreement (FLA) and shall apply all care and diligence – including, but not limited to, legal, financial, compliance, managerial and technical – required for the proper implementation of the project. The borrower shall implement the project in conformity with the requirements set forth in the CEB Environmental and Social Safeguards Policy.
<i>Procurement</i>	Procurement of supplies, works and services to be financed under the project shall comply with the CEB Procurement Guidelines.
<i>CEB share of financing</i>	In order to reinforce the need for a strong and demonstrated commitment and ownership of a project by the borrower, including through funding from its own resources, <b>the CEB finances up to 50% of total project costs</b> , unless otherwise agreed during appraisal. The CEB's share of financing is determined according to the project's characteristics and funding needs, the borrower's overall financial situation, the availability of budgetary allocations, the priorities of the proposed investment(s) and the expected social impact of the investment(s).
<i>Other sources of financing</i>	In the interest of smooth implementation of the project, the CEB requires that the other sources of financing are committed in parallel with its loans. Should the costs of the project increase or be revised upwards for whatever reason, the borrower shall ensure that the additional financial resources needed for the completion of the project are available.
<i>CEB loan duration</i>	The financial conditions of the loan should be adapted to the nature of the underlying investments. In other words, the tenor of the CEB loan should closely correspond to the expected life of the underlying infrastructure to be financed.
<i>Project starting definition</i>	Investments financed through a PR are entirely defined at the time of project approval and the costs already incurred shall not exceed 40% of the total estimated eligible cost.
<i>Monitoring modalities</i>	Borrowers are required to provide a monitoring report in line with the CEB's Loan and Project Financing Policy as determined during appraisal, and at least once a year and/or prior to a new disbursement. Special attention is paid to the costs, the financing plan, project procurement as well as the realisation of the physical and social objectives of the project. The borrower must also provide a reliable estimate of the physical progress of the project at the time of each disbursement.
<i>Disbursement conditions according to the progress of works</i>	The CEB loans are disbursed in tranches (minimum two) in accordance with the <b>progress of works</b> , as documented by the borrower during implementation and monitored by the Bank.
<i>First tranche disbursement</i>	The borrower may request the disbursement of the first tranche within 12 months following FLA signature and fulfilment of all related prerequisites. <b>The first loan tranche</b> is normally aimed at enabling the start of works and <b>does not usually exceed 25% of the approved loan amount</b> . However, the first

disbursement may exceed this limit if justified by the progress of works as determined during appraisal.

#### *Disbursement of subsequent tranches*

**The disbursement of each subsequent loan tranche can go ahead as soon as the borrower has allocated 90% of the previous tranche** and that the borrower's project monitoring report has been found satisfactory. The amount of the subsequent loan tranches is determined on the basis of forecasted expenditure for the coming months within a limit of one year.

**Disbursement of any subsequent tranche should take place within 18 months following the last disbursement**, unless otherwise authorised by the CEB on a case-by-case basis.

#### *Commitment of tranches and repayment*

Each tranche disbursed by the CEB must be committed to the project within the timeframe defined in the FLA, subject to a **maximum limit of 12 months** from the disbursement date. Beyond this limit, unless duly justified and authorised by the CEB, the non-committed amount of the tranche disbursed should be repaid to the CEB as provided in the FLA, with the potential cost of repayment being borne by the borrower.

#### *Technical review modalities and on-site visits*

All projects are subject to a technical appraisal of the key project aspects, including a systematic appraisal of Environmental and Social Safeguards and key climate-related issues. When deemed necessary by the CEB, a technical appraisal mission may be required. Each project is then expected to be subject to a technical monitoring review at least once during its implementation, unless otherwise determined at approval. Technical reviews at appraisal or monitoring stage are undertaken primarily through on-site visits but the CEB may adopt different modalities including hybrid, online or desk technical reviews as appropriate. If during implementation a technical monitoring review rates the project as "barely satisfactory" or "unsatisfactory" (i.e. a rating lower than 3 on a scale of 1 to 4, with 4 being the best), the project shall be visited again within a timeframe proposed by the CEB unless the low rating concerned the completion review. The borrower should endeavour to respect the technical review conclusions and all other CEB's recommendations. Prior to the approval of an additional loan amount under a project loan (an Addendum) a technical monitoring mission concerning the existing loan (or previous Addendum) is compulsory.

#### *Project Loan Completion*

Upon completion of the project, the borrower shall submit to the CEB a completion report on the use of funds and the achievement of the physical and social objectives, as measured by a set of indicators agreed during appraisal and specified in the FLA. The project will be considered completed after the CEB's acceptance of the completion report.

## CHAPTER 4.2

### Financial means of action

#### Programme Loan (PM)

<i>Definition</i>	CEB Programme Loans (PMs) are provided to financial intermediary (FI) institutions or public entities in order to finance a set of diverse investments, small individual projects or “sub-projects”, and multi-project programmes covering one or several CEB sectors of action (i.e. “multi-sector” programmes).
<i>Borrower’s responsibility during implementation</i>	The borrower shall implement the PM in line with the stipulations of the Framework Loan Agreement (FLA) and shall apply all care and diligence – including, but not limited to, legal, financial, compliance, managerial and technical – required for the proper implementation of the programme. The borrower shall implement the programme in conformity with the requirements set forth in the CEB Environmental and Social Safeguards Policy.
<i>Programme loan intermediation</i>	Usually, the implementing FI or public institution on-lends the funds borrowed from the CEB to end-borrowers and bears the direct sub-project credit risk. The implementing FI or public institution is responsible for sub-project/beneficiary/client identification and selection, contracting the sub-project loans where this applies, disbursing the funds to end-borrowers and for monitoring repayments.
<i>Financial intermediary’s responsibility</i>	To reach MSMEs effectively for the purpose of supporting job creation, the CEB can support selected licensed financial intermediaries (FIs) such as commercial banks, leasing companies, specialised FIs (e.g. public development banks), microfinancing institutions or non-banking FIs. This support may either be in the form of direct lending to a selected FI which subsequently “on-lends” to MSMEs, or indirectly through an apex (wholesale) structure providing credit lines to approved FIs for on-lending to MSMEs. The implementing FI or public institution bears the direct credit risk of its on-lending financial intermediaries.
<i>Procurement</i>	Procurement of supplies, works and services to be financed under the PM shall comply with the CEB Procurement Guidelines.
<i>CEB share of financing</i>	<b>The CEB finances up to 50% of total costs</b> unless otherwise agreed during appraisal. To determine the maximum CEB share of financing of a PM, the Bank takes into account the borrower’s overall financial situation, the financing plan for the proposed investment programme and the economic and social objectives of the programme. The maximum CEB share of financing can be applied and monitored either on the basis of the total cost of each sub-project or on the basis of the total programme cost.
<i>CEB loan duration</i>	The financial conditions of the loan should be adapted to the nature of the underlying sub-project investments. In order to <b>match the tenor of the CEB loan</b> proceeds to the needs of end-borrowers, the CEB may disburse parallel tranches with different tenors to finance separately and distinctively different categories of beneficiaries, such as MSMEs and public entities, or different PM components, as applicable.
<i>Programme starting definition</i>	In principle, investments eligible for CEB financing must have been contracted, or their implementation started, <b>not more than 12 months before the disbursement date</b> of the related tranche.
<i>Monitoring modalities</i>	<b>Monitoring is carried out on a loan tranche basis, at least once a year and/or prior to a new disbursement.</b> Monitoring conditions are set in the FLA and vary depending on the type of PM, the specificities of the implementing FI or public institution(s), the project objectives and the type of beneficiaries/end-

	<p>borrowers. Sub-projects/beneficiaries/clients are identified in the monitoring report submitted to the CEB after the disbursement of each tranche.</p> <p>For PMs involving a large number of small-amount sub-projects, the CEB financing share for each sub-project included in the portfolio may be limited to a pre-defined maximum loan amount per sub-project. Monitoring of PMs falling into this category will be portfolio-based, established on aggregated data, portfolio-wide monitoring templates agreed with the borrower during appraisal. In this case, disbursement of the CEB funds will be made in a fixed proportion of up to 50% of the aggregate amount of investments for a given period, rather than being tied to specific sub-projects.</p>
<i>Portfolio based monitoring</i>	
<i>Sub-project cost limit</i>	<p>Nonetheless, for larger-amount sub-projects, the CEB may determine particular thresholds and project monitoring modalities on a case-by-case basis during appraisal. In general, the total <b>costs per sub-project are determined in relation to the type of investment financed. In the specific case of MSME financing, the amount should not usually exceed EUR 2 million. For infrastructure investments in health, education, protection of the environment or improving living conditions in urban and rural areas, the maximum amount per sub-project should usually not exceed EUR 10 million.</b> For all sub-projects above the agreed threshold, the CEB will require a specific set of additional information, including a review of the financing plans and costs breakdown, and if deemed necessary an on-site technical mission.</p>
<i>Disbursement conditions according to absorption capacity</i>	<p>The CEB disburses its PMs in a minimum of two loan tranches. The total number of tranches will vary depending on the sector(s) concerned and the social, technical and financial specificities of sub-projects. The amount of each tranche will be determined according to <b>the absorption capacity of the project/borrower.</b></p>
<i>First tranche disbursement</i>	<p>The borrower may request the disbursement of the first tranche following entry into force of the FLA and fulfilment of all related prerequisites. <b>The disbursement of the first tranche should take place within 12 months following the FLA signature and may not exceed 50% of the authorised loan amount</b> approved by the Administrative Council, unless otherwise justified and agreed during appraisal.</p>
<i>Disbursement of subsequent tranches</i>	<p>Once the first tranche has been disbursed, each subsequent loan tranche can be disbursed as soon as the previous tranche has been fully allocated and subject to receipt by the CEB of the borrower's monitoring report confirming that the previous tranche was duly allocated to identified beneficiaries/end-borrowers and sub-projects meeting the Bank's Eligibility criteria. In specific cases, other monitoring requirements may apply, as established during the appraisal. <b>Disbursement of any subsequent tranche should take place within 18 months following the last disbursement,</b> unless otherwise authorised by the CEB on a case-by-case basis.</p>
<i>Allocation of tranches and repayment</i>	<p>Each tranche disbursed by the CEB must be allocated to eligible programme sub-projects within the timeframe defined in the FLA, subject to a <b>maximum limit of 12 months</b> from the date of the disbursement. Beyond that limit, unless duly justified and authorised by the CEB, the non-allocated amount of the disbursed tranche should be repaid to the CEB as provided in the FLA, with any potential cost of repayment being borne by the borrower.</p>
<i>Unused tranches</i>	<p>In case any CEB loan amount allocated to a beneficiary cannot be utilised, or is only partially utilised to finance the corresponding sub-project, the borrower shall ensure that the unutilised loan amount is promptly reallocated to finance another sub-project in line with CEB's Eligibility criteria.</p>



<i>Ineligible sub-projects</i>	Should one or more sub-projects be deemed to be ineligible for CEB financing, the borrower will either repay that portion of the loan or promptly replace the ineligible sub-project(s) with other eligible ones.
<i>Passing on CEB's loan duration to end-borrowers</i>	In case the maturity of the CEB loan is longer than the maturity of the underlying sub-project loans, the borrower or its on-lending financial intermediaries commit to reutilise reflows (repayments and pre-payments by the end-borrowers), to the extent feasible, to finance additional sub-projects in line with the CEB's respective eligibility criteria.
<i>Passing on CEB's loan conditions to end-borrowers</i>	The borrower shall endeavour, to the extent possible, to pass on, either directly or through its on-lending financial intermediaries, the financial benefits of CEB's interest rates to the end-borrowers. It shall further ensure that its financial intermediaries abide by the CEB requirements with regard to implementation, environmental and social safeguards, compliance, monitoring and reporting of the project.
<i>Technical review modalities and on-site visits</i>	The borrower shall facilitate the organisation of technical monitoring missions, including possible on-site visits. In the case of multi-project-programmes, the investments to be visited will be selected by the CEB on a sample basis. In addition, and when decided by the CEB committees, a technical appraisal review may be required during the PM preparation or appraisal. If during implementation a previous technical monitoring mission rated the project as "barely satisfactory" or "unsatisfactory" (i.e. a rating lower than 3 on a scale of 1 to 4, with 4 being the best), the PM will be visited again within a timeframe proposed by the CEB unless it was the completion mission. The borrower should endeavour to respect the technical review conclusions and all other CEB's recommendations. Technical monitoring missions on investments financed by an additional loan amount under a programme loan (Addendum) are decided on a case-by-case basis by the CEB committees.
<i>Programme Loan Completion</i>	In the case of programme loans, upon completion, the borrower shall submit to the CEB <b>a global monitoring report which details the full allocation of each CEB loan tranche</b> , the achieved physical and social objectives (as measured by a set of indicators agreed during appraisal and specified in the FLA), as well as the average financial conditions granted to the beneficiaries/end-borrowers. The PM will be considered completed after the CEB's acceptance of the global monitoring report.



## CHAPTER 4.3

### Financial means of action

#### EU Co-financing Facility (ECF)

<i>Definition</i>	<p>ECFs are aimed at assisting CEB member states, both within and outside the EU, to take full advantage of different EU financing instruments available for addressing their social investment needs and directly supporting EU objectives.</p> <p><b>In CEB member states that are also members of the EU</b>, ECFs allow borrowers to complement EU Funds by providing, depending on needs, (i) <i>ex-ante</i> pre- or bridge financing as well as (ii) co-financing to cover in part or in full the national contribution to EU-funded programmes.</p> <p><b>In CEB member states outside the EU</b>, the CEB develops ECFs within the CEB sectors of action on a country-by-country basis in support of future EU membership through a renewed Instrument for Pre-accession Assistance (IPA) as well as of European Neighbourhood Instrument objectives, depending on the specific EU Programmes and the instruments available and the type of costs covered by them.</p>
<i>Borrower's responsibility during implementation</i>	<p>The borrower shall implement the project in line with the applicable EU Regulations and EU Funds specific rules as stipulated in the Framework Loan Agreement (FLA) and shall apply all care and diligence – including, but not limited to, legal, financial, environmental and social safeguards, compliance, managerial and technical – required for the proper implementation of the project.</p>
<i>CEB share of financing</i>	<p>In cases where ECF provides both pre-/bridge financing and funding to cover the national and/or local contribution(s), <b>the share of the CEB financing may vary temporarily from the co-financing ceiling established with the EU up to 100% of the overall financing plan agreed between the country and the EU</b>. Upon completion of the facility, the CEB share of financing will be brought back to the level of the national/local financial contribution's ceiling. In any case, upon completion of the facility, the <b>CEB financing will not exceed 50% of the total final cost</b>, unless otherwise agreed during appraisal.</p>
<i>CEB loan duration</i>	<p>The financial conditions of the loan should be adapted to the nature of the underlying investments. In other words, the tenor of the CEB ECF loan should closely correspond to the expected life of the underlying infrastructure to be financed.</p>
<i>Project starting definition</i>	<p>Both payments for on-going contracts signed prior to the signature of the FLA for the ECF as well as new contracts may be considered eligible for financing under ECF as long as they are eligible for financing under the relevant EU instrument regulations.</p>
<i>Eligible costs</i>	<p>Within this framework, <b>eligible costs are those defined by the relevant EU regulations</b> and/or Fund-specific rules, and/or by national rules, and/or by the CEB's eligibility criteria. In-depth, case-by-case analysis of programmes at inception enables full identification and mapping of cost categories/budgetary lines that are to be financed through ECFs. <b>All investments and projects eligible under the associated programmes are considered to be eligible under the facility.</b></p>
<i>Monitoring modalities</i>	<p>Monitoring modalities, including an appropriate disbursement schedule, allocation periods and reporting arrangements will be <b>applied based on the specific modalities of the EU instruments concerned</b>. In addition, the CEB will</p>

apply its own modalities for the review of monitoring reports to be submitted by the borrower.

*Disbursement mechanism*

**ECFs can be disbursed in a minimum of two tranches.** Several thematic objectives/priority axes (components) may be financed independently and/or in parallel.

*First tranche disbursement*

The first tranche will be disbursed based on the EU-funded programmes expenditure forecasts for pre- or bridge financing as well as on national/local co-financing needs.

*Disbursement of subsequent tranches*

Subsequent tranche(s) will be disbursed based on the EU-funded programme allocation capacity following CEB's monitoring of the reporting arrangements for EU Funds put in place at national/local level as well as of any specific modality defined during appraisal and reflected in the FLA.

*Technical review modalities and on-site visits*

The requirement for CEB technical on-site missions and regular participation in EU-funded programmes' monitoring organs (such as Steering Committees) is decided by the CEB on case-by-case basis.

*ECF Completion*

Upon completion, the borrower shall submit a full completion report **in line with EU requirements** on the use of funds and achievement of physical and social objectives, as measured by a set of indicators agreed during appraisal and specified in the FLA.

## CHAPTER 4.4

### Financial means of action

#### Public Sector Financing Facility (PFF)

<i>Definition</i>	<p>The Public Sector Financing Facility (PFF) is well adapted to State or local Treasuries or other public entities that are primarily dependent on budget financing as well as to other entities (public or private under contract) mandated to finance / implement social investments whose mechanism of financing is based on the progress of works and expenditure over one or several budgetary/financing years.</p> <p>The PFF facilitates the optimisation of funding flows and/or helps treasuries and other entities financing social investments in reducing the funding costs for a specific number of budgetary years, agreed during appraisal.</p>
<i>Borrower's responsibility during implementation</i>	<p>The borrower shall implement the project in line with the stipulations of the Framework Loan Agreement (FLA) and shall apply all care and diligence – including, but not limited to, legal, financial, compliance, managerial and technical– required for the proper implementation of the project. The borrower shall implement the project in conformity with the requirements set forth in the CEB Environmental and Social Safeguards Policy.</p>
<i>Procurement</i>	<p>Procurement of supplies, works and services to be financed under the project shall comply with the CEB Procurement Guidelines.</p>
<i>CEB share of financing</i>	<p><b>The CEB finances up to 50% of the overall incurred eligible expenditure in the budget years</b> supported by the PFF, unless otherwise agreed during appraisal. In determining the level of its part-financing of a PFF, the CEB takes into account sectoral needs or objectives and the identified line ministries' / treasuries' / implementing entities' actual or anticipated financing gaps.</p>
<i>CEB loan duration</i>	<p>The financial conditions of the loan should be adapted to the nature of the underlying investments. In other words, the tenor of the CEB PFF loan should closely correspond to the expected life of the underlying infrastructure to be financed.</p>
<i>Project starting definition</i>	<p>In principle, CEB financing enables continuity in the financing of existing investments registered in the budget. <b>The PFF may support several budgetary/financing years, starting with the budgetary/financing year that just precedes the approval date of the PFF by the Bank's Administrative Council.</b> The PFF covers the eligible expenditures included in the respective budget years regardless of the implementation schedule of the underlying investments. Indeed, the inherent investments may have already been contracted and their implementation started.</p>
<i>Eligible costs</i>	<p>Eligible expenditures under the PFF include on-going investment contracts and maintenance costs excluding personnel costs (wages/salaries and other related benefits such as pension payments, except in cases referred to in <a href="#">Chapter 5</a> below), as well as financial costs, taxes or non-cash items such as depreciation. On an exceptional basis, the PFF may cover the above-mentioned investment and maintenance costs but also the expenditures needed to ensure the viability and sustainability of public services, including certain categories of recurrent costs identified during appraisal.</p>
<i>Monitoring modalities</i>	<p>Monitoring modalities for PFF loans are determined during appraisal, in general on the basis of the progress of budget expenses. In principle, borrowers are required to provide a monitoring report in line with the CEB's Loan and Project</p>

Financing Policy at least once a year and/or prior to a new disbursement, unless otherwise agreed during appraisal. Special attention is given to the financial management and to the operational capacity of the implementing entity in charge, to ensure the successful implementation and sustainability of the investments proposed. The relevant indicators will be adjusted to the nature of the underlying investments/ investment programmes.

