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

Handbook for the Preparation and Implementation of Projects



Table of contents

Chapter N°	Name of Chapter/Section	Page
	Preamble	3
1	Eligible counterparties	4
2	CEB's social mission	5
	CEB's lines of action	5
	Sectors of action, eligibility criteria and mapping of SDGs	8
3	Sectors of activity excluded from CEB financing	18
4.1	Financial means of action - Project Loan (PR)	19
4.2	Financial means of action - Programme Loan (PM)	21
4.3	Financial means of action - EU Co-financing Facility (ECF)	24
4.4	Financial means of action - Public Sector Financing Facility (PFF)	26
4.5	Financial means of action - PPP Financing	28
4.6	Financial means of action - Guarantees	29
4.7	Financial means of action - Trust accounts	30
5	Eligible costs	34
6	Environmental and Social Safeguards Policy (ESSP) and Standards	36
7	Green finance and Paris alignment assessment	41
8	Procurement requirements	44
9	Project cycle for loan-financed projects	47
10	Loan document	54
11	Technical assistance	57
12	CEB financing	59
13	Project modifications	61
14	CEB monitoring, evaluation and results reporting	63
15	Management of the stock of projects	65
16	Sustainable Development Goals and related indicators	66
	Glossary of terms	70

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/).

It provides operational guidance for the preparation and implementation of projects financed by the Bank and may be updated from time to time. It does not amend the CEB Articles of Agreement, the CEB Loan and Project Financing Policy, any other applicable CEB policies or regulations, or the terms and conditions of any relevant agreement. Nor does it create any rights or obligations for third parties.

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". [1] 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:

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

Investing in people and enhancing human capital

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

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

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

Cross-cutting considerations

6. 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 undertakes climate due diligence to all operations. All CEB-financed operations need to be Paris aligned in line with its Paris Alignment Roadmap and internal Paris alignment approach. 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.

Social economy actors

7. The CEB may finance social economy actors of any size, including but not limited to cooperatives, associations, foundations and dedicated social-purpose enterprises that are focused on pursuing social objectives and investing in people. These organisations work across the CEB's sectors of activity, including housing, education, and health and long-term care, and have the capacity to directly reach those most in need. Depending on their primary economic activity, such interventions may therefore be classified as multisectoral operations.

Additionality

8. 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, these dimensions encompass people's living environments, as well as vulnerabilities linked to people's socio-economic status and individual characteristics (grouped under the "equity and inclusion" dimension).

Enhancing the project quality by serving the vulnerable while aiming to address fundamentals of sound project preparation and implementation e.g. strategic alignment, financial soundness, project design; as well as 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,[2] enables the CEB to help address market failures and lack of access to financing.

[2] CEB may benefit from an 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

Sectors of action

9. Each CEB sector of action derives from its stated lines of action and is defined by clear and detailed eligibility criteria.

Sector selectivity

10. 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.

Focus sectors

11. To this end, the CEB has identified several "focus sectors", as follows:

- Health and social care;
- Education and vocational training;
- Social and affordable housing;
- Urban, rural and regional development;
- MSME financing;
- Microfinance.

12. Financing of projects in the other sectors will continue to be fully considered.

Mapping of associated SDGs

13. 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.

14. The CEB maps its sectors of action with the related set of SDGs that could be effectively addressed through investments in those sectors.

Applying SDGs to CEB sector of action and investment at hand

15. 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.

16. 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)*



17. 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.

18. The CEB can finance projects concerning health, social care and related infrastructure or services such as:

18.1. Construction and/or rehabilitation of:

18.1.1. public or private hospitals;
18.1.2. public or private medical service infrastructure;
18.1.3. specialised centres dedicated to assisting vulnerable and dependent populations;
18.1.4. nursing homes for the elderly and welfare centres, including housing for elderly people who are still independent;
18.1.5. health-related research and development facilities.

18.2. Supply and installation of medical or non-medical equipment and furniture

18.3. Adaptation of such premises to facilitate access for persons with reduced mobility

18.4. Acquisition of health management, related material and equipment; this may involve outright purchase, leasing or other forms of long-term hire of such equipment

18.5. Home-based care and support services

18.6. Health-related research and development programmes

18.7. Training and support programmes in favour of persons with disabilities

18.8. Training of medical and sociomedical specialised staff.

19. 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.).

20. 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.

21. Financing health and social care also contributes to gender equality and women empowerment, as well as better living conditions or 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)*



22. 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.

23. The CEB can finance education and vocational training projects, and related infrastructure, such as:

23.1. 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.

23.2. 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

23.3. Adaptation of such premises in order to facilitate accessibility for persons with reduced mobility

23.4. Continuing training and lifelong learning programmes for social and education professionals

23.5. 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

23.6. Education-related research and development programmes and public or private investments in research and development centres

23.7. Training programmes in favour of vulnerable groups

23.8. Training of education and vocational training specialised staff

23.9. Student loans programmes.

24. 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.).

25. 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.

26. The CEB's activities in the education sector also aim at embedding digital technologies in the ways schools operate and deliver education.

27. 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 establishments.

28. 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.

29. 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



30. 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.[3]

31. 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.

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



32. 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 Rules.[4] A special focus is given to supporting structures and activities aimed at enhancing the reintegration of former prisoners into their communities.

33. 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



34. Recognising that access to culture and creative expression contributes to inclusive growth and helps build a shared European identity and values, the CEB finances the conservation, restoration, renovation and rehabilitation, including appropriate adaptive reuse, of historic monuments, buildings and other tangible cultural heritage assets officially recognised as such by the member state concerned.

35. The CEB may also support the safeguarding of intangible cultural heritage, understood as the practices, expressions, knowledge and skills that communities and groups recognise as part of their cultural heritage, including performing arts, social practices, rituals, festive events and traditional craftsmanship.

36. Eligible investments related to intangible cultural heritage may include facilities, activities and supporting infrastructure necessary for its safeguarding, continued practice and transmission. Examples include the construction, rehabilitation or upgrading of facilities for traditional crafts production and training, the rehabilitation of cultural and community centres used as performance venues, and support for culturally significant community events or educational programmes, typically as part of a broader cultural project, that help transmit intangible heritage to future generations.

37. Projects must also demonstrate a clear social purpose, such as promoting public access to culture, community revitalisation, or the preservation of cultural identity and diversity, thereby contributing to social cohesion and community well-being.

Line of action: Promoting inclusive and resilient living environments

Social and affordable housing (*focus sector*)



38. With the overarching social objective of improving access to adequate and affordable housing, reducing housing poverty and promoting social and spatial inclusion, the CEB finances adequate social and affordable housing for vulnerable individuals and households, including low-income and targeted middle-income groups.

    The CEB also finances i) adequate and affordable student housing with a view to facilitating equitable access to education, particularly for students facing financial or distance-related barriers, and ii) the provision of housing solutions for the

[4] Approved by the Committee of Ministers on 11 January 2006, at the 952nd 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.



elderly and programmes addressing accommodation needs of homeless, migrants and refugees and other vulnerable groups.

39. Housing operations financed by the CEB may include the construction of new housing, the renovation or refurbishment of existing housing, the purchase of housing units, or the conversion of existing buildings into residential accommodation.

40. CEB financing shall primarily support social and affordable rental housing and may also support access to homeownership or other tenure arrangements (such as housing co-operatives, mutual housing associations, shared ownership, and others), where socially justified for targeted groups.

41. Rental housing units shall have affordability-based rents set below comparable market levels and/or regulated in accordance with applicable law, consistent with the social objective of the project.

42. For projects involving access to property ownership, this must be the main residence, with safeguards set to prevent the capitalisation on public support through unrestricted resale (e.g. resale restrictions, minimum occupancy period, resale eligibility, approval by authorities and others).

43. The project financed shall be predominantly residential in nature but can also include social inclusion facilities that support residents and facilitate community integration (e.g. childcare, community centres, elderly day-care, disability facilities, social welfare offices, libraries, and other social support).

44. Business and/or commercial premises (e.g. offices, retail, and similar) may be included, provided they do not exceed 20% of total Gross Floor Area (GFA)[5] eligible for CEB financing, do not adversely affect residential occupancy, and that rental income from such premises support project financial sustainability and housing affordability for vulnerable households.

45. To promote social mix, projects may combine CEB-financed social/affordable housing with market-based housing and other uses financed by other sources, particularly in urban regeneration, densification and housing acquisition schemes.

46. CEB financing may cover up to 50% of the total investment cost which includes housing, social inclusion facilities, CEB eligible business and/or commercial premises, technical and site infrastructure (see footnote 5), carparks, playgrounds, furniture, equipment and other facilities and infrastructure associated with the housing dedicated component.

47. Eligibility for access to project financed housing shall be determined based on household income and other relevant socio-economic characteristics, in accordance with the applicable legal or regulatory provisions in force in the member state or region hosting the project. Additional criteria linked to specific vulnerability dimensions that reduce access to affordable housing may also be considered.

48. In the absence of satisfactory regulations:

    48.1. The eligibility criteria can be based on specific criteria to be established by the CEB during appraisal, such as means-tested income thresholds, expressed as a percentage of a relevant national or regional income

[5] GFA excludes any parking, technical areas, including plant rooms (such as Mechanical and Electrical installations), substations, utility infrastructure, service shafts and technical voids, and other areas required for building operation and maintenance.

indicator selected according to statistical data available for each member state or region concerned.[6]

48.2. Housing units shall be proportionate to household composition and comply with applicable allocation, occupancy, building and habitability standards. Unit sizes shall ensure adequate and dignified living conditions, prevent overcrowding and systematic under-occupation.

48.3. To respect the efficient use of public resources, unit sizes should normally not exceed the following indicative upper surface bands: i.) 35–40 m² for a single-person household, ii.) 55–60 m² for a two-person household, iii.) 70–80 m² for a three-person household, iv.) 85–95 m² for a four-person household. For households exceeding four persons, proportionately higher surfaces may be accepted where justified. For appraisal purposes, any deviation from these indicative bands shall be duly justified on technical, social or regulatory grounds.

