



**Subject: CYPRUS ENTREPRENEURSHIP SCHEME II A**  
**Finance Contract between the European Investment Bank and Republic of Cyprus,**  
**dated 18.03.2021**  
**Side Letter to the Finance Contract**

Dear Sir,

The European Investment Bank (hereinafter referred to as “the Bank” or “EIB”) has made available a **Multiple Beneficiary Intermediated Loan (MBIL)** of EUR 100,000,000.00 for Republic of Cyprus (hereinafter “**Borrower**”) under the agreement (hereinafter referred to as “Finance Contract”) signed on 18.03.2021.

The Borrower has established a national scheme (the “Cyprus Entrepreneurship Fund” or “**CYPEF**” managed by the European Investment Fund (“**EIF**”, also referred to as the “**Manager**”), acting in its own name but on the account of the Borrower pursuant to a Mandate Agreement (as defined in the Finance Contract).

According to the Finance Contract, the Borrower will channel the funds to Intermediaries (hereinafter “**Intermediary**”) for further on-lending to eligible Final Beneficiaries. In this context, it is understood that the provisions of the present Side Letter will apply to the Borrower and/or the Intermediary(ies) (hereinafter jointly referred to as “**Borrower**”).

This cover page and the following pages constitute together the Side Letter (as defined in the Finance Contract). The following pages set out the criteria and operational allocation procedures for the financing of investments (hereinafter “Sub-Projects”) as applicable from this date onwards, promoted by the following Final Beneficiaries:

- **Section I – Small and Medium-sized Enterprises (SMEs) and MidCaps** for investments with a Sub-Project cost of **up to EUR 25 million**

A minimum of 70% of the Loan shall be allocated for the financing of Sub-Projects undertaken by SMEs.

Allocations under these exceptional criteria can be presented to the EIB until the earlier of: (i) the last day of the allocation period (as set out in the Finance Contract), and (ii) 31.05.2022 (“**Covid-19 Eligibility Window**”).



We are sending you this Side Letter in duplicate. Please **return to us one set** of:

- 1) this **cover page duly signed**, to mark your agreement;
- 2) the **following pages, initialled** on the bottom right hand side corner.

The second set of documents is for your files.

Yours faithfully,  
EUROPEAN INVESTMENT BANK

AGREED and ACCEPTED

.....  
**Republic of Cyprus**

**RULES FOR ALLOCATIONS TO SMEs AND MIDCAPs**  
**undertaking investments of up to EUR 25m**  
**in the EU**

**CONTENTS**

This Side Letter accompanies the Finance Contract and clarifies in:

- Sub-Section A: Eligibility criteria for Allocations

### **DEFINITIONS**

Borrower	The Republic of Cyprus
Intermediary	Local bank selected by CYPEF to participate in this instrument
EIF (European Investment Fund)	CYPEF Manager
EIB Allocation	EIB financing allocated to eligible Sub-Projects of eligible Final Beneficiaries
Sub-Financing	Medium and long term financing provided by the Borrower to eligible Final Beneficiaries to finance Sub-Projects
Sub-Project	Aggregation of tangible and/or intangible <u>new</u> investments and/or expenditures undertaken by eligible Final Beneficiaries, which can be identified in terms of location, design and benefits, carried out over a period of up to 3 years, and not completed before 6 months prior to: <ul style="list-style-type: none"><li>i) the date of submission of the Allocation Report by an Intermediary to the EIF, in the case of reports sent to the EIB indirectly through the EIF; or</li><li>ii) the date of submission of the Allocation Report by the Borrower to the EIB, in the case of reports sent directly by the Borrower to the EIB;</li></ul> either in: a) tangible and/or intangible fixed assets, or b) working capital, or c) both a) and b)
Final Beneficiaries	SMEs and MidCaps as further defined in this Side Letter
Other terms used have the same meaning as in the Finance Contract	Allocation Period, EIB Allocation, Allocation Report, Loan, Financial Advantage, Reallocation, Reemployment, Sub-Financing Agreement

Any change to the eligibility criteria described in the present Side Letter shall be notified by the EIB and shall not apply to financings already approved or presented to the EIB for validation.