*Disbursement mechanism* Disbursement and monitoring modalities for PFF loans are determined case by case during appraisal and, in general, **on the basis of the progress of expenditure and/or works**. PFFs are to be disbursed in a minimum of two tranches. Each tranche is expected to be allocated within a 12-month period from the date of disbursement.

*First tranche disbursement* The borrower may request the disbursement of the first tranche within 12 months following the FLA's signature and fulfilment of all related prerequisites. **The first tranche may not exceed 50% of the authorised loan amount** approved by the Administrative Council, unless otherwise agreed during appraisal.

*Disbursement of subsequent tranches* **Once the first tranche has been disbursed, each subsequent loan tranche can be disbursed as soon as the previous tranche has been fully allocated.** The amount of the subsequent loan tranches will be determined on the basis of actual and forecasted expenditure for the coming months, within a limit of one year.

**Disbursement of any subsequent tranche should take place within 18 months following the last disbursement,** unless otherwise authorised by the CEB on a case-by-case basis.

In the absence of disbursement during two consecutive years following approval of the PFF by the Administrative Council, the facility will be automatically removed from CEB's stock of projects.

*Tranches allocation and repayment* Each tranche disbursed by the CEB must be **allocated** under the PFF within the timeframe defined in the FLA, subject to a **maximum limit of 12 months** from the disbursement date. Beyond that limit, unless duly justified and authorised by the CEB, the unallocated loan amount will be repaid to the CEB, as provided in the FLA, with the potential cost of repayment being borne by the borrower.

*Technical review modalities and on-site visits* Each project is expected to have a technical monitoring review by the CEB at least once during its implementation. In addition, and when deemed necessary by the CEB, a technical appraisal mission may be required during the preparation of the PFF or its appraisal by the CEB. Technical reviews at appraisal or monitoring stage are expected to be undertaken primarily through technical on-site visits but the CEB can organise hybrid, online or desk technical reviews when applicable. If during implementation a previous technical monitoring review rated the PFF as "barely satisfactory" or "unsatisfactory" (i.e. rating lower than 3 on a scale of 1 to 4, with 4 being the best), the PFF will be visited again within a timeframe proposed by the CEB unless it was the completion mission. The borrower should endeavour to respect the technical review conclusions and all other CEB's recommendations. Technical monitoring reviews on investments financed by an additional loan amount under a PFF (Addendum) are decided on a case-by-case basis by the CEB committees.

*PFF Completion* Upon completion of the facility, the borrower shall submit to the CEB a completion report on the use of funds and the achievement of the objectives, as measured by a set of indicators agreed during appraisal and specified in the FLA. The facility is considered completed after CEB's acceptance of the completion report.

## CHAPTER 4.5

### Financial means of action

#### Cross Sectoral Loan (CSL)

<i>Definition</i>	The CSL responds to borrowers' cross-sectoral needs, with the ultimate scope of facilitating access to financing for socially-oriented projects eligible at the same time in several CEB sectors of action. Thus, a set of related aims and objectives are defined across several sectors during appraisal as "cross-sectoral" elements, which are monitored according to specific indicators determined before or during implementation and specified in the Framework Loan Agreement (FLA).
<i>Borrower's profile</i>	The CSL is directly available to public authorities, whether they are national, regional or municipal, as well as to state-owned development banks and other public intermediating financial institutions.
<i>CSL specificities</i>	<p>In preparing CSLs, particular attention is paid to the specific situation of the country itself and to the social priorities identified, whereby the emphasis is placed on disadvantaged areas, national or local priority programmes in social sectors and those intended for communities hosting refugees and migrants.</p> <p>The cross-sectoral element defines the project's social value added; therefore, it should have quantifiable and measurable indicators for each sector, e.g. the number of vulnerable group beneficiaries (such as migrants/refugees or persons with disabilities). CSL is well adapted in the case of interventions eligible simultaneously in several CEB sectors of action like "Health and social care", "Education and vocational training" and "Urban, rural and regional development", or the expected energy savings in the case of projects eligible in the "Social and affordable housing" and "Protection of the environment" sectors.</p>
<i>Monitoring modalities</i>	During the CSL implementation, the CEB monitoring focuses on the cross-sectoral elements and related objectives of the interventions, in addition to the relevant data submitted in the monitoring report by the borrower.
<i>Disbursement conditions</i>	Modalities for the disbursement and monitoring of CSLs are determined during appraisal, either on the basis of absorption capacity or on the basis of the progress of works, depending on the type of sub-projects concerned. These disbursement and monitoring modalities are defined in the FLA.
<i>First tranche disbursement</i>	The borrower may request the disbursement of the first tranche following the entry into force of the FLA and fulfilment of all related prerequisites. <b>The disbursement of the first tranche should take place up to 12 months following the signature of the FLA and may not exceed 50% of the authorised loan amount</b> approved by the CEB's Administrative Council, unless otherwise agreed during appraisal.
<i>Disbursement of subsequent tranches</i>	Once the first tranche has been disbursed, each subsequent loan tranche can be disbursed as soon as the previous tranche has been fully allocated and subject to the receipt by the CEB of the borrower's monitoring report confirming that the previous tranche has been duly allocated to identified beneficiaries/end-borrowers and sub-projects meeting the CEB's Eligibility criteria. In specific cases other monitoring requirements might apply, as established during appraisal. <b>Disbursement of any subsequent tranche should take place within 18 months following the last disbursement</b> , unless otherwise authorised by the CEB on a case-by-case basis.

<i>Tranches allocation and repayment</i>	Each tranche disbursed by CEB must be allocated to sub-projects under the programme within the timeframe defined in the FLA, subject to a <b>maximum limit of 12 months</b> from the disbursement date. Beyond this limit, unless duly justified and authorised by the CEB, the unallocated loan amount must be repaid to the CEB according to the provisions contained in the FLA, with the cost of repayment being borne by the borrower.
<i>Unused tranches</i>	In case any CEB loan amount allocated to a beneficiary cannot be utilised, or is only partly utilised to finance the corresponding sub-project, the borrower shall ensure that the unutilised loan amount is promptly reallocated to finance another sub-project in line with the CEB's eligibility criteria.
<i>Ineligible sub-projects</i>	Should one or more sub-projects be deemed to be ineligible for CEB financing, the borrower will either repay that portion of the loan or promptly replace the ineligible sub-project(s) with eligible ones.
<i>Passing on CEB's loan duration to end-borrowers</i>	In case the maturity of the CEB loan is longer than the maturity of the underlying sub-project loans, the borrower or its on-lending financial intermediaries commit to reutilise reflows (repayments and pre-payments by the end-borrowers), to the extent feasible, to finance additional sub-projects in line with the CEB's respective eligibility criteria.
<i>Passing on CEB's loan conditions to end-borrowers</i>	The borrower shall endeavour, to the extent possible, to pass on, either directly or through its on-lending financial intermediaries, the financial benefits of CEB's interest rates to end-borrowers. In addition, it shall ensure that its financial intermediaries abide by the CEB requirements with regard to implementation, environment, compliance, procurement, monitoring and reporting of the project.
<i>Technical review modalities and on-site visits</i>	The borrower shall facilitate the organisation of technical monitoring missions, including possible on-site visits. In the case of multi-project-programmes, the investments to be visited will be selected by the CEB on a sample basis. In addition, and when decided by the CEB committees, a technical appraisal review may be required during preparation or appraisal of the CSL. If during implementation a previous technical monitoring mission rated the project as "barely satisfactory" or "unsatisfactory" (i.e. rating lower than 3 on a scale of 1 to 4, with 4 being the best), the CSL will be visited again within a timeframe proposed by CEB unless it was the completion mission. In any case, the borrower should endeavour to respect the conclusions of the technical mission and consider the CEB's recommendations.
<i>CSL Completion</i>	Upon completion, the borrower shall submit to the CEB <b>a final monitoring report which details the full allocation of the loan</b> , the physical and social objectives achieved (as measured by a set of indicators agreed during appraisal and specified in the FLA) as well as the mean financial conditions granted to the beneficiaries. The CSL is considered completed when such a report is deemed acceptable by the CEB.

## CHAPTER 4.6

### Financial means of action

#### PPP Financing

1. CEB Project Loans and Programme Loans may support projects developed through Public Private Partnerships (PPPs) when such projects are in line with national regulatory frameworks that respond to best practice requirements.
2. CEB support in this regard is focussed particularly on projects in those sectors where the Bank's added value is most important, e.g. education, health and judiciary infrastructure as well as low income housing.
3. CEB Project Loans and Programme Loans may support projects, or bundles of sub-projects, developed under PPPs, through intermediated lending in principle via private commercial banks or state-owned financial institutions/agencies.
4. In the case of direct lending, depending on the project, the CEB aims to mitigate the project risk of the PPP-company by a sovereign guarantee or an alternative credit enhancement.
5. During appraisal the following pre-requisites will be considered:
  - 5.1 PPP legal framework at country level;
  - 5.2 Public sector capacity to manage PPP projects with emphasis on technical procurement, "value for money" analysis, as well as the analysis of "construction risk", "availability risk" and "demand risk";
  - 5.3 Active/experienced private sector;
  - 5.4 Long-term policy commitment and budgetary issues;
  - 5.5 Sustainability of the investment;
  - 5.6 Final beneficiaries in line with the CEB's social objectives and target groups.
6. PPP projects, especially in the case of direct lending, might require extensive use of consultancy and legal services at considerable additional costs for the Bank. Depending on the project, the CEB might consider charging fees (cost recovery) to cover these additional costs.
7. The Project Loan and Programme Loan appraisal and monitoring requirements apply.

## CHAPTER 4.7

### Financial means of action

#### Guarantees

1. The CEB can also provide guarantees to financial institutions or other entities approved by a member state for loans aimed at achieving the objectives set forth in Article II of the CEB Articles of Agreement
2. <sup>1</sup>, according to conditions that are set on a case-by-case basis by the Administrative Council, depending on the beneficiary of the guarantee.
3. In such cases, as far as the implementation of the project is concerned, the obligations of the beneficiary of the CEB's guarantee will be exactly the same as those of a borrower receiving a loan, particularly in terms of monitoring and reporting.

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<sup>1</sup> <https://coebank.org/en/about/basic-legal-texts/>



## CHAPTER 4.8

### Financial means of action

#### Grants

##### Purpose and applicable policies and procedures

1. Grants are financed from donor contributions held in the Bank's trust accounts.
2. Article II of the Bank's Articles of Agreement sets out the purpose for which these grants can be used while the Loan and Project Financing Policy sets up the applicable eligibility criteria.
3. The grants are used to finance:
  - 3.1 Advisory services for beneficiaries and / or their operating costs, known as **Technical assistance grants**. The Bank uses such grants to enhance the capacity of project implementers to prepare and implement their projects in accordance with best practices (for more information on technical assistance see [Chapter 9](#)).
  - 3.2 Investment cost of projects. The Bank uses these grants, known as **Investment grants**, in combination with its loans or on a stand-alone basis.
  - 3.3 Interest on CEB loans. Such grants, named **Interest subsidies**, provide another way for the CEB to reduce the financial burden for project implementers.
  - 3.4 **Risk sharing mechanisms**. These grants enable the CEB to provide loans to beneficiaries who would not otherwise be eligible because they do not meet the Bank's credit risk requirements.
4. The CEB shall provide grants in compliance with its policies and procedures for internal control, accounting, procurement, audit, environmental and social safeguards, data protection and integrity due diligence.
5. The CEB shall also comply with the specific conditions set out by donors regarding the use of their contributions.
6. In cases in which the CEB gives grants to other international organisations, or co-finances grants with other international financial institutions, the CEB has the possibility to rely on the international organisation's or international financial institution's policies and procedures for internal control, accounting, procurement, audit, environmental and social safeguards, data protection and integrity due diligence.
7. The rules related to the eligibility, award, financing, monitoring and evaluation of grants used for financing technical assistance and investment costs of projects are defined below. For Interest subsidies and Risk sharing mechanisms, these rules will be defined in the specific terms and conditions governing the use of the funds of the relevant trust account.

##### Eligible recipients

8. Grant recipients can be non-governmental organisations, international institutions, member states, central or local government entities, or any other public or private entity acceptable to the CEB and eligible under the terms and conditions governing the use of the funds held in the relevant trust account. The CEB does not apply any restrictions in terms of nationality.

## **Sectors of action and Eligibility criteria**

9. Projects supported by grants shall fall within the CEB sectors of action as defined in [Chapter 2](#) of this Handbook and meet the required eligibility criteria.
10. Sectors of activity excluded from CEB grant financing are defined in [Chapter 3](#).

## **Eligible costs**

11. The costs eligible for CEB grant financing are defined in [Chapter 5](#). In certain cases, the costs eligible may be further determined by the terms and conditions governing the use of funds held in the relevant trust account.

## **Award**

12. The CEB may award grants directly or, when required pursuant to the terms and conditions governing the use of funds held in a trust account or decided based on the type of project to be financed, following a competitive procedure.
13. The CEB evaluates the project's social objectives, financial and technical feasibility and implementation arrangements including environmental and social safeguards, the purpose of the grant and its contribution to the project, as well as the financial and management capacity of the applicant, including its internal control and audit procedures. A key criterion of this assessment is the social impact and the Bank will take due care to ascertain that the project and the grant are structured in such a way as to generate the expected social outcomes. If the applicant also requests a loan, this assessment may be performed as part of the loan appraisal process (for more information on the appraisal of the loan, see [Chapter 7](#) of this Handbook).
14. When awarding grants through a competitive procedure, the CEB shall ensure wide publication of information on the potential grants, in easily accessible forms, with sufficient time allowed for interested parties to submit grant requests. The grant requests will be screened by an evaluation committee applying clear, published criteria. The CEB procedures include rules to prevent conflicts of interest throughout the grant approval process. The CEB applies the principles of transparency, proportionality, sound financial management, equal treatment and non-discrimination.
15. Grants shall be approved following the procedure stipulated in the terms and conditions governing the use of funds held in each trust account.

## **Publication of Grant recipients**

16. The CEB will publish on its website the information on grant recipients, in line with the CEB Public Information Policy and the Annex "Publication of Information".

## **Contracting**

17. Once approved, grants shall be formalised either through a Grant Agreement or a Framework Financing Agreement (if combined with a loan). The agreement is usually signed by the CEB and the recipient within twelve (12) months following the approval of the grant.
18. Agreements shall reflect the terms and conditions for the use of the grant defined by the CEB during project appraisal, in the grant approval documentation and, in the case of an award following a call for proposals, in the guidelines for applicants. These agreements shall include the terms and conditions concerning the project's implementation, reporting, auditing and monitoring.

19. Grant recipients shall comply with the requirements provided in the agreement at all times following signature of the agreement.
20. Moreover, grant recipients shall take all appropriate measures to ensure the visibility requirements related to the CEB and, where applicable, to donors.
21. The Bank may demand repayment of disbursed grants where there is breach of contractual requirements, in particular in the case of corruption, fraud, money laundering, misprocurement or when the implementation of the project leads to a violation of the CEB's Environmental and Social Safeguards Policy, the "Convention of the Protection of Human Rights and Fundamental Freedoms" or the "European Social Charter".

### **Modification and cancellation**

22. Any substantial modification of the use of a grant shall be subject to the CEB's and, where applicable, donors' approval. If the grant has been awarded through a competitive procedure, such modification must not have a detrimental impact on the principle of equal treatment of applicants.
23. Grants may be cancelled:
  - a. at the request of the beneficiary
  - b. at the CEB initiative:
    - i. whether a grant agreement or a framework financing agreement has been signed or not, in the circumstances that may give rise to cancellation under the grant agreement or the agreement with the donor or under the framework financing agreement if the grant is combined with a loan,
    - ii. if no grant agreement or framework financing agreement has been signed within twelve (12) months following approval of the grant, unless an extension has been granted by the CEB,
    - iii. if no disbursement has been made within the timeframe stipulated in the grant agreement or the framework financing agreement, unless an extension has been granted by the CEB.

### **Financing**

24. A project may benefit from more than one grant, as long as the grants do not finance the same expenditure, in consistency with the principle of non-cumulative awards.
25. In accordance with the principle of non-retroactivity, grants may only finance expenditures incurred during the project implementation period, except in duly justified cases. In accordance with the principle of non-profit, grants shall not have the purpose or effect of producing a profit for the grant beneficiary, except in duly justified cases.
26. The percentage of grant financing of project costs will be determined in accordance with the conditions set out by donors regarding the use of their contributions.
27. Should the costs of the project increase or be revised upwards for whatever reason, the beneficiary shall ensure that the additional financial resources are duly provided.
28. Grants will be disbursed in a minimum of two tranches, unless otherwise specified. The first disbursement will take place within twelve (12) months following the signature of the grant agreement or the framework financing agreement, unless otherwise authorised by the CEB on a case-by-case basis.
29. A new disbursement may take place as soon as a predefined portion of the previously disbursed grant tranche has been used by the grant recipient, provided all the necessary monitoring information has been received and favourably reviewed by the CEB.

30. The conditions for disbursement applicable to each grant shall be specified in the grant approval documentation or, if awarded following a competitive procedure, in the guidelines for applicants and reflected in the grant agreement or in the framework financing agreement.
31. The CEB must be notified of the non-use of funds, including the reason that prevented their utilisation. The CEB shall require the borrower to reimburse such funds or re-allocate them to other eligible expenses, or, in certain cases, grant an extension of the timeframe for the use of funds.

#### **Technical review throughout the project cycle**

32. A technical appraisal of the operation shall be carried out according to the standard modalities defined for the CEB-financed operations according to the nature of the underlying activities, including systematic screening of Environmental and Social Safeguards and climate-related aspects and relevant assessment of procurement related issues.
33. Technical monitoring, including any needed implementation support, shall be carried out according to the modalities defined for the CEB-financed operations according to the nature of the underlying activities. This will include assessment of procurement modalities and the provision of no-objections as relevant.

#### **Monitoring**

34. Monitoring is carried out from the time of the approval of the grant up to its completion. In carrying out the monitoring function, the CEB keeps track of how the project is progressing in terms of expenditure, resource use, implementation of activities, delivery of results and management of risks. The CEB ascertains that the projects supported by grants are implemented in compliance with the respective grant or Framework Financing Agreements.
35. The CEB will perform both regular desk reviews, on the basis of information submitted by grant beneficiaries, and on-site visits. On-site visits may be carried out jointly with donors upon request.
36. Grant recipients shall provide to the CEB regular information on the progress of the project and on the use of the grant in a form of progress reports. The reporting templates will be included in the grant agreement or the framework financing agreement. The progress reports should be provided at least once per year during the project implementation period and prior to each disbursement (except for the first tranche).
37. Following project completion, the beneficiary will provide a completion report.
38. Grant recipient shall inform the CEB promptly of any material changes affecting project implementation. They shall also provide to the CEB at any time any information deemed necessary by the Bank to assess whether the commitments under the grant agreement or the framework financing agreements are met.
39. Grants may be subject to expenditure verifications performed by external auditors, in compliance with respective grant or Framework Financing Agreements.

