

# **Handbook for the preparation and implementation of projects**



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Relevant [Policies](http://www.coebank.org) accessible from [www.coebank.org](http://www.coebank.org)

**Loan and Project Financing Policy and Loan Regulations**

**Environmental and Social Safeguards Policy**

**Procurement Guidelines**

**Anti-Corruption Charter**

## Preamble

This Handbook for the Preparation and Implementation of Projects represents 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 ([www.coebank.org](http://www.coebank.org)).

The Handbook provides, from an operational perspective, the necessary information regarding preparation, financing, implementation and monitoring of CEB loans. Based on the CEB's Loan and Project Financing Policy and the CEB Loan Regulations, it also takes into account the principles from different CEB guidelines and policies, including CEB Environmental and Social Safeguards Policy, CEB Procurement Guidelines, CEB Anti-fraud Charter, CEB Social Dividend Account Policy, internal guidelines on compliance and general governance.

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

## CHAPTER 1

### Eligible borrowers

The CEB grants loans to the following counterparties:

- 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 the loan to carry sufficient guarantees.

The borrower may be the member state itself, a central or local government entity, a financial institution or any other public or private entity.

## CHAPTER 2

### Sectors of action and eligibility criteria

#### Aid to refugees, migrants, displaced persons and other vulnerable groups

1. Aid to refugees, migrants and displaced persons is, together with aid to victims of natural or ecological disasters, one of the two statutory priorities of the CEB (Article II of the Articles of Agreement):  
*“The primary purpose of the Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of refugees, displaced persons or migrants consequent upon movements of refugees or other forced movements of populations (...)”.*
2. The CEB also intervenes in this sector in favour of populations regarded as vulnerable, such as:
  - 2.1 persons living below the poverty threshold (less than 60% of the national average income <sup>1</sup>);
  - 2.2 abandoned children, children in vulnerable situations and persons with disabilities;
  - 2.3 ethnic minorities.
3. CEB financing in this sector would aim at improving the living conditions of the targeted populations through projects such as:
  - 3.1 construction and repair of accommodation structures, e.g. reception centres, shelter and housing facilities;
  - 3.2 programmes and facilities for preventive and curative medicine;
  - 3.3 programmes and facilities for education and vocational training;
  - 3.4 basic infrastructure and equipment necessary to meet the immediate needs of populations facing emergency situations.
4. Projects approved in favour of such populations may benefit from accelerated procedures for appraisal, approval and – if justified – disbursement.

#### Social housing for low-income persons

5. The CEB finances projects for the renovation, construction or refurbishing of housing and for the conversion of buildings into housing so as to provide decent housing for low-income persons, corresponding to social housing criteria whenever these are defined by the national legislation.
6. Eligible projects can be targeted to provide access to property ownership, rental housing or related infrastructure (such as water mains, electricity and gas supplies, collection and treatment of waste water and solid waste, commercial premises, playgrounds).
7. The criteria that the CEB takes into account are income, the physical characteristics of the housing and the purchase and/or sale conditions applicable in each member country or in the region of the member country hosting the project, in compliance with the legal or regulatory provisions in force. In the absence of satisfactory regulations, the eligibility criteria can be based on the following principles, or on other specific criteria to be established by CEB during appraisal:
  - 7.1 the income of the target population is limited to a percentage of a relevant income indicator selected according to statistical data available for each member state or region concerned;<sup>2</sup>
  - 7.2 the floor area is limited in principle to a maximum of 35 m<sup>2</sup> per person in the case of households comprising between 1 and 2 people and 23 m<sup>2</sup> per person for larger households. However, the minima shall not be inferior to commonly accepted habitability criteria and the maxima can be determined during project appraisal;

<sup>1</sup> Poverty threshold: in European comparisons, this threshold is fixed at 60% of the equivalent average income in the country of residence.

<sup>2</sup> Other than GDP per inhabitant.

- 7.3 in the case of projects involving access to property ownership, this must be for the principal residence, with a firm undertaking to occupy the premises for a minimum period of 5 years.
8. Projects involving the renovation and/or the rehabilitation and conversion of buildings into housing must meet the following criteria, or other specific criteria as established by CEB during appraisal:
- 8.1 housing units must belong to public or private entities lessors of social housing, or to owner-occupants of assisted affordable housing;
  - 8.2 rented housing units must be controlled-rent properties;
  - 8.3 housing units must have a maximum total floor space of 92 m<sup>2</sup>, except those occupied by large families (more than 4 persons);
  - 8.4 the floor space of commercial or office premises may not exceed 20% of the total floor space of the building.
  - 8.5 The renovation of housing for energy saving purposes may be financed according to eligibility criteria determined during project appraisal.
9. Moreover, projects in favour of priority or vulnerable populations can be financed according to specific criteria established for each project.
10. 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 territorial authority.
11. At the borrower's request, the Administrative Council may, if it deems it to be justified, approve housing projects developed in the framework of the EU initiatives, within or outside the EU.

#### **Improving living conditions in urban and rural areas**

12. Projects aimed at improving living conditions in urban areas must concern rundown neighbourhoods or urban areas lacking in urban infrastructure and/or in social and cultural amenities.
13. Projects aimed at improving living conditions in rural areas must concern regions characterised by a low population density or activities in fields such as agriculture, forestry, aquaculture and fishing, defined by the national legislation.
14. The CEB finances projects involving the construction or rehabilitation of infrastructure aimed at urban or rural modernisation. Only those infrastructure investments included in the national, regional or municipal budget will be considered as eligible, such as:
- 14.1 utilities such as water mains, electricity and gas supplies, sewers, treatment of solid and liquid waste;
  - 14.2 local road network infrastructure and maintenance;
  - 14.3 local public transportation infrastructure, equipment and maintenance;
  - 14.4 public lighting;
  - 14.5 district heating;
  - 14.6 community services, educational and medical facilities;
  - 14.7 temporary shelters and social housing;
  - 14.8 socio-cultural or sports facilities such as playgrounds, green spaces, exhibition sites, theatres and libraries;
  - 14.9 development of industrial estates;
  - 14.10 irrigation networks in rural areas;
  - 14.11 administrative buildings and public housing.



15. The projects can be carried out by public or private entities.
16. 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

17. Aid to victims of natural or ecological disasters is one of the CEB's two statutory priorities (Article II of the Articles of Agreement), together with aid to refugees, migrants and displaced persons:  
*"The primary purpose of the Bank is to help in solving the social problems with which European countries are or may be faced as a result of the presence of (...) victims of natural or ecological disasters".*
18. The purpose of the actions undertaken is to provide national and local authorities with assistance in the reconstruction of the affected areas. They are also aimed at supporting investments and developing means for the prevention of natural or ecological disasters.
19. Projects in this sector usually involve the reconstruction or rehabilitation of destroyed or damaged priority structures, in particular:
  - 19.1 basic infrastructure such as water supply and wastewater systems and facilities, solid waste treatment facilities, electricity and gas supply systems;
  - 19.2 social infrastructure such as health and educational facilities; public service/social care facilities and infrastructure (e.g. student dormitories, child protection centres, fire/police stations, etc.);
  - 19.3 shelter and housing infrastructure;
  - 19.4 intervention materials and equipment.
20. The CEB also finances projects specifically targeted at reducing the vulnerability to natural and ecological disasters and mitigation of their risks, in particular in terms of floods, fire, avalanches, earthquakes and landslides. Natural disaster risk management programmes aimed at increasing disaster preparedness and response capacity, including public training and awareness activities, can also be financed by CEB.
21. Projects approved in favour of the populations concerned may benefit from accelerated procedures for appraisal, approval and – if justified – disbursement.
22. Within the framework of projects for the prevention of natural or ecological disasters, projects aimed at the construction of water-retaining dikes are eligible as long as the criteria detailed by the CEB's Environmental and Social Safeguards Policy are met.

### Protection of the environment

23. The CEB finances projects that contribute to protecting and improving the environment, and thus to improving living conditions. In parallel to its specific action in this sector, the CEB also systematically takes into account the environmental aspects of all the projects that it appraises, regardless of the sector concerned.
24. The CEB can finance projects concerned with:
  - 24.1 reduction and treatment of solid and liquid waste;
  - 24.2 clean-up and protection of surface and underground water;
  - 24.3 decontamination of soils and aquifers;
  - 24.4 protection against noise;
  - 24.5 production of renewable energy;
  - 24.6 energy saving measures (excluding energy production/distribution);
  - 24.7 reduction of air pollution;
  - 24.8 protection and development of biodiversity;
  - 24.9 cleaner transport means and networks.

25. 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.
26. Investments related to protection of environment undertaken by private entities as beneficiaries of a CEB loan shall be restricted to MSMEs, as defined by the Handbook.
27. 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.
28. Lastly, these projects must concern populations defined at local or regional level.