## A. ELIGIBILITY CRITERIA FOR ALLOCATIONS

The eligibility criteria for allocation of EIB financing are defined in terms of:

- (1) Eligibility criteria for Final Beneficiaries (A.1.),
- (2) Eligibility criteria for Sub-Projects (A.2.),
- (3) Eligibility criteria for Sub-Project's cost categories (A.3.),
- (4) Amount and term of Sub-Financings (A.4.)

EIB financing is subject to the Final Beneficiary, the Sub-Project and the Sub-Financing all meeting the eligibility criteria defined in the present Side Letter.

### A.1. ELIGIBILITY CRITERIA FOR FINAL BENEFICIARIES

#### A.1.1. Eligible Final Beneficiaries: SME/MidCap definition

**Eligible Final Beneficiaries** are small and medium sized enterprises ("SMEs"), defined as enterprises with less than 250 employees (full-time equivalent) or "MidCaps", defined as enterprises with minimum 250 and less than 3000 employees (full-time equivalent)].

An **enterprise** is any entity engaged in an economic activity, irrespective of its legal form, thus encompassing also family firms, partnerships, liberal professionals and associations regularly engaged in an economic activity. Self-employed persons are eligible Final Beneficiaries if they are recorded in a business registry and bear a VAT number.

To establish the enterprise's **SME/MidCap status**, its **number of employees** is calculated following the European Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-size enterprises ("EC Recommendation") that entered into force on 1 January 2005<sup>1</sup>.

The calculation takes into account **(i) direct employees and (ii) the employees of related enterprises in accordance with the EC definitions for Autonomous, Partner and Linked enterprises**, as summarised in the table below. The relationships between enterprises through natural persons are also taken into account if enterprises are linked (see table below) and if they are active on the same market or in adjacent markets. The total number of employees on a consolidated basis should be less than 250 or 3000 in the case of MidCaps.

Autonomous enterprises	<p>An enterprise is considered autonomous if it does not hold 25% or more of capital or voting rights (whichever is higher) in one or several other enterprises and no other enterprise has a stake of 25% or more of its capital or voting rights (whichever is higher).</p> <p><b>Exception</b></p> <p>An enterprise is still considered autonomous if the following investors hold up to 50% of its capital or voting rights and do not exercise a dominant influence: public investment corporations, venture capital companies and business angels, universities and non-profit research centres, institutional investors including regional development funds, autonomous local authorities with an annual budget of less than EUR 10m and fewer than 5,000 inhabitants.</p> <p>For autonomous enterprises, the number of employees to consider is that of the enterprise only.</p> <p><b>Note:</b> An enterprise <b>loses its SME / MidCap status</b> if one or more public bodies hold 25% or more of its capital or voting rights, unless it falls under the aforementioned exception, in which case the threshold is up to 50%.</p>
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<sup>1</sup> Official Journal of the European Union L 124 of 20 May 2003, p. 36-41  
([http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)).

Partner enterprises	<p>An enterprise is considered a partner enterprise if it holds at least 25% but no more than 50% of capital or voting rights (whichever is the higher) in one or several other enterprises and/or another enterprise holds at least 25% but no more than 50% of its capital or voting rights (whichever is the higher).</p> <p>For partner enterprises, the number of employees to consider is calculated as the sum of the number of employees of the enterprise itself plus a proportion of the number of employees of each of the partner enterprises according to the percentage of shares/voting rights that are held. Data of any partner enterprise(s) immediately upstream and downstream have to be added.</p>
Linked enterprises	<p>Two enterprises are considered linked if one controls the other, directly or indirectly, through the majority of capital or voting rights or through the ability to exercise a dominant influence through a contract or by agreement. In most EU Member States, linked enterprises are required to prepare consolidated accounts.</p> <p>For linked enterprises, the number of employees is calculated as the sum of the number of employees of the enterprise itself plus the total number of employees of each of the linked enterprises throughout the entire chain, upstream and downstream<sup>2</sup>.</p>

In line with the EC Recommendation, the data to apply to the headcount of an enterprise's employees are those relating to its latest approved accounting period and calculated on an annual basis. In relation to companies that are close to the headcount ceiling, the EC Recommendation includes a provision whereby an enterprise gains/loses its SME/MidCap status whenever it goes below/above the headcount ceiling for two consecutive accounting periods<sup>3</sup>.