49. With the objective to reduce energy poverty of targeted groups, the renovation of housing for energy saving purposes may be financed according to Eligibility criteria determined during project appraisal.

50. The projects in favour of priority or vulnerable populations can be financed according to specific criteria established for each project.

51. 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.

52. 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.

    Specific financing conditions or justified deviations from the above provisions may be established during appraisal, in line with the social objectives of the project, such as schemes addressing gaps in the provision of key public services.

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



53. 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 national, regional and local authorities' development strategies. The CEB objective is to create inclusive neighbourhoods that contribute to the well-being of all, including migrants and refugees.

54. 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.

55. 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.

56. With the exception of projects implemented by social economy actors or private entities entrusted with public-interest responsibilities, only investments formally approved or programmed by the relevant national, regional or municipal

[6] Other than GDP per inhabitant.

authority will be eligible, provided that they align with climate goals and comply with environmental and social safeguards (ESS) requirements.

Eligible investments include but are not limited to the following, provided that meet the objectives set out elsewhere in this section:

56.1. utilities such as water supply, electricity and gas distribution networks, sewers and drainage systems, treatment of solid and liquid waste;
56.2. road network infrastructure and maintenance, excluding highways, as well as road safety investment;
56.3. local public transportation infrastructure, equipment and maintenance;
56.4. public lighting;
56.5. digital transformation;
56.6. district heating;
56.7. community services, educational and medical facilities;
56.8. temporary shelters and social and/ or affordable housing;
56.9. socio-cultural or sports facilities such as playgrounds, green spaces, exhibition sites, theatres and libraries;
56.10. development of industrial estates;
56.11. administrative buildings and public housing;
56.12. nature-based solutions and green infrastructure investment in both urban and rural areas, including sustainable urban drainage, development of parks/green areas, improved water resources and land management practices, and so forth;
56.13. 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



57. The sector of action 'Natural or ecological disasters' aims to promote preparedness and prevention to reduce the impact of future disasters and to mitigate the socio-economic impact by supporting affected populations after a disaster strikes. The Bank assists national and local authorities in preparing for and preventing natural, ecological and man-made disasters (hereafter referred to as "disasters") and in the relief, recovery and reconstruction of affected populations and infrastructure, applying the "build back better" approach, in line with the Sendai framework.

58. Preparedness and Preventions: The CEB encourages investments in preparedness and preventions, which is the most cost-efficient stage of disaster risk management. Reducing the vulnerability and exposure of people and assets will minimise the risk and the impact of disasters. Example of activities are: risk awareness and training, hydromet equipment and services, early warning system, civil protection capacity building, flood risk reduction, seismic mitigation, drought management, wildfire management, etc. The project may include an emergency component that, in the event of a natural disaster, will finance the implementation of emergency activities in response to the disaster, such as post-disaster relief and recovery activities to provide immediate assistance to the affected population.

59. Relief, Recovery and Reconstruction: If a CEB member state is impacted by a disaster, the Bank is ready to provide fast-track support as needed to the national and local authorities in the immediate relief, recovery and medium-long term reconstruction efforts. The Bank is keen to support in particular vulnerable



groups, which are usually disproportionally affected by a disaster due to the lower capacity against external shocks. Example of activities are:

- immediate relief and emergency assistance, such as cash transfer, food and no-food items;
- recovery activities, such as basic shelters, rehabilitation of damaged utilities, buildings or social infrastructure (i.e. healthcare and educational facilities; public service/social care facilities) and equipment;
- long-term reconstruction of social infrastructure, equipment and assets applying disaster-resilient, and weather applicable, green approach.

60. Projects approved in favour of the populations concerned may, under certain circumstances as defined in Chapter 9 #14 below, benefit from accelerated, fast-track procedures for appraisal, approval and, if justified, disbursement.

61. Within the framework of projects for the prevention of natural or ecological disasters, projects aimed at the construction of water-retaining dikes or dams are eligible, provided that the criteria detailed in the CEB's Environmental and Social Safeguards Policy are met.

Protection of the environment



62. 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.

63. The CEB can finance projects concerned with:

    63.1. reduction and treatment of solid and liquid waste;
    63.2. clean-up and protection of surface and underground water;
    63.3. decontamination of soils and aquifers;
    63.4. protection against noise;
    63.5. production of renewable energy;
    63.6. energy saving measures (excluding energy production/distribution);
    63.7. reduction of air pollution;
    63.8. protection and development of biodiversity;
    63.9. cleaner transport means and networks.

64. 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.

65. 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).

66. 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. Lastly, these projects must benefit populations defined at local or regional level.

Line of action: Supporting jobs and economic and financial inclusion

MSME financing (*focus sector*)



67. The CEB finances micro, small and medium-sized enterprises (MSMEs) through intermediary financial institutions in order to promote the creation and preservation of decent permanent and/or seasonal jobs and support development of vibrant and inclusive local economies by facilitating access to credit and enhancing financial inclusion.
68. 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.
69. 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.
70. Sale-and-leaseback transactions are excluded from CEB financing.
71. 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.
72. 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.
73. 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.
74. 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.
75. 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.
76. The CEB does not finance personal consumer loans.
77. **Working capital** funding aims to support the stable growth of well-managed companies by covering longer term recurrent day-to-day operating expenses, thereby ensuring business continuity. The working capital financing limits at MSME sub-segment and/or programme level will be determined during appraisal.

78. Irrespective of the MSME categorisation, the minimum sub-loan maturity is 18 months in order to ensure that permanent MSME working capital requirements are covered by stable funding. Where appropriate, sub-tranches dedicated to the financing of working capital can be foreseen.

79. Larger 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.

80. Small-scale renewable energy projects (e.g. solar panels) for the own use of the investing MSME may also be financed under "MSME Financing".

Microfinance (*focus sector*)



81. The CEB also provides Programme Loans to Microfinance Institutions (MFIs) with the objectives of promoting entrepreneurship and self-employment, supporting micro loans for the establishment and scaling-up of micro-enterprises, 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.

82. MFIs can channel the CEB loan in the form of:

    - business micro loans for investment and working capital financing needs of start-ups and existing micro-enterprises;
    - 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.

83. The CEB promotes microfinance as an important tool for facilitating the long-term integration of migrants and refugees, who generally suffer from financial exclusion.

84. The CEB does not finance personal consumer microloans.

85. 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.

86. 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[7] nomenclature of the European Union shall be excluded from the CEB's financing[8]:

1. Mining and quarrying (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 08.93 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[9] (NACE C24.46)
7. Manufacture of weapons and ammunition (NACE C25.3)
8. Manufacture of military fighting vehicles (NACE C30.4)
9. Financial and insurance activities (NACE L64-66)
10. Real estate activities (NACE M68)[10]
11. Gambling and betting activities (NACE S92)
12. Activities of membership organisation (NACE T94)

Investment projects linked to pornography and to products regarded by the CEB's member states regulations as harmful to the health and the environment[11] shall also be excluded.

Activities that are not aligned with the Paris Agreement on Climate Change adopted on 12 December 2015 (the Paris Agreement) cannot be financed by the CEB. Notably, the following activities are considered to be universally not aligned with the Paris Agreement's mitigation goals:

- Mining of thermal coal (NACE B05)
- Extraction of Peat (NACE B08.92)
- Electricity generation from coal (included in NACE D35.11)
- Electricity generation from peat (included in NACE D35.11)

In addition to the exclusion list, further exclusions may apply to specific projects where required by the EU or relevant donors.

---

7 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 Regulation (EU) 2023/137 of 10 October 2022 amending Regulation (EC) No 1893/2006 of the European Parliament and of the Council establishing the statistical classification of economic activities NACE Revision 2.

8 The list of excluded activities is included in the Loan and Project Financing Policy, the NACE codes have been updated in the Handbook in line with the latest revision (NACE Rev. 2.1), which applies to European statistics from 2025 onwards. Extraction of peat has been added to the list of excluded activities in accordance with section 2.10 of the Loan and Project Financing Policy as a consequence of not being aligned with the Paris Agreement mitigation goals.

9 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.

10 Except if it directly supports the social objectives of the project - as defined during the appraisal process.

11 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 fibres, 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)

Definition	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.
Borrower's responsibility during implementation	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, technical, environmental and social – required for the proper implementation of the project.
Procurement	Procurement of supplies, works and services to be financed under the project shall comply with the CEB Procurement Guidelines.
CEB share of financing	**The CEB finances up to 50% of total project cost**, unless otherwise agreed during appraisal, 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. 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). The CEB maximum financing share and the capacity of the Borrower to mobilise co-financing for the project is monitored all along the implementation period.
Other sources of financing	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.
CEB loan duration	The financial conditions of the loan should be adapted to the nature of the underlying investments. In other words, the maximum tenor of the CEB loan should closely correspond to the expected life of the underlying infrastructure to be financed.
Project starting definition	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.
Monitoring modalities	Borrowers are required to provide a monitoring report in line with the CEB's Loan and Project Financing Policy as determined during appraisal**,** at least once a year and/or prior to a new disbursement. Special attention is paid to the costs, the financing plan, project procurement, implementation schedule as well as the realisation of the physical and social objectives of the project.
Disbursement conditions according to the progress of activities and expenditure	The CEB loans are disbursed in tranches (minimum two) in accordance with the **progress of activities and expenditure**, as documented by the borrower during implementation and monitored by the Bank.

First tranche disbursement

The borrower shall request the disbursement of the first tranche within six months following FLA signature and fulfilment of all related prerequisites. **The first loan tranche** is normally aimed at enabling the start of works and **does not usually exceed 25% of the approved loan amount, unless justified by the demonstrated progress in the implementation**.

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 expenditure forecasted 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 appraisal and monitoring review modalities

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 technical monitoring review(s) during its implementation, the modalities of which are further detailed in Chapter 9.