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

29. Restructuring and rehabilitation of historic and cultural heritage classified as such by the member state concerned.

### **Health**

30. The CEB can finance projects concerning health and related infrastructure such as:
  - 30.1 Construction and/or rehabilitation of:
    - 30.1.1 public or private hospitals;
    - 30.1.2 public or private medical service infrastructure,
    - 30.1.3 specialised centres in assisting vulnerable and dependent populations;
    - 30.1.4 nursing homes for the elderly and welfare centres, including housing for the aged who are still independent;
    - 30.1.5 research and development facilities.
  - 30.2 supply and installation of medical equipment, non-medical equipment and furniture;
  - 30.3 Adaptation of such premises in order to facilitate their access to persons with reduced mobility;
  - 30.4 Acquisition of health management and related material and equipment; this may involve outright purchase, or the lease or other forms of long-term hire of such equipment;
  - 30.5 Home-based care and support programmes;
  - 30.6 Health related research and development programmes;
  - 30.7 Training and support programmes in favour of disabled groups;
  - 30.8 Training for specialised staff in the social and health sectors.
31. Within the framework of health projects, financing can also be granted for basic infrastructure such as water supply and wastewater systems and facilities, solid waste collection and treatment facilities including hazardous waste, electricity and gas supply systems, IT infrastructure and communications facilities (i.e. telephone, internet, cable etc.)
32. Private establishments and infrastructure must be state-approved (in compliance with the criteria fixed by the state for this type of establishment).

### **Education and vocational training**

33. The CEB can finance education and vocational training projects, and the related infrastructure, such as:
  - 33.1 Construction and/or rehabilitation of early childhood education facilities, primary and secondary schools, technical colleges, vocational training centres, establishments of higher education or specialised learning and/or research and development centres. Eligible investments may include sports and socio-cultural centres/equipment as well as residence facilities pertaining to such establishments, learning materials, furniture and equipment;

- 33.2 Adaptation of such premises in order to facilitate their access to persons with reduced mobility;
  - 33.3 Programmes providing assistance in the training and development of staff in the social and education sectors;
  - 33.4 Programmes involving training for the unemployed and in favour of disadvantaged populations, for professional reconversion, for providing training in natural or ecological disaster prevention and preparedness for members of the civil protection forces or for training of magistrates, administrators, civil servants and government officials;
  - 33.5 Education related research and development programmes;
  - 33.6 Training programmes in favour of vulnerable groups;
  - 33.7 Training for specialised staff in the education and vocational training sectors.
  - 33.8 Programmes for student loans
34. Private establishments must be state-approved with recognition of diplomas at national level.
35. Education-related investments may also include basic infrastructure such as water supply and wastewater systems and facilities, solid waste collection and treatment facilities, electricity and gas supply systems, IT infrastructure and communications facilities (telephone, internet, cable, etc.).

#### **Infrastructure of administrative and judicial public services**

36. The CEB finances projects for the construction or rehabilitation of infrastructure, and for the conversion of buildings into premises intended for public service use. This includes in particular investments in support of the organisation and functioning of administrative and judicial public services as well as training of the related staff.<sup>3</sup>
37. With regard to penitentiary infrastructure in particular, the projects financed by the CEB must respect the principles of the Recommendations made by the Committee of Ministers of the Council of Europe concerning European Prison Rules.<sup>4</sup>

Projects in this sector must concern, exclusively, 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 includes, for instance, penitentiary infrastructures, fire/police stations, training centres or buildings connected to municipal/local/regional administrations.

#### **Supporting MSMEs for the creation and preservation of viable jobs**

38. The CEB provides Programme Loans with the primary purpose of promoting the creation and preservation of viable permanent and/or seasonal jobs by facilitating access to credit. Such loans can finance fixed productive investments, including through leasing, or working capital requirements as deemed eligible by CEB. They are aimed at micro, small and medium-sized enterprises (MSMEs), including those exercising craftsmanship/artisan activities or small family-owned enterprises engaged in regular economic activity.
39. To reach MSMEs effectively for the purpose of supporting job creation, CEB can support selected licensed financial intermediaries (FIs) such as commercial banks, specialised financial intermediaries (e.g. public development banks) or non-bank financial intermediaries such as leasing companies. This support may either be in the form of direct lending through an FI or through on-lending *via* an apex structure.
40. Reflecting its social mandate, CEB prioritises for its support the smaller MSMEs and those with limited, less favourable, or even no access to credit. This includes in particular start-ups and enterprises owned by women, by minorities and by vulnerable groups.

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

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

41. The CEB gives priority to those initiatives in this sector that are supported by member state governments. CEB supported intermediaries will need to demonstrate upfront a clear commitment and ability to on-lend to the target MSMEs on a commercially sound and economically sustainable basis.
42. 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. 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.”
43. Investments related to renewable energy, education (schools/universities) and health (hospitals/clinics) sectors should not be financed under CEB’s “Supporting MSMEs” sector of action, but under the related sectors (i.e. “Managing the environment,” “Health” or “Education and professional training”). 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 “MSMEs” sector of action provided that the sub-borrowers comply with the above-referred MSME definition.

## CHAPTER 3

### Sectors of activity excluded from CEB financing

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

1. Industries extractives (NACE B) except division 8 Other mining and quarrying (8.1 Quarrying of stone, sand and clay; 08.91 Mining of chemical and fertiliser minerals and 08.92 Extraction of peat; 08.93 Extraction of salt)
2. Distilling, rectifying and blending of spirits (NACE C11.01)
3. Manufacture of tobacco products (NACE C12)
4. Manufacture of coke and refined petroleum products (NACE C19)
5. Processing of nuclear fuel<sup>2</sup> (NACE C24.46)
6. Manufacture of weapons and ammunition (NACE C25.4)
7. Manufacture of military fighting vehicles (NACE C30.4)
8. Financial and insurance activities (NACE K64-66)
9. Real Estate Activities (NACE L68)
10. Gambling and betting activities (NACE R92)
11. Activities of membership organisation (NACE S94)
12. Activities of extraterritorial organisations and bodies (NACE U99)

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

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

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

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

## CHAPTER 4.1

### Financial means of action

#### Project Loan

1. CEB Project Loans are direct loans to an entity to finance a predefined investment or a group of related investments. The investments financed through a CEB project loan are normally concentrated in one of the Bank's sectors of action.
2. Investments financed through a project loan are well-defined at the time of project approval. At the time of the approval, the progress of works shall not be higher than 40% of the total eligible cost.
3. 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, CEB finances up to 50% of total project costs, unless otherwise agreed during appraisal. 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).
4. Special attention is paid to costs, financing plan, procurement as well as physical and social objectives of the project.
5. 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 for whatever reason, the borrower shall ensure that the additional financial resources for the completion of the project are available.
6. CEB loans are disbursed through a number of tranches determined in accordance with the progress of works, as documented by the borrower and monitored by the Bank. The state of progress of works is defined as the ratio of already incurred expenditure to total eligible cost on all the component parts of the project. The borrower must also provide a reliable estimate of the physical progress of the project at the time of each disbursement.
7. The first loan tranche normally enables the start of the works and does not usually exceed 25% of the approved loan amount. However, the first disbursement may exceed this limit if justified by the state of progress of works as determined during appraisal.
8. The disbursement of each of the subsequent loan tranches can go ahead as soon as the borrower has allocated 90% of the previous tranche provided that all previously disbursed tranches have been fully utilised, and that the quality of works is satisfactory. Subsequent loan tranches will be effected pro-rata to the state of advancement of the project and – if deemed appropriate – to the projected progress of works over the forthcoming months, within a limit of one year.
9. Upon completion of the project, the borrower shall submit to CEB a completion report on the use of funds and the attainment of physical and social objectives. The project is considered completed upon CEB's acceptance of the completion report.

## CHAPTER 4.2

### Financial means of action

#### Programme Loan

1. CEB Programme Loans are made to intermediary institutions or public entities in order to finance a set of diverse investments, small individual projects or “sub-projects”, and multi-project programmes in one or several CEB sectors of action, “multi-sector”.
2. Usually, the intermediary institution on-lends the funds borrowed from the CEB to the beneficiaries and bears the direct sub-project credit risk. The intermediary institution is responsible for sub-project/beneficiary/client identification and selection, contracting the sub-project loans when it is the case, disbursing the funds and monitoring repayments.
3. In specific cases defined during appraisal the intermediary institution can on-lend the CEB funds via local, financial intermediaries. The intermediary institution bears the direct credit risk of its on-lending financial intermediaries.
4. CEB finances up to 50% of total costs unless otherwise agreed during appraisal. In determining the level of its part-financing of a programme, CEB 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 share of CEB financing can be applied either on a sub-project basis or on the basis of the total cost of the programme.
5. In principle, investments eligible for CEB financing must have been contracted, or their implementation started, no more than one year before the disbursement date of the related tranche. The financial conditions of the loan should be well-matched to the nature of the underlying sub-project investments. In order to match the tenor of CEB loan proceeds to the needs of the beneficiaries, CEB may disburse parallel tranches with different tenors to finance separately and distinctly different beneficiaries, such as MSMEs and public entities.
6. 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 CEB’s respective eligibility criteria.
7. 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 CEB requirements with regard to implementation, environment, compliance, monitoring and reporting of the project.
8. The CEB disburses its Programme Loans in loan tranches, the number of which is fixed according to the sector(s) concerned and to the social, technical and financial specificities of the projects. The amount of each tranche is determined according to the absorption capacity of the project/borrower.
9. The borrower may request the disbursement of the first tranche following the FLA’s entry into force and fulfilment of all related prerequisites. The 1<sup>st</sup> tranche may not exceed 50% of the authorised loan amount approved by the Administrative Council, unless otherwise agreed during appraisal.
10. Once the 1<sup>st</sup> tranche has been disbursed, each subsequent loan tranche can usually be disbursed as soon as the previous tranche has been fully allocated. Subsequent disbursements are conditional on the Bank’s receiving the borrower’s monitoring report confirming that the previous tranches have been allocated to identified beneficiaries and sub-projects that meet the Bank’s eligibility criteria. In specific cases other monitoring requirements might apply, as established during appraisal.

