



# Loan and Project Financing Policy

CORPORATE POLICIES



**CEB**

— COUNCIL OF EUROPE DEVELOPMENT BANK —  
BANQUE DE DEVELOPPEMENT DU CONSEIL DE L'EUROPE

In this document, “Social Dividend Account” and “SDA” shall be construed as referring to “Social Impact Account” and “SIA” respectively, following the decision taken on 14 November 2024 by the CEB's Administrative Council to rename this account to reflect its purpose, namely supporting projects with a high social impact.

# Loan and Project Financing Policy

## 1. PREAMBLE

**1.1.** The Loan and Project Financing Policy (hereinafter, the “Policy”) develops, in line with the Bank’s Articles of Agreement,<sup>1</sup> the strategic orientations approved by the Bank’s governing bodies and the political and social aims of the Council of Europe, the basic principles for the selection and implementation of the investment projects financed by the Bank (hereinafter, also the “CEB”). In particular, the Policy sets forth:

- the sectors of intervention
- the financial means of action
- the mechanisms for approving loan applications
- the management of the stock of projects
- the financing of projects
- the monitoring of projects

**1.2.** The “Handbook for the Preparation and Implementation of Projects” (hereinafter, the “Handbook”), adopted by the CEB within the framework of the Policy, further specifies the CEB’s eligibility criteria, the disbursement modalities, the monitoring requirements and other operational considerations regarding project implementation. The Handbook is updated regularly by CEB management to reflect any salient changes or revisions to the selection and implementation principles of the CEB-financed investment projects.

## 2. LINES OF ACTION AND SECTORS

**2.1** According to the Bank’s Articles of Agreement: “The primary purpose of the Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations and as a result of the presence of victims of natural or ecological disasters”. “The Bank may also contribute to the realisation of investment projects approved by a Member of the Bank which enable jobs to be created in disadvantaged regions, people in low income groups to be housed or social infrastructure to be created”.

**2.2** In light of the above mandate, all the CEB’s financial means of action, including where applicable the CEB’s Social Dividend Account or any other trust account, contribute to the implementation of investment projects of a social nature. The CEB pursues its mission by financing projects that serve vulnerable groups, including but not limited to (i) refugees, displaced persons, migrants and their host communities; (ii) persons living below the poverty threshold (less than 60% of the national average income); (iii) abandoned children, children in vulnerable situations or persons with disabilities; or (iv) ethnic minorities. This focus on vulnerability is instrumental to boost social cohesion and ensure no one is left behind.

**2.3** The CEB’s commitment to social cohesion is reflected both in its focus on vulnerable groups and in its integrated approach to assessing vulnerability. Fulfilling its mandate by financing operations that serve vulnerable groups, the CEB increases the well-being of the most disadvantaged and marginalised members of society, thus achieving greater social cohesion for all. In this respect, the CEB systematically applies a vulnerability lens to its lending operations to identify the specific sources of vulnerability each project aims to address so as to design better solutions and further boost social cohesion.

**2.4** The CEB’s activity is articulated across three lines of action, namely:

- Investing in People and Enhancing Human Capital
- Promoting Inclusive and Resilient Living Environments
- Supporting Jobs and Economic and Financial Inclusion

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<sup>1</sup> See Articles II, VII and XIII of the Bank’s Articles of Agreement.

- 2.5** These lines of action reflect the CEB’s specific social vocation and the development logic underpinning all its activity through a number of sectors which contribute to promoting social cohesion.
- 2.6** While maintaining its engagement in all core areas of operation, the CEB has identified several “focus sectors” in order to enhance selectivity of projects and deploy its resources where they can contribute the most to the pursuit of the CEB’s overarching goals. In addition to the focus sectors, financing of projects in the other sectors will continue to be fully considered.
- 2.7** Each CEB sector of intervention derives from its stated lines of action and is defined by clear and detailed eligibility criteria. The CEB’s sectors are listed below, as follows:

