

# Funding Proposal

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## **FP025: GCF – EBRD Sustainable Energy Financing Facilities**

Armenia, Egypt, Georgia, Jordan, Republic of Moldova, Mongolia, Morocco, Serbia, Tajikistan and Tunisia | European Bank for Reconstruction and Development (EBRD) | Decision B.14/07

October 10, 2016



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# Funding Proposal

Version 1.1

**The Green Climate Fund (GCF) is seeking high-quality funding proposals.**

Accredited entities are expected to develop their funding proposals, in close consultation with the relevant national designated authority, with due consideration of the GCF's Investment Framework and Results Management Framework. The funding proposals should demonstrate how the proposed projects or programmes will perform against the investment criteria and achieve part or all of the strategic impact results.

Project/Programme Title:	Scaling up private sector climate finance through local financial institutions (GCF-EBRD SEFF co-financing Programme)
Country/Region:k	The Middle East and North Africa, Western and Central Asia, Southern and Eastern Europe
Accredited Entity:	European Bank for Reconstruction and Development (EBRD)



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A.1. Brief Project/Programme Information	
<b>A.1.1. Project /Programmed title</b>	Scaling up private sector climate finance through local financial institutions (GCF-EBRD SEFF co-financing Programme)
A.1.2. Project or Programme	programme
<b>A.1.3. Country (ies) / region</b>	<p>13 countries in the Middle East and North Africa, Western and Central Asia, southern and eastern Europe</p> <ul style="list-style-type: none"> <li>• Central Asia: Kyrgyz Republic, Tajikistan and Mongolia</li> <li>• Southern and eastern Europe: Albania, Moldova, Montenegro and Serbia</li> <li>• The Middle East and North Africa: Egypt, Jordan, Morocco and Tunisia</li> <li>• Western Asia (the Caucasus): Armenia and Georgia</li> </ul> <p>Among the beneficiary countries, the Programme will initially focus on Egypt, Georgia, Morocco, Tajikistan and Tunisia.</p>
<b>A.1.4. National designated authority (ies)</b>	NDA as designated on the GCF website.
<b>A.1.5. Accredited entity</b>	European Bank for Reconstruction and Development (EBRD)
A.1.5.a. Access modality	<input type="checkbox"/> Direct <input checked="" type="checkbox"/> International
A.1.6. Executing entity / beneficiary	<p>Executing Entities:</p> <ol style="list-style-type: none"> <li>1. EBRD’s SEFF team: EBRD’s in-house staff to design each of the Sustainable Energy and Climate Resilience Financing Facilities (‘SEFF’ or ‘Facility’) under the Programme and oversee Programme activities</li> <li>2. SEFF implementation teams<sup>1</sup>: A group of local and international experts that will be procured in each region or country. They will be supervised by the EBRD to support the execution of the Programme and to monitor PFI’s compliance throughout the entire Programme lifetime.</li> <li>3. Participating financial institutions (‘PFIs’): Microfinance institutions, leasing companies, technology vendors as well as local banks that will on-lending the loans to final beneficiaries. All the sustainable energy and climate resilience projects under the Programme shall be financed via PFIs, not directly financed by the EBRD. At minimum 32 financial institutions are expected to participate in the Programme.</li> </ol> <p>Beneficiaries include:</p> <ul style="list-style-type: none"> <li>• Micro, small, and medium enterprises (MSMEs), the industrial and corporate sector, farmers and households</li> <li>• Public entities (invested via private companies)</li> <li>• Technology suppliers, producers, vendors and installers</li> </ul> <p>Executing entities namely PFI, local engineers and project developers, and Special Purpose Corporations (SPC) will also benefit as a result of capacity building, investment support and increased demand.</p>

<sup>1</sup> SEFF operation teams and Project implementation teams are used interchangeably in the proposal.

A.1.7. Project size category (Individual project size under the Programme, million USD) <sup>2</sup>		<input checked="" type="checkbox"/> Micro ( $\leq 10$ ) <input checked="" type="checkbox"/> Medium ( $50 < x \leq 250$ )	<input checked="" type="checkbox"/> Small ( $10 < x \leq 50$ ) <input checked="" type="checkbox"/> Large ( $> 250$ )
A.1.8. Mitigation / adaptation focus		<input checked="" type="checkbox"/> Mitigation <input checked="" type="checkbox"/> Adaptation <input checked="" type="checkbox"/> Cross-cutting	
A.1.9. Date of submission		11 December 2015;	
Date of last submission		19 September 2016	
A.1.10. Project contact details	Contact person, position	<b>Andreas Biermann</b> , Head of Policy and Climate Finance, Energy Efficiency and Climate Change team; <b>Marta Simonetti</b> , Deputy Head of Multilaterals, Donor Co-Finance	
	Organization	EBRD	
	Email address	BiermanA@ebrd.com; Simonetm@ebrd.com	
	Telephone	+44 (0) 20 7338 6000	
	Mailing address	One Exchange Square, London EC2A 2JN	
A.1.11. Results areas <i>(mark all that apply)</i>			
<u>Reduced emissions from:</u>			
<input checked="" type="checkbox"/> Energy access and power generation (E.g. on-grid, micro-grid or off-grid solar, wind, geothermal, etc.)			
<input type="checkbox"/> Low emission transport (E.g. high-speed rail, rapid bus system, etc.)			
<input checked="" type="checkbox"/> Buildings, cities and industries and appliances (E.g. new and retrofitted energy-efficient buildings, energy-efficient equipment for companies and supply chain management, etc.)			
<input type="checkbox"/> Forestry and land use (E.g. forest conservation and management, agroforestry, agricultural irrigation, water treatment and management, etc.)			
<u>Increased resilience of:</u>			
<input type="checkbox"/> Most vulnerable people and communities (E.g. mitigation of operational risk associated with climate change – diversification of supply sources and supply chain management, relocation of manufacturing facilities and warehouses, etc.)			
<input checked="" type="checkbox"/> Health and well-being, and food and water security (E.g. climate-resilient crops, efficient irrigation systems, etc.)			
<input checked="" type="checkbox"/> Infrastructure and built environment (E.g. sea walls, resilient road networks, etc.)			
<input type="checkbox"/> Ecosystem and ecosystem services (E.g. ecosystem conservation and management, ecotourism, etc.)			