11. Each tranche disbursed by CEB must be allocated to sub-projects under the programme 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 unallocated loan amount must be reimbursed to the CEB according to the provisions contained in the FLA, with the cost of repayment being borne by the borrower.
12. In case any CEB loan amount allocated to a beneficiary cannot be utilised, or is only partly utilised to finance the corresponding sub-project, the borrower shall ensure that the unutilised loan amount is promptly reallocated to finance another sub-project in line with CEB's eligibility criteria.
13. Should one or more sub-projects be deemed to be ineligible for CEB financing, the borrower must either reimburse that portion of the loan or promptly replace the ineligible sub-projects with other eligible investments.
14. Monitoring is carried out on a loan tranche basis. Monitoring conditions are set in the FLA and vary depending on the type of Programme Loan, the specificities of the intermediary institution(s), project objectives and beneficiaries/end-borrowers.
15. In case of a large number of smaller-amount sub-projects, the amount of financing for each sub-project in the portfolio may be limited to a pre-defined maximum sub-project loan amount. Monitoring falling into this category is portfolio-based, established on aggregate, portfolio-wide monitoring templates agreed with the borrower. In that case, disbursement of CEB funds is 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.
16. Nonetheless, for larger-amount sub-projects, CEB may determine thresholds and project monitoring modalities on a case-by-case basis during appraisal. In general, total sub-project investment costs would usually not exceed EUR 2 million. For sub-projects above the agreed threshold, CEB would require a specific set of indicators, including review of financing plan and cost breakdown, and possibly an on-site technical mission.
17. For borrowers that have, through previous co-operation with the CEB, demonstrated clear mandate, well-established and effective operational and financial policies and procedures and the capacity to provide timely and comprehensive reports to the CEB on the relevant financial, physical and social aspects of project implementation, the CEB may apply only in-house review through the monitoring reports submitted by the borrower, under Conditional Financing Instrument monitoring procedures.
18. In the case of programme loans, upon completion, the borrower shall submit to CEB a global monitoring report which details the full allocation of each CEB loan tranches, the attained physical and social objectives as well as the mean financial conditions granted to the beneficiaries. The project is considered completed when such report is deemed acceptable by CEB.



## CHAPTER 4.3

### Financial means of action

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

1. 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.
2. Developed at country level in close consultation with national/local authorities, ECFs are tailored to reflect the scope and nature of different EU instruments available for the financing of social investments. ECFs take into account the programmes' planned implementation schedule and possible funding gaps, both in terms of time-lags and of absolute amounts, to facilitate programme implementation, thus playing a catalytic role in the beneficiary member states to enhance the absorption of available EU grants in CEB sectors of action.
3. In CEB member states that are also members of the EU, ECFs allow 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.
4. In CEB member states outside the EU, CEB develops ECFs within 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 instruments available and the type of costs covered by them.
5. Within this framework, eligible costs are those defined by relevant EU regulations and/or Fund-specific rules, and/or by national rules, and/or by 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.
6. In cases where ECF provides both pre-financing/bridge financing and funding to cover the national and/or local contribution, the share of 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, CEB's 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 shall not be more than 50% of the total final cost, unless otherwise agreed during appraisal.
7. Both payments on on-going contracts signed prior to the signature of the ECF FLA 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.
8. ECFs can be disbursed in a minimum of two tranches. Several thematic objectives/priority axes (components) may be financed independently and in parallel. The first tranche(s) will be disbursed based on EU-funded "Operational Programmes'" expenditure forecasts for pre- or bridge financing as well as national/local co-financing needs. Subsequent tranche(s) will be disbursed based on the "Operational Programme"'s allocation capacity following CEB's monitoring of the reporting arrangements for EU Funds in place at national/local level as well as any specific modalities defined during appraisal and reflected in the FLA. CEB's regular participation in EU-funded programmes' monitoring organs (such as Steering Committees) may be required on a case-by-case basis.
9. An appropriate disbursement, allocation period, monitoring and reporting arrangements will be fixed according to the specific modalities of EU instruments. CEB will apply in-house reviews of the monitoring reports submitted by the borrower.
10. Upon completion, the borrower shall submit a full completion report in line with EU requirements on the use of funds and attainment of physical and social objectives.

## CHAPTER 4.4

### Financial means of action

#### Public sector Financing Facility (PFF)

1. The Public sector Finance Facility (PFF) is addressed to State or local Treasuries or other public entities that are primarily dependent on budget financing for their investment programmes.
2. The PFF aims at enabling the provision of financing in CEB sectors of action so as to safeguard the viability of social development projects over time.
3. The PFF increases the predictability and ensure the continuity of the funding made available to line ministries, public agencies and local authorities in CEB sectors of action. In addition to ensuring continuity in the financing of existing investments registered in the budget, the PFF facilitates access to financing of new ones.
4. The PFF facilitates the optimisation of funding flows and/or helps treasuries in reducing the funding costs for a specific number of budgetary years, agreed during appraisal.
5. The PFF's loan amount and CEB's share of financing are determined during appraisal based on sectorial needs or objectives and line ministries/treasuries' actual or anticipated financing gaps. In the absence of disbursement for two consecutive years following approval by the Administrative Council, the facility would automatically be cancelled from CEB's Stock of Projects.
6. The PFF covers expenditures approved in the budget corresponding to the years of PFF implementation. 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 under Chapter 5), financial costs, taxes or non-cash items such as depreciation. On an exceptional basis, the PFF may cover not only the above-mentioned investment and maintenance costs but also the expenditures needed to maintain the viability and sustainability of public services, including certain categories of recurrent costs to be set out at appraisal.
7. The appraisal of a PFF is based on CEB's assessment of the added value of its financing, the facility's objectives and compliance with the Bank's mandate, the borrower's funding needs and the facility's overall impact, sustainability and clear identification of beneficiaries. This approach is based on a strong initial definition of sectorial/operational objectives as well as reliable financial/operational projections of envisaged investments. Special attention will be given during appraisal to the financial management and operational capacity of the public entity in charge to ensure the successful implementation and sustainability of the proposed investments.
8. Modalities of disbursement and monitoring of PFF loans are determined during appraisal, either on the basis of the facility's absorption capacity or on the basis of the progress of works. PFFs are to be disbursed in a minimum of two tranches. Each tranche is expected to be allocated within a 12-month period from disbursement.
9. Upon completion, the borrower shall submit to CEB a completion report on the use of funds and attainment of the objectives. The facility is considered completed when such report is deemed acceptable by CEB.

## CHAPTER 4.5

### Financial means of action

#### Cross – Sectorial Loan (CSL)

1. The CSL responds to borrowers' cross-sectorial needs, with the ultimate scope of facilitating access to the financing of the socially oriented projects eligible in several CEB "sectors of action" in the meantime. Thus, a set of related aims and objectives are defined across several sectors during appraisal as cross-sector elements, monitored with specific indicators during implementation.
2. The CSL is available to public authorities directly, whether national, regional or municipal, as well as through state-owned development banks and other intermediating financial institutions.
3. In preparing CSLs, particular attention is paid to the country specific situation and social priorities, with priority being given to disadvantaged areas, national or local priority programmes in social sectors as well as to communities hosting refugees and migrants.
4. The cross-sectorial element defines the project's social added value; it should therefore be quantifiable and measurable in its various vectors e.g. the number of beneficiaries from a vulnerable group (e.g. migrants/refugees, disabled) in the case of a project eligible in the meantime in several CEB "sectors of action" like Health, Education and Improving living conditions in urban and rural areas or the energy savings in the case of a project eligible in the CEB Sectors of Action Housing for low-income persons and Protection of environment.
5. During CSL's implementation the CEB Monitoring, focuses on the cross-sectorial element and related objectives in addition to the requisite relevant data, submitted in the monitoring report by the borrower.
6. Modalities of disbursement and monitoring of CSL are determined during appraisal, either on the basis of absorption capacity or on the basis of the progress of works, depending on the type of sub-projects. These modalities of disbursement and monitoring are spelt out in the FLA.