#### **Evaluation**

40. The Bank may carry out evaluations of any project supported by a grant to assess their performance and measure their impact with the aim of promoting the Bank's accountability and generating learning that can improve the quality of on-going and future CEB operations.

## CHAPTER 5

### Eligible costs

The investment costs eligible for CEB financing include:

<i>Surveys</i>	The preparatory surveys or studies (technical, economic or commercial, engineering, environmental and social impact assessment and management plans) the technical supervision of the project and other project related professional services. These costs should not exceed 5% of the total cost of the project, unless justified.
<i>Land</i>	The acquisition or preparation of land that the client can demonstrate is directly linked to the project's implementation, at its purchase price, unless it has been donated or granted.
<i>Infrastructure</i>	Construction/renovation/modernisation or purchase of buildings directly linked to the project. Purchasing of buildings shall correspond to the eligible sectors of activity defined in the NACE nomenclature of the European Union (see <a href="#">Chapter 3</a> ).
<i>Basic infrastructure</i>	The installation of basic infrastructure such as sewerage, water supply, gas supply, electricity and telecommunications networks, waste disposal and waste water treatment, roads, etc.
<i>Sustainability</i>	The maintenance of the viability and sustainability of the public services, including certain categories of recurrent costs to be determined during appraisal, on an exceptional basis.
<i>Equipping</i>	The purchase of materials, equipment and machinery, including IT equipment and software, as well as the related costs linked to the training of staff.
<i>Technical assistance</i>	Technical assistance, as defined under the dedicated Chapter of the Handbook (see <a href="#">Chapter 9</a> ).
<i>Contingencies</i>	Contingencies for unanticipated costs (technical and/or price increases) can be financed by the CEB. These represent financial coverage for unforeseen changes in the quantity of works required, or of unit prices, in the type and quantity of equipment to be purchased or in the method of carrying out the project. Depending on the sector of activity and the various components of the project, these contingencies may represent up to 10% of the total cost of the project. The percentage of contingencies may be higher if justified during appraisal.
<i>Costs of training and public awareness raising</i>	Costs related to professional/vocational training and public awareness-raising campaigns may be eligible for CEB financing taking into account their objectives within the framework of the projects.
<i>Staff costs</i>	CEB loans cannot cover staff costs (wages/salaries and other related benefits such as pension payments), financial charges and non-cash items such as depreciation. Such costs may however be considered eligible when they relate to project management or technical assistance required for project preparation and implementation.
<i>Financial costs</i>	Financial costs (payment and/or refinancing of debts, interest charges, acquisition of interest in the capital of an enterprise, etc.) or financial investments cannot be included in the estimated cost of the project and cannot be financed by the CEB.
<i>Value-added Tax (VAT)</i>	VAT and other tax-related costs can be considered as eligible costs if they are non-deductible and non-refundable for the borrower.

#### *Maintenance costs*

For projects supporting MSMEs, working capital requirements can be considered eligible for CEB financing under certain conditions determined during appraisal and detailed in [Chapter 2](#).

#### *Working capital needs*

For PFFs, eligible expenditures can also include on-going investment contracts and maintenance costs excluding staff costs, financial costs, taxes or non-cash items such as depreciation. On an exceptional basis, the PFF may also cover the expenditures needed to ensure the viability and sustainability of public services, including certain categories of recurrent costs identified during appraisal.

## CHAPTER 6.1

### Environmental and Social Safeguards Policy (ESSP) Standards

#### General considerations

#### Introduction

1. The Handbook presents the detailed requirements for environmental and social safeguard review and assessment of projects which have been screened by the CEB in accordance with the Environmental and Social Safeguard Policy (ESSP) and which are considered to carry potential risks which require further analysis. This process is documented in the project's safeguard screening sheet. The application of the specific sets of requirements referred to under the Environmental and Social Safeguard Standards (ESSS) is dependent on the outcome of the screening process and the nature of the identified risks (e.g. environmental or social or both).
2. It should be kept in mind that the project screening outcome may be revised if warranted by additional information that becomes available during the CEB's appraisal of the project. In other words, a project which was initially screened-out may be screened-in (or vice-versa) on the basis of new data.

#### Borrower information requirements and the CEB's environmental and social due diligence

3. The borrower is responsible for providing the CEB with the necessary environmental and social risk information in a timely manner. If documentation is incomplete at the time of appraisal, the CEB will base its environmental and social due-diligence on the information available and on environmental and social risks inherent to the project characteristics and context of implementation. The CEB also reviews the implementing authority's commitment and capacity to further develop and implement the project in line with the ESSP.

#### Entering borrower requirements in the Framework Loan Agreement and information disclosure

4. Specific environmental and social requirements the borrower must respect as a result of the CEB's screening process and the application of the relevant environmental and social safeguard standards will be reflected in the Framework Loan Agreement related to the project. This particularly concerns requirements included in an environmental and social management plan or framework (ESMP/ESMF), a resettlement plan/framework or livelihood restoration plan/framework.
5. In accordance with the requirement of the ESSP, the CEB will publish, on its website, at least thirty days in advance of the CEB Administrative Council Decision a summary of projects:
  - 5.1. categorised "A", FI-1 and PI-1; and projects
  - 5.2. categorised "B" and subject to environmental impact assessment (EIA) or environmental and social impact (ESIA).

The website publication will include a link to the non-technical summary of the EIA or ESIA where applicable.

#### Application of environmental and social safeguard standards (ESSS)

6. The CEB applies a set of two environmental and social safeguard standards (ESSS 1 and ESSS 2) which the borrower must follow if triggered by the CEB's screening process. The ESSS are based upon safeguards in use by other international financial institutions such as Asian Infrastructure Investment Bank and the World Bank and adapted to the specific mandate and geographic focus of the CEB.

7. The two environmental and social safeguard standards' scope and coverage are as follows:
  - 7.1. ESSS 1 describes the requirements for environmental and social assessment, public consultation and risk mitigation and management in terms of process and issues to be addressed. This includes the protection of nature and biodiversity, pollution prevention, resource efficiency, climate change, vulnerable groups, gender and discrimination, working conditions and community health and safety.
  - 7.2. ESSS 2 describes the requirements for addressing issues of economic and physical displacement of persons in connection with project-induced compulsory land purchase orders.
8. ESSS 1 applies when the CEB has determined, in consultation with the borrower that an assessment of the project's environmental and social risks and adverse impacts is needed. The borrower is then required to undertake such an assessment, in line with the requirements of the safeguard standard.
9. ESSS 2 applies if the project would involve land acquisition, economic displacement or involuntary resettlement. In that case the CEB requires the borrower to address these aspects following the requirements of the safeguard standard.

#### **Application of environmental and social safeguard standards to multi-project loan facilities**

10. For category FI and PI loan facilities which are implemented through on-lending institutions and which support a large number of sub-projects whose characteristics are not identified ex-ante, the CEB relies upon the intermediary to select eligible sub-projects which are consistent with the requirements of the ESSP. For this purpose, the Bank requires that the intermediary shall:
  - 10.1. Screen sub-projects against the CEB's exclusion list and reject projects that are ineligible for the CEB financing;
  - 10.2. Indicate when a sub-project is subject to an environmental and/or a social impact assessment (E(S)IA) and provide the CEB with the possibility to review such an assessment prior to the allocation of CEB funds to the sub-project, where applicable.
11. For FI and PI loan facilities that include a limited number of well-identified sub-projects the CEB shall determine on the basis of the characteristics and the potential environmental and/or social risks of the identified sub-projects if specific environmental and social safeguard standards apply. In such case, the CEB requires that the intermediary ensures that sub-projects are consistent with the applicable safeguard standards.

#### **Projects which have been subject to environmental and social assessment prior to inception**

12. For projects which have already been subject to environmental and social assessment prior to the CEB involvement, the Bank will review the existing documentation provided by the borrower, to establish whether:
  - 12.1. all relevant environmental and social risks and potential adverse impacts associated with the project are considered and consultations with project-affected persons are undertaken in line with the requirements of the ESSP;
  - 12.2. the project design and implementation plan include appropriate measures to manage risks and avoid/mitigate/compensate potential adverse environmental and social impacts;
  - 12.3. the implementing authority has the necessary capacity to appropriately manage the environmental and social risks.
13. If the CEB deems that the project planning documentation and processes need additional work to be in line with the requirements of the ESSP, the CEB may require the borrower to strengthen existing assessments and studies and/or to conduct complementary studies where needed. As part of project preparation support, the Bank may provide assistance to the borrower with the environmental and social safeguard assessment process through direct technical support and by helping to fund assistance by third party specialists.



## Environmental and social safeguards monitoring

14. The CEB's implementation review of environmental and social safeguards measures includes the following tasks:
  - 14.1. Reviewing the periodic monitoring reports provided by the borrower.
  - 14.2. Undertaking periodic visits to project sites.
  - 14.3. Consulting with the borrower on the need to communicate observations and institute corrective measures in the cases in which the non-conformity with the conditions of the Loan Agreement is identified.

## CHAPTER 6.2

### ESSS 1 – Environmental and Social Safeguard Assessment and Management

#### INTRODUCTION

1. The CEB considers it important that all borrowers have a systematic approach to the management of environmental and social risks and adverse impacts related to the projects receiving CEB financing. The application of appropriate project management mechanisms is essential for ensuring the project's environmental and social sustainability and in contributing to minimising the risk of adverse effects on project implementation, including budget overruns, litigation and reputational risks.
2. The CEB requires that the borrower adopts an integrated approach to the assessment of environmental and social risks and adverse impacts where feasible, as these safeguard issues are interrelated and need appropriate coordination during project planning and implementation.
3. The objectives of Environmental and Social Safeguard Standard (ESSS) 1 are to:
  - 3.1 Identify and assess environmental and social risks and adverse impacts associated with the project;
  - 3.2 Propose and adopt measures to avoid these risks or, where avoidance is not possible, minimise, mitigate, or offset/compensate for adverse impacts on project-affected persons, workers and the environment;
  - 3.3 Support the integration of environmental and social safeguard considerations into the project decision-making process and implementation;
  - 3.4 Ascertain and foster the project's design compliance with appropriate environmental and social safeguard standards during its operation.

#### SCOPE AND APPLICATION

4. ESSS 1 applies if the project is likely to have environmental risks and adverse impacts and/or social risks and adverse impacts. The scope of the environmental and social assessment and management measures should be proportional to the risks and adverse impacts of the project.
5. When the project is located in an EU member state, an EEA country, an EU Candidate or potential Candidate Country or a country in the EU Neighbourhood who has signed an association or another form of agreement with the EU, the borrower shall ensure that the assessment process related to environmental risks and potential adverse impacts is consistent with the Directive<sup>1</sup> on EIA.
6. In all other cases the borrower shall ensure that the process complies with the requirements of the host country's applicable legislation and meets the requirements for environmental impact assessment of ESSS 1, as described in section A "Assessment and Management Process" and section B "Environmental Coverage".
7. The process for the assessment of social risks and adverse impacts indicated in the ESSS 1 applies to all projects irrespective of the host country.

#### REQUIREMENTS

8. The borrower is required to pro-actively manage project-related environmental and social risks and adverse impacts and to ensure that the actions indicated in the following paragraphs are undertaken and documented.
9. Undertake the environmental and social impact assessment process for the project in accordance with Section 5 of the ESSP and the scope and application modalities of ESSS 1, and incorporate the elements described below.

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<sup>1</sup> Directive 2014/52/EU

10. Consult with the CEB if it is deemed that one or more elements of the assessment process are not applicable to the project. Document why these elements are considered non-applicable.
11. Ensure the preparation of an environmental and social assessment report, containing: a Non-Technical Summary, a Main Report, and Annexes as appropriate, including one on consultations. In cases where environmental and social assessment work may already have been carried out for the project, the Bank reviews the work, and in consultation with the borrower, determines whether any additional environmental or social safeguard work is needed. This process may also require the borrower to undertake complementary consultations.

## **A. Assessment and Management Process**

### **Environmental and Social Safeguard Assessment Process**

12. Review the host country's legal framework (including adopted international agreements) applicable to project-related environmental and social impact assessment, including environmental and social safeguard standards related to the project's operation. Analyse potential gaps with the ESSS 1 and propose an approach to address these gaps for review by the CEB.
13. Scale the scope and detail of the assessment to the project characteristics, environmental and social sensitivity of the location and magnitude of the project's potential risks and impacts.
14. Use strategic, sectoral or regional environmental and social assessments and cumulative impact assessments, where appropriate.
15. Assess potential trans-boundary and global impacts, including climate change information and analysis as they relate to the project.
16. Undertake an environmental and social safeguard assessment for the proposed project to identify direct, indirect, cumulative and induced risks and impacts to physical, biological, socio-economic and cultural resources in the project's area of influence, including among others impacts on:
  - 16.1 Air and water quality;
  - 16.2 Environmental health;
  - 16.3 Natural resources, including land, water and ecosystems;
  - 16.4 Livelihoods;
  - 16.5 Vulnerable groups;
  - 16.6 Gender;
  - 16.7 Worker and community health and safety;
  - 16.8 Cultural resources.
17. Apply a mitigation hierarchy in the environmental and social safeguard assessment, in the following order:
  - 17.1 Anticipating and avoiding risks and impacts;
  - 17.2 Minimising or reducing risks and impacts to acceptable levels where avoidance is not possible;
  - 17.3 Mitigating, once risks and impacts have been minimised or reduced;
  - 17.4 Compensating for or offsetting, where residual risks or impacts remain, and where technically and financially feasible.

### **Examination of Alternatives**

18. Examine, in a comparative manner: (a) alternatives to the proposed project that are relevant to the stage of the project's development; and (b) their potential environmental and social risks and impacts. As part of examining alternatives, consider the "without project" option. Document the rationale for selecting the proposed option.

19. Assess the alternatives' feasibility of mitigating environmental and social risks and impacts, capital and recurrent costs, suitability under local conditions, and the institutional, training and monitoring requirements for alternatives. Examine project alternatives to avoid or minimise physical and economic displacement associated with Involuntary Resettlement and impacts on vulnerable groups.

#### **Mitigation Measures and Environmental and Social Safeguards Management Plan**

20. Address adverse environmental and social impacts in accordance with the mitigation hierarchy, with emphasis on avoiding adverse impacts, or where avoidance is not possible, on minimising them. Where possible, enhance positive impacts by means of environmental and social planning and management.
21. Prepare an Environmental and Social safeguards Management Plan (ESSMP) that presents the approach for addressing identified impacts and the established measures to mitigate, monitor and manage the impacts. Key considerations for preparing the ESSMP include mitigation of potentially adverse impacts to acceptable levels, and the polluter pays principle. The ESSMP should specifically include proposed:
  - 21.1 Mitigation measures;
  - 21.2 Environmental and social safeguard monitoring and reporting requirements;
  - 21.3 Specific institutional or organisational arrangements;
  - 21.4 Provisions for disclosure and consultation;
  - 21.5 Capacity development and training measures;
  - 21.6 Implementation schedule;
  - 21.7 Cost estimates;
  - 21.8 Performance indicators.

#### **Changes in project Scope, Design or Operation**

22. If the project scope, design, implementation or operation is subject to significant modifications which are likely to result in additional environmental or social risks or adverse impacts: carry out an appropriate complementary assessment of such modifications and stakeholder engagement in accordance with the ESSP and applicable ESSs.
23. Submit the complementary assessment and, as appropriate, the proposed mitigation measures to the Bank for review. Implement the approved mitigation measures. Disclose the project changes and mitigation measures in accordance with the provisions on information disclosure of ESS 1.

#### **Environmental and Social Safeguards Management Planning Framework**

24. Subject to the Bank's agreement, and in the specific circumstances indicated in the subadjacent bullets, the borrower/project promoter may undertake, as a preliminary approach to addressing project-related environmental and social risks and issues, the preparation of an Environmental and Social Safeguards Management Planning Framework (ESSMPF) if:
  - 24.1 The project consists of a programme or series of activities whose details are not yet identified at the time of the CEB project approval; or
  - 24.2 The CEB determines that the environmental and social safeguard assessment of identified project activities may be conducted using a phased approach.
25. The purpose of the ESSMPF is to ensure that the project activities covered will be assessed and implemented in accordance with the ESSP and applicable ESSs.
26. Specify and describe in the ESSMPF:
  - 26.1 Host country's legal framework applicable to project-related environmental and social impact assessment of the anticipated project activities;

- 26.2 Policies and procedures proposed to be applied to assess and address environmental and social risks and adverse impacts of the project activities, including involuntary resettlement;
  - 26.3 Inventory of the anticipated environmental and social risks and impacts;
  - 26.4 Modalities for screening and assessment of sub-projects;
  - 26.5 Provisions for disclosure and consultation;
  - 26.6 Implementation arrangements and roles and responsibilities;
  - 26.7 Monitoring arrangements.
- 27. Include in the ESSMPF, when applicable, an RPF in accordance with ESSS 2. Prepare the ESSMPs and any other required environmental and social assessment documents during the development of the activities, in accordance with the ESSP and applicable ESSSs.
  - 28. Ascertain that as sub-projects are identified and appraised, their implementation is not initiated before any required ESSMP or before RPF has been prepared and reviewed by the CEB, and all actions required prior to commencement of the sub-project's implementation have been taken.
  - 29. Notwithstanding the foregoing paragraph, the Bank may agree to the use of fast-track environmental and social safeguard procedures in emergency response situations duly justified by the borrower and subject to the authorisation by the Competent Authorities, where applicable.

#### **Information Disclosure and Public Consultation**

- 30. Make environmental and social safeguard information (including, as applicable, the ESSMP, ESSMPF, and documentation required under ESSS2) related to the project available in accordance with section 2.3 of the ESSP, and ensure that this information is:
  - 30.1 Readily accessible, and in a form and language(s) understandable to project-affected persons and other relevant stakeholders;
  - 30.2 Disclosed in the appropriate stages of preparation of the project so as to provide an opportunity to broadly identify and address environmental and social risks and adverse impacts, those involving Involuntary Resettlement, and including community health and safety issues;
  - 30.3 Updated when warranted by project modifications and disclosed as indicated above.
- 31. Carry out meaningful consultation with project-affected persons and facilitate their informed participation in the consultations on the basis of the following principles:
  - 31.1 Initiate consultations early in the preparation stage of the project and update as necessary throughout the implementation of the project;
  - 31.2 Facilitate the participation of all relevant parties such as national and local government, the private sector, nongovernmental organisations and persons affected by the project;
  - 31.3 Provide specific support if needed to facilitate participation of vulnerable groups (e.g., women, elderly, young persons, persons with disabilities, minorities and others);
  - 31.4 Provide timely disclosure of relevant and adequate information that is understandable and readily accessible to the persons affected by the project and other stakeholders;
  - 31.5 Enable the consideration of the relevant points of view of persons affected by the project and other stakeholders in decision-making.
- 32. Continue consultation with stakeholders throughout project implementation as necessary on environmental and social safeguard issues and on the implementation of the project-level grievance mechanism.