<sup>2</sup> Here, a project refers to an individual loan between the EBRD and the partner financial institution.

### A.2. Project / Programme Executive Summary (max 300 words)

Scaling up private sector climate finance is an urgent priority to rapidly put the world on a mitigation path leading to a 1.5°C outcome and enable vulnerable countries to shift on to a climate resilient pathway. The EBRD-GCF SEFF Co-Financing Programme (the “Programme”) has been developed to deliver this scale in the EBRD region through the use of an innovative approach that builds on over a decade of experience and an existing portfolio of USD 3.5 billion of climate finance mobilized through Partner Financial Institutions (the “PFIs”).

The Programme will contribute to achieving a paradigm shift by creating new and significantly scaling up existing markets for commercial sustainable energy, energy efficiency and climate resilience financing. By doing so it will contribute to the aim as stated in the Paris Agreement to “make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”, through an innovative combination of financial support, capacity building and technology transfer and supported by a deep level of country ownership.

The Programme will deliver scale over the next three years by financing, via local PFIs, more than 20,000 scalable and replicable renewable energy, energy efficiency, and climate resilience projects across the industrial, commercial, residential, transport, and agricultural sectors in the Middle East and North Africa, Western and Central Asia and Southern and Eastern Europe. It will address multiple market barriers along the technology supply chains and unlock the potential of private sector finance by:

- Building the capacity of all actors along the climate technology supply chain, in particular by encouraging local PFIs to establish and grow climate financing solutions for RE, EE and CR that currently either do not exist at all, or are underserved;
- Stimulating demand for best-available climate technologies by providing much-needed long-term finance that more closely matches the financial characteristics of RE, EE and CR projects; and
- Facilitating the creation of new markets by demonstrating the profitability and enhanced competitiveness of climate technologies and ultimately de-risking climate investments to leverage a growing level of funding from the private sector over time.

### A.3. Project/Programme Milestone

Expected approval from accredited entity’s Board (if applicable)	EBRD will obtain its internal approvals within the period specified in the AMA.
Expected financial close (if applicable)	Within 12 months after all the relevant agreements between EBRD and the GCF are finalized for the priority countries. Within 36 months for all countries targeted.
Estimated implementation start and end date	<p><b>Start of Implementation:</b> 01 Jan 2017</p> <p><b>Last Availability Date for Loans to PFIs:</b> 3 years from the date of the execution of the Funded Activity Agreement between GCF and EBRD</p> <p><b>Programme completion date:</b> the earlier of: (1) 15 years from the date of execution of the Funded Activity Agreement between GCF and EBRD, or (2) all the loans to the PFIs are fully repaid to GCF</p>
Project/Programme lifespan	15 years

## B.1. Description of Financial Elements of the Project / Programme

### Programme finance by source of funding

	Total amount	Currency	GCF	EBRD
1. Credit lines (non-grant)	1,462.5	million USD (\$)	382.5	1,080.0*
2. Technical support (grant)	76.0	million USD (\$) equivalent to be committed in EUR	38.0	38.0**
<b>Total Programme finance</b>	<b>1,538.5</b>	<b>million USD (\$) equivalent</b>	<b>420.5</b>	<b>1,118.0</b>

\* EBRD's ordinary capital resources.

\*\* EBRD will at least match GCF grants 1:1 either from its own grant resources, and/or from other bilateral or multilateral donors. To date, the EBRD has secured USD 3 million of technical support grants from the Government of Republic of Korea through its Korea Technical Assistance and Cooperation Fund (KTCF).

### Programme finance by type of activity

Component	Sub-component	Total amount	Currency	GCF funding amount	EBRD funding amount
1. Credit lines (non-grant)	1.1 Energy efficiency loans	900.0	million USD (\$)	225.0	675.0
	1.2 Renewable energy loans	450.0	million USD (\$)	135.0	315.0
	1.3 Climate resilience loans	112.5	million USD (\$)	22.5	90.0
<b>Component 1 total</b>		<b>1,462.5</b>	<b>million USD (\$)</b>	<b>382.5<sup>3</sup></b>	<b>1,080.0</b>
2. Technical support (grant)	2.1 Capacity building (training)	3.8	million USD (\$) equivalent *	2.0	1.8
	2.2 Awareness raising (marketing)	19.0	million USD (\$) equivalent *	0.0	19.0**
	2.3 Project assessment, implementation and monitoring	36.0	million USD (\$) equivalent *	34.0	2.0**
	2.4 Travel cost (e.g. site-visits for project assessment)	7.6	million USD (\$) equivalent *	0.0	7.6
	2.5 SEFF office and miscellaneous	7.6	million USD (\$) equivalent *	0.0	7.6
	2.6 Gender mainstreaming <sup>4</sup>	2.0	million USD (\$) equivalent *	2.0	0.0
<b>Component 2 total</b>		<b>76.0</b>	<b>million USD (\$) equivalent to be committed in EUR*</b>	<b>38.0</b>	<b>38.0</b>

\* Exchange rate of USD1= EUR0.897 was applied in currency conversions.

\*\* Of USD 3 million of grants from the Korea Technical Assistance and Cooperation Fund (KTCF), up to USD 1 million equivalent will be used for awareness raising activities and USD 2 million for project assessment, implementation and monitoring.