Further clarifications and examples can be found in the European Commission – DG Internal Market, Industry, Entrepreneurship and SMEs (GROW) Publication “User Guide to the SME Definition”<sup>4</sup>.

### **A.1.2. Location of Final Beneficiaries**

Final Beneficiaries shall be mainly registered in Cyprus, but Final Beneficiaries registered in other EU Member States are not excluded.

### **A.1.3. Excluded Final Beneficiaries**

#### **A.1.3.1. EIB's Exclusion Policy**

SMEs/MidCaps are excluded as Final Beneficiaries of EIB financing if they are the subject of an EIB's exclusion decision which is effective at the date of signature of the legal documentation regarding the relevant Sub-Financing. EIB's exclusion decisions are taken in accordance with EIB's Exclusion Policy as published on EIB's website (<http://www.eib.org/about/accountability/anti-fraud/exclusion/index.htm>).

#### **A.1.3.2. Excluded sectors**

<sup>2</sup> In most EU Member States such enterprises are required by law to draw up consolidated accounts or are included by way of full consolidation in the accounts of another enterprise.

<sup>3</sup> See Art. 4.2. of the Annex of EC Recommendation 2003/361/EC.

<sup>4</sup> [https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)  
<http://ec.europa.eu/DocsRoom/documents/15582/attachments/1/translations>

Final Beneficiaries active in any sector are eligible, except if engaged in any of the sectors identified as non-eligible activity (type 2) on the list of NACE codes<sup>5</sup> provided by the EIB to the Borrower and the EIF by electronic mail.

For Final Beneficiaries active in more than one sector, the main activity shall be eligible. The main activity corresponds to the activity which contributes most to the total gross value added – as measured by income before interest, taxes and depreciation – of the Final Beneficiary.

For the sake of clarity, irrespective of the NACE codes of the Linked or Partner enterprises in the same group of companies, financial holding companies, whose sole economic activity is to hold and to manage portfolios of equity participations and/or investments in other companies, are not eligible for EIB financing.

**Exception with reference to NACE codes in respect of Real Estate Activities<sup>6</sup>:**

Sub-Financings to enterprises which are created to own real estate (land and/or buildings) to be used (through rental) by an underlying commercial business, may be eligible if:

- I. the real estate enterprise and the underlying commercial business belong to the same group<sup>7</sup>; and
- II. the commercial business is clearly identified (in the Allocation Report, the Borrower and the EIF should indicate the NACE activity code of the commercial entity); and
- III. the Sub-Project complies with the eligibility criteria as outlined in this Side Letter.

**Exception with reference to the NACE code “Manufacture of gas”:**

For Final Beneficiaries which have their main activity in the excluded sector 352100 (manufacture of gas) but for which the eligible Sub-Project consists of the production of biofuel, the NACE code 351132 (alternative and renewable sources of energy: biofuel) associated with the Sub-Project shall be reported in the Allocation Tool. Such Sub-Projects remain eligible for EIB financing even though sector 352100 is excluded.