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)

Definition	CEB Programme Loans (PMs) are provided to financial intermediary (FI) institutions or public entities in order to finance a set of diverse investments, smaller individual projects or "sub-projects", and multi-project programmes covering one or several CEB sectors of action (i.e. "multi-sector" programmes).
Borrower's responsibility during implementation	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.
Programme loan intermediation	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.
Financial intermediary's responsibility	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.
Procurement	Procurement of supplies, works and services to be financed under the PM shall comply with the CEB Procurement Guidelines.
CEB share of financing	**The CEB finances up to 50% of total costs** 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 cost tranche by tranche.
CEB loan duration	The financial conditions of the loan should be adapted to the nature of the underlying sub-project investments. In order to **match the tenor of the CEB loan** 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.
Programme starting definition	In principle, investments eligible for CEB financing must have been contracted, or their implementation started, **not more than 12 months before the disbursement date** of the **related** tranche.

Monitoring modalities

Monitoring is carried out on a loan tranche basis, at least once a year and/or prior to a new disbursement. 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-borrowers. Sub-projects/beneficiaries/clients are identified in the monitoring report submitted to the CEB after the disbursement of each tranche.

Portfolio based monitoring

For PMs involving a large number of low-value 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.

Sub-project cost limit

Nonetheless, for higher-value sub-projects, the CEB may determine particular thresholds and project monitoring modalities on a case-by-case basis during appraisal. In general, the total **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 €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 €10 million**. 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.

Disbursement conditions according to absorption capacity

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 **the absorption capacity of the project/borrower**.

First tranche disbursement

The borrower may request the disbursement of the first tranche following entry into force of the FLA and fulfilment of all related prerequisites. **The disbursement of the first tranche should take place within six months following the FLA signature and may not exceed 50% of the authorised loan amount** approved by the Administrative Council, unless otherwise justified and 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, subject to compliance with the CEB financing share, 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. 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.

Allocation of tranches and repayment

Each tranche disbursed by the CEB must be allocated to eligible programme sub-projects within the timeframe defined in the FLA, subject to a **maximum limit of 12 months** 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.

Unused tranches	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.
Ineligible sub-projects	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.
Passing on CEB's loan duration to end-borrowers	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.
Passing on CEB's loan conditions to end-borrowers	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.
Technical appraisal and monitoring review modalities	Each programme loan is expected to be subject to technical monitoring review(s) during its implementation, the modalities of which are further detailed in Chapter 9. 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.
Programme loan completion	In the case of programme loans, upon completion, the borrower shall submit to the CEB **a global monitoring report which details the full allocation of each CEB loan tranche**, 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)

Definition	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. **In CEB member states that are also members of the EU**, ECFs allow borrowers to complement EU Funds by providing, depending on needs, (i) *ex-ante* pre- or bridge financing as well as (ii) co-financing to cover in part or in full the national contribution to EU-funded programmes. **In CEB member states outside the EU**, 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.
Borrower's responsibility during implementation	The borrower shall implement the project in line with the applicable EU Regulations and EU Funds specific rules as referenced 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.
CEB share of financing	In cases where ECF provides both pre-/bridge financing and funding to cover the national and/or local contribution(s)**, 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.** 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 **CEB financing will not exceed 50% of the total final cost**, unless otherwise agreed during appraisal.
CEB loan duration	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.
Project starting definition	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.
Eligible costs	Within this framework, **eligible costs are those defined by the relevant EU regulations** and/or Fund-specific rules, and/or by national rules, as long as they are aligned with 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.

Monitoring modalities	Monitoring modalities, including an appropriate disbursement schedule, allocation periods and reporting arrangements will be **applied based on the specific modalities of the EU instruments concerned and/or the type of financing provided (bridge financing vs** funding to cover the national and/or local contribution(s)**.** In addition, the CEB will 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 and bridge financing needs as well as of any specific modality defined during appraisal and reflected in the FLA.
Technical appraisal and monitoring review modalities	Please refer to Chapter 9 for technical appraisal and monitoring review modalities. 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 full allocation and use of the CEB tranches, the borrower shall submit a completion report 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, and aligned with the EU requirements.

CHAPTER 4.4

Financial means of action

Public Sector Financing Facility (PFF)

Definition	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 entities entrusted with public-interest responsibilities) mandated to finance / implement social investments whose mechanism of financing is based on the progress of activities and expenditure over one or several budgetary/financing years. 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.
Borrower's responsibility during implementation	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.
Procurement	Procurement of supplies, works and services to be financed under the project shall comply with the CEB Procurement Guidelines.
CEB share of financing	**The CEB finances up to 50% of the overall incurred eligible expenditure applied on the budget years** supported by the PFF, unless otherwise agreed during appraisal.
CEB loan duration	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.
Project starting definition	**The PFF may support several budgetary/financing years. The starting budget/financing year corresponds to the PFF's approval year by the Bank's Administrative Council.** 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.
Eligible costs	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 Chapter 5 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.

Monitoring modalities	Monitoring modalities for PFF loans are determined during appraisal, in general on the basis of the progress of budgetary expenditure. In principle, borrowers are required to provide a monitoring report in line with the CEB's Loan and Project Financing Policy at least once a year and/or prior to a new disbursement, unless otherwise agreed during appraisa**l**. 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 **on the basis of the progress of budgetary** expenditures. 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 six 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/ spent.** 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.
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 appraisal and monitoring review modalities	Each PFF loan is expected to be subject to technical monitoring review(s) during its implementation, the modalities of which are further detailed in Chapter 9. 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. 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

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 partner 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 partner;
   - 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 4.6

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,[12] according to conditions that are set on a case-by-case basis by the Administrative Council, depending on the beneficiary of the guarantee.
2. 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.

[12] https://coebank.org/en/about/basic-legal-texts/

CHAPTER 4.7

Financial means of action

Trust accounts

Purpose and applicable policies and procedures

1. Trust accounts shall be financed from contributions by eligible donors and/or the Bank.
2. Article II of the Bank's Articles of Agreement sets out the purpose for which trust accounts can be used while the Loan and Project Financing Policy sets up the applicable eligibility criteria.
3. Trust accounts will be used to provide support as follows:
   - 3.1 **technical assistance** (for more information on technical assistance see Chapter 11),
   - 3.2 **investment grants**, which finance investment or other project-related costs,
   - 3.3 **interest rate subsidies**, which (partially) finance interest on CEB loans,
   - 3.4 **risk-sharing mechanisms**, which enable the CEB to provide loans to borrowers who would not otherwise be eligible because they do not meet the Bank's credit risk requirements.
4. Technical assistance, investment grants may be provided in combination with CEB loans or on a stand-alone basis, while interest rate subsidies and risk-sharing mechanisms exclusively complement CEB loans.
5. The CEB shall provide support from its trust accounts in compliance with its policies and procedures for internal control, accounting, procurement, audit, environmental and social safeguards, data protection and integrity due diligence.
6. The CEB shall also comply with the specific conditions set out by donors regarding the use of their contributions.
7. In cases in which the CEB provides support to other international organisations, or jointly with other international financial institutions, the CEB may 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 (instead of on its own policies and procedures).
8. The rules related to the eligibility, award, financing, monitoring and evaluation of grants used for financing technical assistance and investment or other project-related costs (hereinafter "grants") are defined below. In certain cases, these rules may be further defined by the terms and conditions governing the use of funds held in the relevant trust account. For interest rate 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 beneficiaries

9. Grant beneficiaries may 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 the relevant member state, provided that they are eligible under the terms and conditions governing the use of the funds held in the relevant trust account.

Sectors of action and eligibility criteria

10. 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.
11. Sectors of activity excluded from CEB grant financing are defined in Chapter 3.

Eligible costs

12. Costs eligible for CEB grant financing are defined in Chapter 5.

Award

13. As a rule, the CEB shall award grants to beneficiaries through direct selection. The Bank may also award grants to beneficiaries through a competitive procedure if deemed appropriate in light of the project to be supported or if required by the terms and conditions of the trust account. The competitive procedure shall be implemented in line with the "Competitive Procedures to Award Grants".

14. The CEB will evaluate 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 9).

15. Grants shall be approved following the procedure stipulated in the terms and conditions governing the use of funds held in each trust account.

Contracting

16. Grants may be implemented by the beneficiary or, in specific cases involving technical assistance, by the CEB.

17. Once approved, grants shall be formalised through:

    a. a grant agreement or (if combined with a loan) a Framework Financing Agreement between the CEB and the beneficiary, or

    b. in the case of technical assistance implemented by the CEB, (i) a consultancy agreement between the Bank and the contractor that the Bank selected to deliver services to the beneficiary and (ii) an endorsement letter from the beneficiary to the Bank in relation to the services to be provided by the contractor.

    The (grant/consultancy) agreement is usually signed by the CEB and the beneficiary/contractor 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 beneficiaries/contractors shall comply with the requirements provided in the agreement at all times following signature of the agreement.

20. Moreover, grant beneficiaries/contractors 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".

Applicable procurement rules

22. Grant beneficiaries shall procure goods, works and services financed under a grant agreement or a Framework Financing Agreement in line with the CEB´s "Guidelines for Procurement of Goods, Works and Services for projects financed by the CEB". When managing technical assistance, the CEB shall select

the contractor in charge of delivering services to the beneficiary in line with the "Guidelines for the procurement of Services, Goods and Works for the CEB's own account".

Modification and cancellation

23. 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 principal of equal treatment of applicants.

24. Grants may be cancelled:

    a. at the request of the beneficiary

    b. at the CEB initiative:

        i. whether a grant agreement, a framework financing agreement or a consultancy 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, under the framework financing agreement if the grant is combined with a loan or under the consultancy agreement,

        ii. if no grant agreement, framework financing agreement or consultancy 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, the framework financing agreement or the consultancy agreement, unless an extension has been granted by the CEB.

Financing

25. 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.

26. 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.

27. 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.

28. 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.

29. 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, the framework financing agreement or the consultancy agreement, unless otherwise authorised by the CEB on a case-by-case basis.

30. A new disbursement may take place as soon as a predefined portion of the previous disbursement has been used by the grant beneficiary/contractor, provided all the necessary monitoring information has been received and favourably reviewed by the CEB.