<sup>3</sup> Of GCF USD 382.5 million, up to USD 72 million equivalent will be provided in Euro.

<sup>4</sup> Gender assessment, mainstreaming training and technical assistance, monitoring, evaluations and publications



**Use of loan proceeds**

In order to promote the uptake of innovative, high performing climate technologies that have low market penetration rates, the Programme sets ambitious eligibility criteria for climate technologies so that technologies that clearly perform beyond current market practice are financed and demonstrated. At the same time, the level of ambition needs to be appropriate and relevant in each market to avoid promoting a prohibitively expensive market niche.

The following list of climate technologies is to enhance understanding of the potential technologies to be financed under the Programme. This indicative list is thus neither exhaustive nor applicable to all Programme countries.

**Table 1 Indicative type of climate technologies to be financed under the Programme**

<p>Example climate resilience technologies</p>	<p>The Programme will promote and finance innovative and/or high performing technologies and solutions that can address specific climate change impacts, namely water efficiency and climate resilience in agricultural sector.</p> <p>[Water efficiency]</p> <p>In regions where water resource availability is vulnerable to the impacts of climate change, the following types of water efficiency technologies, inter alia, will be considered for demonstration and financing under the Programme:</p> <ul style="list-style-type: none"> <li>• Installation of rainwater harvesting system</li> <li>• Installation of water re-use/ grey water recycling system</li> <li>• Refurbishment of water distribution system in farm buildings, namely water pipes, pumps and taps</li> <li>• Installation of gravity/drip irrigation system</li> <li>• Installation of pressurized systems such as pump, pipes, sprinklers and other fittings</li> </ul> <p>[Climate resilient agricultural production]</p> <ul style="list-style-type: none"> <li>• Minimum / zero till technology to reduce soil erosion</li> <li>• Monitoring and optimizing the use of resources in agriculture production to reduce water demand, soil erosion as well as environmental impact (“smart farm”). For example, monitoring of water use (irrigation system), pollutants, lighting and temperature management for greenhouses.<sup>5</sup></li> </ul>
<p>Example renewable energy technologies:</p>	<ul style="list-style-type: none"> <li>• Installations of solar systems for electricity generation, hot water production (e.g. solar water heaters), and/or for heating/cooling/drying processes</li> <li>• Installations of wind turbines</li> <li>• Small run-of-the-river hydropower plants</li> <li>• Biogas or biomass for production of heat and/or electricity, landfill gas recovery and use</li> <li>• Other renewable technologies and/or energy storage systems</li> <li>• Advanced waste management with production of RDF (refused derived fuels)</li> </ul>
<p>Example energy efficiency technologies and services:</p>	<p>Replacement of production/process machinery and improvement of relevant business processes such as:</p> <ul style="list-style-type: none"> <li>• Installation of absorption Chillers, Variable Speed Drives on selected electric motors</li> <li>• Improvement of motor system, compressed air system, pipeline and process machine insulation</li> <li>• Implementation of energy saving measures primarily aimed at reducing energy consumption of the auxiliary and process equipment</li> </ul> <p>Commercial, public, and residential buildings:</p> <ul style="list-style-type: none"> <li>• The insulation of buildings, replacing windows, doors, heating and lighting systems</li> <li>• Improvement of Heating, Ventilating, Air Conditioning and Refrigerating System</li> <li>• Improvement of boiler system efficiency</li> </ul> <p>Others: fuel switch, on site co-generation of heat and electricity, implementation of Energy Management Systems or Building Management Systems</p>

<sup>5</sup> Pending confirmation of specific technologies, and the presence of reliable manufacturers, suppliers, distributors and installers etc.

**B.2. Project Financing Information**

	Financial Instrument	Amount	Currency		Tenor	Pricing	
(a) Total project financing	<b>(a) = (b) + (c)</b>	1538.5	million USD (\$)				
(b) GCF financing to recipient	Senior Loans	382.5	million USD (\$)		As outlined in Term Sheet	As outlined in Term Sheet	
	Grants*	38.0	million USD (\$) equivalent in EUR		Not applicable	Not applicable	
	Economic and financial justification for the concessionality that the EBRD is requesting from the GCF is provided in <a href="#">Section F.1.</a>						
	<b>Total requested</b>	420.5	million USD (\$)				
(c) Co-financing to recipient	Financial Instrument	Amount	Currency	Name of Institution	Tenor	Pricing	Seniority
	Senior Loans	1,080.0	million USD (\$)	EBRD	As outlined in the Term Sheet	Market-based	As outlined in Term Sheet
	Grant	3.0	million USD (\$) or EUR equivalent	KTCF	n/a	n/a	n/a
	Grant	35.0	million USD (\$) or EUR equivalent	EBRD and/or other bilateral and multilateral donors	n/a	n/a	n/a
	Lead financing institution: EBRD.						
(d) Financial terms between GCF and AE (if applicable)	With regards to the loan proceeds, GCF resources will be passed directly to partner financial institutions (PFI) by the EBRD. An up-to-date due diligence must be in place before EBRD approves each PFI under this Programme. The EBRD will assess PFI financial management capacity and financial regulatory compliance as part of its due diligence. Pricing for GCF loans will be agreed on a case-by-case basis for each market and the principle of not improving on the GCF terms extended to EBRD.						

**B.3. Financial Markets Overview**

Financial barriers are a significant barrier to the mobilization and scaling up of climate finance. These can manifest themselves in inadequate pricing, inflexible grace periods and loan tenors that are not adapted to the characteristics of an investment. The lack of available and accessible commercial finance on offer by local financial institutions hinders the ability of home-owners and businesses to invest in renewable energy, energy efficiency and climate resilience investments. Finance facilities that address these barriers at the same time can contribute to increasing market confidence, reducing risk perception and attracting private

investors into this market segment. The countries targeted by this Programme are characterised by a diversity of financial market characteristics in terms of funding sources, pricing and market penetration. SEFF are designed to address financial barriers specific to each country's market context.