#### **Handling of complaints by project-affected persons**

- 33. Establish, as part of the project implementation arrangements, a procedure which foresees the reporting and handling of concerns or complaints of persons who are adversely affected by direct environmental and/or social impacts related to the project's implementation.

34. Assign the responsibility for the application of the complaints handling procedure to an appropriately qualified staff member<sup>2</sup> of the project management team.

### Implementation and Monitoring

35. Implement, as applicable, the ESSMP and ESSMPF and monitor their effectiveness. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports in accordance with Information Disclosure above.

### Exclusion List

36. Ensure that the project does not involve any activity or item listed in the Exclusion List.

## B. Environmental Coverage

### Environmental Risks and Impacts

37. Undertake a broad assessment of potential environmental risks and impacts, both positive and adverse, associated with the project. This includes direct and indirect impacts on the physical and biological environment, recognising they are closely linked with social and economic conditions.

### Protection of Nature and Biodiversity

38. Consider direct and indirect project-related impacts on biodiversity, for example habitat loss, degradation and fragmentation, invasive species, overexploitation, hydrological changes, nutrient loading, pollution and incidental take, as well as projected climate change impacts. Also take into account the differing values attached to biodiversity by affected communities and other stakeholders.
39. Avoid adverse project impacts on biodiversity. When avoidance of adverse impacts is not possible, implement measures to minimise adverse impacts and restore biodiversity, including, as a last resort, biodiversity offsets. Ensure that suitably qualified and experienced biodiversity expertise is used to conduct the environmental and social assessment, to assist in the development of a mitigation hierarchy and to verify the implementation of mitigation measures. Address biodiversity as an element of the ESSMP or ESSMPF (or both, as applicable).
40. Project activities in areas of critical habitats are prohibited, unless: (a) there are no predicted measurable adverse impacts on the critical habitat that could impair its ability to function; (b) there is no predicted reduction in the population of any recognised endangered or critically endangered species; and (c) any impacts are mitigated. If the project is located within a legally protected area, implement additional programmes to promote and enhance the conservation objectives of the protected area. Ensure that the project also complies with any applicable national laws and regulations.
41. If the project has to be implemented in an area of natural habitats, ensure there will be no significant conversion or degradation; and if feasible alternatives are not available, ensure that: (a) the project's overall benefits substantially outweigh the environmental costs; and (b) any conversion or degradation is appropriately mitigated through measures acceptable to the Bank. Ensure that these criteria are applied when proposed actions under the project could potentially cause deforestation or conversion of natural forests.
42. Where the project occurs within or has the potential to adversely affect an area that is legally protected or internationally recognised or designated for protection, identify and assess these potentially adverse impacts and apply the mitigation hierarchy so as to avoid them or, when avoidance is not possible, to mitigate those adverse impacts that would compromise the integrity, conservation objectives or biodiversity importance of the area. Ensure that the project also complies with any applicable national laws and regulations related to protected areas.

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<sup>2</sup> Or a number of staff members proportionate to the scale of the Project and the associated risks

## Sustainability of Land and Water Use

43. Assess the sustainability of land and water use in the project area of the project and in the immediately adjacent areas. Where feasible, locate the project, particularly if it involves land clearing, on land that is already converted or highly degraded, provided that any resulting Involuntary Resettlement is limited and meets the requirements for an abbreviated resettlement plan, as provided for in ESS 2.

## Precautionary Approach

44. Use a precautionary approach to anticipate, prevent or minimise negative project impacts on the environment, including the development and management of renewable natural resources. Where there is a significant risk of negative impacts, promptly adopt measures to avoid or minimise such impacts even if full scientific certainty regarding the optimal measure is lacking.

## Pollution Prevention

45. Implement, as applicable, pollution prevention and control technologies and practices under the project consistent with the environmental principles, substantive standards and practices foreseen in EU Directives on industrial emissions, water and waste management, air and soil pollution, occupational health and safety, and the protection of nature as they can be applied to specific projects. Apply these standards to the best possible extent in non-EU countries.
46. Favour the use of clean production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible minimise or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gas emissions. Minimise and manage waste generation and release of hazardous materials from production, transportation, handling and storage.

## Resource Efficiency

47. Implement technically and financially feasible measures under the project for improving efficiency in the consumption of energy and water, as well as other resources and material inputs. Integrate the principles of cleaner production into product design and production processes with the objective of conserving raw materials, energy and water. Include measures to minimise and recycle domestic waste. Make use of recycled construction waste and other alternatives to new materials where feasible under the project.

## Climate Change

48. Design and implement the project so as to minimise Green House Gas (GHG) emissions in accordance with applicable adopted Climate Change Strategies. Develop mitigation or adaptation measures to reduce risk of climate change, as relevant.
49. Assess the impacts of the project on climate change, as well as the implications of climate change for the project itself. Identify opportunities for low-carbon use, where applicable, and for reducing emissions, enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. Provide a specific analysis of the following project related climate change parameters:
  - 49.1 Carbon footprint potential, determine if the project is expected to generate significant volumes of Green House Gas (GHG) during its economic lifetime.
  - 49.2 Climate change sensitivity, determine the likely vulnerability of the project or its target population to climate change and whether a detailed climate risk analysis should be considered.
  - 49.3 Mitigation potential, identify the project's potential for contributing to climate change mitigation, typically in terms of the reduction of GHG emissions.
  - 49.4 Adaptation potential, identify the project's potential to contribute to adaptation to climate change, typically by making the target population or infrastructure more resilient to the effects of climate change.



50. Assess alternatives under the project, and implement technically and financially feasible and cost-effective options that contribute to meeting applicable strategic objectives.

## C. Social Coverage

### Social Risks and Impacts

51. Undertake a broad assessment of potential social risks and adverse impacts associated with the project, focused on, but not limited to the safeguard issues indicated in paragraph 52. This includes direct and indirect impacts at the project site and community level, recognising they are closely linked with physical and biological conditions.

### Scope of Social Coverage

52. Provide in the assessment an overview of the full range of social risks and impacts, as described below and identify measures for their avoidance or mitigation. The assessment should consider the relevant principles of the Council of Europe Convention for the Protection of Human Rights and Fundamental Freedoms and the European Social Charter where they can be applied to the project and as they relate to the following social safeguard issues:
  - 52.1 Conditions and rights of workers;
  - 52.2 Protection of vulnerable groups;
  - 52.3 Forced labour and child labour;
  - 52.4 Gender equality and non-discrimination;
  - 52.5 Protection of livelihoods and housing.
53. If Involuntary Resettlement would occur under the project, describe this in the assessment and complement it with the preparation of a Resettlement Plan as required by ESSS 2.

### Vulnerable Groups, Gender and Discrimination

54. Assess social risks and impacts that affect vulnerable groups or individuals, and any discrimination toward groups or individuals in providing access to development resources and project benefits, particularly towards vulnerable groups. As necessary, incorporate measures to ensure that any discrimination is mitigated to the extent possible.
55. The objective of non-discrimination is to enable access of affected persons to the benefits of projects financed by the CEB so that they do not suffer disproportionately from adverse project impacts.
56. Vulnerable groups or individuals refers to persons who, by virtue of factors beyond their control: (a) are more likely to be adversely affected by the project's environmental and social impacts; and (b) are more likely to be limited than others in their ability to claim or take advantage of project benefits. Such an individual or group is also more likely to be excluded from or unable to participate fully in the mainstream consultation process and may require specific measures or assistance (or both) to do so.
57. Identify any potentially adverse gender-specific impacts of the project, and develop mitigation measures to reduce these. Where relevant, use gender disaggregated data and analysis, and consider enhancing the design of the project to promote equality of opportunity and women's socio-economic empowerment, particularly with respect to access to finance, services and employment.

### Land and Natural Resource Access

58. Assess economic and social impacts relating to the involuntary taking of land or restriction on access to natural resources under the project<sup>3</sup>, including risks or impacts associated with land and natural resource tenure and use.

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<sup>3</sup> See also ESS 2 for additional requirements relating to Involuntary Resettlement

59. Assess, as relevant, potential project impacts on local land use patterns and tenure arrangements, land access and availability, food security and land values, and any corresponding risks related to conflict or contestation over land and natural resources. Take gender into account regarding land ownership and customary rights to natural resources.

#### **Loss of Access to Assets or Resources or Restrictions on Land Use**

60. If adverse environmental, social or economic impacts from project activities involving loss of access to assets or resources or restrictions on land use that do not fall within the definition of Involuntary Resettlement under ESS 2 are identified, such impacts are avoided, or when avoidance is not feasible, they are at least minimised, mitigated, or compensated for, through the environmental and social assessment.
61. If these impacts are found to be significantly adverse at any stage of the project, develop and implement a management plan to restore the livelihoods of affected persons to at least pre-project level.

#### **Cultural Resources**

62. In the context of ESS 1, cultural resources include movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance. Cultural resources may be located in urban or rural settings, and may be above or below ground, or under water. Their cultural interest may be at the local, provincial or national level, or within the international community.
63. Conserve cultural resources and avoid destroying or damaging them under the project by using field-based surveys that employ suitably qualified and experienced experts for the assessment. Address cultural resources as an element of the ESSMP or ESSMPF (or both, as applicable). In the case of complex situations, prepare, as appropriate, a cultural resources management plan, which may be included in the ESSMP or ESSMPF or be self-standing.
64. Provide for the use of “chance find” procedures that include a pre-approved management and conservation approach for cultural resources.

### **D. Working Conditions and Community Health and Safety**

#### **Safe Working Conditions and Community Health and Safety**

65. Review the host country’s legal framework applicable to labour and working conditions of project workers<sup>4</sup>, as well as health and safety risks to local communities in the area of the project. Analyse potential gaps with internationally recognised standards, such as the ILO’s Guidelines on Occupational Safety and Management Systems and the OSH Framework Directive and, as appropriate, industry-specific guidelines. Propose an approach to address these gaps in a Health and Safety Management Plan for review by the CEB.
66. Analyse and address specific project risks potentially exposing workers or project-affected persons to hazardous substances (e.g. asbestos). Implement measures designed to ensure project workers have safe and healthy working conditions, and put in place measures to prevent accidents, injuries, and disease that could be caused by the project.
67. Integrate appropriate conditions for health and safety management in the project’s tender documents and contracts for services works and equipment procurement.
68. Apply the occupational health and safety provisions of the applicable legislation and specific Health and Safety Management Plan where required. Document and report on accidents, diseases and

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<sup>4</sup> For the purpose of this ESS, Project workers include: (a) persons engaged directly by the borrower (whether full-time, part-time, temporary, seasonal or migrant), to work specifically on the Project; and (b) personnel of main contractors engaged by the borrower to work on the Project and of subcontractors hired by these contractors to work on the Project. The term does not apply to any other workers of the borrower or other entities.

incidents. Put in place preventive and emergency preparedness and response measures to avoid, or where avoidance is not possible, to minimise adverse risks and impacts of the project on the health and safety of local communities.

### Child labour and forced labour

69. In order to protect children from harm to their health, safety or morals, ensure that children under the age of 18 are not employed for work under the project. However, if the laws or regulations of the host country provide, in conformity with the Council of Europe Social Charter's Article 7, that children at least 15 years of age may be employed for light work on condition that their health, safety and morals are fully protected and that they have received adequate specific instruction or vocational training in the relevant sector of activity, such children may be employed, but only in conformity with these laws and regulations and with the conditions of Article 7 of the Charter.
70. In such cases of employment of children under the age of 18 under the project, conduct an appropriate risk assessment, together with regular monitoring, of their health, safety, working conditions and hours of work<sup>5</sup>. Ensure that, in connection with the project, there is no work or service performed involuntarily, that is exacted from an individual under threat of force or penalty (including any kind of forced or compulsory labour, such as indentured labour, bonded labour or similar labour-contracting arrangements, or labour by trafficked persons).

### Building Safety

71. Where the project includes new buildings and structures that will be accessed by members of the public, consider the incremental risks of the public's potential exposure to operational accidents or natural hazards, including extreme weather events. Where technically and financially feasible, apply the principles of universal access<sup>6</sup> to the design and construction of these new buildings and structures.

### Traffic and Road Safety

72. Identify, evaluate and monitor traffic<sup>7</sup> and road safety risks to project workers and affected communities throughout the project life-cycle, develop measures and plans to address them, and incorporate technically and financially feasible road safety components into project design, where applicable, to prevent and mitigate potential incidents on the affected communities.
73. If the project involves operating construction and other moving equipment on public roads or if the use of project equipment could have an impact on public roads or other public infrastructure, implement measures to avoid the occurrence of incidents and injuries to members of the public associated with the operation of such equipment. Where appropriate, undertake a road safety audit and implement measures to address identified risks and impacts. Provide appropriate training to project workers on driver and vehicle safety, and ensure regular maintenance of all project vehicles.

### Security Personnel

74. When project workers are assigned to provide security to safeguard the borrower's personnel and property (project security workers), assess risks posed by these security arrangements to persons within and outside the project site. In making such arrangements, apply the principles of proportionality and good international practice, and comply with applicable law relating to hiring, rules of conduct, training, equipping, and monitoring of project security workers.
75. Implement measures designed to ensure that project security workers limit their security actions exclusively to preventive and defensive purposes, in proportion to the nature and extent of the threat.

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<sup>5</sup> See Article 7 of the Council of Europe Social Charter

<sup>6</sup> Universal access means unimpeded access for persons of all ages and abilities in different situations and under various circumstances.

<sup>7</sup> Traffic includes all motorised transportation relevant to the Project.

The borrower discloses security arrangements for the borrower's facilities to the public, subject to overriding security concerns.

76. Make reasonable inquiries to ensure that project security workers are not implicated in past abuses; train them adequately (or ensure that they are properly trained) in carrying out the security activities, and in ensuring appropriate conduct toward project workers and affected communities; and require them to act within the applicable law. Review all allegations of unlawful or abusive acts of project security workers, take appropriate action to prevent recurrence and, where necessary, report unlawful acts to the relevant authorities.

## CHAPTER 6.3

### ESSS 2 – Land acquisition, economic displacement and involuntary resettlement

#### INTRODUCTION

1. Involuntary resettlement resulting from project-induced land acquisition and/or restrictions on land-use covers:
  - 1.1 Physical displacement (relocation or loss of shelter); and
  - 1.2 Economic displacement (loss of assets or resources, and/or loss of access to assets or resources that leads to loss of income sources or means of livelihood)
2. Resettlement is involuntary when affected persons do not have the right to refuse land acquisition, or restrictions on land use, that result in displacement. This concerns:
  - 2.1 Lawful expropriation or restrictions on land use based on eminent domain;
  - 2.2 Negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.
3. Involuntary resettlement needs to be managed appropriately to avoid:
  - 3.1 Lasting hardship and impoverishment for affected persons, damage to the environment, and adverse socio-economic impacts in host communities;
  - 3.2 Adverse effects on project implementation, including budget overruns, litigation and reputational risk.
4. The objectives of ESSS 2 are to:
  - 4.1 Avoid or, when unavoidable, minimise, involuntary resettlement by exploring alternative project options;
  - 4.2 Mitigate adverse social and economic impacts from project induced land acquisition or restrictions on affected persons' use of, and access to, assets and land;
  - 4.3 Restore or, where possible, improve the livelihoods and standards of living of displaced persons to pre-displacement levels;
  - 4.4 Improve living conditions among physically displaced persons through the provision of adequate housing.

#### SCOPE AND APPLICATION

5. ESSS 2 applies if the project's due-diligence process indicates that the project would involve Involuntary Resettlement (including Involuntary Resettlement in the recent past or foreseeable future that is directly linked to the project).
6. This ESSS does not apply to resettlement resulting from voluntary land transactions (market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or to other compulsory procedures if negotiations fail) and where such a transaction affects only those with legal rights.

#### REQUIREMENTS

7. The borrower is required to pro-actively manage project-related land acquisition, economic displacement and involuntary resettlement and to ensure that the actions indicated in the following paragraphs are undertaken and documented.

#### Avoiding/minimising involuntary resettlement

8. Consider feasible alternative project options to avoid or at least minimise physical and/or economic displacement, while balancing environmental, social, and economic costs and benefits.

## Scope and Planning

9. Determine the required scope of Involuntary Resettlement planning, through a survey of land and assets, a full census of persons to be displaced, and an evaluation of socio-economic conditions specifically related to Involuntary Resettlement risks and adverse impacts. This establishes baseline information on assets, productive resources and status of livelihoods. Include consideration of customary rights and collective or communal forms of land tenure. Take gender into account in conducting the above.
10. Ensure that the resettlement planning process and documentation is proportional to the extent and degree of the impacts. The degree of impacts is determined by: (a) the scope of physical and economic displacement; and (b) the vulnerability of the persons to be displaced by the project.
11. Review the host country's legal framework applicable to project-related land acquisition, economic displacement and involuntary resettlement and analyse potential gaps with the ESSS 2 and propose an approach to address these gaps in the Resettlement Plan/Framework, or Livelihood Restoration Plan/Framework.

## Preparation of Resettlement Plan/Livelihood Restoration Plan

12. When displacement is physical, prepare a Resettlement Plan that defines the displaced people's entitlements, income and livelihood restoration strategy, institutional arrangements, monitoring and reporting framework, budget and a time-bound implementation schedule. Involve affected persons in consultation on the resettlement plan and disclose the draft resettlement documentation in accordance with the information and consultation requirements in the ESSP.
13. The Resettlement Plan complements the broader analysis of social risks and adverse impacts in the environmental and social assessment and should provide appropriate guidance to address the specific issues associated with Involuntary Resettlement, including land acquisition, changes in land use rights, customary rights, physical and economic displacement, and potential design adjustments that may reduce the nature and/or extent of the resettlement.
14. When displacement is only economic, prepare a Livelihood Restoration Plan. Provide measures to be taken in case of disputes over compensation.
15. Where impacts on the entire displaced population are minor, or fewer than 50 households are displaced, the borrower/project promoter may, with the prior approval of the Bank, undertake the preparation of an abbreviated Resettlement Plan, covering specific elements which may be determined by the Bank. Impacts are considered "minor" if the affected persons are not physically displaced and less than 10 percent of their productive assets are lost.

## Preparation of Resettlement Planning Framework/Livelihood Restoration Framework

16. Subject to the Bank's agreement, and in the specific circumstances indicated in the subadjacent bullets, the borrower/project promoter may undertake, as a preliminary approach to addressing project-related land acquisition, economic displacement and involuntary resettlement issues, undertake the preparation of a Resettlement Planning Framework or Livelihood Restoration Framework if:
  - 16.1 the project is likely to involve Involuntary Resettlement but consists of a programme or series of activities the details of which are not yet identified at the time the project is approved by the CEB; or
  - 16.2 the Bank determines that the environmental and social safeguard assessment of identified project activities involving Involuntary Resettlement may be conducted using a phased approach.
17. The Resettlement Planning Framework or Livelihood Restoration Framework should be prepared as early as possible in the project planning stage and should contain at least the following elements:
  - 17.1 Review of the host country's legal framework applicable to project-related land acquisition, economic displacement and involuntary resettlement and analysis of potential gaps with the ESSS;

- 17.2 Arrangements foreseen for the preparation of specific Resettlement Plans or Livelihood Restoration Plans where appropriate;
- 17.3 Budgetary provisions to cover the potential costs of project-related land acquisition, economic displacement and involuntary resettlement.