## CHAPTER 4.6

### Brief comparison of CEB lending instruments

		PR	PM	PFF (1)	ECF (1)	CSL (2)
	<b>Definition</b>	Direct loan for one pre-identified project	On-lending for several sub-projects, pre-defined but not identified	Direct loan for treasury financing to fill-in budgetary gaps and/or optimise cost of funding	Direct loan and/or on-lending (3)	Direct loan and/or on-lending (3)
2	<b>Borrower</b>	Public FI	FI Public	Public	Public	Public FI
3	<b>Type of costs</b>	CAPEX PIU and TA	CAPEX	CAPEX Maintenance	Defined by EU Funds and National OPs	Mainly CAPEX
4	<b>Sectors</b>	Single sector	Single/Multi-sector	Single/Multi-sector	Single/Multi-sector	Overlapping sectors
5	<b>TA</b>	Frequent	Occasional	Not needed	Not needed	Occasional
6	<b>Catalytic effect</b>	Depends on project	Occasional	High	High	Occasional
7	<b>Specificity</b>	Single investment	Intermediary institution Distinct and parallel programmes possible simultaneously	On-going and new sub-projects, itemised in the budget. Tailored to respond to Treasury gaps.	Facilitates continuous flow of funding and absorption of EU Funds.	Investments eligible in the meantime in several CEB "sectors of action". At least one cross-sectorial element defined.
8	<b>Comparative advantage (4)</b>	Highly focused on institution and capacity building. Use of TA where required. Smaller volumes also considered. Sectors not covered by peers.	Flexible Alternative or complementary to other IFIs or national promotional banks. Single appraisal of distinct programmes possible. CFI for known borrowers. Replicability and economies of scale.	Affordable financing for Treasury gaps Greater flexibility for eligible costs and expenditures falling within line ministry budgets.	ECF compatibility with EU requirements adopted by borrower Appraisal and screening of objective aligned to thematic objectives.	More focused on social aspects. CEB support for mutually reinforcing objectives in different sectors. Economies of scale supportive to policy objective.
9	<b>Limitations</b>	Limited flexibility in case of change. Impacted by the budgetary reductions.	Rigid in terms of sectorial approach. Depends on the quality of the FI. Tendency to lose added value.	Exposed to budgetary changes.	Exposed to risks related to heavy EU implementation mechanisms.	Cross-sectorial element difficult to monitor.
10	<b>Key indicators</b>	Customised	Sector specific	Customised, based on the budgetary itemised investments.	EU specific.	Customised, cross-sectorial.
11	<b>Disbursement modalities</b>	Progress of work	Absorption capacity	Progress of work or absorption capacity to be determined during appraisal	OPs expenditure forecast	Progress of work or absorption capacity to be determined during appraisal

#### Notes

- (1) Introduced by the Development Plan 2014-2016
- (2) Introduced by the Development Plan 2017-2019
- (3) On-lending via Treasury to local authorities
- (4) CEB Instruments most important comparative advantages in addition to quality of the financing in terms of interest rate and tenor.

#### Abbreviations

CAPEX	Capital Expenditure	PR	Project Loan
CFI	Conditional Financing Facility	PM	Programme Loan
ECF	EU Co-financing Facility	TA	Technical Assistance
FI	Financial intermediary		
OP	Operational Program		
PFF	Public Sector Finance Facility		

## CHAPTER 4.7

### Financial means of action

#### PPP Financing

1. CEB Project Loans and Programme Loans may support projects developed through Public Private Partnerships when such projects are in line with a national regulatory frameworks that respond to best practice requirements.
2. CEB support in this regards would be 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 public private partnerships, 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 PPP-company and project risk by a sovereign guarantee or an alternative credit enhancement.
5. During appraisal the following pre-requisites will be considered:
  - 5.1 PPP legal framework at country level,
  - 5.2 Public sector capacity to manage PPP projects with emphasis on technical procurement, "value for money" analysis, as well as the analysis of "construction risk", "availability risk" and "demand risk";
  - 5.3 Active/experienced private sector and
  - 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 project the CEB might consider charging fees to cover these additional costs.
7. The Project Loan and Programme Loan appraisal and monitoring requirements apply.

## CHAPTER 4.8

### Financial means of action

#### Guarantees

1. The CEB can also provide guarantees to financial institutions approved by a member state for loans aimed at achieving the objectives set forth in Article II of the Articles of Agreement<sup>1</sup>, according to conditions that are settled 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 execution of the programme and the other obligations of the loan agreement are concerned, the obligations of the bank receiving the CEB's guarantee are exactly the same as those of a bank receiving a loan particularly in terms of general project undertakings, procurement, monitoring and reporting, etc.

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<sup>1</sup> [http://www.coebank.org/documents/51/Articles\\_of\\_Agreement.pdf](http://www.coebank.org/documents/51/Articles_of_Agreement.pdf)

## CHAPTER 5

### Eligible costs

1. The costs eligible for CEB financing include:
  - 1.1 The surveys or studies (technical, economic or commercial, engineering) the technical supervision of the project and other project related professional services.
  - 1.2 These costs should not exceed 5% of the total cost of the project, unless justified;
  - 1.3 The acquiring land directly linked to a project, at its purchase price, unless it has been donated or granted;
  - 1.4 Preparation of the land;
  - 1.5 Construction/renovation/modernisation or purchase of buildings directly linked to a project;
  - 1.6 The installation of basic infrastructure such as sewerage, water supply, gas supply, electricity and telecommunications networks, waste disposal and waste water treatment, roads, etc.;
  - 1.7 The maintenance of the viability and sustainability of the public services;
  - 1.8 The purchase of materials, equipment and machinery, including IT equipment and software, as well as the related costs linked to the training of staff;
  - 1.9 Technical assistance as defined under the dedicated Chapter of the current Handbook.
2. Contingencies for unanticipated costs (technical and/or price increases) can be financed by CEB. These represent financial coverage in respect of possible changes in the quantity of work 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.
3. Costs related to professional/vocational training and public awareness-raising campaigns may be eligible for CEB financing taking into account their objectives within the framework of the projects.
4. Costs related to the payment of university or college tuition fees may be eligible for CEB financing under education sector. In the case of student programme loans these costs may include living costs. The scope and specifications will be defined during the appraisal.
5. Costs related to research and development (R&D) may be eligible for CEB financing under the “health”, “education” or “MSMEs” sectors of action. Such costs should be in line with the scope and specifications defined by CEB during appraisal.
6. The Bank’s loans aimed at supporting MSMEs will incorporate limits with respect to the financing of working capital requirements as maximum share of CEB loan and/or as ceiling per beneficiary MSME.
7. For medium sized enterprises (from 50 to 249 employees), all net permanent working capital needs (basically the difference between the current assets and current liabilities) would be considered as part of the eligible investment cost. The limit will be calculated based on portfolio assessment during appraisal and presented in the “Loan Document”. This approach aims to provide a stable growth base for well-managed medium-sized firms and encourage their banks to develop a longer term financing relationship with them for their recurrent needs independently of IFI financing arrangements
8. For micro (less than 10 employees) and small firms (from 10 to 49 employees), all working capital needs can be financed, as long as the financial intermediary establishes that the MSME is well managed, has a sound financing plan and demonstrates good management and current account cash flow. This approach aims to give financial intermediaries the necessary flexibility to support sound micro and small firms’ growth.

9. CEB loans cannot cover staff costs (wages/salaries and other related benefits such as pension payments), financial charges and non-cash elements 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.
10. Financial costs or investments (payment of debts, refinancing, interest charges, acquisition of interest in the capital of an enterprise, etc.) cannot be included in the estimated cost of the project and cannot be financed by the CEB.
11. Non-deductible and non-refundable VAT and other tax-related costs non-deductible and non-refundable can be considered as eligible costs.
12. Public Sector Financing Facilities (PFFs) may cover not only investment costs but also expenditures needed to maintain the viability and sustainability of the public services, including certain categories of recurrent costs to be determined during appraisal.
13. In the case of EU Co-Financing Facility Loans (ECF), eligible costs are those defined by the relevant EU regulations and/or Fund-specific rules, and/or by national rules, and/or by CEB's eligibility criteria.



## CHAPTER 6.1

### ESSP standards

#### General considerations

##### Introduction

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

##### Borrower information requirements and the Bank's Environmental and Social Due Diligence

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

##### Entering borrower requirements in the framework loan agreement and information disclosure

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

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

##### Application of environmental and social safeguard standards

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

7. The two environmental and social safeguard standards' scope and coverage are as follows:
  - 7.1. ESSS1 describes the requirements for environmental and social assessment, public consultation and risk mitigation and management in terms of process and issues to be addressed. This includes the protection of nature and biodiversity, pollution prevention, resource efficiency, climate change, vulnerable groups, gender and discrimination, working conditions and community health and safety.
  - 7.2. ESS2 describes the requirements for addressing issues of economic and physical displacement of persons in connection with project-induced compulsory land purchase orders.
8. ESSS 1 applies when the Bank has determined, in consultation with the borrower that assessment of the project's environmental and social risks and adverse impacts is needed. The borrower should thus undertake such assessment in line with the requirements of the safeguard standard.
9. ESSS 2 applies if the project would involve land acquisition, economic displacement or involuntary resettlement. In that case the Bank requires the borrower to address these aspects following the requirements of the safeguard standard.

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

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

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

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

### Environmental and social safeguards monitoring

14. The Bank's implementation review of environmental and social safeguards measures includes the following tasks:
  - 14.1. Reviewing the periodic monitoring reports provided by the borrower.
  - 14.2. Undertaking periodic visits to project sites.
  - 14.3. Consulting with the borrower to notify observations and need for corrective measures when non conformities with the Loan Agreement's conditions are identified.

## CHAPTER 6.2

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

#### INTRODUCTION

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

#### SCOPE AND APPLICATION

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

#### REQUIREMENTS

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

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

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

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

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

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

### **Examination of Alternatives**

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

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

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

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

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

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

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

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

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

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

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

### Handling of complaints by project-affected persons

33. Establish, as part of the project implementation arrangements, a procedure which foresees the reporting and handling of concerns or complaints of persons who are adversely affected by direct environmental and/or social impacts related to the project's implementation.
34. Assign the responsibility for the application of the complaints handling procedure to an appropriately qualified staff member<sup>2</sup> of the project management team.