## C.1. Strategic Context

### 1. Common priorities as stated in the INDC and the role of the private sector

The participating countries (the “Countries”) highlighted the crucial role of energy efficiency and renewable energy deployment in mitigating climate change, in the Intended Nationally-Determined Contributions (INDC) for each nation. The INDCs placed particular emphasis on improving demand-side energy efficiency in the industrial sector and buildings, an objective that has traditionally been difficult to achieve due to the diverse nature of these two sectors, and the need for private-sector involvement. A majority of the Countries, in their INDCs, also highlighted their vulnerability to the diverse impacts of climate change. In the case of the Countries in Central Asia, the Middle East and North Africa, reducing water demand in water-intensive sectors is a top priority in their national adaptation agenda.

Some policy measures together with limited public spending are being planned in the Countries to create a more conducive environment for investments in sustainable energy and climate resilience. This indicates a recognition and support of the private sector’s important role in deploying investments to support the INDCs, and its potential to contribute to the paradigm shift to a low-carbon, climate resilient economy.

### 2. Strong potential for private sector investment in climate technologies in the proposed regions

Investments in energy efficiency and renewable energy will have to deliver about 70% of the global greenhouse gas emissions reductions required to shift the world to a below 2°C warming path.<sup>6</sup> The private and financial sectors are integral for achieving the investment volume required in the time available.

Energy efficiency: Significant potential for such investments exists in the Countries, some of which are among the most energy- and carbon-intensive economies in the world. In these regions, technologies that improve energy efficiency can help businesses optimise their production processes and improve product quality to boost profitability and increase competitiveness. In commercial, residential and public buildings, energy efficiency technologies and services can contribute to inhabitants’ enhanced well-being and productivity as well as reduced utility bills.

Renewable energy: The Countries have abundant renewable resources that present commercial opportunities to generate clean electricity at low cost while reducing exposure to volatile fossil fuel prices and securing energy supply through diversified energy sources. Delivering climate finance through local financial institutions enables access to smaller investors and, in particular, distributed and/or building-integrated renewable energy production.

Climate resilience: Many of the Countries are also characterized by their vulnerabilities to the impacts of climate change, in particular reduced availability of water resources. The Programme covers some of the world’s most water-scarce regions, such as Central Asia, the Middle East and North Africa. In these regions, water efficiency is critical not only for sustainable development, but also to maintain and enhance business competitiveness. Nevertheless, the level of technologies deployed is often very basic. Significant opportunities for water efficiency investments on a commercial basis exist in these regions. These opportunities include innovative and/or high-performing technologies for harvesting rainwater, re-using or recycling water, and more efficient irrigation systems. Using local financial institutions to facilitate investments in these technologies will access smaller clients and dispersed investments, especially in the agricultural sector - the main water user in many countries.

### 3. Tapping into the wealth of investment potential through a structured, holistic approach

The Programme will provide the mechanisms needed to effectively and efficiently address the wide range of barriers to scaling up the deployment of innovative, higher performing climate technologies.<sup>7</sup> Implementing the Programme will allow Countries to tap into the potential for financially attractive energy efficiency, renewable energy and climate resilience project opportunities.

<sup>6</sup> Source: International Energy Agency.

<sup>7</sup> Technologies here include services and practices.

Delivering these investments requires mechanisms that can identify, develop, finance and deliver large numbers of relatively small projects scattered among tens of thousands of enterprises and residences. Only the local financial sector has the reach and capacity to deliver climate finance to service the pent-up demand for investments in cleaner and more sustainable solutions.

#### **4. Mainstreaming gender equality and sustainability into business operations and capacity building**

The Programme will provide comprehensive support for PFIs in the areas of gender mainstreaming and environmental and social safeguards. This will contribute to PFIs' greater understanding of and compliance with the GCF's Environmental and Social Safeguard and Gender Policy, facilitating tens of PFIs to become effective partners of the GCF as accredited entities.

##### Promoting gender equality:

EBRD is committed to promoting gender equality, as set out in the *EBRD's Strategy for the Promotion of Gender Equality*. By putting a strong focus on mainstreaming gender in this Programme, in an approach developed jointly between the GCF and the EBRD, it is ensured that the Programme is fully aligned with the Gender Policy and the Gender Action Plan of the GCF, which aims to ensure that women and men will equally benefit from loans/investments supported by the Fund and build both women and men's resilience to climate change. Mainstreaming gender from the initial assessment to finalisation of the financing schemes will highlight EBRD's added value in the mobilisation of private sector climate finance, where gender equality is poorly addressed in general. EBRD will work closely with end beneficiaries, namely SMEs and households, as well as the local financial sector to bring gender considerations into their management and operations<sup>8</sup>.

##### Environmental and social risk management:

The partner financial institutions participating in the Programme will be required by the EBRD and the GCF to address environmental and social risks in their projects in a comprehensive manner, going well beyond minimum standards. PFIs will learn how to set specific climate technology benchmarks by sector and deliver climate financing volume at scale. As a result, environmental and social risks of the projects will be assessed more clearly, and preventative measures and plans will be prepared in a more systematic manner. Moreover, partner financial institutions will be trained to better respond to sustainability issues that emerge in project implementation, and to implement a systematic approach to managing such issues.

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<sup>8</sup> This builds on the lessons learned from a gender study in the residential sector financed by the Clean Technology Fund, and from the EBRD's *Woman in Business* programmes that provide female entrepreneurs access to credit. More information on the gender component of the Programme can be found in the Programme gender action plan document submitted to the GCF in parallel to the proposal.