31. 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, in the framework financing agreement or the consultancy agreement.

32. The CEB must be notified of the non-use of funds, including the reason that prevented their utilisation. The CEB shall require the beneficiary/contractor 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

33. 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.

34. 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

35. Monitoring will be carried out from the time of the approval of the grant up to its completion. In carrying out the monitoring function, the CEB shall keep 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 will ascertain that the projects supported by grants are implemented in compliance with the respective grant agreement, Framework Financing Agreements or consultancy agreement.

36. The CEB will perform both regular desk reviews, on the basis of information submitted by grant beneficiaries/contractors, and on-site visits. On-site visits may be carried out jointly with donors upon request.

37. Grant beneficiaries/contractors shall provide to the CEB regular information on the progress of the project and, in the case of grant agreements, on the use of the grant in a form of progress reports. The reporting templates will be included in the grant agreement, the framework financing agreement. The progress reports, if required, should be provided at least once per year during the project implementation period and prior to each disbursement (except for the first tranche).

38. Following project completion, grant beneficiaries/contractors will provide a completion report.

39. Grant beneficiaries/contractors 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, the framework financing agreement or the consultancy agreement are met.

40. Grants may be subject to expenditure verifications performed by external auditors, in compliance with respective grant agreements, Framework Financing Agreements or consultancy agreements.

Evaluation

41. Any project supported by a grant may be subject to an evaluation, including independent evaluations carried out by the CEB's Office of Independent Evaluation, to assess their performance and impact with the aim of promoting accountability and generating lessons learned for future similar operations.

Publication

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

CHAPTER 5

Eligible costs

The investment costs eligible for CEB financing include:

Surveys	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.
Land	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.
Infrastructure	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 Chapter 3).
Basic infrastructure	The installation of basic infrastructure, such as sewerage, water supply, gas supply, electricity and telecommunications networks, waste disposal and waste water treatment, roads etc.
Sustainability	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.
Equipping	The purchase of materials, equipment and machinery, including IT equipment and software, digital tools as well as the related costs linked to the training of staff.
Technical assistance	Technical assistance, as defined under the dedicated Chapter of the Handbook (see Chapter 11).
Contingencies	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.
Costs of training and public awareness raising	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 project.
Staff and project PIU costs	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. Running costs of a project implementing unit (PIU) may be considered eligible when specifically required for delivery of project activities. Staff costs are exceptionally considered eligible as part of working capital financing, in the MSME and microfinance sectors.

Financial costs	Financial costs (payment and/or refinancing of debts, interest charges etc.) or financial investments (such as equity participation, except for workers' buyout cases through cooperative structures) cannot be included in the estimated cost of the project and cannot be financed by the CEB.
Value-Added Tax (VAT)	VAT and other tax-related costs can be considered as eligible costs if they are non-deductible and non-refundable for the borrower.
Working capital needs	For projects supporting MSMEs and microfinance, working capital requirements are eligible for CEB financing under the conditions detailed in Chapter 2, with parameters of such financing determined at appraisal.
Emergency component	In situations of immediate relief or emergency assistance, considering the exceptional context, non-recurring staff costs for exceptional rescue and crisis management staff and other supporting staff can be eligible as well as related operational costs to respond to the emergency.

CHAPTER 6

Environmental and Social Safeguards Policy (ESSP) and Standards

General considerations

Introduction

1. The Environmental and Social Safeguards Policy (ESSP) formalises the Bank's commitment to financing environmentally and socially sustainable projects, defines how risks and impacts are assessed and monitored, and establishes transparency and accountability measures. The Policy is complemented by a set of Standards providing detailed requirements that apply to a Project, depending on the risks and impacts involved. Its objective is not only to minimise adverse impacts, but also to promote projects with high environmental and social standards.

2. The framework is rooted in the Bank's social mandate and institutional links with the Council of Europe, including the European Convention on Human Rights and the European Social Charter. It also draws on the European Principles for the Environment, the Paris Agreement and the Sustainable Development Goals.

3. This chapter of the Handbook describes, from an operational perspective, how the ESSP is applied in the preparation, appraisal, implementation and monitoring of CEB-financed operations. It is intended to guide Borrowers/Grant Beneficiaries on the practical application of the ESSP but does not replace the ESSP itself.

Core principles

4. **Human rights and social inclusion.** Projects must respect fundamental rights, equality and non-discrimination. Forced labour, child labour, forced evictions, gender-based violence and harassment, retaliation and intimidation are not tolerated.

5. **Protection of vulnerable groups and gender equality.** The Bank considers whether certain groups may be disproportionately affected or unable to access project benefits, and promotes participatory, inclusive and gender-responsive approaches.

6. **Environmental protection**. Projects apply the precautionary principle, the mitigation hierarchy and the relevant substantive EU environmental standards, with attention to biodiversity, ecosystems, pollution prevention and resource efficiency.

7. **Climate and resilience**. Climate-related risks, impacts and opportunities are considered throughout appraisal and monitoring. Projects must be aligned with the mitigation and adaptation goals of the Paris Agreement.

8. **Proportionality and risk-based management**. Requirements are adapted to the nature, scale, context and significance of project risks and impacts, while the more stringent requirement applies where applicable law and the Standards differ.

Scope of application, exemptions and exclusions

9. The ESSP applies to all lending and non-lending projects receiving Bank financing throughout the project cycle, unless the project is exempt or excluded.

10. Activities are exempt only when their entire scope consists of knowledge products, advisory or technical assistance for project preparation, capacity strengthening, partnership or network coordination, or activities with no field-level component.

11. The Bank does not finance activities on its Exclusion List, projects that are not Paris aligned, projects that do not comply with relevant legal and treaty obligations, or projects that are inconsistent with the ESSP or violate human rights.

12. In emergency or crisis situations, due diligence may be proportionate and adaptive to the nature, scale and urgency of the project.

Roles and responsibilities

13. **The Bank is responsible for:**

- Conducting its own environmental and social due diligence proportionate to expected risks and impacts caused by, and to, the project. For this, the Bank reviews the information provided by the Borrower. The Bank may use questionnaires, interviews, documentation reviews and site missions. The Bank may request supplementary studies, management measures or verification where material risks are not adequately covered in existing documentation, including contextual risks, cumulative impacts and associated facilities

- Determines risk categorization. The Bank may identify applicable Standards and project-specific requirements where applicable.

- Disclosing project-related safeguard information in accordance with its Public Information Policy,

- Monitoring implementation of the requirements and ESS requirements. The Bank may also exercise contractual remedies if and when agreed obligations are breached as per contractual arrangements.

14. **The Borrower is responsible for:**

- Complying with applicable law, treaties and the applicable Standards.

- Providing the Bank with timely and sufficient information necessary for appraisal and monitoring; undertaking required assessments and plans; and allocating appropriate organisational, human and financial capacity.

- Carrying out disclosure, consultation and stakeholder engagement where required; establishing relevant grievance mechanisms; implementing agreed management measures; and monitoring and report on environmental and social performance.

- Managing identified risks in line with the mitigation hierarchy: avoid and prevent and where unavoidable, minimise and mitigate; and, as a last resort, offset, compensate or remedy.

Environmental and social due diligence

15. **Risk categorization.** Based on the appraisal, the Bank assigns the project an environmental and social risk category reflecting the significance of the likely adverse environmental and social risks and impacts.

16. For projects with identified use of proceeds, three risk categories apply:

- **Category A (High risk):** refers to projects likely to cause significant adverse environmental and/or social risks and impacts, including risks that may be direct, irreversible, cumulative or difficult to identify, assess or mitigate. Such projects always require a formalised and participatory EIA or ESIA.

- **Category B (Medium risk):** refers to projects likely to have significant to moderate adverse environmental and social risks and impacts that are generally site-specific, largely reversible and readily addressed through mitigation measures. These may be subject to an EIA, an ESIA or a more focused or abbreviated assessment, depending on the identified risk.

- **Category C (Low risk):** refers to projects likely to have limited environmental and social risks and impacts and which, as a rule, do not require an environmental or social impact assessment.

17. For operations through financial or public intermediaries, the Bank applies a separate categorisation, High (1), Medium (2) or Low (3), reflecting the intermediary's environmental and social management systems and capacity together with the expected risk of the underlying sub-projects, with due diligence focusing on the suitability of those systems for the risks involved.

18. An Environmental and Social Management Plan may be required for any risk category. Applicable project-specific conditions are reflected in the legal agreement governing the project.

Overview of the Environmental and Social Standards

19. The ten Environmental and Social Standards set out the requirements that may apply depending on the project's characteristics, location and risk profile. The summary below is provided for orientation purposes only. Borrowers shall refer to the full ESSP for the detailed content, scope and requirements of each Standard.

20. **Standard 1 – Environmental and Social Impacts and Risks.** This Standard establishes the framework for identifying, assessing and managing a project's environmental, climate and social risks and impacts throughout the project cycle. It sets out the core requirements relating to assessment, the application of the mitigation hierarchy, the preparation of management measures and plans, and the monitoring and reporting of agreed actions.

21. **Standard 2 – Labour Rights.** This Standard sets out the requirements applicable to project workers and labour-related risks associated with CEB-financed operations. It covers, inter alia, working relationships and conditions of employment, non-discrimination and equal opportunity, protection against child labour and forced labour, treatment of migrant and third-party workers, and access to workers' grievance mechanisms.

22. **Standard 3 – Resource Efficiency and Pollution Prevention.** This Standard addresses the sustainable use of resources and the prevention, reduction and control of pollution arising from project activities, including waste and hazardous substances, emergency preparedness and, where relevant, the use and management of pesticides.

23. **Standard 4 – Health, Safety and Security.** This Standard covers risks and impacts relating to the health, safety and security of project workers, affected communities and other relevant stakeholders. It addresses occupational and community health and safety, incident and emergency management, contractor management and specific issues such as traffic and road safety, worker accommodation, disease exposure and security arrangements.