### Implementation and Monitoring

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

### Exclusion List

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

## B. Environmental Coverage

### Environmental Risks and Impacts

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

### Protection of Nature and Biodiversity

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

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



42. Where the project occurs within or has the potential to adversely affect an area that is legally protected or internationally recognised or designated for protection, identify and assess these potentially adverse impacts and apply the mitigation hierarchy so as to avoid, or when avoidance is not possible, to mitigate those adverse impacts that would compromise the integrity, conservation objectives or biodiversity importance of the area. Ensure that the project also complies with any applicable national laws and regulations relating to protected areas.

### **Sustainability of Land and Water Use**

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

### **Precautionary Approach**

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

### **Pollution Prevention**

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

### **Resource Efficiency**

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

### **Climate Change**

48. Design and implement the project so as to minimise Green House Gas (GHG) emissions in accordance with applicable adopted Climate Change Strategies. Develop mitigation or adaptation measures to reduce risk of climate change, as relevant.
49. Assess the impacts of the project on climate change, as well as the implications of climate change for the project itself. Identify opportunities for low-carbon use, where applicable, and for reducing emissions, enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. Provide an specific analysis of the following project related climate change parameters:
  - 49.1 Carbon footprint potential, determine if the project is expected to generate significant volumes of Green House Gas (GHG) during its economic lifetime.

- 49.2 Climate change sensitivity, determine the likely vulnerability of the project or its target population to climate change and whether a detailed climate risk analysis should be considered.
  - 49.3 Mitigation potential, identify the project's potential for contributing to climate change mitigation, typically in terms of the reduction of GHG emissions.
  - 49.4 Adaptation potential, identify the project's potential to contribute to adaptation to climate change, typically by making the target population or infrastructure more resilient to the effects of climate change.
50. Assess alternatives under the project, and implement technically and financially feasible and cost-effective options that contribute to meeting applicable strategic objectives.

## **C. Social Coverage**

### **Social Risks and Impacts**

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

### **Scope of Social Coverage**

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

### **Vulnerable Groups, Gender and Discrimination**

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

## Land and Natural Resource Access

58. Assess economic and social impacts relating to the involuntary taking of land or restriction on access to natural resources under the project<sup>3</sup>, including risks or impacts associated with land and natural resource tenure and use.
59. Assess, as relevant, potential project impacts on local land use patterns and tenure arrangements, land access and availability, food security and land values, and any corresponding risks related to conflict or contestation over land and natural resources. Take gender into account regarding land ownership and customary rights to natural resources.

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

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

## Cultural Resources

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

## D. Working Conditions and Community Health and Safety

### Safe Working Conditions and Community Health and Safety

65. Review the host country’s legal framework applicable to labour and working conditions of project workers<sup>4</sup>, as well as health and safety risks to local communities in the area of the project. Analyse potential gaps with internationally recognised standards, such as the ILO’s Guidelines on Occupational Safety and Management Systems and the OSH Framework Directive and, as appropriate, industry-specific guidelines. Propose an approach to address these gaps in a Health and Safety Management Plan for review to the Bank.
66. Analyse and address specific project risks potentially exposing workers or project-affected persons to hazardous substances (e.g. asbestos). Implement measures designed to ensure project workers have safe and healthy working conditions, and put in place measures to prevent accidents, injuries, and disease caused by the project.

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

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

67. Integrate appropriate conditions for health and safety management in the project's tender documents and contracts for services works and equipment procurement.
68. Apply the occupational health and safety provisions of the applicable legislation and specific Health and Safety Management Plan where required. Document and report on accidents, diseases and incidents. Put in place preventive and emergency preparedness and response measures to avoid, or where avoidance is not possible, to minimise adverse risks and impacts of the project on the health and safety of local communities.

### Child labour and forced labour

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

### Building Safety

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

### Traffic and Road Safety

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

### Security Personnel

74. When project workers are assigned to provide security to safeguard the borrower's personnel and property (project security workers), assess risks posed by these security arrangements to persons within and outside the project site. In making such arrangements, apply the principles of proportionality and good international practice, and comply with applicable law relating to hiring, rules of conduct, training, equipping, and monitoring of project security workers.

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

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

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

75. Implement measures designed to ensure that project security workers limit their security actions exclusively to preventive and defensive purposes, in proportion to the nature and extent of the threat. The borrower discloses security arrangements for the borrower's facilities to the public, subject to overriding security concerns.
76. Make reasonable inquiries to ensure that project security workers are not implicated in past abuses; train them adequately (or ensure that they are properly trained) in carrying out of security actions, and appropriate conduct toward project workers and affected communities; and require them to act within the applicable law. Review all allegations of unlawful or abusive acts of project security workers, take appropriate action to prevent recurrence and, where necessary, report unlawful acts to the relevant authorities.

## CHAPTER 6.3

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

#### INTRODUCTION

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

#### SCOPE AND APPLICATION

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

#### REQUIREMENTS

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

#### Avoiding/minimising involuntary resettlement

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

## Planning and scoping

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

## Preparation of Resettlement Plan/Livelihood Restoration Plan

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

## Preparation of Resettlement Planning Framework/Livelihood Restoration Framework

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



17.3 Budgetary provisions to cover potential of cost project-related land acquisition, economic displacement and involuntary resettlement.

### Consultations

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

### Resettlement Assistance and Social Support

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

### Livelihood Restoration and Standards of Living

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

### Persons without Title or Legal Rights

24. Ensure that persons displaced by the project who are without title to land or any recognisable legal rights to land, are eligible for, and receive, resettlement assistance and compensation for loss of non-land assets, in accordance with cut-off dates established in the resettlement plan. Include them in the resettlement consultation process. Do not include compensation to these persons for the illegally



settled land. Conduct land survey and census as early as possible in project preparation to establish clear cut-off dates for eligibility and to prevent encroachment. If claims have been made by these displaced persons that are currently under administrative or legal review, develop procedures to address these situations.

### **Negotiated Settlement**

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

### **Information Disclosure**

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

### **Implementation and monitoring**

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

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

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

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

## CHAPTER 7

### Project cycle

#### IDENTIFICATION

1. The Bank 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 in their effective implementation. At the borrower's request, the Bank may provide borrowers technical assistance to help them in preparation of their projects.
3. All CEB operations are granted in accordance with specific technical and social development criteria and in strict conformity with 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, its 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 Bank by the borrower.
4. CEB's monitoring and control mechanisms are established to ensure, throughout the project cycle, proper development and implementation of high quality, high social value projects meeting the Bank's criteria and objectives.

#### APPRAISAL

5. During appraisal both the project and the associated credit risks are assessed. The project and credit aspects are included in the loan application submitted by the borrower to the Secretariat of the Partial Agreement and in the CEB's "Loan Document" prepared by the Bank and submitted to the Administrative Council for approval (see "Presentation of applications" later in this Chapter and contents of the "Loan Document" in the dedicated chapter).

#### Project Appraisal

6. At the project appraisal stage, the Bank, in cooperation with the borrower, defines all relevant aspects of the proposed project. 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 and the envisaged implementation modalities including the institutional capacity of the borrower and/or the designated implementing agency to manage project implementation. Requests for financing are adapted to the specific characteristics of each project for which a loan is sought.
7. Environmental aspects of the project are reviewed for conformity with CEB Environmental and Social Safeguards Policy while 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.
8. The Bank applies its Anti-Corruption Charter 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 and money laundering. Any outstanding legal questions are also addressed at this point.

9. Social impact is a key issue considered by the CEB services during appraisal to ensure that implementation arrangements, monitoring and reporting modalities, etc. are appropriate so as to ensure that the project will generate the expected social outcomes.
10. Moreover, the appraisal stage includes a thorough assessment of the likely added-value of CEB support. Such analysis is conducted along the lines of the Added-Value Assessment sheet which assesses both the project's social impact and its contribution to improving the relevant sector policies, institutions and infrastructure, as well as the added-value of CEB's involvement.
11. Each proposed project is assigned a Project Overall Rating (POR) based on a "two-pronged approach" which recognises that the social added value of a project depends both on its characteristics – such as its sectorial context, sustainability, expected financial impact, institutional and organisational aspects and impact of CEB capacity to provide assistance throughout the entire project cycle – and on the context in which it is carried out ("country" parameters). Taken together, these two dimensions of "project" and "country" ratings also provide a yardstick for measuring the added-value of CEB financing.

### Credit Risk Appraisal

12. The CEB carries out a credit assessment of the borrower under the proposed loan. The appraisal is based on audited financials or budgetary statements and is generally supplemented by an on-site visit to the borrower aiming at gathering all necessary information to support the final decision.
13. The borrower fills a risk questionnaire addressed by CEB covering among others the following areas: institutional framework, legal status, corporate governance, financial information and compliance.
14. 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.
15. In case of guarantees, 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 must be clearly indicated in the loan application transmitted by the member state. Detailed information about the guarantor's legal status, activities and financial quality are to be provided within the framework of the "Loan Document."
16. As regards PPPs, the credit risk borne by CEB will usually be on the intermediary financial institution that will borrow from CEB. In that case, CEB loan approval will be subject to the intermediary financial institution's fulfilment of CEB's financial risk management criteria. If CEB is to extend direct support to a PPP scheme (e.g. through a Special Purpose Vehicle), then it will seek acceptable sovereign/sub-sovereign or bank guarantees in order to mitigate to the extent possible its exposure to project risk. In any case, in order to ensure a sound risk management process, the credit risk coverage criteria must remain independent of the outcome of the PPP's tender process (if any).
17. During appraisal the borrower is acquainted with the CEB FLA model corresponding to the type of project/loan envisaged and CEB's Loan Regulations, bearing in mind that project implementation conditions to be stipulated in the FLA will be further detailed and confirmed following the appraisal process.