**A.1.3.3. Excluded activities**

Irrespective of the eligibility of a NACE code relating to the main activity, each Final Beneficiary being involved in any kind of the following activities is not eligible for financing by the EIB:

- a) activities targeting the production or trade of weapons and ammunition<sup>8</sup>, explosives, equipment or infrastructures specifically designed for military use, and equipment or infrastructure which result in limiting people’s individual rights and freedom (i.e. prisons, detention centres of any form) or in violation of human rights.
- b) activities which give rise to environmental impacts that are not largely mitigated and/or compensated (including but not limited to projects in protected areas, critical habitats and heritage sites).
- c) activities considered ethically or morally controversial. Examples: sex trade and related infrastructure, services and media, animal testing<sup>9</sup>, research on human cloning.
- d) activities prohibited by national legislation (only where such legislation exists). Examples: Genetically Modified Organisms (GMO), abortion clinics, nuclear energy, etc.

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<sup>5</sup> Statistical classification of economic activities in the European Union.

<sup>6</sup> For example, “Sociétés civiles immobilières, SCI” (France) or Immobiliengesellschaft (Germany).

<sup>7</sup> A group of enterprises include parent and subsidiary entities that have a common source of control, the latter being exercised through the majority of capital or voting rights.

<sup>8</sup> This includes sporting weapons.

<sup>9</sup> Activities involving life animals for experimental and scientific purposes are eligible insofar as in compliance with the Directive 2010/63/EU of the European Parliament and of the Council of 22 September 2010 on “The protection of animals used for scientific purposes”.

Irrespective of the eligibility of a NACE code relating to the main activity, each Final Beneficiary for which more than 10% of its annual revenues is generated by the following activities is not eligible for financing by the EIB:

- e) activities targeting the production or facilitating the use of gambling and related equipment.
- f) activities targeting tobacco production, manufacturing, processing, or specialist tobacco distribution, and activities facilitating the use of tobacco (e.g. "smoking halls").

#### **A.1.4. Leasing company as a Final Beneficiary**

Leasing companies may be Final Beneficiaries, if (i) they comply with the Final Beneficiary eligibility criteria as defined above (see section A.1.) and (ii) the allocation meets the standard criteria. Eligible lessees can be private sector companies and public administrations.

## **A.2. ELIGIBILITY CRITERIA FOR SUB-PROJECTS**

### **A.2.1. General Conditions**

Sub-Projects shall not relate to excluded sectors as defined under Sub-Section A.1.3.2 or excluded activities as defined under Sub-Section A.1.3.3 (including activities related to gambling (A.1.3.3e)) and tobacco (A.1.3.3f)). In addition, Sub-Projects shall not relate to:

- a) the purchase (or construction or renovation) of real estate with the purpose of selling or renting the building to a third party, except for the construction of social housing, commercial centres and/or offices with the purpose of renting them to third parties which can become exceptionally eligible subject to EIB's pre-approval in each case;
- b) the provision of consumer finance;
- c) pure financial transactions which relate to any expenditure that does not lead to additional capital expenditures or operational activity of the enterprise (such as trading public stocks, other securities or any other financial product, refinancing of the enterprise's loans), including change of ownership (e.g. Mergers & Acquisitions);

**except for** generation change (i.e. retirement of the previous owner) or staff-related enterprise transmissions, which may be eligible if:

- (i) they allow for a continuation in economic activity of the respective enterprise,
  - (ii) both the buyer and the entity to be sold are eligible Final Beneficiaries, and
  - (iii) the total financing needed for the enterprise acquisition does not exceed EUR 5m (excluding own funds);
- d) undertakings with a political or religious content;
  - e) health sector projects with "secure units", closed psychiatric wards and/or correctional facilities;
  - f) health sector projects which do not respect the common values and fundamental principles of EU's health care policy (sustainable solutions for society based on scientific evidence and equity of access);
  - g) new gas-fired boilers of any capacity; replacement of large gas-fired boilers with a capacity exceeding 20 MWth;
  - h) coal mining, processing, transport and storage;
  - i) oil exploration & production, refining, transport, distribution and storage;
  - j) natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;