24. **Standard 5 – Involuntary Resettlement.** This Standard applies where a project may cause physical or economic displacement as a result of land acquisition or restrictions on land use. It sets out the requirements for avoiding or minimising involuntary resettlement, planning and implementing resettlement and livelihood restoration measures, consulting affected persons, and providing compensation, assistance and support.

25. **Standard 6 – Biodiversity and Ecosystems.** This Standard concerns risks and impacts on biodiversity, habitats, ecosystems and ecosystem services. It requires the application of the mitigation hierarchy and precautionary principle, with the aim of no net loss and, where feasible, a net positive impact.

26. **Standard 7 – Vulnerable Groups, Indigenous Peoples and Gender.** This Standard focuses on project risks and impacts that may disproportionately affect vulnerable or marginalised groups and sets out requirements to promote inclusive, accessible and gender-responsive project development. Where Indigenous Peoples may be affected, it also includes specific provisions relating to assessment, meaningful engagement and, where required, free, prior and informed consent.

27. **Standard 8 – Cultural Heritage.** This Standard deals with the protection and conservation of tangible and intangible cultural heritage that may be affected by a project. It covers the identification and assessment of risks and impacts, the application of appropriate avoidance and mitigation measures, chance find procedures, stakeholder engagement and, where relevant, commercial use.

28. **Standard 9 – Financial Intermediaries.** This Standard governs operations implemented through financial intermediaries and sets out the requirements applicable to sub-project screening, assessment, management and monitoring, focusing on the intermediary's systems, procedures and capacity.

29. **Standard 10 – Stakeholder Engagement.** This Standard outlines the requirements for transparent, inclusive and proportionate stakeholder engagement throughout the project cycle, including disclosure, meaningful consultation and an accessible, effective project-level grievance mechanism.

Integration of climate change

30. The Bank assesses every project for alignment with both mitigation and adaptation goals of the Paris Agreement. A project for which alignment has not been ascertained is not eligible for financing. The Paris alignment assessment may result in proportionate, project-specific climate commitments, such as mitigation or adaptation measures, the management of identified physical climate risks, or further climate-related reporting.

31. The Bank also assesses mitigation and adaptation co-benefits. The Borrower is responsible for providing information on greenhouse gas emissions or relevant project characteristics, physical climate risks and proposed resilience measures. A more detailed emissions assessment may be required where estimated absolute or relative emissions exceed 20 000 tonnes of CO2 per year, and a climate risk and vulnerability assessment may be requested where material physical risks are not addressed.

32. More information on how climate change and Paris alignment is assessed is presented in Chapter 7.

Monitoring, incidents and corrective actions

33. Monitoring by the Borrower is commensurate with the project's risks. The Borrower submits periodic reports as set out in the legal agreement. Reporting may cover as relevant, ESMP implementation, stakeholder engagement and grievances, climate related commitment.

34. The Borrower shall notify the Bank without delay of material environmental or social incidents or accidents and of changes in project scope, design or operation that could alter the risk profile.

35. Significant incidents, repeated non-compliance or persistent weaknesses may lead to enhanced reporting, time-bound corrective measures, independent verification and/or contractual remedies, including suspension of disbursements if relevant.

Transparency and accountability

36. The Bank will make Project-related environmental and social safeguard information public when appropriate and in accordance with the conditions stated in its Public Information Policy.

37. The Bank has developed a procedure to establish a formal process for managing complaints relating to an alleged failure of a Project financed in whole or in part by the Bank to comply with the ESSP. A person or eligible entity alleging that a Bank-financed project does not comply with the ESSP and has caused, or is likely to cause, harm to them, may submit a complaint to the Bank. Complaints may request confidentiality, and risks of intimidation or reprisals are considered in their handling.

38. Project-level grievance mechanisms complement, but do not replace, access to the Bank's accountability procedure or available judicial and administrative remedies.

CHAPTER 7

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 Paris Agreement on Climate Change adopted on 12 December 2015 (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 aligned or not aligned 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. Dependency of the project on fossil fuels and related 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 substantive contribution criteria of 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. The assessment will be undertaken using one of the two main approaches, the transaction-based approach and the counterparty-based approach, or a combination of both.

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 categorised 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 lending operations.

14. The transaction-based approach assesses alignment with climate mitigation and adaptation objectives based on the expected use of proceeds and project location. This approach is used in case of specific purpose financing where the activities and investment plans are well defined in advance.

    - An operation's alignment with the Paris Agreement's climate change mitigation objectives will be initially screened against a predefined list of activities and criteria based on the joint-MDB list and best practices such as EU taxonomy data and benchmarks. In 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.

    - 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.

15. The counterparty-based approach is used to assess project's alignment with the Paris Agreement when, at the appraisal stage, information on the use of proceeds and/or the project location is not available.

- This approach evaluates the capacity of the counterparty to address climate change issues through a structured process. It begins by assessing the counterparty's climate governance in relation to its activities and portfolio management. Next, it examines the counterparty's exposure to high-GHG-emission sectors, if any, including any potential carbon lock-in and transition risks. Finally, the approach reviews the counterparty's strategies and processes for managing both physical and transition climate risks.

16. A combination of the transaction-based and counterparty-based approaches will be used in cases where only partial/not sufficiently detailed information on the use of proceeds and/or location is available at the project's appraisal phase, for example, due to the phasing or to the nature of the project, the borrower will be required to submit information to allow the CEB to undertake this assessment.

17. The Borrower may be required to meet specific criteria or implement certain measures for the project to be considered Paris Aligned, and may relate, for example, to technology choices, emissions performance, climate resilient design, or sector specific alignment conditions. Any such requirements shall be included in the FLA.

CHAPTER 8

Procurement requirements

1. The CEB's procurement policy is defined in the Guidelines for Procurement of Goods, Works and Services for Projects Financed by the CEB, adopted September 2023 (CEB Procurement Guidelines). These Guidelines apply to all goods, works and services financed wholly or partly with CEB loan or grant proceeds.
2. The purpose of this section is to provide borrowers and grant recipients with a concise overview of the applicable procurement requirements; it does not replace the CEB Procurement Guidelines themselves. Borrowers and grant recipients are encouraged to consult the full CEB Procurement Guidelines for a detailed understanding of their respective obligations.

CEB PROCUREMENT POLICY

3. Acting in its fiduciary capacity, the CEB must ensure that borrowers and grant recipients apply CEB funds in accordance with sound public procurement principles. The objective of these Guidelines is to ensure that the following core principles are respected:
   (i) the proceeds of the CEB financing are used to buy only those goods, works and services needed to carry out the project, with due attention to considerations of economy and efficiency;
   (ii) the procurement process respects the principles of equal treatment, non-discrimination, mutual recognition, proportionality and transparency;
   (iii) all eligible tenderers are treated equally and receive the same information when competing to provide goods, works and services for projects financed by the CEB;
   (iv) the design of a procurement procedure/process shall not be made with the intention of excluding it from the scope of the applicable procurement rules or of artificially narrowing competition; and
   (v) any party having or having had an interest in obtaining a particular contract and who has been, or risks being, harmed by an alleged infringement of the applicable procurement rules has access to an effective review procedure.
4. The Guidelines define the procurement principles and methods applicable to CEB-financed contracts but do not replace national legislation in the borrower or grant recipient's country.
5. The borrowers and grant recipients remain solely responsible for conducting the procurement cycle, including planning, tendering, evaluation, award and contract administration. The CEB may raise issues or request corrective action but does not take procurement decisions on behalf of the borrower or grant recipient.
6. The CEB will not finance expenditures for goods, works and services that are not procured in compliance with the Guidelines, as reflected in the FLA/Grant Agreement. In such cases, the CEB may declare a contract ineligible for financing, cancel the related loan/grant portion, or exercise other contractual remedies.
7. The CEB is committed to promote sustainable development and social responsibility through the projects. In this context, all projects must be in conformity with the requirements set forth in the context of national legislation and the CEB's Environmental and Social Safeguards Policy. Furthermore, borrowers and grant recipients are encouraged to integrate sustainable elements in the procurement finance from the CEB funds.

PROCUREMENT APPROACHES

8. **Public sector operations in EU/EEA Member States**: For contracts that fall within the scope of EU Procurement Directives, borrowers and grant recipients shall apply the requirements of the Directives and the corresponding national legislation transposing them. For contracts below the thresholds of the

Directives, procedures shall remain transparent, competitive and consistent with the principles set out in the European Commission's Interpretative Communication on Community law applicable to contract awards not or not fully subject to the Directives (2006/C179/02), as amended.

9. **Public sector operations outside the EU/EEA**: Public sector borrowers and grant recipients outside the EU/EEA shall follow their national procurement legislation, provided it is consistent with the core procurement principles, mechanisms and practices reflected in the CEB Procurement Guidelines. International competitive procedures, including publication of contract notices in the Official Journal of the European Union (OJEU) and procurement documents in English or French (in addition to the local language), are required for contracts above thresholds agreed during appraisal and included in the Procurement Plan.

10. **Private sector operations (within or outside the EU/EEA)**: Private sector borrowers and grant recipients are generally not subject to national public procurement rules. Procurement is carried out in line with sound commercial practices that ensure appropriate use of funds, economy and efficiency. For large-value contracts, the CEB may encourage or request private sector borrowers and grant recipients to publish a contract notice in the OJEU and apply open or restricted procedures.

ELIGIBILITY OF TENDERERS

11. To promote competition, the CEB places no general restrictions on the origin of goods, works or services. In projects where financing comes from resources of third parties, eligibility is governed by the rules applicable to the corresponding agreement between CEB and the third party (typically a donor agreement).