## C.2. Project / Programme Objective against Baseline

The countries where EBRD proposes to invest with this Programme are characterized by inefficient use of energy and high carbon intensity (tCO<sub>2</sub>eq/GDP) which range from 1.5 to 8 times that of the global average.

**Table 2 Energy and carbon intensity of the Programme region<sup>9</sup>**

		Gross Domestic Product (GDP) (billion 2005 USD)	Total Primary Energy Supply (million toe)	Emissions from fuel combustion (million tCO <sub>2</sub> )	Energy Intensity (TPES/GDP)	Carbon Intensity (CO <sub>2</sub> /GDP)
1	Armenia	6.9	2.9	5.2	0.4	0.7
2	Egypt	128.5	77.5	184.3	0.6	1.4
3	Georgia	9.7	3.9	6.6	0.4	0.6
4	Jordan	18.4	7.7	22.8	0.4	1.2
5	Kyrgyz Republic	3.6	3.9	8.9	1.1	2.4
6	Moldova	4.0	3.1	6.7	0.7	1.6
7	Mongolia	5.1	5.2	18.7	1.0	3.6
8	Montenegro	2.9	1.0	2.3	0.3	0.7
9	Morocco	85.0	18.9	50.3	0.2	0.5
10	Serbia	28.4	14.9	45.3	0.5	1.5
11	Tajikistan	3.9	2.5	3.3	0.6	0.8
12	Tunisia	43.3	10.4	23.7	0.2	0.5
13	Albania	11.3	2.3	3.6	0.2	0.3
European Union - 28		15 148.4	1 625.6	3 340.1	0.1	0.2
India		1 489.8	775.4	1 868.6	0.5	1.2
Brazil		1 166.7	293.7	452.4	0.2	0.3
People's Rep. of China		4 864.0	3 009.5	8 977.1	0.6	1.8
Russian Federation		993.5	730.9	1 543.1	0.7	1.5

These countries are characterized by low market penetration of climate technologies, namely energy efficiency, renewable energy and water efficiency technologies. Despite the commercial viability and substantial economic, social and environmental benefits, investments in climate technologies are given low levels of prioritization due to a number of barriers as follows:

- Financial barriers: high upfront cost of high performing climate technologies, an absence of adequate pricing (interest rate and tenor) to incentivize investments
- High perceived risk of energy efficiency and renewable energy lending
- Technical barriers: Financial institutions lack experience and skills in originating commercially viable energy efficiency and renewable energy projects; borrowers are often unfamiliar with energy costs saving opportunities and lack technical know-how for feasibility studies and energy audits.
- Lack of awareness among stakeholders about the benefits of sustainable energy and climate resilience projects. This includes a lack of knowledge about how to access loan products among end borrowers; local stakeholders lack understanding of the beneficial impacts that sustainable energy production and consumption have on energy or water security, environmental benefits, health and livelihoods in general.

<sup>9</sup> Source: International Energy Agency 2015 (2013 data)

Without addressing these key barriers, the development of a market for sustainable energy and climate resilience is likely to remain limited and the EBRD regions will continue their energy inefficient practices while relying heavily on fossil fuels in their energy mix. By addressing multiple barriers through its design, the Programme aims to scale up private sector investments in energy efficiency, renewable energy and climate resilience projects.

The four specific objectives of this Programme are:

**1. Demonstrate and scale up commercially viable sustainable energy and climate resilience financing**

The Programme will help to develop and to demonstrate efficient and effective financing mechanisms for energy efficiency and renewable projects through new business models designed for industrial, corporate and residential clients. The Programme has important transformational impact aspects as it is expected that other financial institutions will follow and develop sustainable energy and climate resilience business lines to scale-up the potential impact of the project. Through increased financing vehicles, faster market penetration of low-carbon technologies is expected.

**2. Lower the risk perceptions towards sustainable energy and climate resilience projects**

The Programme will encourage partner financial institutions to actively develop these new markets and reduce the perceived high risk of financing sustainable energy and climate resilience projects. Extensive training on risk analysis will enhance PFI loan officers' understanding in these new sectors, and as a result, the risk margins related to the technical risk of projects are expected to be reduced. This brings a benefit to the end beneficiaries in reduced price of borrowing which acts as a pass-through mechanism of the GCF concessional funding from local financial institutions to the final beneficiaries.

**3. Transfer skills for sustainable energy and climate resilience projects**

The Programme will provide technical training for sustainable energy and climate resilience financing to loan officers from various departments (retail, small and medium sized enterprises and mortgage, head offices and regional branches) at partner financial institutions. At the end of the Programme, partner financial institutions will have increased internal capacity to deliver energy efficiency, renewable energy and climate resilience investments.

**4. Raise public awareness of benefits, financial viabilities and positive impacts on the livelihoods of affected communities that result from sustainable energy and climate resilience projects**

The Programme will launch regional or country specific projects through which sustainable energy and climate resilience (mainly water efficiency) technologies, appliances and equipment to the proposed regions above the current market practice by raising public awareness, building capacity to civil society organisations and leveraging their networks. In addition to stimulating demand through increased recognition, marketing activities will improve climate resilient behavior of communities and help potential clients to better understand requirements of financial institutions for sustainable energy and climate resilience lending.

### C.3. Project / Programme Description

Through the climate technology-driven approach as stated in Section B, the Programme will demonstrate at least 20,000 energy efficiency, renewable energy and climate resilience projects with clients in all range of sectors from small and medium-sized enterprises, corporate and industrial sector, renewable energy project developers, farmers and households.