- k) electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO<sub>2</sub>e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs;
- l) heat production/supply and Combined Cooling/Heat and Power production (CCHP, CHP), to the exception of:
  - (i) heat production using renewable fuels or eligible cogeneration<sup>10</sup>,
  - (ii) replacement of small and medium-sized existing natural gas boilers with a capacity of up to 20 MWth if meeting the minimum energy efficiency criteria, defined as A-rated boilers in the EU (applicable to <400kWth) or boilers with efficiencies of >90%,
  - (iii) rehabilitation or extension of existing district heating networks are eligible if there is no increase in CO<sub>2</sub> emissions as a result of the combustion of coal, peat, oil, gas or non-organic waste on an annual basis,
  - (iv) new district heating networks or substantial extensions of existing district heating networks are eligible if the network uses at least 50% renewable energy or 50% waste heat or 75% cogenerated heat, or 50% of a combination of such energy and heat;
- m) construction of new buildings and major rehabilitation of existing buildings (exceeding 25% of the surface area or 25% of the building value excluding land), which do not comply with national energy standards defined by the Energy Performance of Buildings Directive (EPBD, 2018/844/EU).

For Sub-Projects related to power/heat production using biomass, the following biomass sustainability conditions shall be met:

- (i) feedstock shall be from non-contaminated biofuel inside the EU, or certified for sustainability when sourced outside the EU;
- (ii) forest feedstock is to be certified according to international sustainable forest certification standards;
- (iii) use of palm oil products or raw material from tropical forest/protected sites are excluded. Protected sites include Natura 2000 sites designated under EU legislation, sites recognized under the Ramsar, Bern (Emerald network) and Bonn Conventions and areas designated or identified for designation as protected areas by national Governments.

For the avoidance of doubt, the above conditions for power/heat/cooling production also apply to primarily non-energy related Sub-Projects, e.g. a flower production facility.

To be eligible for EIB financing, a Sub-Project:

- shall be economically, environmentally, technically and financially sound;
- if it is part of a larger investment, it must be self-contained and technically and economically viable in itself (not dependent on the realisation of the remainder of the investment)<sup>11</sup>.

For passenger cars and Light Commercial Vehicles (LCVs), the following conditions apply:

- (i) The vehicle shall be primarily used for business purposes;

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<sup>10</sup> "Eligible cogeneration" is defined as:

(1) Based on 100% Renewable Energy (RE), waste heat or a combination thereof; OR

(2) If based on <100% RE and the remaining part is gas-fired (no other fossil fuel is eligible): overall efficiency >85% where efficiency is defined as (Heat + Electricity production) / Gas fuel consumption > 85%.

<sup>11</sup> Large investments (for which the total project cost exceeds EUR 25 million) may sometimes be composed of several, self-contained parts. If each part is economically and technically viable in itself, and not dependent on the realisation of another phase, the EIB may finance one of these parts separately, if their respective investment cost is below EUR 25 million. As an example: a private sector entity plans to develop an extension of an existing trade-fair. It wants to build 2 halls, a multi-functional one and one more exclusively suitable for scientific conferences, each costing EUR 15 million. While the total investment cost is above the maximum amount eligible for EIB financing under the present EIB Loan, each extension can function technically and economically independently from the other one. Therefore, the EIB may finance one of the above parts under the conditions of the present Side Letter provided that the other part is not financed by the EIB.

- (ii) On a portfolio basis, the CO2 emission of new passenger cars shall not exceed 120 gr/km whereas the CO2 emission of new LCVs shall not exceed 175gr/km.

### **Defence Activities**

Eligible activities of Final Beneficiaries operating in the defence sector are limited to the purchase, manufacturing and/or development of “dual-use” items. Dual-use items shall mean items, including software and technology, which can be used for both civil and military purposes, and shall include all goods which can be used for non-explosive uses. EIB applies the List of dual-use items and technology in Annex I to the Council Regulation (EC) No 428/2009 (amended by Regulation (EU) No 388/2012 of the European Parliament and of the Council of 19 April 2012) for setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items<sup>12</sup>. These conditions shall also apply to Sub-Projects relating to the manufacture of spacecraft and related machinery and space transport.