12. For operations outside the EU/EEA, borrowers and grant recipients may not exclude tenderers for reasons unrelated to their capacity to perform the contract, except in the following cases:

    (i) the procurement process respects the principles of equal treatment, non-discrimination, mutual recognition, proportionality and transparency;
    (ii) entities offering goods, works and services shall not be eligible for the award of CEB-financed contracts if they are directly or indirectly subject to financial sanctions imposed by the EU either autonomously or pursuant to the financial sanctions decided by the United Nations Security Council on the basis of Article 41 of the Charter of the United Nations;
    (iii) entities may be excluded if, as a matter of law or official regulation, the borrower or grant recipient's country prohibits commercial relations with the entity's country, provided that the CEB is satisfied that such exclusion does not preclude effective competition for the supply of goods, works or services required.
    (iv) entity may be excluded if deemed by the CEB to be in breach of its rules of ethics or if excluded by any of the EU Institutions or any major Multilateral Development Bank from participation in tendering procedures on the grounds of a Prohibited Practice. In pursuance of the CEB policy and the CEB Anti-Corruption Charter, the CEB defines, the Prohibited Practice as follows:
        a. **"corrupt practice**" means any offering, giving, receiving or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
        b. **"fraudulent practice**" means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
        c. **"coercive practice"** means any act of impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
        d. **"collusive practice"** means any arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;
        e. **"obstructive practice"** means in relation to an investigation into a Coercive, Collusive, Corrupt or Fraudulent Practices, (a) any act of deliberately destroying, falsifying, altering or concealing of evidence material to the investigation; (b) any act of threatening, harassing or intimidating

any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; and/or (c) any act intending to materially impede the exercise of the contractual rights of audit or access to information.

(v) entities involved in the preparation of a project must be excluded from participating in tenders based on this preparatory work, unless they demonstrate that the involvement in previous stages of the project does not constitute unfair competition and/or conflict of interest.

(vi) Government-owned enterprises, unless they are: (i) legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the government.

(vii) entities excluded under national procurement legislation, where such exclusion is consistent with EU law and the CEB is satisfied that such exclusion does not preclude effective competition for the supply of goods, works or services required.

13. Borrowers and grant beneficiaries shall verify tenderer's eligibility prior to contract award.

ADVANCE CONTRACTING

14. In justified cases, procurement may begin before signing the FLA/Grant Agreement. Such contracts are eligible for financing only if the entire procedure - including publication in the OJEU, where required - fully complies, as verified by the CEB, with the CEB Procurement Guidelines.

PROCUREMENT MONITORING MODALITIES – PRE-REVIEW

15. Pre-review applies mainly to projects outside the EU/EEA or when procurement risks justify it. After receiving the first Procurement Plan, the CEB confirms whether tenders will be subject to pre-review, post-review or a combination. As a general rule, contracts at or above EU thresholds are subject to pre-review. Thresholds may be adjusted based on risk assessment during appraisal.

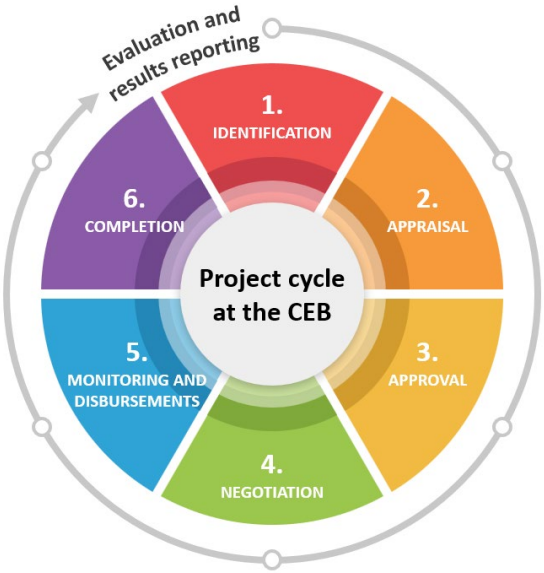
PROCUREMENT MONITORING MODALITIES – POST-REVIEW

16. Post-review (ex-post) by the CEB may apply in the following cases:
    (i) Projects located in the EU/EEA;
    (ii) Projects outside the EU/EEA for contracts below certain thresholds; and
    (iii) Emergency Procurement.

17. The CEB may conduct post-review in any project governed by the Guidelines, irrespective of location or sector, based on risk, contract value and the specificities of the operation.

CHAPTER 9

Project cycle for loan-financed projects



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 evaluation processes 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 10).

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 reviews 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 and 7).

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 (see Chapter 8).

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. Ensuring that social objectives can be achieved 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 (also referred to as additionality) of CEB support. Such analysis 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 "Quality-at-entry" score to assess project quality ex ante and provide a baseline for the continuous monitoring of project performance throughout all stages of the project lifecycle. The CEB's quality-at-entry scoring methodology was conceived to clearly define each project's content, sustainability and social value and thus fits within the CEB's broader efforts to continually enhance project quality to better track the overall effectiveness of its activities. The current conception of the quality-at-entry score underscores the CEB's overall shift towards strengthening the weight of social development aspects in the assessment of project quality. The quality-at-entry scoring consists of four main pillars, including the "Country scoring", "Social scoring", "Cross-cutting themes scoring" and "Project scoring" pillars.

    - The "Country scoring" provides an indication of the overall level of economic development of the country in which the project is set to be realised and uses Gross National Income (GNI) per capita as a proxy for measuring the average standard of living of the inhabitants of a country. Applied by the World Bank as the main indicator to classify economies in income groups, GNI per capita gives an indication of the population's material well-being. An additional point can be attributed for each of:

        i) the project supports communities hosting migrants, refugees, or displaced persons;
        ii) the project addresses the aftermath of war or natural disaster, or other interventions in line with the CEB historical mandate, while also encompassing prevention against natural disasters.

- The “Social scoring” rates the CEB’s efforts to serve vulnerable population groups and focuses on most urgent social development needs, including through the application of the CEB’s Vulnerability Lens. The CEB developed a vulnerability lens as an operational tool to articulate its continued focus on vulnerable people more explicitly, attributing a greater weight to it at the early stages of the project cycle and shedding light on its linkages with long-term social development objectives and the overarching goals and mission of the CEB. In all, the CEB’s approach accounts for three sets of vulnerability factors: 1) those related to people’s living environments (access gaps and risks in the CEB’s core areas of activity), as well as 2) those linked to people’s socio-economic status and 3) individual characteristics (the latter two are grouped under the “equity and inclusion” umbrella). The “Cross-cutting themes scoring” includes climate and environmental aspects, including just transition and overall sustainability, and gender equality as themes specifically interacting with the CEB’s core sectors of activity and instrumental to progress on social cohesion. A more explicit and systematic focus on the identified cross-cutting themes strengthens the design and implementation of CEB projects, enhances synergies and further boosts the social cohesion value of CEB projects.
- The “Project scoring” pillar is regrouped in two main subcategories, namely “Quality of project” and “Project readiness and management arrangements”. The “Quality of project’ sub-pillar category incorporates the dimensions of “Strategic alignment”, “Financial aspects and additionality” and “Technical aspects and additionality”. For its part, the “Project readiness and management arrangements” sub-pillar category consists of “Project governance”, “Financial arrangements”, “Implementation readiness”, “Environmental and social safeguards” and “Project procurement risk”.

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 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 (such as deferring some aspects of the appraisal) 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 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, including those required by the EU or other relevant donors, will be further detailed and confirmed following the appraisal process.

PRESENTATION OF LOAN 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. Specific approval modalities may apply for projects benefitting from a guarantee under an InvestEU Framework Operation.

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 six months, and no later than 12 months from the 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 FLA;
    31.2. meet the contractual conditions regarding the project's implementation, reporting, auditing and monitoring requirements; and
    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 and, when applicable, by any third-party. To do so, the means of communication best-suited to the specific nature of the project (e.g. webpage, 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 Project activities and expenditure, 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 Project activities/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, except in the case of ECF. 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 12 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. The approach to management of local currency variations arising during the allocation period of the tranches, where relevant, should be defined at appraisal and applied consistently throughout project implementation.

45. 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.

46. 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.

47. 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.

48. For investments financed by an additional loan amount (Addendum) under a Project Loan, technical monitoring missions are compulsory. For Programme loans and PFF, the technical monitoring missions will be decided on a case-by-case basis by the CEB committees.

49. 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 "Project Quality-at-Entry" score.

50. 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.

51. 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.

A project may have up to a maximum of two additional loan amounts.

52. Projects financed by the CEB require technical monitoring review(s), of which one must include an on-site mission, unless this requirement is explicitly waived at appraisal or during the Annual Project Review. A technical monitoring review consists in the review of key aspects of a project in implementation, including in particular as regards institutional and implementation arrangements; project progress and outputs; costs and financing; procurement aspects; socio-economic effects and social sustainability, incl. safeguards), incl. vulnerability and gender equality aspects; climate change, environmental effects and sustainability, incl. safeguards); digitalisation aspects ; institutional, financial and economic sustainability.

53. The borrower shall facilitate the organisation of CEB monitoring reviews, including possible on-site missions. In the case of multi-project-programmes the investments to be visited are selected by the CEB on a sample basis.

54. Technical monitoring reviews rate the projects according to the implementation performance level observed. If during implementation a previous technical monitoring review 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 review. Conclusions and recommendations from the technical monitoring review are transmitted to the borrower. The borrower should endeavour to respect the conclusions of the review and respond satisfactorily to the CEB's recommendations.

COMPLETION

55. A project is considered completed when the CEB receives a satisfactory completion/global monitoring report, in line with the requirements defined in the FLA.

56. 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.

57. This report contributes to the preparation of the CEB's own Project Completion Report, which aims to provide the Bank with a consolidated assessment of the project by bringing together available information on implementation and the achievement of physical and social results.

58. Completion marks the stage in the project cycle where the results achieved can be evaluated to generate insights and lessons that inform the design and implementation of future operations, while supporting the CEB's result reporting requirements.

CHAPTER 10

Loan Document

1. A 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 section 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 section is followed by the Monitoring and Evaluation section. 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 sections regarding the project's viability, as assessed during the appraisal process by the Bank's services: this therefore includes a section dedicated to Project Risks and the Mitigation Measures, which addresses the possible risks related to project implementation and sustainability. Another section on pre-requisites presents the main conditions precedent for the approval and disbursement of the loan by the CEB.