### Consultations

18. Carry out meaningful consultations with persons who will be displaced by the project, host communities and relevant non-governmental organisations, and facilitate their informed participation in the consultations. Consult with all persons who will be displaced on their rights within the resettlement process, entitlements and resettlement options, within the resettlement process and their further participation in the process. Ensure their involvement in planning, implementation, monitoring and evaluation of the Resettlement Plan.
19. Pay particular attention to the needs of vulnerable groups, especially those below the poverty line, the landless, the elderly, women and children, and those without legal title to land, and facilitate their participation in consultations.

### Resettlement Assistance and Social Support

20. Provide persons displaced by the project with the necessary assistance, including the following: (a) if there is relocation, security of tenure (with tenure rights that are as strong as the rights the displaced persons had to the land or assets from which they have been displaced) of relocation land (and assets, as applicable), proper housing at resettlement sites with comparable access to employment and production opportunities, integration of resettled persons economically and socially into their host communities and extension of the project benefits to host communities to facilitate the resettlement process; (b) transitional support and development assistance, such as land development, credit facilities, training or employment opportunities; and (c) civic infrastructure and community services, as required.
21. Support the social and cultural institutions of persons displaced by the project and their host population to address resettlement. Where Involuntary Resettlement risks and impacts are highly complex and sensitive, consider implementation of a social preparation phase to build the capacity of vulnerable groups to address resettlement issues, consisting of consultation with affected persons and the host population before key compensation and resettlement decisions are made. The cost of social preparation should be included in the resettlement budget.

### Livelihood Restoration and Standards of Living

22. Improve, or at least restore, the livelihoods of all persons displaced by the project through: (a) where possible, land-based resettlement strategies when affected livelihoods are land-based or where land is collectively owned; or cash compensation at the replacement value for land, including transitional costs, when the loss of land does not undermine livelihoods; (b) prompt replacement of assets with assets of equal or higher value; (c) prompt compensation at the full replacement cost for assets that cannot be restored; and (d) capacity building programmes to support improved use of livelihood resources and to enhance access to alternative sources of livelihood. Include transaction costs in determining compensation. Examine the opportunities for the provision of additional revenues and services through benefit-sharing, as the nature and objectives of the project allows.
23. Improve the standards of living for the poor and for other vulnerable groups displaced by the project, including women, children and persons with disabilities, to at least national minimum standards, including access to social protection systems. In rural areas provide these groups with legal and affordable access to land and resources, and in urban areas provide them with appropriate income sources and legal and affordable access to adequate housing.

### Persons without Title or Legal Rights

24. Ensure that persons displaced by the project who are without title to land or any recognisable legal rights to land, are eligible for, and receive, resettlement assistance and compensation for loss of non-



land assets, in accordance with cut-off dates established in the resettlement plan. Include them in the resettlement consultation process. Do not include compensation for these persons for the illegally settled land. Conduct land survey and census as early as possible in project preparation to establish clear cut-off dates for eligibility and to prevent encroachment. If claims have been made by these displaced persons that are currently under administrative or legal review, develop procedures to address these situations.

### **Negotiated Settlement**

25. Develop procedures in a transparent, consistent and equitable manner if land acquisition or changes in land use rights are acquired through negotiated settlement under the project, to ensure that those persons who enter into negotiated settlements maintain the same or improve income and livelihood status.

### **Information Disclosure**

26. Disclose the draft Resettlement Plan, or Livelihood Restoration Plan including documentation of the consultation process, in the project area, in a timely manner in accordance with the information disclosure arrangements of the ESSP. The information should be in an accessible location, in a format and language(s) understandable to persons displaced by the project and the relevant stakeholders.
27. Disclose the final version of the Resettlement Plan, or Livelihood Restoration Plan to affected persons and other stakeholders in the same manner. Regularly disclose updated environmental and social safeguard information, along with information on any relevant material changes in the project.

### **Implementation and monitoring**

28. Design and execute Involuntary Resettlement or Livelihood Restoration activities as part of the project. Include the full costs of resettlement in the presentation of the project's costs and benefits. For a project with significant Involuntary Resettlement impacts, consider implementing the Involuntary Resettlement component of the project as a stand-alone project.
29. Provide compensation and other resettlement entitlements before any physical or economic displacement of the affected persons takes place under the project.
30. Closely supervise implementation of the Resettlement Plan or Livelihood Restoration plan throughout project implementation.
31. For projects subject to a Resettlement Plan, monitor and assess resettlement results and their impacts on the standards of living of displaced persons and whether the objectives of the Resettlement Plan have been achieved, by taking into account the baseline conditions and the results of resettlement monitoring.
32. Disclose monitoring reports in accordance with the Information Disclosure bullet above. Consider the use of suitably qualified and experienced third parties to support monitoring programmes.

### **Handling of complaints from persons subject to involuntary resettlement**

33. Establish, as part of the Resettlement Plan/Framework, or Livelihood Restoration Plan/Framework a procedure which foresees the reporting and handling of concerns or complaints of persons who are subject to involuntary resettlement related to the project's implementation.
34. Assign the responsibility for the application of the complaints handling procedure to an appropriately qualified staff member<sup>1</sup> of the project management team.

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<sup>1</sup> Or a number of staff members proportionate to the scale of the Project and the associated risks

## CHAPTER 6.4

### Green finance and Paris alignment assessment

#### Introduction

1. The CEB is committed to seeking opportunities to further develop green benefits in its social projects through the early identification of such co-benefits and to enhance the integration of green components in all its project proposals, when appropriate and feasible. The Bank will annually review the operational activity in terms of the volume of finance for green projects and components.
2. The CEB aims that the projects it finances are considered compatible with the overall objectives of the 2015 Paris Agreement on Climate Change. Striving to achieve the progressive alignment of its project portfolio with the Paris Agreement, the CEB applies a methodology to determine the compatibility of a project with a pathway towards low greenhouse gas emission and climate-resilient development, and to identify those projects that are considered to be misaligned with the objectives of the Paris Agreement.

#### Borrower information requirements as regards Green Finance and Paris Alignment assessment

3. The borrower is responsible for providing the Bank with the necessary information to enable determination of the project's environmental benefits and impact on climate change, the resilience of the project to climate risks and potential opportunities for improvement. This includes among others:
  - a. Relevant indicators for the identified environmental benefit (e.g. reduction in pollutant emissions, waste volume treated/recycled/prevented, water and energy use and savings, renewable energy capacity installed).
  - b. Estimated greenhouse gas emissions related to the implementation and operation of the project throughout its economic lifetime.
  - c. Alignment of project with applicable local, national and European climate strategies and goals.
  - d. Exposure to physical climate risks and mitigation measures to respond to these risks and enhance resilience.
  - e. Exposure to carbon transition risks (e.g. related to changing market conditions, carbon pricing, energy efficiency regulation) and mitigation measures to address these risks.
  - f. Social economic impact of climate measures proposed on different vulnerable groups, if applicable.
4. If documentation is incomplete at the time of appraisal, the CEB will base its assessment on the information available and on emission and climate risk exposure assumptions inherent to the project characteristics and context of implementation.

#### Green finance assessment

5. The CEB considers Green finance to cover investments for project or project components that make a substantial contribution to climate change objectives (mitigation and adaptation), and /or components that substantially contribute to other environmental objectives (water protection, circular economy, pollution prevention, biodiversity). In addition, to be considered green, the implementation of such projects must respect the requirements of the Bank's Environmental and Social Safeguards Policy.
6. The CEB will screen project proposals on the basis of commonly accepted principles for identifying green financing, for the climate objectives, based on the MDB joint methodologies for climate mitigation and adaptation tracking, for the other environmental objectives, based on the EU taxonomy.
7. Green projects or programmes or green components of operations will be categorised as such if the activities meet the general overarching principles stated in the guidance document and fit into the following three categories: Climate change mitigation, climate change adaptation and green financing providing other environmental benefits. To warrant "green" categorisation, environmental benefits need to be documented by the borrower through indicators that can be monitored and reported on.

8. Climate change mitigation: an activity is considered to mitigate climate change if it contributes to reduce, limit or sequester GHG emissions. The CEB reviews the mitigation potential of all Project proposals and proposes a climate mitigation marker indicating to what extent the operation is expected to contribute towards climate change neutrality.
9. Climate change adaptation: an activity is considered to qualify as climate change adaptation if it is intended to reduce the vulnerability of human or natural systems to the impacts of climate change and climate related risks, by maintaining or increasing adaptive capacity and resilience. The CEB reviews the adaptation potential of all Project proposals and proposes a climate adaptation marker indicating to what extent the operation is expected to contribute to climate change resilience.
10. Non-climate green finance: a project proposal which includes environmental benefits other than mitigation and adaptation to climate change may be categorised as non-climate green finance on the basis of information that substantiates the link between the project proposal and the environmental benefit identified. In such cases, the CEB attributes an environmental or green marker indicating the nature and extent of environmental benefits.
11. Loan operations may be entirely or partially designated as Green finance depending on the scope of activities financed. The share of green finance of each loan operation will be determined using a conservative approach and with as much detail as possible. For loan operations which simultaneously target multiple environmental objectives (mitigation, adaptation and other non-climate green objectives) the sum of green finance activities shall not exceed 100% of the total loan amount.

#### Assessment of alignment with the Paris Agreement on climate change

12. The CEB will assess Project proposals for their consistency with the principles and objectives of the Paris Agreement on climate change. Systematic assessment will be applied as an integral element of the CEB's appraisal processes for its lending operations. The approach follows the joint MDBs approaches for Paris alignment assessments. A distinction is made between projects with: (i) pre-defined use of loan proceeds and a known geographical location, and (ii) non-defined use of loan proceeds and geographical location<sup>1</sup>. For the first type of projects, the assessment will focus on the nature of the project itself. For the second type of projects, the assessment methodology will be introduced by 1 January 2024. The application of the approaches is further specified in internal CEB guidance notes, which are updated on a regular basis, with the evolution of the methodologies.
13. Project proposals that meet both the mitigation and climate resilience objectives of the Paris Agreement are categorised as 'aligned'. Project proposals that, after the screening and analysis, do not meet both objectives are categorized as 'mis-aligned' and are considered ineligible for CEB financing. In line with the CEB's Paris Alignment Framework and Roadmap, the CEB commits to align all its direct financing operations (i.e. operations with pre-defined use of proceeds and a known geographical location) by 1 January 2023 (operations approved by its 1st Administrative Council of 2023), and align all CEB financing by 1 January 2024 (operations approved by its 1st Administrative Council of 2024).
14. *Projects with pre-defined use of loan proceeds and known geographical location*
  - An operation's alignment with the Paris Agreement's climate change mitigation objectives will be initially screened against a list of activities and criteria based on the joint-MDB list and best practices such as EU taxonomy data and benchmarks. In those cases where the outcome of the screening is inconclusive, a further technical assessment is required. This assessment includes a review against national Paris aligned climate and energy policies as well as an analysis of the potential risk of 'carbon lock-in' through the underlying investment. In addition, an economic viability test may be required, especially for high GHG emitting projects.

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<sup>1</sup> Including operations where a CEB loan is provided to financial intermediaries for a set of sub-loans to final beneficiaries.

15. An operation's alignment with the Paris Agreement's climate-resilient development objectives requires the identification of physical climate risks based on the location of the project and the nature of the operation. When the physical climate risks are considered as potentially substantial, a further analysis is required to verify that resilience measures are included in the project design and that actions aimed at addressing these risks are adequate.
16. *Projects with non-defined use of loan proceeds and geographical location*
  - The assessment methodology will be introduced by 1 January 2024 on the basis of the MDBs' Paris alignment approach and other existing approaches.

## CHAPTER 7

### Project cycle



#### IDENTIFICATION

1. The CEB finances projects that are in line with its social development mandate and that fall under its eligible sectors of action. The CEB Loan and Project Financing Policy provides the overall framework for project financing and defines the basic principles for the selection, appraisal, implementation and monitoring of CEB projects.
2. The projects, identified by the Bank and/or the borrower, respond closely to the borrowers' needs. As such, the borrower (and when it is the case, the local stakeholders) must demonstrate its commitment to and support of the project. As the CEB pays particular attention to the quality and social impact of the projects it finances, assistance and monitoring throughout the whole project cycle constitute key factors for their effective implementation. At the borrower's request, the Bank may provide borrowers with technical assistance to help them prepare their projects.
3. All the CEB operations are granted in accordance with specific technical and social development criteria and in strict conformity with the CEB's environmental, procurement and compliance guidelines and policies. During identification, an initial analysis of the elements making up the project is carried out in order to define the project's eligibility for CEB financing, the project's feasibility and objectives as well as the means required to achieve them. An initial estimate of the loan amount is also given at this time. The necessary information is provided to the CEB by the borrower.
4. The CEB's monitoring and control mechanisms are established to ascertain, throughout the project cycle, proper development and implementation of high quality, high social value projects meeting the CEB's criteria and objectives.

#### APPRAISAL

5. During appraisal both the project and the associated credit risks are assessed. Technical appraisal is systematically carried out and may include an on-site appraisal mission. The project and credit aspects are included in the loan application prepared in collaboration with the CEB (see paragraph 21 below) and submitted by the borrower to the Secretariat of the Partial Agreement on the Council of Europe Development Bank and accordingly assessed in the CEB's "Loan Document", validated by its internal committees and submitted to the Administrative Council for decision (see "Presentation of applications" later in this chapter and contents of the "Loan Document" in [Chapter 8](#)).

## Project appraisal

6. At the project appraisal stage, the Bank, in cooperation with the borrower, defines all relevant aspects of the proposed project and assesses project-related risks. On the basis of the loan request formulated by the borrower, the CEB carries out an assessment of the project by closely reviewing its social objectives and justification, its financial and technical feasibility, the envisaged implementation modalities, including the institutional capacity of the borrower and/or the designated implementing agency to manage project implementation including procurement-related aspects, and the environmental and social risks and mitigation measures, including climate change considerations. Requests for financing are adapted to the specific characteristics of each project for which a loan is sought.
7. Technical and other appraisal missions may be carried out. The conclusions and recommendations of the CEB technical appraisal reports are appended to the Loan Document.
8. Environmental and social aspects of the project are reviewed for conformity with CEB Environmental and Social Safeguards Policy as well as the evolving practices concerning the alignment of projects with the goals and principles of the Paris Agreement on climate (see [Chapter 6.4](#)).
9. The CEB Procurement Guidelines, detailing the principles and methods to be applied when awarding contracts to be financed by CEB loans, serve as a basis for evaluating the procurement-related facets of the project.
10. The Bank applies its Anti-Corruption Charter and Policy on non-compliant/uncooperative jurisdictions during appraisal of the projects it finances. As a general rule during appraisal, the Bank attaches great importance to the aspects related to the fight against fraud, corruption, money laundering, tax evasion/fraud and tax avoidance.
11. The generation of social benefits is a key issue considered by the CEB services during appraisal, which focuses on implementation arrangements, monitoring and reporting modalities, to ascertain that they are appropriate for the delivery of the expected social outcomes.
12. Moreover, the appraisal stage includes a thorough assessment of the likely added-value of CEB support. Such analysis is conducted through the Added-Value Assessment sheet which assesses both the project's social impact and its contribution to improving the relevant sector policies, institutions and infrastructure, as well as the added-value of the CEB's involvement.
13. Each proposed project is assigned a Project Overall Rating (POR) based on a **"Four-pronged approach"** which recognises that the social added value of a project depends both on its characteristics – such as its sectoral context, sustainability, expected financial impact, institutional and organisational aspects and the extent of the CEB capacity to provide assistance throughout the entire project cycle – and on the context in which it is carried out ("country" parameters). Taken together, these four dimensions of "project", "country" "social" and "environmental" ratings, including climate change considerations, also provide a yardstick for measuring the additionality of the CEB's financing.
14. Fast-track procedures for the approval of emergency-response projects may apply, following an explicit decision by the CEB internal committees in consideration of specific emergency-related needs. Specific project due diligence modalities tailored to the nature of the emergency support are to be defined and approved by the CEB internal committees, with the aim of ascertaining that emergency support operations comply with the quality standards and best practice and that potential risks are duly identified and properly managed.
15. Emergency projects for which fast-track procedures are deemed appropriate are usually presented only once to each of the CEB internal committees for validation prior to their submission to the CEB Administrative Council's for approval. Relevant derogations and waivers can be put in place to accommodate swift project appraisal and implementation.

## Credit risk appraisal

16. The CEB carries out a credit assessment of the borrower for the proposed loan. The appraisal is based on audited financials or budgetary statements and it is generally supplemented by an on-site visit to the borrower aimed at gathering all necessary information to support the CEB's final decision.
17. The borrower completes a CEB risk questionnaire covering, among others, the following areas: institutional framework, legal status, corporate governance, financial information and compliance.
18. If deemed necessary, credit enhancements may be required from the borrower. Such credit enhancements usually consist of guarantees, pledges of collateral or assignments of receivables and are also subject to a credit assessment. Financial covenants and rating or credit clauses may also be included in contractual agreements.
19. The credit assessment, including a proposed credit risk term sheet, and the proposed contractual structure are presented to internal committees for approval, including the Credit Risk Rating.
20. In the case of third-party guarantees needed to secure the CEB loan, the guarantor may be a member state, a government entity, a financial institution or any other public or private legal entity approved by the CEB. The guarantor and/or any proposed collateral from the borrower or a third-party must be clearly indicated in the loan application transmitted by the member state (please refer to paragraph 22 below). Detailed information about the proposed guarantor's legal status, activities and financial quality or the proposed collateral structure is to be provided within the framework of the "Loan Document."
21. As regards PPPs, the credit risk borne by the CEB will usually be on the intermediary financial institution that will borrow from the CEB. In that case, the CEB loan approval will be subject to the intermediary financial institution's fulfilment of the CEB's financial risk management criteria. If the CEB is to extend direct support to a PPP scheme (e.g. through a Special Purpose Vehicle), then it will seek acceptable sovereign/sub-sovereign or bank guarantees in order to mitigate to the extent possible its exposure to project risk. In any case, in order to ensure a sound risk management process, the credit risk coverage criteria must remain independent of the outcome of the PPP's tender process (if any).
22. During appraisal, the borrower may be acquainted with the CEB's Framework Loan Agreement (FLA) model corresponding to the type of project/loan envisaged and the CEB's Loan Regulations, bearing in mind that project specific conditions to be stipulated in the FLA will be further detailed and confirmed following the appraisal process.

## PRESENTATION OF APPLICATIONS AND PROJECT APPROVAL BY THE ADMINISTRATIVE COUNCIL

23. The elements of the proposed project and the conclusions of the credit risk appraisal are submitted to the CEB's internal committees for screening and validation. These committees provide a forum for exchange of views and decision-making on all important aspects of project appraisal and implementation. The recommendations emanating from these internal instances of validation are incorporated in the final "Loan Document".
24. Once the project and credit risk appraisals are completed, potential borrowers prepare their loan applications, developed along the lines of the "Loan Document," in close cooperation with the Bank's services.
25. In compliance with Resolution 199 (1988) of the Governing Board, applications for loans or guarantees must be sent to the Secretary General of the Council of Europe. They must be sent by means of a Letter of Transmittal from the applicant member state concerning the project (and concerning the borrower if the borrower is not the applicant member state). The Governor receives a duplicate of the application file. Where applicable, the Letter of Transmittal will indicate the ability and willingness of the applicant member state to guarantee the loan.
26. If the applicant member state wishes to endorse a project in favour of a third-party country, the latter will be required to send a Letter of Consent to the Secretariat of the Partial Agreement on the Council



of Europe Development Bank allowing the CEB to monitor the project according to the procedures in force.