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

18. Elements of project and credit risk appraisal of each proposed project are submitted to CEB's internal committees for screening. 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".
19. Once the project and credit risk appraisal are completed, potential borrowers prepare their loan applications, developed along the lines of the "Loan Document," in close cooperation with the Bank's services.

20. In compliance with Resolution 199 (1988) of the Governing Board, applications for project financing from borrowers or applications for 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.
21. 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 allowing CEB to monitor the project according to the procedures in force.
22. 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.
23. Following reception of the Opinion of Admissibility by the Secretary General of the Council of Europe, the Loan Document is submitted by the Governor to the Administrative Council for approval.

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

24. Once the project has been approved by the Administrative Council, a FLA corresponding to the type of loan approved is negotiated and signed with the borrower on the basis of the terms and conditions approved by the Administrative Council and in line with CEB Loan Regulations. The FLA is usually signed within 12 months following approval of the project by the Administrative Council.
25. 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 Project Financing and Loan Policy, Environmental and Social Safeguards Policy, Procurement Guidelines and Anti-corruption Charter.
26. At all times following the signature of the FLA, the borrower shall comply with the requirements agreed to. Within this framework, the borrower in particular undertakes to:
  - 26.1. ensure the financial servicing of the debt according to the terms and conditions established in the loan agreement;
  - 26.2. meet the contractual conditions regarding the project's implementation, reporting, auditing and monitoring requirements;
  - 26.3. 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.
27. Moreover, the borrower should give adequate visibility to the project being implemented with the support of the CEB. In this respect, the borrower shall ensure that beneficiaries of the loan are duly informed that the project is supported by the CEB. To do so, the means of communication best-suited to the specific nature of the project (e.g. web-page, leaflet, brochure, newsletter, etc.) will be defined jointly with the borrower and stipulated in the FLA.

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

28. Whether technical or administrative in nature, the monitoring process is conducted from approval of the project to its completion. It ensures that the project is implemented in accordance with the provisions approved by the Administrative Council and those of the FLA.
29. The Bank increasingly plays a pro-active role with regard to 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.

30. The Bank's departments 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.
31. Modalities of disbursement and monitoring are determined during appraisal, either on the basis of absorption capacity or on the basis of the progress of works, depending on the type of lending instruments.
32. The Bank assesses compliance with the agreed conditions, including the financial and organisational situation of the borrower, the physical progress of the works/ allocation of disbursed loan tranches, adherence to costs, budgeted expenditure and procurement procedures, and that the anticipated social objectives of the project.
33. The borrower shall provide CEB with a monitoring report at least once a year and before each disbursement, except for the first tranche. The FLA specifies the periodicity 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 forward looking issues.
34. The borrower assumes the responsibility of informing the CEB promptly of any material changes affecting project implementation. He is also expected to provide to the CEB at any time any information deemed necessary to assess that the commitments under the FLA are duly fulfilled.
35. The disbursed loan tranches must be allocated to the project within the timeframe defined in the Framework Loan Agreement (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 unallocated portion of the loan tranche must be reimbursed to the CEB according to the provisions contained in the FLA, with the cost of repayment being borne by the borrower.
36. Meanwhile, CEB monitors the financial standing of the borrower and credit enhancements until all loan amounts are fully reimbursed. 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 internal committees.
37. Disbursements take place in loan tranches (*see section on CEB Financing for more details*). In cases where the "Loan Document" and the FLA spell out any conditions precedent to disbursement, the Bank ensures that these conditions have been met by the borrower before any loan disbursement can take place.
38. CEB can authorise the disbursement of a new loan tranche to the borrower only if such monitoring has been fully satisfactory.
39. Projects financed by the CEB require technical monitoring missions on a case-by-case basis, usually between the disbursement of the 1<sup>st</sup> and the 2<sup>nd</sup> tranche of the loan, but at least once during the life of the project.
40. The borrower shall facilitate the organisation of follow-up missions, including possible on-site visits. In the case of multi-projects programmes the investments concerned are selected by the CEB on a sample basis. For new borrowers, a technical mission may be required during project appraisal.
41. If a previous technical monitoring mission rated the project as 'barely satisfactory' or 'unsatisfactory' (rating lower than 3 on a scale of 1 to 4, with 4 being the best), the project is visited again within a period of time proposed by CEB unless it was the completion mission. The borrower should endeavour to respect the conclusions of the mission and take into account CEB's recommendations.

## EVALUATION

42. The Bank may carry out an ex-post evaluation of any completed project or programme in order to measure their medium-term social impact and enable the CEB to improve the quality of on-going and future operations through the learning effect.

## CHAPTER 8

### Loan Document

1. The “Loan Document” is a concise report containing information on the project, its technical and financial characteristics 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 to the approval of the Administrative Council. The “Loan Document” includes data and information collected by CEB during appraisal and/or presented by the borrower in the loan application. The Loan Document includes also the Opinion of Admissibility of the Secretary General of the Council of Europe.
3. 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: CEB sector(s) of action, location, definition and purpose of the project from a technical and social point of view, value added of CEB’s participation, borrower (guarantor/collateral, where applicable), project management, assessment of environmental aspects related to the project, 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 needs, and is explicit on how the loan would address those needs, i.e. through clear statement of objectives, description of the processes by which the beneficiaries are to be selected and benefit from the financial advantages of CEB’s loan, the activities supported, the expected social impact and related key indicators defined during appraisal.
6. Thus a specific chapter is dedicated to the key indicators on physical outputs as well as outcomes and, to the extent possible, on the foreseen social effects. The “Key Indicators” are followed by “Reporting Requirements” and the “Monitoring Arrangements” sections. The chapter describes 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 of the monitoring tables prepared during appraisal are attached to the “Loan Document” and reflect the intended social effects.
7. In addition, the “Loan Document” presents in parallel two chapters regarding the project’s viability, as assessed during the appraisal process by the Bank’s services: this includes therefore a chapter dedicated to “Project Risks and the Mitigation Measures”, which addresses the possible risks related to project implementation and sustainability. Another chapter on “Pre-requisites” presents the main conditions precedent to approval and disbursement of the loan by CEB.
8. The “Loan Document” includes a chapter dedicated to the “Lessons Learned” by the Bank from previous projects in the same sector and/or with the same intermediary, where applicable. The considerations will be based on CEB monitoring missions and on the available findings of the Evaluation Department. This chapter specifies how past experience by the CEB and other IFIs or international good practices, when such is the case, were reflected in the set-up of the loan at appraisal.
9. 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.
10. For PPP projects to be supported through direct lending, the Loan Document will also highlight the costs related to external consultancy and legal counselling services as determined during appraisal.

## Loan Document

### Contents

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

1. **PROJECT DESCRIPTION**
  - 1.1 Introduction
  - 1.2 Project Background
  - 1.3 Objectives
  - 1.4 Beneficiaries and Eligibility Criteria
  - 1.5 Project Components/Activities
  - 1.6 Project Management
  - 1.7 Procurement and Compliance Aspects
  - 1.8 Environmental Aspects
  - 1.9 Implementation Schedule
2. **SOCIAL VALUE**
3. **LESSONS LEARNED**
4. **INTERMEDIARY INSTITUTION** (*where applicable*)
  - 4.1 Market Position
  - 4.2 On-lending instrument
  - 4.3 Experience with CEB and other IFIs
5. **PROJECT FINANCING**
  - 5.1 Project Direct Costs
  - 5.2 Technical Assistance Costs (*where applicable*)
  - 5.3 Financing Plan - sources and uses
  - 5.4 CEB loan disbursement schedule
6. **KEY INDICATORS**
7. **MONITORING AND EVALUATION**
8. **PROJECT RISKS AND MITIGATION MEASURES**
9. **CREDIT RISK**
  - 9.1 The Borrower and the Guarantor
  - 9.2 Credit and Financial Aspects
10. **PRE-REQUISITES**
  - 10.1 Approval
  - 10.2 Disbursement
11. **CEB ADDED VALUE AND CONCLUSION**

### Appendices

1. Opinion of Admissibility (Council of Europe)
2. Project Synopsis
3. Template Monitoring Tables
4. Economic and financial fundamentals of the Borrower and Guarantor
5. Technical Opinion (*where applicable*)