### **Public order and safety activities**

EIB eligible projects in public order and safety are limited to investments that do not contribute to violation of human rights or limitation of private individuals’ freedom. Financing of prisons, detention centres, correctional institutions or police stations with detention facilities is fully excluded. Financing of police and border and coast guard activities is only eligible for Sub-Projects concerning infrastructure and equipment that cannot contribute directly to physically hurting or restraining freedom of private individuals. These conditions shall also apply to Sub-Projects concerning the acquisition of civil defence aircraft.

#### **A.2.2. Location of Sub-Projects**

Sub-Projects shall be mainly located in Cyprus, but investments in other EU Member States are not excluded.

#### **A.2.3. Compliance with EU and National Law**

The Borrower shall require from the Final Beneficiary that Sub-Projects undertaken with the proceeds of EIB funds comply with the relevant applicable EU and national provisions, in particular for:

- i. Sub-Projects in the field of environment and sectors regulated by EU policy;
- ii. Sub-Projects that include procurement of works, supplies and services regulated by EU and national requirements in force<sup>13</sup>. The Borrower shall require the Final Beneficiary to confirm that the investments to which EIB financing is allocated are in compliance with EU and national provisions on procurement, where applicable.

### **A.3. ELIGIBILITY CRITERIA FOR SUB-PROJECT’S COST CATEGORIES**

#### **A.3.1. Eligible cost categories**

The following cost categories are **eligible** for allocation of EIB financing as part of the Sub-Projects carried out by Final Beneficiaries:

- a) purchase, renovation or extension of tangible assets, including the development and planning during the construction phase; financing costs during the construction phase for up to 10% of the total Sub-Project cost; financing of land purchase which is technically

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<sup>12</sup> For the sake of clarity, dual-use items which can be used for manufacturing of nuclear weapons or other nuclear explosive devices are excluded from EIB support. Dual-use Sub-Projects concerning Final Beneficiaries operating in sectors of nuclear energy, nuclear fuel processing, uranium enrichment and irradiated fuel reprocessing are fully excluded on the NACE sector code list.

<sup>13</sup> For further information on EU tendering requirements: <http://www.eib.org/projects/cycle/procurement/index.htm>

essential for the investments for up to 10% of total Sub-Project cost<sup>14</sup>; purchase of assets other than real estate (e.g. construction equipment), with the purpose of renting them to third parties.

- b) investment in intangible assets, i.e.:
  - i. RDI expenses (including gross salaries of staff directly associated with the Research, Development, and Innovation components of the firm's activities, and development costs of concessions, patents, licenses, trademarks and similar rights and assets);
  - ii. purchase of process licenses, software and other rights and assets with an inherent productive capacity;
  - iii. purchase of other intangible assets such as licenses for the use of non-generated public resources<sup>15</sup>, patents, brands, trademarks and similar rights and assets<sup>16</sup> up to 10% of the Sub-Project costs.
- c) working capital

Financing of working capital needed for the operational activity of Final Beneficiaries, e.g. current assets such as stocks (inputs, work-in-progress and finished products) and receivables, is eligible for allocation of EIB financing, including when provided by the Borrower as revolving (e.g. overdraft) facilities, subject to such facilities being committed for a period of minimum 2 years (see also Sub-Section A.4.2).

For the avoidance of doubt, a Sub-Financing of less than 2 years is eligible for EIB financing provided that (i) the Sub-Financing Agreement lasts for at least 1 year and (ii) the Borrower has assessed that the working capital reflects a medium to long term financing need of the Final Beneficiary, justifying working capital financing for at least 2 years<sup>17</sup>, and has the intention to extend the Sub-Financing by at least one more year. Should a Sub-Financing not be extended to at least a two-year period in total, the related EIB funding shall be subject to Reallocation or Reemployment under the conditions set out in this Side Letter and in the Finance Contract.

The VAT (incl. recoverable VAT) cost component of working capital Sub-Financings is not eligible in principle. However VAT may be included in working capital Sub-Financings, in which case the corresponding Allocation Report should be capped at 85% of the Sub-Financing (the remaining 15% not funded by the EIB is notionally assumed to cover VAT)<sup>18</sup>.

