**Project Description**

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| **I.** | **Sector(s) of action** | The Project will encompass the following sectors of action:* Component A: Supporting MSMEs for the creation and preservation of viable jobs
* Component B: Improving living conditions in urban and rural areas
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|  | **Final Borrowers/****Final Beneficiaries** | * Local and regional authorities and/or other related public sector entities;
* Micro, small and medium-sized enterprises (MSMEs).
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|  | **Location** | Throughout Croatia |
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| **II.** | **Eligibility Criteria** | * **Component A “Supporting MSMEs for the creation and preservation of viable jobs”**

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, 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.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. 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.”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. 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.* **Component B “Improving living conditions in urban and rural areas”**

Sub-projects aimed at improving living conditions in urban areas must concern rundown neighborhoods or urban areas lacking in urban infrastructure and/or in social and cultural amenities.Sub-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. The CEB finances Sub-projects involving the construction or rehabilitation of infrastructure aimed at urban or rural modernisation. Only those infrastructure investments included in the regional or municipal budget will be considered as eligible, such as:* utilities such as water mains, electricity and gas supplies, sewers, treatment of solid and liquid waste;
* local road network infrastructure and maintenance;
* local public transportation infrastructure, equipment and maintenance;
* public lighting;
* district heating;
* community services, educational and medical facilities;
* temporary shelters and social housing;
* socio-cultural or sports facilities such as playgrounds, green spaces, exhibition sites, theatres and libraries;
* development of industrial estates;
* irrigation networks in rural areas;
* administrative buildings and public housing.

The Sub-projects can be carried out by public or private entities. Irrigation Sub-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.* Exclusion List

The following activities defined by the NACE nomenclature of the European Union[[1]](#footnote-1) shall be excluded from the CEB’s financing:* 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)
* Distilling, rectifying and blending of spirits (NACE C11.01)
* Manufacture of tobacco products (NACE C12)
* Manufacture of coke and refined petroleum products (NACE C19)
* Processing of nuclear fuel[[2]](#footnote-2) (NACE C24.46)
* Manufacture of weapons and ammunition (NACE C25.4)
* Manufacture of military fighting vehicles (NACE C30.4)
* Financial and insurance activities (NACE K64-66)
* Real Estate Activities (NACE L68)
* Gambling and betting activities (NACE R92)
* Activities of membership organisation (NACE S94)
* 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[[3]](#footnote-3) shall also be excluded. |
|  | **Eligible Costs** | The costs eligible for CEB financing include:* + The surveys or studies (technical, economic or commercial, engineering) the technical supervision of the project and other project related professional services.
	+ These costs should not exceed 5% of the total cost of the project, unless justified;
	+ The acquiring land directly linked to a project, at its purchase price, unless it has been donated or granted;
	+ Preparation of the land;
	+ Construction/renovation/modernisation or purchase of buildings directly linked to a project;
	+ The installation of basic infrastructure such as sewerage, water supply, gas supply, electricity and telecommunications networks, waste disposal and waste water treatment, roads, etc.;
	+ The maintenance of the viability and sustainability of the public services;
	+ The purchase of materials, equipment and machinery, including IT equipment and software, as well as the related costs linked to the training of staff.

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. 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. 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.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.Non-deductible and non-refundable VAT and other tax-related costs non-deductible and non-refundable are considered as eligible costs.Under component A, working capital is limited to 15% of CEB’s Sub-loan as a maximum share on each individual Sub-project. |
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| **III.** | **Social impact** | Under Component A, the objective of the Project is to contribute to the creation of new permanent and seasonal jobs through strengthening the competitive position of SMEs by facilitating their access to medium and long-term funding. Under Component B, the objective of the Project is to support the municipal sector in its endeavour to develop and upgrade its social infrastructure as a necessary condition for sustainable economic development. |

1. 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. [↑](#footnote-ref-1)
2. 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. [↑](#footnote-ref-2)
3. 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). [↑](#footnote-ref-3)