## CHAPTER 9

### Technical assistance

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



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

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

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

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

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

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

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

## CHAPTER 10

### CEB financing

1. 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 attached to the FLA signed by CEB and the borrower.
2. Projects are financed by the CEB according to provisions approved by the Administrative Council when examining the project.
3. 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 Chapter 2 for different types of CEB loan instruments*). In principle, CEB finances up to 50% of the total project cost.
4. 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 CEB following its appraisal. The first disbursement will take place within 12 months following signature of the FLA, unless otherwise authorised by the CEB on a case-by-case basis.
5. The loans’ structures will be set in line with CEB financing capacity to respond at best to project’s financing needs through combinations of different structures of constant amortisation, constant annuities and/or short-term loans with final repayment.
6. The timeframe for the allocation of each tranche will depend on the loan instrument, but is usually limited to 12 months following a disbursement.
7. CEB must be notified of the non-use of funds, stating the reasons that prevented their utilisation. The CEB may require that such funds be reimbursed or re-allocated to other eligible sub-projects or, in certain cases, accept to grant an extension of the timeframe for the use of funds.
8. Should the costs of the project increase or be revised for whatever reason, the borrower shall ensure that the additional financial resources for the completion of the project are available.
9. In case of early reimbursement, the cost of reimbursement will be charged to the borrower according to the provisions contained in the CEB Loan Regulations.
10. The closing date established in the FLA in accordance with the borrower’s implementation schedule of the targeted investment initiatives and related financing sets the end of loan disbursements in favour of a project.
11. According to the type of loan instrument, the CEB generally disburses on the basis of two different mechanisms:
  - 11.1. the state of progress of works based on information provided by the borrower or observations made during on-site missions. State of progress of works means the ratio of already-incurred eligible expenditures, on all the component parts of the project, to total eligible cost of the project. CEB may also finance in line with projected state of progress of works which means the ratio of eligible expenditures, for all the component parts of the project, to total eligible cost of the project, where eligible expenditures include already-incurred expenditures as well as those that are expected to be incurred for a determined period of time not exceeding one year from the date of the monitoring report.
  - 11.2. the absorption capacity of the project based on information provided by the borrower. Absorption capacity is monitored in terms of degree of allocation/utilisation of the loan tranches disbursed. On-site verifications by CEB of the allocation of the disbursed tranche may take place on a sub-project sampling basis. 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 CEB.

12. CEB loans are approved in Euro. Disbursements in other convertible currencies may be possible on a case-by-case basis.
13. In line with the SDA Policy, where applicable, a project financed by the CEB can, on the Governor's proposal, benefit from an interest subsidy through the Social Divided Account, following case-by-case approval by the Administrative Council.

## CHAPTER 11

### CEB Monitoring

#### General principles of project monitoring

1. Monitoring consists in ensuring, on a continual basis, that the project is carried out in accordance with the objectives and provisions approved by the Administrative Council when examining the project.
2. The FLA specifies the modalities according to which the Bank carries out financial, technical and administrative monitoring of projects from approval to completion.
3. 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.
4. The monitoring reports should be provided to CEB at least once a year and prior to any disbursement, 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.
5. When deemed necessary, an on-site project monitoring mission is organised by the CEB services. These missions enable the CEB to review implementation and set-up of projects in line with CEB requirements. The borrower undertakes to provide all the necessary co-operation for the monitoring missions, by providing the requisite information and facilitating any possible visits to the site of the project.
6. An Annual Monitoring Report prepared by the CEB is presented to the CEB Administrative Council. It gives an overall assessment of the most significant projects while highlighting the issues encountered in the course of their appraisal and implementation. It includes, on a non-exclusive basis, the following points:
  - 6.1. project preparation in terms of appraisal, technical review and lessons learned;
  - 6.2. project monitoring, including projects cancelled or modified;
  - 6.3. performance review and lessons learned;
  - 6.4. social effects of the projects completed.
7. This Report is completed by the annual report on the project's social impact drawn up by the Secretariat of the Partial Agreement of the Council of Europe in Strasbourg.
8. Procurement of supplies, works and services to be financed under the project should comply with 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 proceed to a pre- or post-review of procurement documentation at any time during project implementation (*see CEB Procurement Guidelines for more information*).
9. Any project, following its completion, may be subject to ex-post evaluation by the CEB Evaluation Department.

#### Modification of projects during implementation

10. The CEB must be promptly informed by the borrower of any substantial modification made to the project during its implementation.
11. Several modifications require approval by the Administrative Council, such as:
  - 11.1. **Modification of the nature of the objectives:** Any substantial modification to the nature of project objectives taken into account upon approval of the project will be the object of a modification request addressed directly to the Governor, who will give his/her opinion and, where applicable, will submit it to the Bank's Administrative Council for approval, via the Secretariat of the Partial Agreement.

- 11.2. **Modification of the guarantee:** (i) Any changes made in the nature or quality of the guarantee, security and/or collateral given to the CEB must be the object of a modification request addressed directly to the Governor, who gives his/her opinion and, where applicable, will submit it to the Administrative Council for approval, via the Secretariat of the Partial Agreement. (ii) In the event of the Governor giving a negative opinion on the new guarantees, and in the absence of any satisfactory alternative, the disbursed loan amounts must be reimbursed and the undisbursed amounts remaining in the stock of projects must be cancelled.
- 11.3. **Additional loan amount:** In cases where additional and unanticipated investments are required in order to achieve the initially planned objective and these cannot be covered by the borrower, the borrower may request an additional loan from the CEB. Subject to positive assessment by the Bank, this request may be submitted by the Governor to the Administrative Council for approval, via the Secretariat of the Partial Agreement.
12. Regarding other modifications agreed between the CEB and the borrower, the Administrative Council is informed through the Annual Monitoring Report, such as in the cases of:
- 12.1. **Cost overruns 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 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.
- 12.2. **Delays in completion of works:** In the event of any substantial delay, modifications in the works schedule must be indicated in the periodic monitoring report sent to the CEB by the borrower. The report should present the main causes of the accumulated delays as well as the new financing schedule.
- 12.3. **Modification in implementation modalities:** In the event of significant modifications in project implementation modalities specified in the Loan Document that have no incidence on the nature of project objectives.
- 12.4. **Modification in CEB's financing share of total project costs:** In the event of CEB's financing going beyond the share approved by the Administrative Council as a result of cost variations as long as such share does not exceed the share of CEB financing approved by the Administrative Council. The report should present the changes in the financing plan.

## CHAPTER 12

### 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. Each project must give rise to a FLA which must be signed within 12 months of the approval of the project. If the conditions justify it, the Bank may grant an additional period to the borrower for the signing of the contract. As loan tranches are disbursed, the project loan amount in the stock of projects is reduced accordingly.
2. In the absence of any contrary provisions approved by the Bank's Administrative Council, a project may be removed from the stock with notification by CEB to the borrower:
  - 2.1. at the borrower's request;
  - 2.2. whether a 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 Bank's Administrative Council will be informed of such removal from the stock of projects;
  - 2.3. if no FLA has been signed within 12 months following approval of the loan by the Administrative Council, unless an extension is granted by CEB;
  - 2.4. if the first tranche is not disbursed within 12 months following the FLA's effectiveness, unless an extension is granted by CEB; in the case of PFFs, if the first tranche is not disbursed during the 2 years following approval by the Administrative Council, unless an extension is granted by CEB;
  - 2.5. if no tranche is disbursed within 18 months following the latest disbursement, unless an extension is granted by 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 CEB;
  - 2.6. at the closing date approved by the Bank's Administrative Council which enables the CEB, upon notification to the borrower, to terminate a borrower's entitlement to request any further disbursement. A 12-month extension may be granted by CEB. Any additional extension would require the approval of the Bank's Administrative Council.

## Glossary of terms

Absorption capacity	<b>“Absorption capacity”</b> of CEB Programme Loans ( <i>see definition in this Glossary</i> ) is monitored in terms of 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 CEB.
Added Value Assessment Sheet	<b>“Added Value Assessment Sheet”</b> is used in project appraisal in order to evaluate both the project’s social impact and its contribution to improving the relevant sector policies, institutions and infrastructure as well as the added-value of 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 to its lending.
Administrative Council	<b>“Administrative Council”</b> or <b>“AC”</b> refers to one of CEB’s two governing bodies (the other one being the Governing Board) and is composed of 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 or Allocated	<b>“Allocation of a Tranche”</b> or <b>“Allocated”</b> means the commitment of a Tranche by the Borrower to eligible investments or budgetary items identified and reported to CEB by means of monitoring templates fulfilling CEB requirements.
Appraisal	<b>“Appraisal”</b> is the process of identification and assessment of potential projects prior to their submission for approval to CEB’s Administrative Council. Appraisal process includes both an assessment of all relevant aspects of the project as well as a credit risk evaluation of the borrower.
Annual Report on Project Preparation and Monitoring	<b>“Annual Report on Project Preparation and Monitoring”</b> gives an overall assessment of the most significant projects financed by the CEB while highlighting issues encountered in the course of their appraisal and implementation. It is drawn in coordination with the Secretariat of the Partial Agreement of the Council of Europe in Strasbourg and presented to the Bank’s Administrative Council and Governing Board.
Beneficiary	<b>“Beneficiary”</b> is the legal entity that is the ultimate recipient of the CEB funds. Depending on the type of loan instrument, the Beneficiary can thus either be the Project implementing agency or the end-borrower.
Borrower	<b>“Borrower”</b> may be a CEB member state, a central or local government entity, a financial institution or any other public or private entity approved to borrow from CEB.