### **A.3.2. Non-eligible cost categories<sup>19</sup>**

The following categories of costs incurred by Final Beneficiaries shall **not be eligible** for allocation irrespective of the eligibility of the Final Beneficiary under Sub-Section A.1.:

- a) financing of land purchase is excluded unless it is technically essential for the investments (see Sub-Section A.3.1. a)); the purchase of farmland is always excluded;

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<sup>14</sup> It is understood that the entire cost of land in so far it is technically essential for the investments can be included in the calculation of Sub-Project's cost. However, the land purchase included in the allocated amount shall not exceed 10% of the Sub-Project cost.

<sup>15</sup> Non-generated public resources refer to "monopoly rights" that do not require an investment to create such rights. For example, the right to use a broadcast frequency does not need an investment by the authority which grants the frequency.

<sup>16</sup> Examples of such intangible assets include taxi licenses, distribution rights for media services, etc.

<sup>17</sup> For Sub-Financings with an initial maturity of less than 2 years, the minimum expected cumulative maturity should be reported in the Allocation Report (i.e. 2 years).

<sup>18</sup> Please note that only VAT with reference to stocks and receivables proposed for allocation under working capital could be reflected.

<sup>19</sup> The non-eligible cost categories under this section cannot be reflected in the project costs except for non-recoverable taxes and tariffs (which can be part of the project cost). For example, the purchase of farmland or goodwill cannot be part of the project costs.

- b) purchase of goodwill, licenses or rights for mineral resource exploitation and production rights in the agricultural sector;
- c) taxes such as Value Added Tax (VAT) (see Sub-Section A.3.1.c));
- d) tariffs (i.e. a tax or duty to be paid in relation with imports or exports).

#### **A.4. AMOUNT AND TERM OF THE SUB-FINANCINGS TO FINAL BENEFICIARIES**

##### **A.4.1. Amount of Sub-Financings to Final Beneficiaries**

The Borrower shall use the EIB funds, throughout the term of the EIB Loan, for providing medium and long term Sub-Financings to Final Beneficiaries through Allocations, Reallocations and/or Reemployment.

EIB financing can be allocated to Sub-Financings, for **Sub-Projects of Final Beneficiaries not exceeding EUR 25m** (or equivalent in other currency). For the avoidance of doubt, in the case of Sub-Projects comprising new investments or expenditures (as per item a) of Sub-Project under Definitions), EIB financing cannot be allocated to Sub-Financings that refinance previous financings for the same Sub-Project (unless such new Sub-Financing is for an increased amount in which case an allocation is possible for this increased amount only).

**The amount of an EIB Allocation can be up to 50% of the respective Sub-Financing, but may not exceed EUR 12.5m** (or equivalent in other currency) **and/or the eligible Sub-Project cost**. In case a Sub-Project is financed with EU financial support, the sum of the amount of the EIB Allocation and the EU financial support shall not exceed 100% of the cost of the Sub-Project at any time.

##### **A.4.2. Term of Sub-Financings to Final Beneficiaries**

The **term of the Sub-Financing** granted by the Borrower to a Final Beneficiary shall be minimum 2 years and shall not exceed the economic and technical life of the financed Sub-Project (for investment in fixed assets). EIB financing can be allocated to Sub-Financing for working capital including when provided by the Borrower as revolving (e.g. overdraft) facilities, subject to such facilities being committed for a period of minimum 2 years (see Sub-Section A.3.1).

The Borrower and/or the EIF shall only present Allocation Reports to the EIB for Sub-Financings signed with Final Beneficiaries within 6 months prior to :

- i) the date of submission of the Allocation Report by an Intermediary to the EIF, in the case of reports sent to the EIB indirectly through the EIF; or
- ii) the date of submission of the Allocation Report by the Borrower to the EIB, in the case of reports sent directly by the Borrower to the EIB.