27. In parallel, the Secretariat of the Partial Agreement examines each application in order to prepare the Secretary General's Opinion on Admissibility based on the project's conformity with the political and social objectives of the Council of Europe.
28. Following reception of the Opinion of Admissibility by the Secretary General of the Council of Europe, the Loan Document, which includes the CEB's assessment and, if favourable, the proposed terms and conditions for approval, is submitted by the CEB's Governor to the Administrative Council for decision.

### **THE FRAMEWORK LOAN AGREEMENT (FLA)**

29. Once the project has been approved by the Administrative Council, an FLA corresponding to the type of loan/project approved is negotiated and signed with the borrower on the basis of the specific terms and conditions approved by the Administrative Council. All FLAs are subject to the general terms and conditions stipulated in the CEB's Loan Regulations applicable to every loan and guarantee. The FLA is expected to be signed within 12 months following approval of the project by the Administrative Council.
30. The FLA shall reflect the specific requirements and modalities established by CEB during project appraisal as well as the corresponding requirements determined by the CEB's Loan and Project Financing Policy, Environmental and Social Safeguards Policy, Procurement Guidelines and Anti-corruption Charter.
31. At all times following the signature of the FLA, the borrower shall comply with the requirements agreed upon. In particular, within this framework, the borrower undertakes to:
  - 31.1. ensure the financial servicing of the debt according to the terms and conditions established in the loan agreement;
  - 31.2. meet the contractual conditions regarding the project's implementation, reporting, auditing and monitoring requirements;
  - 31.3. take into consideration the advantage obtained from the CEB financing and, to the extent possible, to pass on that advantage to beneficiaries/end-borrowers while taking into account the fact that an intermediation margin may be applied to cover risk and management costs.
32. Moreover, the borrower should give adequate visibility to the project being implemented with the support of the CEB. In this respect, the borrower shall ensure that beneficiaries of the loan are duly informed that the project is supported by the CEB. To do so, the means of communication best-suited to the specific nature of the project (e.g. web-page, leaflet, brochure, newsletter, etc.) will be defined jointly with the borrower and stipulated in the FLA.

### **PROJECT IMPLEMENTATION, LOAN DISBURSEMENT AND MONITORING**

33. The monitoring process is conducted from the approval of the project until its completion. It ascertains that the project is implemented in accordance with the provisions approved by the Administrative Council and those of the FLA.
34. The CEB increasingly plays a pro-active role with regard to identifying possible difficulties that could jeopardise the success of the project and may assume an advisory role in this regard in order to support the implementation of projects.
35. The CEB's services carry out regular in-house reviews on the basis of information submitted by the borrowers in their project follow-up progress and completion reports and on-site monitoring during implementation and at completion.
36. Disbursement and monitoring modalities are determined during appraisal, either on the basis of absorption capacity or on the basis of the progress of works, depending on the type of the CEB lending instrument.

37. The CEB assesses compliance with the agreed conditions, including the financial and organisational situation of the borrower, the physical progress of the works/allocation of disbursed loan tranches, adherence to cost estimates, budgeted expenditure and procurement procedures, and achievement of the anticipated social objectives of the project.
38. The borrower shall provide the CEB with a monitoring report before each disbursement, except for the first tranche and at least once a year. The FLA specifies the frequency and the content of these monitoring reports. The reports contain the requisite relevant data on all projects/component parts/sub-projects/budgetary lines, a description of the project implementation status as well as key project implementation risks including those related to environmental and social safeguards and climate change considerations.
39. The borrower assumes the responsibility of informing the CEB promptly of any material change affecting project implementation. It is also expected to provide to the CEB at any time any information deemed necessary to assess that the commitments under the signed FLA are duly fulfilled. Any material changes shall be considered with the CEB.
40. The disbursed loan tranches must be allocated to the project within the timeframe defined in the FLA, subject to a maximum limit of 12 months from the disbursement date. Beyond that limit, unless duly justified and authorised by the CEB, the unallocated portion of the loan tranche must be repaid to the CEB according to the provisions contained in the FLA, with the cost of repayment being borne by the borrower.
41. Meanwhile, the CEB monitors the financial standing of the borrower and credit enhancements until the full repayment of the loan amount. In that context, the borrower is asked to provide regular audited financial or budgetary statements including statements of compliance to financial covenants and credit clauses. At least once a year a credit review of the borrower and the project is presented to the CEB's internal committees.
42. Disbursements take place in loan tranches (see [Chapter 10](#) on CEB Financing for more details). In cases where the "Loan Document" and the FLA states conditions precedent to disbursement, the Bank ensures that these conditions have been met by the borrower before any loan disbursement can take place.
43. The CEB can authorise the disbursement of a new loan tranche to the borrower only if the monitoring process defined in the FLA has been fully respected and the implementation reports are considered satisfactory.
44. A request for additional loan amount on an existing project is prepared by the CEB with the borrower along the same Project Cycle phases as for a new project. The CEB internal approval of the additional loan amount on an existing project follows the same internal approval process as was the case with the original project.
45. The request for an additional loan amount is presented to the CEB Administrative Council through an ad-hoc memorandum referring to the initial project and its status with emphasis on the conclusions of the prior technical review(s), the reasons for the current modifications and the associated activities, the social aspects and benefits from the additional loan amount, the revised financing plan, the implementation schedule, the monitoring indicators, as well as the risks and mitigating measures ,when appropriate.
46. A technical review (preferably including on-site visits, as needed) is required for any new additional loans, although this requirement may be waived by the CEB committees. The findings of the technical review are incorporated into the analysis of the request for additional loan amount.
47. The CEB, in cooperation with the borrower, defines all relevant aspects of the proposed additional loan amount on an existing project at the appraisal stage. Different elements considered during appraisal are reflected in the scorecard through the "four-pronged screening methodology" (4PAP).
48. Disbursement of the additional loan will take place in the continuity of the initial project financing; therefore, the disbursements under the additional loan can only take place when the whole initial loan is fully disbursed and allocated.

49. By proposing to the Administrative Council an additional loan amount for an existing project, the CEB strives to address the financing gap created by an increase in costs for additional objectives, or to expand the implementation of an already existing, successful, project. All in all, an additional loan amount may be proposed in the following circumstances:
- (i) When the project requires additional funding because of unforeseen additional costs compared to the initial estimates. The inclusion of extra costs is to be decided by the CEB committees on a case by case basis;
  - (ii) When a phase of a project has been completed successfully and a new phase with the same type of activities has already been planned for and would benefit from a simplified appraisal and approval process;
  - (iii) When the scope of the project changes and/or the initial project objectives increase;
  - (iv) When, under a Public Sector Finance Facility (PFF), the Borrower's investment strategy and the budgetary situation justifies an extension in CEB support.
50. Projects financed by the CEB require technical monitoring missions scheduled on a case-by-case basis at least once during the life of the project.
51. The borrower shall also facilitate the organisation of CEB monitoring missions, including possible on-site visits. In the case of multi-project-programmes the investments to be visited are selected by the CEB on a sample basis.
52. Technical monitoring missions rate the projects according to the implementation performance level observed. If during implementation a previous technical monitoring mission rated the project as "barely satisfactory" or "unsatisfactory" (i.e. a rating lower than 3 on a scale of 1 to 4, with 4 being the best), the project will be visited again within a timeframe proposed by the CEB unless it was the completion mission. Conclusions and recommendations from the technical monitoring mission are transmitted to the borrower. The borrower should endeavour to respect the conclusions of the mission and respond satisfactorily to the CEB's recommendations.
53. For investments financed by an additional loan amount (Addendum) under a Project Loan, technical monitoring missions are compulsory. For Programme loans, PFF and CSL, the technical monitoring missions will be decided on a case-by-case basis by the CEB committees.

## COMPLETION

54. A project is considered completed when the CEB receives a satisfactory completion/global monitoring report, in line with the requirements defined in the FLA.
55. Such report shall provide all the necessary information regarding, inter alia, the use of funds and the achievement of the physical and social results detailed in the Loan Document approved by the CEB's Administrative Council.

## EVALUATION

56. The CEB's Office of Evaluation may carry out an independent evaluation of any project or programme to assess their performance and to measure their impact in order to promote the CEB's accountability and to generate learning to improve the quality of on-going and future CEB-financed operations.

## CHAPTER 8

### Loan Document

1. The “Loan Document” is a concise report containing the Bank’s assessment on the loan application, including information on the project, its technical and financial characteristics, risks and mitigation measures, and on the credit risk associated to the CEB loan.
2. The “Loan Document” is prepared by the CEB services and submitted by the Bank’s Governor for the approval of the Administrative Council. The “Loan Document” includes data and information collected by the CEB during appraisal and/or presented by the borrower in the loan application as well as the loan/project-specific terms and conditions at the project approval. The Loan Document includes also the Opinion of Admissibility of the Secretary General of the Council of Europe.
3. The Table of Contents presented in Appendix provides more detail on the focus and content of the “Loan Document.”
4. The main aspects covered by the “Loan Document” are: the CEB sector(s) of action, location, definition and purpose of the project from a technical and social point of view, the value added of CEB’s participation, borrower (guarantor/collateral, where applicable), project management arrangements, assessment of the environmental and social safeguards aspects related to the project, including climate change, eligible costs and financing plan, implementation schedule, financing conditions, project risk (financial risks as well as risks related to achieving sustainable project outcomes).
5. Importantly, the “Loan Document” puts emphasis on identifying the beneficiaries and their vulnerability factors and needs, and is explicit on how the loan proposes to address them, i.e. through a clear statement of the objectives, a description of the processes by which the beneficiaries are to be selected and benefit from the financial advantages of the CEB’s loan, the activities supported, the expected social benefits and related key indicators defined during appraisal.
6. Thus, a specific chapter is dedicated to the key indicators related to physical outputs as well as outcomes and, to the extent possible, on the foreseen social effects. The “Key Indicators” are followed by the sections “Reporting Requirements” and the “Monitoring Arrangements”. These sections describe the expected modalities for follow-up on progress on the implementation of the loan (specifically on the degree of realisation of the physical and social objectives based on the key indicators) and on monitoring the appropriate channelling of the CEB funds. The templates for the monitoring tables prepared during appraisal are attached to the “Loan Document” and reflect the intended social effects.
7. In addition, the “Loan Document” presents in parallel two chapters regarding the project’s viability, as assessed during the appraisal process by the Bank’s services: this therefore includes a chapter dedicated to “Project Risks and the Mitigation Measures”, which addresses the possible risks related to project implementation and sustainability. Another chapter on “Pre-requisites” presents the main conditions precedent for the approval and disbursement of the loan by the CEB.
8. The “Loan Document” includes a chapter dedicated to “Lessons Learned” by the Bank either from previous projects in the same sector and/or with the same intermediary, where applicable. The lessons are based on the conclusions of the CEB monitoring missions and on the findings available from the Office of Evaluation. This chapter specifies how the CEB past experience and the experience of other IFIs or international good practices, where relevant, were reflected in the set-up of the loan at appraisal.
9. Fast-track procedures for the approval of emergency-response projects may apply, following an explicit decision by the CEB internal committees in consideration of specific emergency-related needs. Specific project due diligence modalities tailored to the nature of the emergency support are to be defined and approved by the CEB internal committees, with the aim of ascertaining that emergency support operations comply with quality standards and best practice, while potential risks are duly identified and properly managed.
10. In the case of PPPs, the content of the Loan Document will in addition highlight the outcome of the appraisal process in terms of: (i) legal and institutional framework; (ii) specific institutional and

organisational arrangements for the PPP's implementation; (iii) PPP-related risks and mitigation measures.

11. For PPP projects to be supported through direct lending, the Loan Document will also highlight the costs related to external consultancy and legal counselling services as determined during appraisal.

## Loan Document

### Contents

#### THE LOAN AND ITS SOCIAL VALUE (executive summary)

#### 1. PROJECT DESCRIPTION

- 1.1 Introduction
- 1.2 Project Background
- 1.3 Objectives
- 1.4 Beneficiaries and Eligibility criteria
- 1.5 Project Components/Activities
- 1.6 Project Management
- 1.7 Procurement and Compliance Aspects
- 1.8 Environmental and social safeguards – Climate change considerations
- 1.9 Implementation Schedule

#### 2. SOCIAL IMPACT AND SDGs

#### 3. LESSONS LEARNED

#### 4. INTERMEDIARY INSTITUTION (*where applicable*)

- 4.1 Market Position
- 4.2 On-lending instrument
- 4.3 Experience with CEB and other IFIs

#### 5. PROJECT FINANCING

- 5.1 Project Direct Costs
- 5.2 Technical Assistance Costs (*where applicable*)
- 5.3 Financing Plan - sources and uses
- 5.4 CEB loan disbursement schedule and conditions

#### 6. KEY INDICATORS

#### 7. MONITORING AND EVALUATION

#### 8. PROJECT RISKS AND MITIGATION MEASURES

#### 9. CREDIT RISK

- 9.1 The Borrower (and the Guarantor, *where applicable*)
- 9.2 Credit and Financial Aspects

#### 10. PRE-REQUISITES

- 10.1 Approval
- 10.2 Disbursement

#### 11. CEB ADDED VALUE AND CONCLUSION

#### Appendices

- 1. Opinion of Admissibility of the Secretary General of the Council of Europe
- 2. Project Synopsis
- 3. Template Monitoring Tables
- 4. Economic and financial fundamentals of the Borrower (and Guarantor, *where applicable*)
- 5. Project Screening Sheet
- 6. Technical Opinion (*when applicable*)

## CHAPTER 9

### Technical assistance

1. Technical assistance aims at providing the borrower/project implementing entity with the expertise deemed necessary for the preparation, development, implementation and monitoring of projects to be financed, or already being financed, with CEB funds.
2. Technical assistance consists in the mobilisation, transfer and utilisation of services, skills, knowledge, training, technology and engineering to build capacity on a sustainable basis and in a manner consistent with the purpose and objectives of the CEB financed projects and/or their relevant activity sectors.
3. The CEB finances technical assistance assignments through:
  - 3.1. Trust accounts funded by donor countries and the European Union as well as the Bank's Social Dividend Account (SDA);
  - 3.2. CEB loans;
  - 3.3. CEB own resources – CEB operational budget for consultancy services.
4. Technical assistance is provided, in general, via consultancy services for:
  - 4.1. Project preparation – to help identify, prepare and implement projects for financing by the CEB, including vulnerability assessment, needs assessment, pre-feasibility and feasibility studies, preliminary and detailed designs, environmental and social impact studies, climate risk and vulnerability assessment, identification of climate/green finance components, consideration of gender-related aspects, cost/benefit analysis, etc.
  - 4.2. Project monitoring and results assessment – to support the monitoring and review of on-going projects, including to address issues in implementation, and/or to monitor the social impact and effectiveness of investment projects, both on-going and completed;
  - 4.3. Procurement – to support the execution of sound procurement for CEB financed projects;
  - 4.4. Capacity building – to support institutional and organisational capacity development needed for successful implementation, operation and management of the CEB financed projects;
  - 4.5. Sector and context reviews – to carry out sectoral reviews and analysis of country specificities in view of project development, preparation and financing.
5. Technical assistance on CEB-financed projects may either be required by the CEB during appraisal / preparation or monitoring phases or requested by the borrower/beneficiary in coordination with the CEB.
6. In order to promote ownership, the CEB supports borrower's/beneficiary's active participation in designing and, depending on the case, implementing technical assistance. The CEB encourages borrowers/beneficiaries to play a proactive role in determining their needs for technical assistance, defining the nature, objectives and timeframe of the technical assistance as well as setting measurable outputs and deliverables expected from the consultancy services. These aspects will be detailed in the grant agreement that will specify the entity(ies) in charge of coordinating and managing technical assistance services.
7. Procurement, contracting and management: depending on whether the consultancy assignments are managed by the CEB or directly by the borrower/beneficiary, the following principles would apply:
  - 7.1. CEB-managed technical assistance assignments should be:
    - 7.1.1. of an essentially advisory and/or informative nature, i.e. (a) provide the beneficiary with options related to project scope, design, technical choices, etc.; sectoral, institutional and/or legal reviews in view of project identification/preparation; (b) help address specific issues during project implementation and/or monitoring; or (c) check conformity with applicable



national and/or international standards and norms (e.g. environment, health standards, procurement).

- 7.1.2. aimed at improving institutional capacity through training, organisational enhancement, custom-tailored technical advice, etc.

While managing technical assistance assignments, the CEB will under no circumstance execute any role, function or responsibility for project implementation, direct or indirect, which may be construed as implying CEB's liability.

- 7.2. Borrower-managed technical assistance assignments would in general be of a larger scope than CEB-managed support and would usually focus on:

- 7.2.1. assisting the beneficiary in project implementation. Such technical assistance would thus enable the beneficiary to directly call upon consultancy services to help with project implementation, including key staff in charge of implementation reporting directly to the beneficiary/borrower (and/or its entities) with CEB being informed and/or consulted throughout the process.

- 7.2.2. capacity building: as in 7.1.2. above, and also for broader sector-related policy and institutional framework improvements.

- 7.3. Third party-funded technical assistance managed by CEB – the Bank may be involved in the management of technical assistance assignments funded, procured and contracted by other Donors or IFIs (e.g. through arrangements such as the EU Western Balkans Investment Framework).

- 8. Consultancy services on the CEB technical assistance assignments are procured according to the CEB's Procurement Guidelines and internal procurement procedures unless the CEB accepts the application of rules and procedures of other donors/sponsors/IFIs.
- 9. Monitoring of technical assistance assignments is carried out in line with the CEB procedures and requirements that apply to project financing with recourse to custom-tailored indicators based on deliverables. Specific and adequate management rules, payment procedures, reporting modalities and delivery deadlines are determined on a case-by-case basis depending on the characteristics of the technical assistance assignment and the contracting arrangements in place.