Sectors
<p><b>Health and social care</b> (<i>focus sector</i>)</p> <p>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. 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. Financing health and social care will also contribute 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.</p>
<p><b>Education and vocational training</b> (<i>focus sector</i>)</p> <p>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 concerning the expansion, rehabilitation and modernisation of education infrastructure and its efficient use, to enable innovative teaching and learning methods, boost energy efficiency and strengthen resilience to a changing climate - including school design that can increase overall community resilience. The CEB’s activities in the education sector also aim at embedding digital technologies in the ways schools operate and deliver education. To be eligible to CEB financing, private establishments and infrastructure must be approved by the public education authorities (in compliance with the criteria established for this type of establishment). The CEB may also finance public or private investments in research and development centres. By financing education and vocational training, the CEB could accompany the most vulnerable, low skilled workers whose jobs are threatened by global trends and challenges and foster the integration of refugees and migrants.</p>
<p><b>Administrative and judicial infrastructure</b></p> <p>The CEB finances projects for the construction or rehabilitation of infrastructure as well as 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 related staff.</p> <p>With regard to prison infrastructure in particular, the projects financed by the CEB must be in conformity with the Recommendations made by the Committee of Ministers of the Council of Europe concerning European Prison Rules<sup>2</sup>. A special focus is given to supporting structures and activities aimed at enhancing the reintegration of former prisoners into their communities.</p>

<sup>2</sup> Recommendation Rec (2006)2 of the Committee of Ministers of the Council of Europe to the Member States on the *European Prison Rules*.

## Sectors

### **Protection and rehabilitation of the historic and cultural heritage**

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, the CEB finances the restructuring and rehabilitation of historic and cultural heritage classified as such by the member State concerned.

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

The CEB finances social and affordable housing for vulnerable populations to reduce housing poverty and support inclusive, mixed neighbourhoods. In this respect, the CEB supports the development of projects for the renovation, construction or refurbishing of housing and for the conversion of buildings into accommodation so as to achieve significant social benefits and provide decent housing for low-income persons, corresponding to social housing criteria whenever these are defined by the national legislation. 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. In the absence of satisfactory regulations defining the eligibility of such interventions, the CEB's criteria as presented in the Handbook apply. In addition, projects in favour of priority (as defined by the relevant State or local authority) or vulnerable populations may be financed according to specific criteria established for each project. 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 territorial authorities

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

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. In this respect, the CEB mostly finances projects involving the construction or renovation of infrastructure in matters of urban rehabilitation and rural modernisation in favour of public, private and mixed-ownership entities at national or local level. Investments in local infrastructure – such as social aid, cultural and sport centres, local roads or public transport systems – contribute to delivering affordable and sustainable services to local populations. 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.

### **Natural or ecological disasters**

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 or in the prevention of natural or ecological disasters. The CEB also finances projects specifically targeted at reducing the vulnerability to natural and ecological disasters and risk mitigation, as well as initiatives aimed at improving adaptation or enhancing resilience to climate-related risks. Natural disaster risk management programmes for improved disaster preparedness and response capacity, including public training and awareness activities, can also be financed by the CEB.

### **Protection of the environment**

The CEB finances projects, undertaken by public or private entities, that contribute to protecting and improving the environment such as: reduction and treatment of solid and liquid waste, clean-up and protection of surface and underground water, decontamination of soils and aquifers, protection against noise, production of renewable energy, energy saving measures (excluding energy production/distribution), reduction of air pollution, protection and development of biodiversity, cleaner transport means and networks.

## Sectors

### **MSME financing** (*focus sector*)

The CEB finances micro, small and medium-sized enterprises (MSMEs) through intermediary financial institutions in order to promote the creation and preservation of viable jobs and support development of vibrant and inclusive local economies by facilitating access to credit and enhancing financial inclusion. The financing of working capital is limited to conditions set forth in the Handbook.

The CEB may support initiatives driven by governments in this sector via apex structures developed with State-owned development or promotional banks and to those implemented by other financial institutions – commercial banks or leasing companies. 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. 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.

### **Microfinance** (*focus sector*)

The CEB finances projects in support of microfinance institutions (MFIs) as an important tool for facilitating the long-term integration of vulnerable populations, including migrants and refugees, who generally suffer from financial exclusion. CEB financing can support business micro-loans for investments and working capital, including entities exercising craft activities or family enterprises engaged in regular economic activity. The CEB also finances personal microloans with a social purpose, including housing and energy efficiency improvements.

- 2.8** While not listed as separate sectors, 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.
- 2.9** Moreover, the CEB strives to map its sectors with the related set of United Nation’s Sustainable Development Goals (SDGs) that could be effectively addressed through investments in those sectors. As the responsibility and accountability for achieving the SDG goals and targets lays with the signatory countries of the UN 2030 Agenda, particular SDGs are discussed with the borrower and/or CEB member State and 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.
- 2.10** The CEB will ascertain the alignment of the activities it finances with the goals and principles of the Paris Agreement, in line with its Paris Alignment Roadmap.
- 2.11** The following activities defined by the NACE nomenclature of the European Union<sup>3</sup> shall be excluded from the CEB’s financing:
- 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)
  - Distilling, rectifying and blending of spirits (NACE C11.01)
  - Manufacture of tobacco products (NACE C12)

<sup>3</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.