CEB Anti-corruption Charter	<b>“CEB Anti-corruption Charter”</b> underlines the commitment by the CEB as a development bank with a social vocation and placed "under the supreme authority of the Council of Europe", to respecting 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	<b>“CEB Articles of Agreement”</b> establish the Bank, its purpose, membership and means of action. They set down its governance, organisation, administration and supervision.
CEB Compliance Policy	<b>“CEB Compliance Policy”</b> defines the mission of the CEB’s compliance function as ensuring that the Bank conducts its activities in compliance with its own rules, current legislation, codes of conduct, good practices and standards in order to avoid any risk of irregularity in the functioning of the Institution, of its Organs or its Staff. Its purpose is therefore to enable the CEB to limit its exposure to the legal, administrative or regulatory sanctions, material financial loss, or loss to reputation incurred in the event of noncompliance.
CEB Environmental and Social Safeguards Policy	<b>“CEB Environmental and Social Safeguards Policy”</b> develops and formalises the Bank’s commitment to promoting environmentally and socially sustainable projects. The policy outlines the principles on which the approach to environmental and social safeguard review and management by the Bank is based, and sets out the environmental and social safeguard requirements applicable to each Project.
CEB Loan and Project Financing Policy	<b>“CEB Loan and Project Financing Policy”</b> defines the basic principles for the selection and implementation of the Bank’s investment projects. In particular, it sets forth the guidelines given in matters of 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 Monitoring of Projects” and the “Loan Regulations”.
CEB Loan Regulations	<b>“CEB Loan Regulations”</b> lay down the general conditions governing loans granted by the Bank and guarantees thereof. Loan Regulations are attached to the FLA signed by the CEB and the borrower.
CEB Procurement Guidelines	<b>“CEB Procurement Guidelines”</b> detail the principles and methods to be applied when awarding contracts to be financed by CEB loans. Implementing them enables the CEB to meet its fiduciary responsibilities by ensuring that funds are used solely for purposes covered by the loan and that special emphasis is placed on the economic and efficient implementation of the projects it finances. It is recognised that fairness and transparency of public spending are essential to sound governance and sustainability of projects.



Closing date	<b>“Closing date”</b> means the date from which, upon notification by CEB to the borrower, no further disbursements may be requested by the borrower. The closing date is fixed in the FLA in accordance with the borrower’s implementation schedule of the targeted investments and related financing. 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 CEB receives a satisfactory completion/global monitoring report in line with the requirements spelt out in the FLA. Such 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.
Conditional Financing Instrument	<b>“Conditional Financing Instrument”</b> has been developed by the CEB as one of the means for better adapting to borrower needs. For borrowers that have, through previous co-operation with the CEB, demonstrated 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 only in-house review through the monitoring reports submitted by the borrower, under Conditional Financing Instrument monitoring procedures.
Credit Risk Rating	<b>“Credit Risk Rating”</b> is an internal credit risk rating of the Borrower and of the transaction, assigned by the CEB. The Bank’s Finance and Risk Committee regularly reviews the financial and credit risk standing of all current borrowers of the Bank.
Cross Sectorial Loan (CSL)	<b>“Cross Sectorial Loan”</b> is a CEB loan instrument designed to finance socially oriented projects eligible in several CEB “sectors of action” in the meantime. The CSL is available to public authorities directly, whether national, regional or municipal, as well as through state-owned development banks and other intermediating financial institutions.
Eligibility criteria	<b>“Eligibility criteria”</b> define the type of projects that can be financed by the Bank, according to the fields of action as set down by CEB’s Administrative Council. Eligible projects must comply with the relevant Council of Europe conventions and the conditions laid down in CEB guidelines and policies in force.
Eligible costs	<b>“Eligible costs”</b> are project costs that can be financed through CEB funds in accordance to the Bank’s eligibility criteria.
European Co-financing Facility (ECF)	<b>“European Co-financing Facility”</b> is a CEB loan instrument designed to facilitate the absorption of EU grants available to CEB member states, both within and outside the EU, for addressing their social investment needs in CEB sectors of action in line with EU objectives.

Ex-post evaluation	<p><b>“Ex-post evaluation”</b> provides an independent assessment of the design, preparation and implementation as well as social impact of completed projects or programmes financed by the CEB. Along the guidelines defined in accordance with international best practices and OECD-DAC Guidelines, it uses a rating system based on the criteria of <i>relevance</i> (of objectives with regard to needs), <i>effectiveness</i> (achievement of objectives), <i>efficiency</i> (conversion of inputs into results), <i>impact</i> (broader, notably social or environmental, effects) and <i>sustainability</i> (prospects for lasting effects beyond project implementation).</p>
European Prison Rules (EPR)	<p><b>“European Prison Rules”</b>, 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.</p>
Final Beneficiary	<p><b>“Final Beneficiary”</b> is the population category benefitting from the social effects of the project partly financed by CEB.</p>
Framework Loan Agreement (FLA)	<p><b>“Framework Loan Agreement”</b> is a contract to be signed between 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 Framework Financing Agreement (FFA) when it includes grant components.</p>
Intermediary institution	<p><b>“Intermediary institution”</b> 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.</p>
Letter of Consent	<p>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 <b>“Letter of Consent”</b> to the Secretariat of the Partial Agreement allowing the CEB to monitor the project according to its procedures.</p>
Letter of Transmittal	<p>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 <b>“Letter of Transmittal”</b> from the applicant member state concerning the project (and concerning the borrower if the borrower is not the applicant member state).</p>
Loan Allocation	<p><b>“Loan Allocation”</b> or <b>“Allocation”</b> means committing an established loan amount in favour of a project or sub-projects.</p>

Loan Application	<b>“Loan Application”</b> refers to the document to be submitted by the borrower to the Secretariat of the Partial Agreement of the Council of Europe 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	<b>“Loan Document”</b> is prepared by the CEB services and submitted by the Bank’s Governor to the approval of the Administrative Council. It is a report containing information on the project, its technical and financial characteristics and on the credit risk associated to the loan. It also includes the Opinion of Admissibility of the Secretary General of the Council of Europe.
Monitoring Report	<b>“Monitoring Report”</b> is a project follow-up report to be provided to the CEB at least once a year and prior to any disbursement, 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 drawn up on the basis of templates appended to the FLA.
NACE	French acronym <b>“NACE”</b> refers to the “Statistical Classification of Economic Activities in the European Community”. Developed in the 1970s, NACE provides a framework for the collection and presentation, according to economic activity, of a wide range of statistics in the economic areas (for example, production, employment, national accounts).
Opinion of Admissibility	Secretariat of the Partial Agreement of the Council of Europe examines each loan application in order to prepare the Secretary General’s <b>“Opinion of Admissibility”</b> based on the project’s conformity with the political and social objectives of the Council of Europe.
Programme Loan	<b>“Programme Loan”</b> is made to intermediary institutions or public entities in order to finance a programme of diverse investments (small individual projects or “sub-projects”) and multi-project programmes in one or several CEB sectors of intervention.
Project	<b>“Project”</b> covers the full range of components/investments which are to be partly supported through any given CEB loan instrument.
Project Loan	<b>“Project Loan”</b> is a direct loan to an entity to finance a specific distinct investment or a group of related investments, generally based on predefined investments already at the time of project approval. Project financing and monitoring are done on the basis of advancement of works.
Project Overall Rating (POR)	<b>“Project Overall Rating”</b> , assigned to each project during its appraisal by the Bank, is based on a “two-pronged approach” ( <i>see definition</i> ) and consist of the <b>“Project Rating”</b> (characteristics of the project reflected in parameters such as sectorial context, sustainability, expected financial impact, etc.) and the <b>“Country Rating”</b> (context in which the project is carried out, such as GDP per capita).

Projected State of Progress of Works	<b>“Projected State of Progress of Works”</b> means the ratio of eligible expenditures, for all the component parts of the project, to total eligible cost of the project, where eligible expenditures include already-incurred expenditures as well as those that are expected to be incurred for a determined period of time not exceeding one year from the date of the monitoring report.
Public Private Partnership (PPP)	<b>“Public Private Partnership”</b> involves a long-term contract between a public sector authority and private party with clearly shared objectives and under which the private party is 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 Finance Facility (PFF)	<b>“Public Sector Finance Facility”</b> is a CEB loan instrument designed to enable the provision of flexible financing in 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 the lack of stable budget funding over time.
Social Dividend Account (SDA)	<b>“Social Dividend Account”</b> , funded mainly by 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.
State of progress of works	<b>“State of progress of works”</b> means the ratio of already-incurred eligible expenditures, on all the component parts of the project, to total eligible cost of the project.
Stock of projects awaiting financing	Each project approved by the Administrative Council is registered into the <b>“stock of projects awaiting financing”</b> (or <b>“stock of projects”</b> ) for a period equal to its implementation.
Sub-project	<b>“Sub-project”</b> refers to a small individual project or specific investment eligible for financing under any given CEB loan instrument.
Tranche	Each CEB project is financed by means of a number of loan disbursements; <b>“Tranche”</b> or <b>“Loan Tranche”</b> is a loan amount disbursed by CEB in favour of the borrower in accordance with the conditions spelt out in the FLA.
Two-pronged approach to project screening	<b>“Two-pronged approach”</b> developed by CEB in order to guide project appraisal considers that the social added value of a project depends both on its characteristics ( <b>“Project Rating”</b> ) and on the context in which the project is carried out ( <b>“Country Rating”</b> ).
Working capital	<b>“Working capital”</b> refers to the net marginal (additional) permanent working capital, defined as net current assets less current liabilities. Depending on the characteristics of the end-borrowers, working capital requirements may be further defined during appraisal.

## Contacts

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Link to [Organisation chart](#)

# **Handbook for the preparation and implementation of projects**



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