## CHAPTER 10

### CEB financing

<i>CEB financing definition</i>	The general conditions ruling the loans and loan guarantees granted by the CEB are set forth by the Administrative Council within the framework of the “Loan Regulations”, which are an integral part of the FLA signed by CEB and the borrower. Projects are financed by the CEB according to provisions approved by the Administrative Council when reviewing the project.
<i>Interest subsidy</i>	In line with the <b>SDA Policy</b> , where applicable, a project financed by the CEB can, on the Governor’s proposal, <b>benefit from an interest subsidy</b> through the Social Divided Account, following case-by-case approval by the Administrative Council.
<i>CEB’s share of financing</i>	The CEB’s share of the financing of the total eligible cost is stipulated in the Loan Document and may vary depending on the type of loan and instrument ( <i>see the Handbook’s Chapters 4.1-9 for a presentation of the different CEB loan instruments</i> ). In principle, the <b>CEB’s share of financing may not exceed 50% of the eligible costs</b> . Nevertheless, on a case by case basis, which is subject to the approval of the CEB’s Administrative Council, the CEB’s share of financing may go up to 90%, especially in the Target Group Countries. <sup>1</sup>
<i>Loan currency</i>	<b>The CEB loans are approved in Euro.</b> Disbursements in other convertible currencies may be possible on a case-by-case basis.
<i>Financing modalities</i>	Depending on the type of loan instrument, the CEB disburses either on the basis of the progress of expenditure and/or works or the absorption capacity of the project.
<i>Disbursement based on the progress of expenditure and/or works</i>	<b>The progress of expenditure and/or works</b> is ascertained through the information provided by the borrower or observations made during on-site missions. It corresponds to the ratio of already-incurred eligible expenditures on all project components to the total eligible cost of the project. In addition, the CEB may also finance the expenditures expected to be incurred in a maximum of 12 months from the date of the already incurred expenditures.
<i>Disbursement based on absorption capacity</i>	<b>The absorption capacity of the project</b> is determined by the information provided by the borrower. Absorption capacity is monitored in terms of the degree of allocation/utilisation of the loan tranches disbursed. A new disbursement may take place as soon as the previous loan tranche has been allocated, provided all the necessary monitoring information has been received and favourably reviewed by the CEB. On-site verifications by the CEB of the allocation of the disbursed tranche may take place on a sub-project sampling basis.
<i>Number of instalments</i>	The CEB disburses the loan in a <b>minimum of two tranches</b> . Depending on the project, a maximum number of tranches may also be established by the CEB following its appraisal.
<i>First disbursement</i>	The <b>first disbursement should take place within 12 months</b> following the FLA signature, unless otherwise authorised by the CEB on a case-by-case basis.
<i>Subsequent disbursement</i>	<b>Disbursement of subsequent tranches should take place within 18 months</b> following the last disbursement, unless otherwise authorised by the CEB on a case-by-case basis.

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<sup>1</sup> Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Malta, Moldova (Republic of), Montenegro, North Macedonia, Poland, Romania, Serbia, Slovak Republic, Slovenia and Türkiye

<i>Additional loan amounts (Addenda)</i>	<p>A request for an additional loan amount on an existing project is prepared by the CEB services with the borrower within the same Project Cycle phases as for a new project and within the same internal approval process as was the case for the original project.</p> <p>The initial project can be visited by the CEB technical teams, if considered necessary, and the findings incorporated into the analysis of the request for an additional loan amount.</p> <p><b>A project may have up to a maximum of two additional loan amounts, i.e. two addenda following the initial loan.</b></p> <p>Disbursement of the additional loan amount in only one tranche may be possible on a case-by-case basis, upon decision by the CEB internal validation committees.</p> <p>The UN Sustainable Development Goals (SDGs) are applied to the addendum even if the initial project was approved before 1 January 2020.</p>
<i>Instalment structure</i>	<p>The loan's structures will be established in line with the CEB financing capacity to respond at best to the project's financing needs through combinations of possible structures including constant amortisation, constant annuities and/or short-term loans with a final repayment.</p>
<i>Tranche allocation</i>	<p>The timeframe for the <b>allocation of each tranche</b> will depend on the loan instrument, but it is usually <b>limited to 12 months</b> following a disbursement.</p>
<i>Unused fund</i>	<p>The CEB must be notified of the non-use of funds, stating the reasons that prevented their utilisation. The CEB may require that such funds are repaid or re-allocated to other eligible sub-projects or, in certain cases, may accept to grant an extension to the timeframe for the use of the funds.</p>
<i>Project cost increase</i>	<p>Should the costs of the project increase or be revised upwards for whatever reason, the borrower shall ensure that the additional financial resources needed for the completion of the project are available.</p>
<i>Early repayment</i>	<p>In case of an early repayment, the potential cost of <b>repayment</b> will be charged to the borrower according to the provisions contained in the CEB Loan Regulations and the FLA.</p>
<i>Project closing date</i>	<p>The <b>closing date</b>, established in the FLA in accordance with the borrower's implementation schedule for a project, sets the end date for possible CEB loan disbursements in favour of a project.</p>

## CHAPTER 11

### Project modifications

#### *Project modifications*

The CEB must be promptly informed by the borrower of any substantial change in connection with the project, including in connection with the credit/financial aspects (e.g. borrower's financial standing, required guarantees/collateral) taken into account upon approval of the loan.

These modifications may require the approval by the Governor, and if applicable, the Administrative Council, or may be presented by the Governor to the Administrative Council for information through the "Annual Report by the Governor on the Preparation and Follow-up of Projects".

#### **Modifications requiring approval by the Governor/Administrative Council**

All the modification listed under this heading will be the object of a modification request addressed directly to the Governor, who will give his/her opinion and submit it to the CEB's Administrative Council for approval, via the Secretariat of the Partial Agreement on the Council of Europe Development Bank. These include:

#### *Modification of the project objectives*

**Modification of the nature of the objectives:** any substantial modification to the nature of project objectives and/or sectors taken into account upon approval of the project.

#### *Modification of loan guarantee/collateral*

**Modification of the guarantee/collateral:** any changes made in the nature or quality of the guarantee, security and/or collateral given to the CEB. In the event of the Governor giving a negative opinion on the new guarantees, and in the absence of any satisfactory alternative, the CEB may request the early repayment of the disbursed amounts and/or may cancel the undisbursed amounts remaining in the stock of projects.

#### *Additional loan amount*

**Additional loan amount:** in cases where additional and unanticipated investments are required in order to achieve the initially planned objective and these cannot be covered by the borrower, the borrower may request an additional loan (addendum) from the CEB. Such request must be subject to a positive assessment by the CEB, in line with the provisions of the Loan and Project Financing Policy and the current Handbook. The financial and monitoring modalities applied to addendum projects will be agreed at the appraisal stage, as described in more detail in [Chapter 10](#).

#### **Modifications presented to the Administrative Council for information through the "Annual Report by the Governor on the Preparation and Follow-up of Projects"**

#### *Cost variations and modifications*

**Cost variations and modifications in the event of bids for tenders and contract awards:** cost overruns linked to cyclical economic changes, such as price increases, or modifications of initial contracts in cases of bids for tenders and contract awards are to be borne by the borrower. As far as possible, contingencies for price increases should be taken into account in the calculation of the cost of a project when it is presented to the Administrative Council.

*Variations of project objectives*

**Variations of project objectives:** a reduction in the approved project scope for structural, political or technical matters leads to a reduction of the loan envelope granted by the CEB in order to remain within the limit of 50% (maximum CEB financing share) of the revised total cost. Project modifications and, at times, renunciation of part of the loan are presented to the Administrative Council for information in the Annual Report by the Governor on the Preparation and Follow-up of Projects.

*Changes related to ESS and climate risks*

**Changes related to ESS and climate risks:** in the event of any substantial changes to the assessment of risk profile during project implementation, particularly as regards environmental and social safeguards and climate-related aspects, the borrower shall promptly notify the CEB in order to put in place appropriate mitigation measures.

*Delays in implementation*

**Delays in implementation of works:** in the event of any substantial delay, modifications in the works schedule must be indicated in the periodic monitoring report sent to the CEB by the borrower. The report should present the main causes of the accumulated delays as well as the updated works and financing schedule.

*Modifications of implementation modalities*

**Modifications of implementation modalities:** in the event of significant modifications to the project implementation modalities specified in the Loan Document that have no incidence on the nature of project objectives.

*Modifications of the CEB's financing share*

**Modifications of the CEB's financing share of total project costs:** in the event of the CEB's project financing going beyond the maximum share approved by the Administrative Council as a result of cost variations, as long as the share does not exceed the maximum CEB funding rate authorised by the Loan and Project Financing Policy. The report should present the changes in the financing plan.

## CHAPTER 12

### CEB monitoring, reporting and evaluation

#### MONITORING

<i>General principles</i>	Monitoring consists of ensuring, on a continual basis, that the project is carried out in accordance with the objectives and provisions approved by the Administrative Council when approving the project.
<i>Implementation responsibility</i>	<p>The FLA specifies the modalities according to which the CEB carries out the implementation monitoring of financial, technical and social aspects of all projects from Administrative Council approval to completion.</p> <p>The borrower is responsible for ensuring the implementation of the project and must report on project progress and monitor the project in compliance with the rules set forth in the FLA.</p>
<i>Monitoring modalities</i>	The CEB carries out in-house monitoring reviews based on the information submitted by the borrowers in their regular project follow-up progress and completion reports and via on-site monitoring. This information is used to trigger the tranche loan disbursements.
<i>Implementation monitoring</i>	Project monitoring assesses compliance with the agreed conditions, including the financial and organisational situation of the borrower, the physical progress of works/allocation of the disbursed loan tranches, adherence to cost estimates, budgeted expenditure and procurement procedures, and achievement of the anticipated social objectives of the project.
<i>Mechanism</i>	Monitoring and disbursement modalities are determined during appraisal, either on the basis of absorption capacity or on the basis of the progress of expenditure and/or works, depending on the type of lending instrument.
<i>Periodicity</i>	Monitoring reports should be provided to the CEB prior to any disbursement and at least once a year, with the exception of the first tranche, unless otherwise specified in the FLA. Prepared by the borrower or the related project implementing agency, these reports are drawn up on the basis of templates appended to the FLA.
<i>Technical monitoring</i>	Projects financed by the CEB require technical monitoring missions scheduled on a case-by-case basis at least once during project implementation, unless otherwise agreed. These missions enable the CEB to review implementation and set-up of projects in line with the CEB requirements and to follow up on the risks and mitigating measures identified at appraisal. The borrower undertakes to provide all the necessary co-operation for the technical monitoring missions, by providing the requisite information in a timely fashion, and by facilitating any possible visits to the site of the project. Environmental and social safeguard (ESS) aspects and climate-related considerations are monitored throughout the implementation period through the review of any specific ESS and climate-related reports requested from the Borrower. They are also addressed as part of technical monitoring missions and/or through dedicated ESS or climate-related missions. This is determined at appraisal or maybe linked to specific incidents that may materialise throughout the implementation period. Procurement of supplies, works and services to be financed under the project should comply with the CEB Procurement Guidelines. While the responsibility for the award and administration of contracts under the project remains with the borrower implementing it, the CEB reserves the right to carry out a pre- or

*Conditional financing instrument*

post-review of procurement documentation at any time during project implementation (see the CEB's Procurement Guidelines for more information).

For borrowers that have, through previous co-operation with the CEB, demonstrated clear mandate, well-established and effective operational and financial policies and procedures and the capacity to provide timely and comprehensive reports to the CEB on the relevant financial, physical and social aspects of project implementation, the CEB will decide at appraisal stage to apply an in-house review only through the monitoring reports submitted by the borrower, under Conditional Financing Instrument monitoring procedures.

*Annual Report on the Preparation and Follow-up of Projects*

## REPORTING

An “**Annual Report on the Preparation and Follow-up of Projects**” is prepared by the CEB and presented to the CEB's Administrative Council: The Report provides an overall assessment of the most significant projects while highlighting the issues encountered in the course of their appraisal and implementation. It includes, on a non-exclusive basis, the following points:

- project preparation in terms of appraisal, technical review and lessons learned;
- project monitoring, including projects cancelled or modified;
- performance review and lessons learned;
- social effects of the projects completed.

*Secretariat's social annual report*

This Report is complemented by the Annual Report on the Projects' Social Impact prepared by the Secretariat of the Partial Agreement on the Council of Europe Development Bank in Strasbourg.

*Evaluation*

## EVALUATION

Any project financed by the CEB may be subject to an independent evaluation by the CEB's Office of Evaluation to promote accountability and generate learning, the purpose of which is to help improve the quality of ongoing and future CEB-financed projects.



## CHAPTER 13


### Management of the stock of projects





1. Once approved by the Bank's Administrative Council, loans are registered in the stock of projects awaiting financing.
2. Each project has an FLA which must be signed within 12 months of the approval of the project. If the conditions justify it, the CEB may grant an additional period to the borrower for the signature of the agreement. As loan tranches are disbursed, the project loan amount in the stock of projects is reduced accordingly.
3. In the absence of any contrary provisions approved by the CEB's Administrative Council, a project may be removed from the stock with notification by the CEB to the borrower:
  - 3.1. at the borrower's request;
  - 3.2. whether an FLA has been signed or not, in the circumstances that may give rise to cancellation of the loan under the Loan Regulations, particularly when an exceptional situation arises which makes the fulfilment of the borrower's or the guarantor's obligations uncertain. The CEB's Administrative Council will be informed of such a removal from the stock of projects;
  - 3.3. if no FLA has been signed within 12 months following approval of the loan by the Administrative Council, unless an extension is granted by the CEB;
  - 3.4. if the first tranche is not disbursed within 12 months following the FLA's signature, unless an extension is granted by the CEB;
  - 3.5. in the case of PFFs, if the first tranche is not disbursed within 12 months following the FLA's signature, unless an extension is granted by the CEB. Moreover, a PFF cannot remain in stock for more than 24 months following its approval by the Administrative Council without the first tranche having been disbursed, unless an explicit extension is granted by the CEB.
  - 3.6. if no tranche is disbursed within 18 months following the last disbursement, unless an extension is granted by the CEB; in the case of ECFs, if no tranche is disbursed within the deadlines determined on a case-by-case during appraisal, unless an extension is granted by the CEB;
  - 3.7. at the closing date approved by the Bank's Administrative Council which enables the CEB, upon notification to the borrower, to terminate a borrower's entitlement to request any further disbursement. If justified, a 12-month extension may be granted by the CEB. Any request for a longer extension (beyond 12 months) would require the approval of the CEB's Administrative Council.




## CHAPTER 14



### Sustainable Development Goals and related indicators

<i>Sustainable Development Goals</i>	The Sustainable Development Goals (SDGs) as outlined in the UN 2030 Agenda for Sustainable Development apply to both developing and developed countries alike and commit 193 countries to meet 17 varied but interconnected goals and their respective 169 targets by 2030.
<i>Mainstreaming SDGs at the CEB</i>	<p>Mainstreaming SDGs into its activities offers the CEB first and foremost the opportunity to support its member states in achieving their policy commitments to contribute to the ambitious UN 2030 Agenda for Sustainable Development.</p> <p>It also allows the Bank to capitalise on its distinctive social mandate and institutional capacity while aligning it with the collective efforts of the international community and with the best practices of its peer institutions.</p>
<i>CEB's guiding principles for SDGs</i>	The guiding principles for the CEB's approach to the SDG Agenda are to prioritise a smaller set of key SDGs and focus on the most relevant goals closest to the Bank's mandate and lines of action. They are categorised into two groups: (i) cross-sector relevance and (ii) sector-based relevance.
<i>Cross-sectoral SDGs at the CEB</i>	The cross-sectoral relevant SDGs can be either those that are already aligned with the CEB's core social mandate ( <b>SDG 1 – No Poverty; SDG 10 – Reduced Inequalities</b> ) or those that are screened for in all CEB projects ( <b>SDG 5 – Gender equality; SDG 13 – Climate Action</b> ).
<i>Sector-based SDGs and the CEB</i>	Sector-based SDGs relevant to the CEB's operations currently include <b>SDG 3 – Good health and well-being, SDG 4 – Quality education, SDG 6 – Clean water and sanitation, SDG 8 – Decent work and economic growth, SDG 11 – Sustainable cities and communities, and SDG 16 – Peace, justice and strong institutions</b> .
<i>Operational application</i>	<p>At the operational level, the CEB will maintain its existing screening, monitoring and evaluation methodologies, and perform annual analyses of CEB synergies with the key SDGs using a portfolio approach as of 2020. These analyses will be facilitated by the pre-identification/earmarking of the relevant SDGs at project appraisal.</p> <p>Although at present projects in borrower countries rarely have an explicit aim to meet an SDG, the CEB works with borrowers to promote SDGs whenever relevant.</p>

SDGs	Targets	Corresponding Indicators
	<p><b>1.4</b> By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</p> <p><b>1.5</b> By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.</p>	<ul style="list-style-type: none"> <li>• Number of targeted direct beneficiaries (population directly served)</li> <li>• Number &amp; amount of microfinance loans</li> </ul>

	<p><b>3.8</b> Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p> <p><b>3.b</b> Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all.</p>	<ul style="list-style-type: none"> <li>• Number of targeted direct beneficiaries (population directly served)</li> <li>• In- and out-patients served</li> <li>• Number of beds</li> </ul>
	<p><b>4.1</b> By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.</p> <p><b>4.2</b> By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.</p> <p><b>4.3</b> By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p> <p><b>4.4</b> By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p><b>4.5</b> By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.</p> <p><b>4.a</b> Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.</p>	<ul style="list-style-type: none"> <li>• Number of targeted students enrolled (HIPSO)</li> <li>• Number of establishments constructed/rehabilitated</li> </ul>
	<p><b>5.1</b> End all forms of discrimination against all women and girls everywhere.</p>	<ul style="list-style-type: none"> <li>• Number of targeted direct women beneficiaries</li> <li>• Number and amount of loans to women-owned business</li> </ul>
	<p><b>6.1</b> By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p><b>6.2</b> By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.</p> <p><b>6.3</b> By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing.</p> <p><b>6.4</b> By 2030, substantially increase water-</p>	<ul style="list-style-type: none"> <li>• Number of targeted beneficiaries (population directly served)</li> <li>• Volume potable water produced over one year</li> <li>• Volume of wastewater treated over one year</li> </ul>

	<p>use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p> <p><b>6.4</b> By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>	
	<p><b>8.3</b> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p> <p><b>8.10</b> Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p>	<ul style="list-style-type: none"> <li>• Number of jobs created</li> <li>• Number of jobs maintained</li> <li>• Number of MSMEs supported</li> <li>• Number of start-up MSMEs supported</li> <li>• Number and amount of outstanding SME loans</li> </ul>
	<p><b>10.2</b> By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p> <p><b>10.7</b> Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.</p>	<ul style="list-style-type: none"> <li>• Number of targeted vulnerable beneficiaries</li> <li>• Number of social infrastructure financed</li> </ul>
	<p><b>11.1</b> By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p> <p><b>11.2</b> By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> <p><b>11.3</b> By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.</p> <p><b>11.4</b> Strengthen efforts to protect and safeguard the world's cultural and natural heritage.</p> <p><b>11.5</b> By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.</p> <p><b>11.6</b> By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> <p><b>11.7</b> By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.</p>	<ul style="list-style-type: none"> <li>• Number of targeted beneficiaries (population directly served)</li> <li>• Number of new dwellings constructed (HIPSO)</li> <li>• Number of improved dwellings (HIPSO)</li> <li>• Number of public infrastructure objects constructed</li> <li>• Number of passengers using transportation service over one year (HIPSO)</li> <li>• Number and amount of mortgage housing loans</li> <li>• Number and amount of outstanding loans in client company (HIPSO)</li> </ul>