- Manufacture of coke and refined petroleum products (NACE C19)
- Manufacture of explosives (NACE 20.5.1)
- Processing of nuclear fuel<sup>4</sup> (NACE C24.46)
- Manufacture of weapons and ammunition (NACE C25.4)
- Manufacture of military fighting vehicles (NACE C30.4)
- Financial and insurance activities (NACE K64-66)<sup>5</sup>
- Real Estate Activities (NACE L68)<sup>6</sup>
- Gambling and betting activities (NACE R92)
- Activities of membership organisations (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>7</sup> shall also be excluded.

- 2.12** The CEB will 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.

### **3. FINANCIAL MEANS OF ACTION**

- 3.1.** The CEB acts in the form of loans, guarantees and contributions from the trust accounts in order to finance bankable projects. To do this, it evaluates the suitability and creditworthiness of the borrower and, where applicable, of the guarantor.

#### **3.2. Loans**

Loans granted by the Bank take one of the following forms:

- loans to members of the Bank;
- loans guaranteed by a member of the Bank granted to any legal person approved by that member;
- loans granted to any legal person approved by a member of the Bank, when the Bank's Administrative Council is satisfied that the loan requested is covered by adequate guarantees.

#### **3.3. Guarantees**

Upon conditions to be stipulated by the Bank's Administrative Council in each case, the Bank may grant guarantees to financial institutions approved by a member of the Bank for loans to further the realisation of the purposes set out in Article II of the Bank's Articles of Agreement.

#### **3.4. Trust accounts**

- 3.4.1.** Upon conditions to be stipulated by the Bank's Administrative Council in each case, the Bank may open and operate trust accounts.

- 3.4.2** The financial contributions made by donors and held in trust accounts may be used to support eligible investment projects in the form of:

- Investment grants

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<sup>4</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>5</sup> This does not concern CEB's own intermediary financial institutions.

<sup>6</sup> Some real estate activities, including land acquisition, may be needed as part of social housing projects and will be clearly identified and justified on a case by case basis when conducive to the social objective of the project.

<sup>7</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).

- Technical assistance grants for investment project preparation and/or implementation and capacity building
- Interest-rate subsidies for CEB loans
- Risk sharing mechanisms for CEB loans

3.4.3. Investment grants and technical assistance grants may be made in combination with CEB loans or on a stand-alone basis.

3.4.4. The CEB may award grants directly or through a competitive procedure, depending on the nature of the project and/or donor requirements.

3.4.5. In the use of the financial contributions deposited in trust accounts, the CEB shall comply with the conditions set out by its Administrative Council and its policies and procedures. Further details on the use of trust accounts are set forth in the Handbook.

#### **4. MECHANISMS FOR APPROVING LOAN APPLICATIONS**

**4.1.** Loan applications are prepared by the borrower in coordination with the CEB and are formally submitted by the borrower following the appraisal of the envisaged project by the CEB. Depending on the borrower's capacity and the project complexity, the CEB may provide technical assistance for the preparation of the loan application.

**4.2.** In accordance with Article XIII of the Articles of Agreement, loan applications are transmitted to the Secretary General of the Council of Europe and dealt with by the Secretariat of the Partial Agreement. They must be introduced by a Letter of Transmission from the relevant member State in accordance with Article VII Section 1 of the Articles of Agreement. Where applicable, the Letter of Transmission will indicate the ability and willingness of the requesting member State to guarantee the loan.

**4.3.** 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 allowing the CEB to monitor the project according to its procedures.

**4.4.** The Governor receives a duplicate of the loan application file.

**4.5.** Details regarding the information required for drawing up such loan applications and the CEB's screening criteria will be given in the Handbook. In the preparation of their projects, borrowers may receive technical assistance from the CEB.

**4.6.** The Secretariat of the Partial Agreement examines each loan application with a view to preparing the Secretary General's opinion as to admissibility based on the project's conformity with the political and social aims of the Council of Europe, taking into account the Council of Europe's conventions and standards as well as its resolutions and recommendations.