8. The Loan Document systematically includes elements dedicated to Vulnerability Lens as an operational tool developed by the CEB and applied to all new lending activities in order to better articulate its continued focus on vulnerable persons and underline linkages with long-term social development objectives and the overarching goals and social mission of the CEB. First, a vulnerability score for the project is featured as part of the Quality-at-entry score (see Chapter 9, Project Cycle). Second, a clear narrative around vulnerability and the proposed project, linked to development objectives and grounded on evidence-based analysis, is included in the Loan Document. This entails a systematic gathering and interpretation of quantitative and qualitative information from primary and secondary sources, as applicable.

9. The Loan Document includes a section 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 self-evaluation processes, as well as on relevant findings and recommendations from the Office of Independent Evaluation. This section 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.

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.

APPENDIX

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 aspects
- 1.8 Compliance aspects
- 1.8 Environmental and Social Safeguards – Climate Change Considerations
- 1.9 Implementation schedule

2. SOCIAL IMPACT AND VULNERABILITY

3. LESSONS LEARNED

4. BORROWER EXPERIENCE WITH CEB AND OTHER IFIs

5. INTERMEDIARY INSTITUTION *(where applicable)*
- 5.1 Market position
- 5.2 On-lending instrument

6. 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

7. KEY INDICATORS

8. MONITORING AND EVALUATION

9. PROJECT RISKS AND MITIGATION MEASURES

10. CREDIT RISK
- 9.1 The Borrower (and the Guarantor, *where applicable*)
- 9.2 Credit and financial aspects

11. PRE-REQUISITES
- 10.1 Approval
- 10.2 Disbursement

12. 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 11

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 Impact Account (SIA);

   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. Technical assistance assignments may be implemented either by a CEB-managed or by a borrower/beneficiary managed modality:

   6.1. **CEB managed technical assistance**: the CEB selects a consultant in line with "Guidelines for the procurement of Services, Goods and Works for the CEB's own account" who provides services to the borrower/beneficiary;

   6.2. **Borrower/beneficiary managed technical assistance**: the CEB concludes a grant or financing agreement with the borrower/beneficiary, who is responsible for procuring and contracting the technical assistance. Procurement shall be conducted in accordance with the *"Guidelines for the Procurement of Goods, Works and Services for projects financed by the CEB"*.

7. In order to promote ownership, the CEB supports the 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 and/or consultancy agreements that will specify the entity(ies) in charge of coordinating and managing technical assistance services.

8. 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:

   8.1. CEB-managed technical assistance assignments should be:

      8.1.1. 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).

      8.1.2. 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.

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

      8.2.1. 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.

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

   8.3. 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).

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 12

CEB financing

CEB financing definition

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.

Interest subsidy

In line with the **SIA Policy**, where applicable, a project financed by the CEB can, on the Governor's proposal, **benefit from an interest subsidy** through the Social Impact Account, following case-by-case approval by the Administrative Council.

CEB's share of financing

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 (*see the Handbook's Chapters 4.1-9 for a presentation of the different CEB loan instruments*). In principle, the **CEB's share of financing may not exceed 50% of the eligible costs**. 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.[13]

Loan currency

The CEB loans are approved in Euro. Disbursements in other convertible currencies may be possible on a case-by-case basis.

Where disbursements are made in Euro and related expenditure is incurred in currencies other than Euro, the FX conversion/reporting methodology should be determined during appraisal and reflected in the relevant reporting modalities.

Financing modalities

Depending on the type of loan instrument, the CEB disburses either on the basis of the progress of expenditure and/or activities or the absorption capacity of the project.

Disbursement based on the progress of expenditure and/or works

The progress of expenditure and/or activities 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.

Disbursement based on absorption capacity

The absorption capacity of the project 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.

[13] 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, Türkiye and Ukraine

Number of tranches	The CEB disburses the loan in a **minimum of two tranches**. Depending on the project, a maximum number of tranches may also be established by the CEB following its appraisal.
First disbursement	The **first disbursement should take place within six months** following the FLA signature, unless otherwise authorised by the CEB on a case-by-case basis.
Subsequent disbursement	**Disbursement of subsequent tranches should take place within 18 months** following the last disbursement, unless otherwise authorised by the CEB on a case-by-case basis.
Additional loan amounts (Addenda)	A request for an additional loan amount on an existing project is prepared by the CEB services with the borrower according to 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. 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. **A project may have up to a maximum of two additional loan amounts, i.e. two addenda following the initial loan**. 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. The UN Sustainable Development Goals (SDGs) are applied to the addendum even if the initial project was approved before 1 January 2020.
Tranche structure	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 bullet/in fine structures as appropriate.
Tranche allocation	The timeframe for the **allocation of each tranche** will depend on the loan instrument, but it is usually **limited to 12 months** following a disbursement.
Unused fund	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.
Project cost increase	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.
Early repayment	In case of an early repayment, the potential cost of **repayment** will be charged to the borrower according to the provisions contained in the CEB Loan Regulations and the FLA.
Project closing date	The **closing date,** established in the FLA in accordance with the borrower's implementation schedule for a project, means the date from which no further disbursements under the CEB loan may take place. For the avoidance of doubt, the project implementation would usually extend beyond the closing date.

CHAPTER 13

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.

Modifications requiring approval by the Bank's 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 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 12.

Modifications requiring approval by the Bank and presented to the Administrative Council for information

Downscaling of project scope

Downscaling of project scope: a reduction in the approved project scope for structural, political or technical matters leading to a reduction of the loan envelope granted by the CEB (renunciation) in order to remain within the limit of 50% (maximum CEB financing share) of the revised total cost, unless the loan can be reallocated within the same project.

Changes related to ESS and climate risks

Changes related to ESS and climate risks: in the event of any significant 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.

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.

Modifications presented for information to the CEB Annual Portfolio Review

Significant cost variations and modifications

Significant 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.

Delays in implementation

Delays in implementation of activities: in the event of any substantial delay, modifications in the activities 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 activities and financing schedule.

CHAPTER 14

CEB monitoring, evaluation and results reporting

MONITORING

General principles

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.

Implementation responsibility

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.

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.

Monitoring modalities

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.

Implementation monitoring

Project monitoring assesses compliance with the agreed conditions, including the financial and organisational situation of the borrower, the physical progress of activities/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.

Mechanism

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 activities, depending on the type of lending instrument.

Periodicity

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.

Technical monitoring

Projects financed by the CEB require Technical monitoring review(s), of which one must include an on-site mission, unless this requirement is explicitly waived during the CEB Annual Portfolio Review. These reviews enable the CEB to look at 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. Where the review includes an on-site mission, the borrower undertakes to provide all the necessary co-operation by providing the requisite information in a timely fashion, and by facilitating any on-site visit(s).

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

Conditional financing instrument

For borrowers that have, through previous co-operation with the CEB, demonstrated clear alignment of objectives, 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.

CEB Annual Portfolio Review and Mid-year Review

CEB carries out a comprehensive annual inter-service Annual Portfolio Review to assess the performance of its entire project portfolio. The review covers both loan- and grant-financed operations.

Such annual review is complemented by a Mid-year Review focusing specifically on projects facing implementation difficulties, prioritised according to the urgency of the issues identified and the degree of difficulty in implementation.

EVALUATION

Evaluation

Evaluation is the activity through which the Bank assesses the performance of CEB-financed projects in delivering results in accordance with internationally recognised core evaluation principles and good practices. As set out in the Bank's Evaluation Policy, the CEB evaluation system is based on the specific and complementary purposes of two main evaluation modalities: "self-evaluation" which is systematically conducted by the Bank's services and "independent evaluation" which is the remit of the Bank's Office of Independent Evaluation.

Self-evaluation

Self-evaluation is embedded in the process through which loan and grant-financed operations are systematically assessed by the CEB's services throughout the project cycle from appraisal (ex-ante or "quality at entry" assessment) and monitoring (collection of data on specified indicators and on-going assessment of implementation progress and use of funds during implementation) to completion (ex-post or "results at completion" assessment).

Independent evaluation

The Bank's Office of Independent Evaluation may carry out an independent evaluation of any project to assess their performance against a set of internationally recognised evaluation criteria (such as relevance, coherence, effectiveness, efficiency, impact, and sustainability) in order to contribute to the CEB's accountability and to generate learning to improve the quality of on-going and future CEB-financed operations.

RESULTS REPORTING

Annual Report on Results – approved and completed projects

An "**Annual Report on Results" for approved and completed projects in the reporting period** is prepared by the CEB and presented to the CEB's Administrative Council: The Report provides an overall assessment of projected results for projects approved and the achieved physical outputs and social outcomes for projects completed.

CHAPTER 15

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 at least one FLA which is expected to be signed within six months, and no later than 12 months from the approval of the project by the Administrative Council. 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 six months following the FLA's signature, unless an extension is granted by the CEB;

   3.5. if a PFF has remained 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 allows the CEB, upon notification to the borrower, to cease any further disbursements under the CEB loan. If justified, a 12-month extension of the closing date 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 16

Sustainable Development Goals and related indicators

Sustainable Development Goals

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.

Mainstreaming SDGs at the CEB

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.

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.

CEB's guiding principles for SDGs

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.

Cross-sectoral SDGs at the CEB

The cross-sectoral relevant SDGs can be either those that are already aligned with the CEB's core social mandate (**SDG 1 – *No Poverty; SDG 10 – Reduced Inequalities)*** or those that are screened for in all CEB projects (***SDG 5 – Gender equality; SDG 13 – Climate Action***).

Sector-based SDGs and the CEB

Sector-based SDGs relevant to the CEB's operations currently include ***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***.

Operational application

All CEB-approved projects are systematically screened against the Bank's subset of relevant SDGs at the appraisal stage. This screening identifies the SDG targets each project is intended to contribute to, together with measurable result indicators linked to the assigned SDGs.

These indicators capture both the project outputs (e.g. infrastructure constructed or rehabilitated) and the social outcomes (e.g. number of beneficiaries) of CEB-financed projects.

At project completion, the result data collected through the monitoring process enables the Bank to assess, at an aggregated level, the contribution of projects to the SDGs.