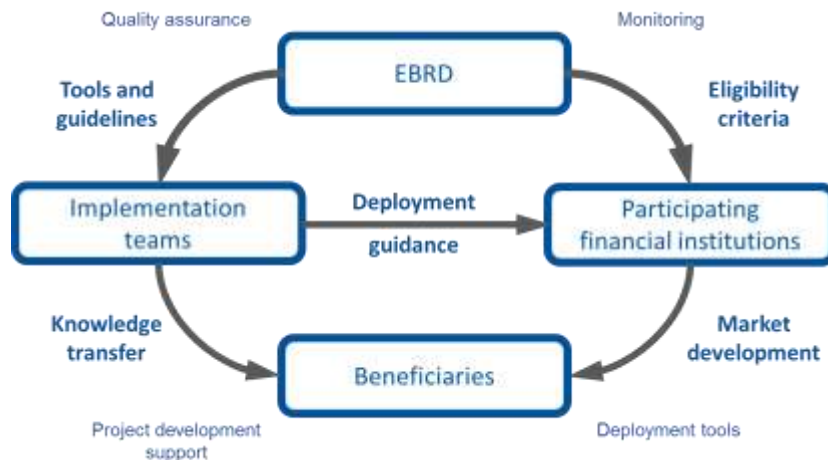


Figure 1 The SEFF Programme model

#### COMPONENT 1. CREDIT LINES (SUSTAINABLE ENERGY AND CLIMATE RESILIENCE LOANS) –NON-GRANT COMPONENT

The first component of the Programme proceeds will be utilized by Participating financial institutions (PFIs) for sustainable energy and climate resilience lending. The financing will support investments in high performance climate technologies and supply chains / local manufacturing to ensure the availability of these technologies.

In principle, all PFIs that comply with EBRD criteria are eligible. Eligibility criteria include:

- PFI financials, integrity and ownership
- PFI business potential forecast / client base in relation to identified market demand / extent that client base would benefit from higher energy performance technologies
- PFI outreach practices / familiarity with financing core items of equipment / executive management enthusiasm for new financing products

The use of proceeds should be in accordance with a 'Policy Statement' as part of the Loan Agreement between EBRD and PFIs. PFIs will on-lend the funds to their clients (end beneficiaries) for either investing in (A) pre-approved technologies from the Best Available Technologies Selector or (B) technologies and equipment validated by the experts procured by EBRD.

#### COMPONENT 2. TECHNICAL SUPPORT–GRANT COMPONENT

The technical support component of the Programme will include investment assistance, training and marketing activities.

##### 2.1 SEFF implementation support throughout the Facility lifecycle

- Initial Facility set up: Develop relevant instruments and tools to ensure efficient and effective implementation and increase PFI's understanding and commitment.
  - Templates (e.g. project assessment report, pipeline monitoring report), on-line calculator, Market-specific Global/regional BAT selector (Equipment finder, Energy Efficiency (EE) Benchmarking of Equipment and Technologies,



- definition of standard equipment and technologies, defining EE benchmarks, identification of suppliers, etc.); and
- Pre-signing support in the form of management presentations, pipeline preparation and kick-off workshops.
  - Gender analysis and sex-disaggregated baseline data to inform the design of Facility and set specific gender mainstreaming targets
- Identifying potential clients & marketing: Loan officers from lending and risk management department at PFI level will learn about screening approaches, data collection and analysis (industries and regions), selection of target clients, preliminary eligibility and creditworthiness assessment of projects. This will help to select creditworthy companies and to identify eligible projects at an early stage.
  - Project screening for technical eligibility: Project assessment report will include verification of technical feasibility and financial viability, findings and conclusions, cash-flow forecasts, financial viability parameters (NPV, IRR), sensitivity analysis and risk analysis.
  - Implementation and verification results monitoring and reporting: The Programme will support the procurement process with regards to the implementation of projects and support PFIs with monitoring the projects development and performance to ensure accountability, consistent practices, and continuous improvement.
  - Periodic monitoring of the Programme progress and final evaluations: The efficiency and effectiveness of the Facility will be assessed throughout the Facility lifetime. Final evaluations on the success of the Programme will be prepared. For the gender component of the Programme an additional mid-term review will be conducted in the 4 initial target countries (Georgia, Morocco, Tunisia and Tajikistan) in order to revise – if necessary – some aspects of the Programme to meet specific countries' needs.

## 2.2 Targeted training and capacity building

There will be several workshops and training sessions for bank officers to effectively use provided tools (Global/regional BAT selector, Project Assessment Report templates, etc.) and learn necessary sales and project evaluation skills.

- Product design, pipeline development & sales techniques to the lending department at PFI so that loan officers are able to identify business opportunities among existing clients, to screen the existing portfolio and to sell EE lending products
- Project Assessment & Risk Analysis training, in particular specific skills for project finance (in comparison to PFI's business-as-usual corporate lending), will include contents such as: Cash-flow forecast, Viability parameters, Sensitivity analysis, Financial modelling, Technical and economic risk analysis.
- Training on SEFF tools to help PFI staff familiarize with relevant tools such as 'global/regional BAT selector' and online energy saving calculators.
- On-the job training to help PFI staff to effectively conduct on-site visits and enhance sales skills.
  - Environmental and Social (E&S) training to credit/risk staff at PFI to ensure PFI's implementation of the required EBRD E&S Risk Management Procedures for Corporate, SME and Micro loans (an outline of the EBRD's E&S training Programme is available at <http://www.ebrd.com/who-we-are/our-values/environmental-emanual-information.html>).
- Gender related training to address specific needs of women and men and potential project/Programme risks on women and men associated with investments

## 2.3 Awareness raising activities

Marketing activities to raise awareness about sustainable energy and climate resilience investments to potential clients and key stakeholders including business associations, government institutions, donors and civil society organisations.