**4.7.** In parallel, the Governor draws up a Loan Document concerning the financial and technical aspects of the project, which will include the following content:

- Data and information prepared with the borrower during the CEB's appraisal, namely the Project Description with background, objectives, beneficiaries and their eligibility criteria; relevant sector structure, institutional and regulatory aspects; project components, project management (implementation and operation); environmental and social safeguards aspects (clarifying risks, mitigation measures and positive aspects); alignment of projects with the goals and principles of the Paris Agreement on climate change, including an assessment of the project's climate related risks; procurement aspects, implementation schedule, compliance aspects, key project risks and project's social value.
- The financial elements required to assess the credit risk linked to the borrower and, where applicable, to the guarantor.
- If applicable, information and analysis concerning the intermediary financial institution to detail its institutional and creditworthiness aspects, operational strategy, market position and

on-lending instrument(s) as well as the experience achieved with CEB and other international financial institutions.

- The project financing plan with direct costs and technical assistance costs, if any, the envisaged financing sources and uses as well as the estimated CEB loan disbursement schedule
- The key indicators and the monitoring as well as evaluation modalities established during appraisal.
- The lessons learned by the CEB from previous projects in the same sector and/or with the same or similar borrower.
- The project risks and the mitigation measures, i.e. (i) a short assessment of the risks surrounding the achievement of outcomes, including risks related to the institutional and regulatory environment, project implementation and operation, its financial and economic viability, its environmental and social safeguards aspects, climate-related risks and procurement risks and (ii) the definition of mitigation measures for each relevant risk. This may result in the definition of conditions and undertakings to be met by the borrower and/or implementing entity/ies as prerequisite for approval, signature of the Framework Loan Agreement (FLA) or one or more disbursements, to be reflected in the FLA and other relevant project-related legal documentation as relevant.
- The value added of the project and of CEB's participation in its financing together with the conclusions of the CEB on the different criteria of its screening methodology which includes, among other elements, the assessment of the key vulnerability dimensions relevant for and/or addressed by the project, its social, environmental, technical, economic and institutional sustainability and the country context in which it is carried out.

**4.8.** The Loan Document, together with the Secretary General's opinion as to admissibility, is sent via the Secretariat of the Partial Agreement to the Bank's Administrative Council for examination and decision at least two weeks before the meeting of the Administrative Council.

## **5. MANAGEMENT OF THE STOCK OF PROJECTS**

**5.1.** Once approved by the Bank's Administrative Council, loan applications are placed in the stock of projects awaiting financing. They must give rise to a FLA within twelve (12) months following the approval. As disbursements are made, the amount of the stock of projects diminishes correspondingly.

**5.2.** In the absence of any contrary provisions approved by the Bank's Administrative Council, a project may be removed from the stock:

- at the Borrower's request.
- whether a Framework Loan Agreement 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 Bank's Administrative Council will be informed of such removal from the stock of projects.
- if no FLA has been signed within twelve (12) months following approval of the project by the Administrative Council, unless an extension has been granted by the CEB.
- if no disbursement has been made within the timeframe stipulated in the FLA, unless an extension has been granted by the CEB.
- 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 make any disbursement request to the CEB. A 12-month extension may be granted by the CEB. Any additional extension must necessarily be submitted to the Bank's Administrative Council for approval.

- 5.3.** Any substantial modification of the project objectives or the guarantees taken into account upon approval of the project will be the object of a modification request addressed directly to the Governor, who will give his/her opinion and, where applicable, will submit it to the Bank's Administrative Council for approval, via the Secretariat of the Partial Agreement.
- 5.4.** In cases where additional and unanticipated investments are required in order to achieve the objectives (as planned and updated) and these cannot be covered by the borrower, the borrower may request an additional loan (addendum) from the CEB. Subject to positive assessment by the CEB, this loan application for an additional loan amount may be submitted to the Administrative Council for approval, via the Secretariat of the Partial Agreement of the Council of Europe, in line with the provisions of the Loan and Project Financing Policy and current Handbook for the Preparation and Implementation of Projects.