	<p><b>11.b</b> By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.</p>	
	<p><b>13.1</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p> <p><b>13.2</b> Integrate climate change measures into national policies, strategies and planning.</p> <p><b>13.3</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<ul style="list-style-type: none"> <li>• Number of targeted beneficiaries (population directly served)</li> <li>• Reduced CO<sub>2</sub> emissions</li> </ul>
	<p><b>16.1</b> Significantly reduce all forms of violence and related death rates everywhere</p> <p><b>16.2</b> End abuse, exploitation, trafficking and all forms of violence against and torture of children</p> <p><b>16.3</b> Promote the rule of law at the national and international levels and ensure equal access to justice for all.</p>	<ul style="list-style-type: none"> <li>• Number of targeted beneficiaries (population directly served, i.e. number of prisoners/inmates benefiting from improved conditions)</li> <li>• Number of judiciary infrastructure objects financed</li> <li>• Total surface area built and rehabilitated</li> <li>• Training, educational, workshop facilities provided (type and surface area)</li> </ul>

## Glossary of Terms

<i>Absorption capacity</i>	<b>“Absorption capacity”</b> of the CEB Programme Loans ( <i>see definition in this Glossary</i> ) is monitored in terms of the degree of allocation/utilisation of the loan tranches disbursed. As soon as a loan tranche is allocated, a new disbursement may take place, provided relevant monitoring information has been obtained and favourably reviewed by the CEB.
<i>Added Value Assessment Sheet</i>	<b>“Added Value Assessment Sheet”</b> is used in project appraisal in order to evaluate both the project’s social impact and its contribution to improving the relevant sector policies, institutions and infrastructure as well as the added-value of the CEB involvement in terms of the Bank’s support, including through technical assistance, to the project throughout its appraisal and follow-up as well as in CEB’s application of favourable financing terms and conditions in its lending.
<i>Administrative Council</i>	<b>“Administrative Council”</b> or <b>“AC”</b> refers to one of the CEB’s two governing bodies (the other one being the Governing Board) and is composed of the CEB member states’ representatives. The AC, inter alia, reviews and approves Loan Documents and related reports submitted by the Bank’s Governor. CEB’s Administrative Council meets at least four times a year.
<i>Allocation of a Tranche or Allocated</i>	<b>“Allocation of a Tranche”</b> or <b>“Allocated”</b> means the commitment of a Tranche by the Borrower / Implementing Entity / Grant recipient to eligible investments or budgetary items identified and reported to the CEB by means of monitoring templates fulfilling the CEB requirements.
<i>Appraisal</i>	<b>“Appraisal”</b> is the process of identification and assessment of potential projects prior to their submission for approval to the CEB’s Administrative Council. The appraisal process includes both an assessment of all relevant aspects of the project as well as a credit risk evaluation of the borrower.
<i>Annual Report on the Preparation and Follow-up of Projects</i>	<b>“Annual Report on the Preparation and Follow-up of Projects”</b> provides an overall assessment of the most significant projects financed by the CEB while highlighting key issues encountered in the course of their appraisal and implementation. It is prepared by the CEB in coordination with the Secretariat of the Partial Agreement on the Council of Europe Development Bank in Strasbourg and presented to the Bank’s Administrative Council and Governing Board.
<i>APEX structure</i>	<b>“APEX structure”</b> refers to the manner in which the CEB loans to a borrowing commercial bank, public development bank or other financial institution which may be intermediated. The term is used to designate the intermediation in which the borrowing entity - rather than financing the final beneficiaries directly - on-lends the CEB loan proceeds to a network of participating financial institutions for financing of subprojects by final beneficiaries.
<i>Bank</i>	In this Handbook, <b>“Bank”</b> refers to the Council of Europe Development Bank (CEB).
<i>Beneficiary</i>	<b>“Beneficiary”</b> is the legal entity that is the ultimate recipient of the CEB funds. Depending on the type of loan instrument, the Beneficiary can thus either be the Project implementing agency or the end-borrower.
<i>Borrower</i>	<b>“Borrower”</b> may be a CEB member state, a central or local government entity, a financial institution or any other public or private entity approved to borrow from the CEB.



<i>CEB Anti-corruption Charter</i>	<b>"CEB Anti-corruption Charter"</b> underlines the commitment by the CEB as a development bank with a social vocation and placed "under the supreme authority of the Council of Europe", to respect the principles of integrity and good governance in its operating methods and in the way it conducts its activity. In this respect, the Bank attaches great importance to the fight against fraud, corruption and money laundering, not only within the Institution itself but also within the framework of the projects it finances.
<i>CEB Articles of Agreement</i>	<b>"CEB Articles of Agreement"</b> establish the Bank, its purpose, membership and means of action. These articles establish the CEB's governance, organisation, administration and supervision.
<i>CEB Compliance Policy</i>	<b>"CEB Compliance Policy"</b> defines the mission of the CEB's compliance function as ensuring that the Bank conducts its activities in compliance with its own rules, current legislation, codes of conduct, good practices and standards in order to avoid any risk of irregularity in the functioning of the Institution, of its Organs or its Staff. Its purpose is therefore to enable the CEB to limit its exposure to the legal, administrative or regulatory sanctions, material financial loss, or loss to reputation incurred in the event of noncompliance.
<i>CEB Environmental and Social Safeguards Policy</i>	<b>"CEB Environmental and Social Safeguards Policy"</b> develops and formalises the Bank's commitment to promoting environmentally and socially sustainable projects. The policy outlines the principles on which the approach to environmental and social safeguard review and management by the Bank is based, and sets out the environmental and social safeguard requirements applicable to each project.
<i>CEB Loan and Project Financing Policy</i>	<b>"CEB Loan and Project Financing Policy"</b> defines the basic principles for the selection and implementation of the Bank's investment projects. In particular, it sets forth the guidelines for project financing, successively defining: (i) the CEB sectors of action, (ii) the Bank's financial means of action, (iii) the mechanisms for approving loan applications and for managing the stock of projects, (iv) the financing and monitoring of projects. These provisions are completed by different implementation documents, namely the "Handbook for the Preparation and Implementation of Projects" and the "Loan Regulations".
<i>CEB Loan Regulations</i>	<b>"CEB Loan Regulations"</b> lay down the general conditions governing loans approved by the CEB and the associated guarantees. The Loan Regulations are attached to the FLA signed by the CEB and the Borrower.
<i>CEB Procurement Guidelines</i>	<b>"CEB Procurement Guidelines"</b> detail the principles and methods to be applied when awarding contracts to be financed by CEB loans. Implementing them enables the CEB to meet its fiduciary responsibilities by ensuring that funds are used solely for purposes covered by the loan and that special emphasis is placed on the economic and efficient implementation of the projects it finances. It is recognised that fairness and transparency of public spending are essential to sound governance and sustainability of projects.
<i>Closing date</i>	<b>"Closing date"</b> means the date from which, upon notification by CEB to the borrower, no further disbursements may be requested by the borrower. The Closing date is fixed in the FLA in accordance with the borrower's implementation schedule for the proposed investments and related financing. The CEB will continue its monitoring of the project/facility beyond the Closing date until submission by the borrower of a satisfactory completion/global monitoring report.
<i>Completion</i>	A project is considered <b>"Completed"</b> when the CEB receives a satisfactory completion/global monitoring report in line with the requirements set out in the FLA. Such a report shall provide all the necessary information regarding, inter alia, the use of funds and attainment of physical and social objectives detailed in the Loan Document approved by CEB's Administrative Council.



<i>Conditional Financing Instrument</i>	<b>“Conditional Financing Instrument”</b> has been developed by the CEB as one of the means for better adapting to borrower needs. For borrowers that have, through previous co-operation with the CEB, demonstrated a clear mandate, well-established and effective operational and financial policies and procedures and the capacity to provide timely and comprehensive reports to the CEB on the relevant financial, physical and social aspects of project implementation, the CEB may apply an in-house review only based on the monitoring reports submitted by the borrower, under the Conditional Financing Instrument monitoring procedures.
<i>Credit Risk Rating</i>	<b>“Credit Risk Rating”</b> is an internal credit risk rating of the Borrower and of the transaction, assigned by the CEB. The Bank’s Finance and Risk Committee regularly reviews the financial and credit risk standing of all current borrowers of the Bank.
<i>Cross Sectoral Loan (CSL)</i>	<b>“Cross Sectoral Loan”</b> is a CEB loan instrument designed to finance socially oriented projects eligible in several CEB sectors of action in the meantime. The CSL is directly available to public authorities, whether national, regional or municipal, as well as through state-owned development banks and other intermediating financial institutions.
<i>Eligibility criteria</i>	<b>“Eligibility criteria”</b> define the type of projects that can be financed by the Bank, according to the sectors of action as established by the CEB’s Administrative Council. Eligible projects must comply with the relevant Council of Europe conventions and the conditions described in the CEB guidelines and policies in force.
<i>Eligible costs</i>	<b>“Eligible costs”</b> are the project costs that can be financed with CEB funds in accordance to the Bank’s Eligibility criteria.
<i>European Co-financing Facility (ECF)</i>	<b>“European Co-financing Facility”</b> is a CEB loan instrument designed to facilitate the absorption of EU grants available to the CEB member states, both within and outside the EU, for addressing their social investment needs in the CEB sectors of action in line with EU objectives.
<i>Evaluation</i>	<b>“Evaluation”</b> carried out by the CEB’s Office of Evaluation provides an independent assessment of the design, preparation and implementation as well as the impact of projects or programmes financed by the CEB. In accordance with OECD-DAC Guidelines and international good practices, it uses a rating system based on the criteria of <i>relevance</i> (of objectives with regard to needs), <i>coherence</i> (the compatibility of the intervention with other interventions), <i>effectiveness</i> (achievement of objectives), <i>efficiency</i> (conversion of inputs into results), <i>impact</i> (broader, notably institutional, economic, social or environmental, effects) and <i>sustainability</i> (prospects for lasting effects beyond project implementation).
<i>European Prison Rules (EPR)</i>	<b>“European Prison Rules”</b> , adopted by the Committee of Ministers in January 2006 at the 952 <sup>nd</sup> meeting of the Ministers’ Deputies, (Rec (2006)2 of the Committee of Ministers of the Council of Europe) are based on the United Nations Standard Minimum Rules for the Treatment of Prisoners. Although not legally binding for member states of the Council of Europe, they provide recognised standards of good principles and practices in the treatment of detainees and the management of detention and penitentiary facilities.
<i>Fast-track procedures</i>	The CEB may decide to apply <b>“Fast-track procedures”</b> to projects in response to emergencies such as natural, ecological or man-made disasters (such as pandemics). Such projects are subject to specific due diligence modalities tailored to the nature of the support the CEB may provide. Relevant derogations and waivers can be put in place to accommodate swift project appraisal and disbursement of the CEB’s <b>“Fast-tracked”</b> emergency funds. For instance, fast-tracked emergency projects may benefit from higher funding ratios in relation to the total cost of the project and a larger amount for the first tranche, while eligibility criteria for certain categories of expenditure could be extended to allow for their rapid redeployment as emergency support. The nature of

derogations and the appropriate modalities need to be assessed and agreed by the CEB committees.

*Final Beneficiary* “**Final Beneficiary**” is the population category benefitting from the social effects of the project partly financed by the CEB.

*Four-pronged approach to project screening* A “**Four-pronged approach**” has been developed by the CEB as a screening tool that attributes an **Overall Project Score** to each project in order to guide project appraisal and provides a yardstick for measuring the additionality of CEB financing and its social added value. It considers the following parameters: (i) **project characteristics** (sectoral context, sustainability, expected financial impact, institutional and organisational aspects and the impact of the CEB capacity to provide assistance throughout the entire project cycle); (ii) **country context**; (iii) **social objectives and impacts**, and; (iv) **environmental considerations** (including sensitivity to climate related risks, potential support for climate change adaptation and/or mitigation, environmental sustainability, etc.).

*Framework Loan Agreement (FLA)* “**Framework Loan Agreement**” is a contract to be signed between the CEB and the borrower, in line with the CEB Loan Regulations and the Loan Document approved by the CEB Administrative Council. It lays down the terms and conditions of project financing, implementation and monitoring. The FLA is called a Framework Financing Agreement (FFA) when it includes grant components.

*Grant Recipients* “**Grant recipients**” can be non-governmental organisations, international institutions, member states, central or local government entities, or any other public or private entity acceptable to the CEB and eligible under the terms and conditions governing the use of the funds held in the relevant trust account. The CEB does not apply any restrictions in terms of nationality.

*Intermediary institution* “**Intermediary institution**” on-lends funds borrowed from the CEB to beneficiaries and bears the direct sub-project risk. It can be a member state (through Ministry of Finance, Treasury, line ministries, etc.), sub-sovereign authorities (regions, cities, publicly-owned enterprises) or financial institutions (commercial banks, leasing companies, specialised financial institutions). Intermediary institutions assume the operational responsibility for identifying beneficiaries, transferring the funds to beneficiaries, undertaking the repayment of loans to the CEB (CEB’s credit risk being that of the intermediaries) and reporting to the CEB on the operations carried out.

*Letter of Consent* If the requesting member state applies for a loan concerning a project to be implemented in another member state, the latter will be asked to send a “**Letter of Consent**” to the Secretariat of the Partial Agreement on the Council of Europe Development Bank in Strasbourg allowing the CEB to monitor the project according to its procedures.

*Letter of Transmittal* Applications for project financing from borrowers or applications for guarantees must be sent to the Secretary General of the Council of Europe by means of a “**Letter of Transmittal**” from the applicant member state concerning the project (and concerning the borrower if the borrower is not the applicant member state).

*Loan Allocation* “**Loan Allocation**” or “**Allocation**” means committing an established loan amount in favour of a project or sub-projects.

*Loan Application* “**Loan Application**” refers to the document to be submitted by the borrower to the Secretariat of the Partial Agreement on the Council of Europe Development Bank detailing both project and credit aspects of any investment proposed for CEB financing. It is to be prepared in coordination with the CEB services and to be formally submitted by the borrower following the Bank’s appraisal process.

<i>Loan Document</i>	<b>“Loan Document”</b> is prepared by the CEB services and submitted by the CEB’s Governor for the approval of the Administrative Council. It is a report containing information on the project, its technical and financial characteristics and on the credit risk associated with the loan. It also includes the Opinion of Admissibility of the Secretary General of the Council of Europe.
<i>Monitoring Report</i>	<b>“Monitoring Report”</b> is a project follow-up report to be provided to the CEB prior to any disbursement and at least once a year, with the exception of the first loan tranche, unless otherwise specified in the FLA. Prepared by the borrower or the project implementing entity, monitoring reports are based on the templates appended to the FLA.
<i>NACE</i>	French acronym <b>“NACE”</b> refers to the “Statistical Classification of Economic Activities in the European Community”. Developed in the 1970s, NACE provides a framework for the collection and presentation, according to economic activity, of a wide range of statistics in the economic areas (for example, production, employment, national accounts).
<i>Opinion of Admissibility</i>	The Secretariat of the Partial Agreement on the Council of Europe Development Bank examines each loan application in order to prepare the Secretary General’s <b>“Opinion of Admissibility”</b> based on the project’s conformity with the political and social objectives of the Council of Europe.
<i>Payment and/or refinancing of debts</i>	Financial costs such as payment and/or refinancing of debts, interest charges, acquisition of interest in the capital of an enterprise, etc. or financial investments cannot be included in the estimated cost of the project and cannot be financed by the CEB.
<i>Programme Loan (PM)</i>	<b>“Programme Loan”</b> is made to financial intermediary (FI) institutions or public entities in order to finance a programme of diverse investments (small individual projects or “sub-projects”) and multi-project programmes in one or several CEB sectors of action.
<i>Project</i>	<b>“Project”</b> covers the full range of components/investments which are to be partly supported through any given CEB loan instrument.
<i>Project Loan (PR)</i>	<b>“Project Loan”</b> is a direct loan to an entity to finance a specific distinct investment or a group of related investments, generally based on predefined investments already known at the time of project approval. Project financing and monitoring are done on the basis of advancement of works.
<i>Project Overall Rating (POR)</i>	<b>“Project Overall Rating”</b> , assigned to each project during its appraisal by the Bank, is based on a “Four-pronged approach” ( <i>see definition</i> ) and consist of the <b>“Project Rating”</b> (the characteristics of the project reflected in parameters such as sectoral context, sustainability, expected financial impact, etc.) and the <b>“Country Rating”</b> (the context in which the project is carried out, such as GDP per capita).
<i>Progress of Expenditure and/or Works</i>	<b>“Progress of Expenditure and/or Works”</b> corresponds to the ratio of already-incurred eligible expenditures on all project components to the total eligible costs of the project.
<i>Projected Progress of Expenditure and/or Works</i>	<b>“Projected Progress of Expenditure and/or Works”</b> corresponds to the ratio of eligible expenditures for all project components to the total eligible costs of the project, where eligible expenditures include already-incurred expenditures as well as those that are expected to be incurred in a maximum of 12 months from the date of the already incurred expenditures.
<i>Public Private Partnership (PPP)</i>	<b>“Public Private Partnership”</b> involves a long-term contract between a public sector authority and private party with clearly shared objectives and under which the private party has agreed to deliver a project and/or provide a public service and to assume its share of project related financial, technical and operational risks.

<i>Public Sector Financing Facility (PFF)</i>	<b>“Public Sector Financing Facility”</b> is a CEB loan instrument designed to enable the provision of flexible financing in the CEB sectors of action to support exclusively investment programmes of the Bank’s member states or their primarily budget-financed public entities with sub-optimal funding levels. PFFs aim to safeguard the viability of social development investments faced with a lack of stable budget funding over time.
<i>Secretariat of the Partial Agreement on the Council of Europe Development Bank</i>	The <b>“Secretariat of the Partial Agreement on the Council of Europe Development Bank”</b> (in Strasbourg) acts as a liaison between the Council of Europe and the CEB. The relationship between the two organisations is guided in practice by the CEB’s Articles of Agreement and the various rules of procedure for the CEB’s governing bodies.
<i>Social Dividend Account (SDA)</i>	<b>“Social Dividend Account”</b> , funded mainly by an earmarked portion of shareholder-approved annual results of the Bank, is used to finance grants in favour of high social impact projects. These grants may take the form of interest-rate subsidies, technical assistance grants, loan guarantees or donations.
<i>Stock of projects awaiting financing</i>	Each project approved by the Administrative Council is registered into the <b>“stock of projects awaiting financing”</b> (or <b>“stock of projects”</b> ) for a period equal to its implementation.
<i>Sub-project</i>	<b>“Sub-project”</b> refers to a small individual project or specific investment eligible for financing under any given CEB loan instrument.
<i>Tranche</i>	Each CEB project is financed by means of a number of loan disbursements; <b>“Tranche”</b> or <b>“Loan Tranche”</b> is a loan amount disbursed by CEB in favour of the borrower in accordance with the conditions defined in the FLA.
<i>Working capital</i>	<b>“Working capital”</b> refers to the net marginal (additional) permanent working capital, defined as net current assets less current liabilities. Depending on the characteristics of the end-borrowers, working capital requirements may be further defined during appraisal.

## Contacts

CEB

Loans & Social Development Directorate (L&D)

55, avenue Kléber

FR-75116 PARIS, France

Tel.: +33 (0)1 47 55 55 00

## Relevant Policies

(available at <https://coebank.org/en/about/policies-and-guidelines/>):

Loan and Project Financing Policy and Loan Regulations

Environmental and Social Safeguards Policy

Procurement Guidelines

Anti-Corruption Charter

Personal data Protection Regulation

Policy on Non-Compliant/Uncooperative Jurisdictions



55, avenue Kléber

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Tel: +33 (0)1 47 55 55 00

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