- Marketing tools for targeted marketing activities
- Develop a marketing plan to define target groups and markets and determine targeted marketing instruments, time horizons and budget

- Develop promotional materials covering case studies from various regions
- Support direct mailing campaigns
- Organise or participate in sustainable energy and climate resilience related events
- Raise awareness about sustainable energy and climate resilience related topics, to attract attention and interest of potential borrowers and increase demand and project inflow
- Media Work will include publication of sustainable energy and climate resilience articles, advertisements, press releases, radio/TV spots and online publications
- Website including Facility information, tools (Online calculator, Equipment Selector, Templates) and marketing materials (Articles, press releases, case studies, etc.).
- Gender aspects will be considered in designing marketing materials or carrying out market events, so that both men and women could be equally informed about opportunities to access climate finance.

#### 2.4 Gender action plan

During the first phase of the Programme, a gender analysis will be conducted in all countries involved by consultants to undertake a baseline assessment with sex-disaggregated data related to climate finance and relevant sectors. The analysis will inform the design and implementation of the Programme in a gender-responsive manner. The Gender Action Plan of the Programme will be first tested in the initial target countries and afterwards revised to adapt to the existing challenges observed in each country of operations.

Please see the Annex for the Gender Action Plan.

### C.4. Background Information on Project / Programme Sponsor (Executing Entity)

#### EBRD and PFIs

Since 2006, EBRD has established a partnership with over 110 local financial institutions to mobilise private sector climate finance. Through wide networks of PFIs across 23 countries, over USD 3 billion of EBRD's climate finance has been on-lent to 90,000 beneficiaries to adopt climate technologies; this has led to over 6 million tonnes of CO<sub>2</sub> emission reductions.

EBRD will help PFIs address environmental and social risks through a number of EBRD's [environmental and social \(E&S\) risk management tools](#). EBRD's E&S risk management toolkit will help PFIs screen transactions for E&S risks and assess the effectiveness and adequacy of their client's E&S risk management systems. See [Section G](#) and [Section F.3](#) for more information on the EBRD's E&S risk management.

### C.5. Market Overview (if applicable)

Detailed market analyses will be provided at either PFI or Facility level.

### C.6. Regulation, Taxation and Insurance (if applicable)

EBRD need not obtain any additional licenses or permits to carry out the proposed activities in this Programme.

### C.7. Institutional / Implementation Arrangements

#### The legal arrangements among the GCF, EBRD, PFIs, and final beneficiaries:

(1) Following the GCF Board approval, EBRD and GCF will, based on the AMA, enter into a project-specific legal agreement for the provision of funds. The FAA will outline the sectoral and geographical scope (the "Mandate") of the proposed EBRD/GCF Co-

financing Programme (the “Programme”). The EBRD will be solely responsible for the management and administration of GCF resources and will carry out such management and administration in accordance with its policies, procedures and practices, and with at least the same degree of care as it uses in the administration of its own funds or other donor funds, taking into account the provisions of Accreditation Master Agreement (AMA).

(2) EBRD will seek to sign loan agreements (the “transactions”) with individual PFIs. These transactions will make available EBRD finance as well as GCF co-finance for investments in line with the Mandate of the Programme. During the implementation of the Programme, the EBRD will be responsible for providing the necessary governance, oversight and quality assurance in accordance with its policies, procedures and any specific requirements in AMA.

The EBRD shall follow commercial practices and procedures appropriate for PFIs in all operations financed with the resources of the GCF. In particular, in providing financing, the EBRD shall pay due regard to the prospect that PFIs will be in a position to meet their obligations under the investment agreement. An up-to-date and robust due diligence will be in place before EBRD approves each PFI under this Programme and be presented to the EBRD’s investment committee for review.

(3) Applying the Mandate’s conditions, PFIs will disburse the GCF and EBRD loans to final beneficiaries in line with the Mandate. Under the EBRD SEFF team’s guidance and supervision, SEFF operation teams will help PFIs carry out marketing activities, evaluate eligible technologies and/or projects, and check compliance with the mandate. EBRD in turn will report to the GCF in line with the conditions of the Agreement.

### C.8. Timetable of Project/Programme Implementation

Please see the Annex for the timetable.

### D.1. Value Added for GCF Involvement

The Programme can help the GCF to achieve a paradigm shift to a “well-below 2°C” path by contributing to creating a demand-driven, self-sustaining market for sustainable energy and climate resilience in markets of 280 million people. Sustainable energy and climate resilience financing in the proposed regions is still in a very early development stage with few banks offering dedicated loan products or actively marketing the benefits of such investments. Further efforts to demonstrate the benefits of sustainable energy financing are required to reach a critical mass and upscale the commercial financing of these projects. The Fund will effectively fill the gap in the market through a structured commercial financing scheme combined with long term financing and technical support to accelerate the adoption of climate technologies.

The Programme will help the GCF to “accelerate the operationalization of the adaptation and mitigation windows, and to ensure adequate resources for capacity-building and technology development and transfer”, as requested to the GCF Board during COP 20. By participating in the proposed Programme, the Fund can leverage the EBRD’s wide range of networks with financial institutions and deliver a large number of projects to reach critical mass for the creation of a competitive market. For EBRD, *Component 2. Capacity building*, which is an essential component of SEFF to address capacity bottleneck, can only be provided by donor funding.

The Programme targets various areas of the GCF strategic impacts and cross-cutting investment priorities. Through the mix of investment priorities and results areas, the Programme aims to deliver on the balanced, cross-cutting approach to mitigation and adaptation activities, the GCF seeks. The Programme also targets many of the gaps in the current climate finance landscape, and some of the areas not adequately financed through current channels, that the GCF aims to address. These include energy efficiency investments in buildings, agriculture, capacity building, and cross-cutting support for innovation, through instruments tailored to the specific capital markets of countries.