## **6. PROJECT FINANCING**

- 6.1.** The CEB provides effective, tailor-made financing solutions to its increasingly diverse pool of borrowers and will continue to evolve the range of its available financial instruments. The CEB may finance individual projects with "Project Loans" (PR) or multi-project programmes with "Programme Loans" (PM) in one or several sectors of intervention. The CEB may have recourse, if appropriate in light of the specificities of the project/programme, to ad hoc cross-sectoral and disbursement/monitoring arrangements as in the case of:
- EU Co-financing Facilities (ECFs) – to address member States' co-financing and/or ex-ante financing needs of EU Funds in the CEB's sectors of intervention. In these cases, an appropriate mix of short and long term financing will be available for borrowers and the CEB's monitoring will be harmonised with those of EU Funds.
  - Public Sector Financing Facilities (PFFs) – to address temporary financing gaps in the public sector and facilitate further investments and reform programmes in the CEB's sectors of intervention. In these cases, to maintain viability and sustainability of public services, the CEB financing could include on-going investment projects and the CEB's monitoring will be similar with those of a standard Programme Loan. In the absence of disbursement during the following two (2) fiscal years after approval, the Facility would automatically be removed from the stock of projects.
  - Cross-Sectoral Loans (CSLs) – to cover eligible costs related to the development of social infrastructure in several, overlapping sectors of intervention linked through a set of related aims and objectives as a cross-sectoral element defined, during appraisal. CSLs will respond to the cross-sectoral needs of public authorities with the ultimate scope of facilitating access to the financing of the socially oriented projects and thus boosting public investments in these areas. Priority is given to disadvantaged areas, national or local priority programmes in social sectors as well as to communities hosting refugees and migrants.
- 6.2.** The CEB may finance projects directly or via an intermediary financial institution.
- 6.3.** The loans will be granted under the general conditions of the Loan Regulations and under the special conditions established in a FLA.
- 6.4.** In case of breach of these conditions, the Bank may demand early reimbursement of disbursed loans 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 for the Protection of Human Rights and Fundamental Freedoms"<sup>8</sup> or the "European Social Charter"<sup>9</sup>.

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<sup>8</sup> Convention for the Protection of Human Rights and Fundamental Freedoms, 4 November 1950, CETS n°5.

<sup>9</sup> European Social Charter, 3 May 1996, CETS n°163.

- 6.5. Upon fulfilment of the relevant eligibility criteria, the CEB's borrowers may receive technical assistance funded by the CEB's Social Dividend Account and/or other trust accounts, during the implementation phase.
- 6.6. The CEB's share of financing may not exceed 50% of the project/programme eligible costs. Nevertheless, on a case by case basis, which is subject to the approval by the Bank's Administrative Council, the CEB's share of financing may go up to 90%, especially in the Target Group Countries<sup>10</sup>.
- 6.7. The CEB's reference currency is the EURO, which does not exclude recourse to other currencies according to borrower specifications and the CEB's refinancing possibilities on the capital markets.
- 6.8. The CEB raises funds on the best terms available on the capital markets. It passes these terms on to its borrowers, applying the lowest possible margin which takes into account the need to cover its operating costs. The use by the CEB of specific risk mitigation instruments such as third-party guarantees may entail additional costs to be passed on to the borrowers.
- 6.9. The CEB's loans will be disbursed in tranches, with fixed or floating rates and flexible structures. Tenors and grace periods will be matching to the extent possible the project's financing needs. The mechanisms for disbursement applicable to each loan will be specified by the CEB in the Loan Document at the time of the project's approval by the Administrative Council.

## 7. PROJECT MONITORING AND COMPLETION

- 7.1. The purpose of the monitoring process is to ensure that the project is implemented in compliance with the Framework Loan Agreement, executed in accordance with the conditions included in the Loan Document approved by the Bank's Administrative Council.
- 7.2. Monitoring is carried out from the time of the project's approval up to its completion.
- 7.3. Once the project is completed, a Completion Report is elaborated summarising the project's results.
- 7.4. An Annual Report on the Preparation and Follow-up of Projects is prepared by the CEB and presented to the CEB's Administrative Council and the Governing Board. The report provides an overall assessment of the project activity of the CEB while highlighting the issues encountered in the course of project 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, including social and environmental safeguard performance, and lessons learned;
  - social effects of the projects completed.
- 7.5. The Annual Report on the Preparation and Follow-up of Projects is complemented by the Annual Report on the Social Effects of Projects Completed drawn up by the Secretariat of the Partial Agreement of the Council of Europe in Strasbourg.
- 7.6. Projects may be subject to an independent evaluation by the CEB's Office of Evaluation on a selective basis.

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<sup>10</sup> Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kosovo, Latvia, Lithuania, Malta, Republic of Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovak Republic, Slovenia and Türkiye.





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