The table below presents the SDG targets relevant to the CEB's operations and the corresponding key result indicators used to assess the Bank's contribution to sustainable development (the list is not exhaustive and will evolve over time).

SDGs	SDG targets	Corresponding CEB indicators
	**1.4** 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. **1.5** 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.	• Number of beneficiaries • Number and amount of microfinance loans
	**3.8** 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. **3.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.	• Number of final beneficiaries • In- and out-patients served • Number of beds • Number of infrastructure facilities constructed/rehabilitated • Total surface newly constructed or rehabilitated
	**4.1** By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes. **4.2** 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. **4.3** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. **4.4** 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. **4.5** 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. **4.a** Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.	• Number of students enrolled (HIPSO) • Number of infrastructure facilities constructed/rehabilitated • Total surface newly constructed or rehabilitated



5.1 End all forms of discrimination against all women and girls everywhere.

- Number of direct women beneficiaries
- Number and amount of loans to women-owned/managed businesses



6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.

6.2 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.

6.3 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.6.4 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.

6.4 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.

- Number of final beneficiaries (users served or with improved service)
- Volume of drinking water produced over one year
- Volume of wastewater treated over one year
- Length of new or rehabilitated network/pipes



8.3 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.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

- Number of jobs created
- Number of jobs maintained
- Number of MSMEs supported
- Number of young MSMEs and start-ups



10.2 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

10.7 Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.

- Number of vulnerable beneficiaries
- Number of infrastructure facilities constructed/rehabilitated



11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

11.2 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.

11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

- Number of final beneficiaries
- Number of new dwellings constructed (HIPSO)
- Number of improved dwellings (HIPSO)
- Number of infrastructure facilities constructed/rehabilitated
- Total surface newly constructed or rehabilitated
- Number of passengers using transportation service over one year (HIPSO)

	11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage. **11.5** 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. **11.6** 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 **11.7** 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. **11.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.	• Number and amount of mortgage housing loans
	**13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. **13.2** Integrate climate change measures into national policies, strategies and planning. **13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	• Number of beneficiaries • Reduced CO_2 emissions
	**16.1** Significantly reduce all forms of violence and related death rates everywhere **16.2** End abuse, exploitation, trafficking and all forms of violence against and torture of children **16.3** Promote the rule of law at the national and international levels and ensure equal access to justice for all.	• Number of beneficiaries • Number of infrastructure facilities constructed/financed • Total surface area built/ rehabilitated • Training, educational, workshop facilities provided (type and surface area)

Glossary of Terms

Absorption capacity	"**Absorption capacity**" of the CEB Programme Loans (*see definition in this Glossary*) 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.
Added Value	"**Added Value**" 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.
Administrative Council	"**Administrative Council**" or "AC" 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.
Allocation of a Tranche or Allocated	"**Allocation of a Tranche**" or "Allocated" 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.
Appraisal	"**Appraisal**" is the 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.
Annual Portfolio Review / Mid-year Review	CEB carries out a comprehensive annual inter-service "**Annual Portfolio Review"** to assess the performance of its entire project portfolio. The review covers both loan- and grant-financed operations. Such annual review is complemented by a "**Mid-year Review"** focusing specifically on projects facing implementation difficulties, prioritised according to the urgency of the issues identified and the degree of difficulty in implementation.
APEX structure	**"APEX structure"** 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 process through which the borrowing entity - rather than financing the end-borrowers directly - on-lends the CEB loan proceeds to a network of participating financial institutions for financing eligible end-borrowers' subprojects.
Bank	In this Handbook, **"Bank"** refers to the Council of Europe Development Bank (CEB).
Beneficiary	**"Beneficiary"** 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.
Borrower	**"Borrower"** 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.

CEB Anti-corruption Charter	"**CEB Anti-corruption Charter**" 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.
CEB Articles of Agreement	"**CEB Articles of Agreement**" establish the Bank, its purpose, membership and means of action. These articles establish the CEB's governance, organisation, administration and supervision.
CEB Compliance Policy	"**CEB Compliance Policy**" 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.
CEB Environmental and Social Safeguards Policy	"**CEB Environmental and Social Safeguards Policy**" 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.
CEB Evaluation Policy	"**CEB Evaluation Policy**" establishes the framework for the Bank's **Evaluation** activities by defining the core principles that guide evaluation work and by clarifying the roles and responsibilities for evaluation at the institutional level.
CEB Loan and Project Financing Policy	"**CEB Loan and Project Financing Policy**" 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".
CEB Loan Regulations	"**CEB Loan Regulations**" lay down the general conditions governing loans approved by the CEB and the associated guarantees.
CEB Procurement Guidelines	"**CEB Procurement Guidelines**" means Guidelines for procurement of goods, works and services for projects financed by the CEB. They 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.
Closing date	"**Closing date"** means the date from which, upon notification by CEB to the borrower, no further disbursements under the CEB loan may take place. 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.

Completion	A project is considered **"Completed"** 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. This report feeds into the preparation of the CEB's own **Project Completion Report**.
Conditional Financing Instrument	"**Conditional Financing Instrument**" 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.
Credit Risk Rating	"**Credit Risk Rating**" 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.
Eligibility criteria	"**Eligibility criteria**" 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.
Eligible costs	"**Eligible costs**" are the project costs that can be financed with CEB funds, in accordance with the Bank's Eligibility criteria, up to the agreed CEB financing share.
European Co-financing Facility (ECF)	"**European Co-financing Facility**" 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.
Evaluation	**"Evaluation"** is the activity through which the Bank assesses the performance of CEB-financed projects in delivering results in accordance with internationally recognised core evaluation principles and good practices. As set out in the Bank's **Evaluation Policy**, the CEB evaluation system is based on the specific and complementary purposes of two main evaluation modalities: "self-evaluation" which is systematically conducted by the Bank's operational units and "independent evaluation" which is the remit of the Bank's Office of Independent Evaluation.
European Prison Rules (EPR)	"**European Prison Rules**", adopted by the Committee of Ministers in January 2006 at the 952nd 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.
Fast-track procedures	The CEB may decide to apply "**Fast-track procedures**" to projects in response to emergencies such as natural, ecological or man-made disasters (such as pandemics, earthquakes, floods etc). 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 "Fast-tracked" 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.
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 beneficiaries	**"Grant beneficiaries"** may 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 the relevant member state, provided that they are eligible under the terms and conditions governing the use of the funds held in the relevant trust account.
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.
Loan Document	"**Loan Document**" is prepared by the CEB services and submitted by the CEB's Governor for the approval of the Administrative Council. It contains 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.
Monitoring Report	"**Monitoring Report**" 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.

NACE	French acronym "**NACE**" 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).
Opinion of Admissibility	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 "**Opinion of Admissibility**" based on the project's conformity with the political and social objectives of the Council of Europe.
Payment and/or refinancing of debts	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.
Programme Loan (PM)	"**Programme Loan**" is made to financial intermediary (FI) institutions or public entities in order to finance a programme of diverse investments (smaller individual projects or "sub-projects") and multi-project programmes in one or several CEB sectors of action.
Project	"**Project**" covers the full range of components/investments which are to be supported through any given CEB loan instrument.
Project Completion Report	A record of the performance of a project at the end of its implementation phase, undertaken as a self-evaluation by the CEB operational units in charge of the project.
Project Loan (PR)	"**Project Loan**" 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 activities.
Project Overall Score (POS)	"**Project Overall Score**", assigned to each project during its appraisal by the Bank, is based on a "Quality-at-Entry" approach. It consists of four pillars: the "Country scoring", the "Social scoring", the "Cross-cutting Themes" scoring" and the "Project scoring". See Chapter 9 for more details on each pillar.
Progress of Expenditure and/or Activities	"**Progress of Expenditure and/or Activities**" corresponds to the ratio of already-incurred eligible expenditures on all project components to the total eligible costs of the project.
Projected Progress of Expenditure and/or Activities	"**Projected Progress of Expenditure and/or Activities**" 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.
Public Private Partnership (PPP)	"**Public Private Partnership**" 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.
Public Sector Financing Facility (PFF)	"**Public Sector Financing Facility**" 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.

Quality-at-entry approach to project screening	A "Quality-at-entry" approach has been developed by the CEB as a screening and appraisal tool to track and improve project effectiveness and focus on results. A Project Overall Score is attributed to each project to assess quality ex ante and to provide a baseline for continuous monitoring of project performance throughout its life. See Chapter 9 for more details on this approach.
Secretariat of the Partial Agreement on the Council of Europe Development Bank	The "**Secretariat of the Partial Agreement on the Council of Europe Development Bank**" (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.
Social Impact Account (SIA)	"**Social Impact Account**", 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.
Stock of projects awaiting financing	Each project approved by the Administrative Council is registered into the "**stock of projects awaiting financing**" (or "**stock of projects**") for a period equal to its implementation.
Sub-project	"**Sub-project**" refers to any individual project or specific investment eligible for financing under any given CEB loan instrument which aggregates several such individual projects or investments, such intermediated lending schemes.
Tranche	Each CEB project is financed by means of a number of loan disbursements; "**Tranche**" or "**Loan Tranche**" is a loan amount disbursed by CEB in favour of the borrower in accordance with the conditions defined in the FLA.
Vulnerability Lens	The "Vulnerability Lens" is a CEB-specific approach that allows the Bank to focus on vulnerable groups more explicitly by identifying the sources of vulnerability affecting the target populations of its projects at the appraisal stage. It is an operational tool that assesses how the project to be financed by the CEB could contribute to alleviating these sources by strengthening project design, tailoring it to final beneficiaries' needs, and identifying factors that may hinder the achievement of project objectives.
Working capital	"**Working capital**" 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
info@coebank.org

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
Evaluation Policy
Anti-Corruption Charter
Personal data Protection Regulation
Policy on Non-Compliant/Uncooperative Jurisdictions

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

55, avenue Kléber
FR-75116 PARIS, France
Tel: +33 (0)1 47 55 55 00

https://coebank.org/

Cover illustration: ©iStock Flashvector