Nevertheless, the SEFF Programme’s component with the highest value added for GCF involvement is the opportunity to partner with the private sector and harness EBRD’s implementation capacity, to catalyse investment in the results areas and maximize the impact of the Fund’s own investments. The SEFF Programme seeks to help to scale up investment in low-emission development and unlock private sector investments in adaptation, responding to different country financial contexts and availability of capital. It will support mitigation by scaling up increased supply of clean energy, through the combination of EBRD and GCF loans, while also mobilizing private sector activity on the demand side to trigger more efficient energy use and more climate-compatible business practices. The SEFF also boosts private sector involvement in adaptation projects, which until now have suffered from a lack of private capital. The GCF is also the ideal partner for this Programme due to the combination of concessional lending and grant for technical assistance required to achieve the SEFF objectives and consequent paradigm shift in the targeted countries.

### D.2. Exit Strategy

PFIs accessing GCF resources through the EBRD will make the payments of interest, principal and fees in line with the loan agreement. The EBRD Funds Control team will direct these payments on the GCF portion into the (to be established) GCF Special Fund. These funds in the GCF Special Fund can be drawn by the GCF in line with the arrangements made in the AMA (to be agreed and signed).

## E.1. Impact Potential

Potential of the project/Programme to contribute to the achievement of the Fund's objectives and result areas

### E.1.1. Mitigation / adaptation impact potential

As a result of implementing the Programme, over 309 MW of renewable energy generation capacity are expected to be installed and 3,533 GWh of annual final energy savings are expected to be achieved through improved energy efficiency.

At least 90,000 individuals will benefit from the climate resilience investments (water efficiency improvements), awareness raising campaign and training. Of this, over 53,000 people are expected to be exposed to climate resilience awareness campaigns and relevant knowledge sharing activities carried out online and offline.

### E.1.2. Key impact potential indicator

*Provide specific numerical values for the indicators below.*

GCF core indicators	Expected tonnes of carbon dioxide equivalent (t CO <sub>2</sub> eq) to be reduced or avoided (Mitigation only)	Annual	1,939,061 tCO <sub>2</sub> eq/year
		Lifetime	29,085,915 tCO <sub>2</sub> eq
	Expected total number of direct and indirect beneficiaries, disaggregated by gender (adaptation only)	Total	Total number of beneficiaries: 90,660 (of which at least 33,611 women)
		Number of beneficiaries relative to total population, disaggregated by gender (adaptation only) <sup>10</sup>	Percentage
Other relevant indicators	<ul style="list-style-type: none"> <li>Over 20,000 energy efficiency, renewable energy and climate resilience projects to be implemented</li> <li>Over 300 case studies of successful projects to be published on Facility websites</li> </ul> <p>More indicators can be found at Section H.</p>		

<sup>10</sup> Based on total population in all target countries.

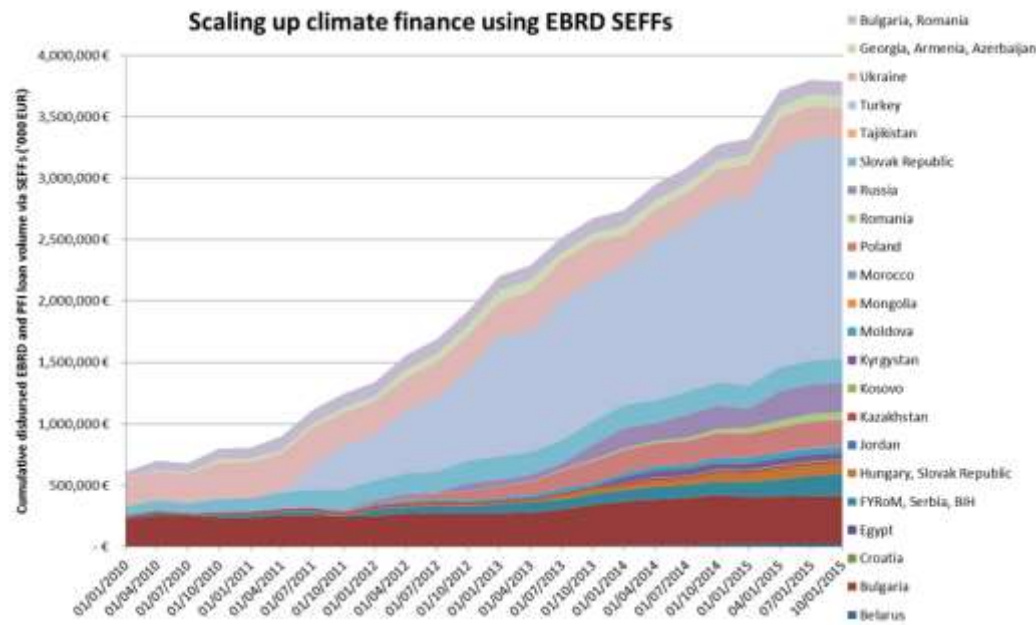
**E.2. Paradigm Shift Potential**

Degree to which the proposed activity can catalyze impact beyond a one-off project/Programme investment

**E.2.1. Potential for scaling up and replication (Provide a numerical multiple and supporting rationale)**

**Historic analyses: increased volume of EBRD SEFF financing over the last five years**

**Figure 2 Volume of EBRD SEFF financing disbursed over the last five years**



The above chart highlights the increased volume of the EBRD’s SEFF over the last five years. The EBRD aims to replicate its success and scale up climate financing in the new regions (Albania, Jordan, Montenegro, Tunisia), new sectors (from industrial and commercial sectors to residential and public sectors), new areas of technologies (from energy efficiency and renewable energy to water efficiency, to broader types of climate resilience technologies).

**Scaling up and replicating climate technology investments from the financial sector’s perspectives**

During the Programme intervention

The on-lending structure with local financial institutions as proposed in this programme is widely observed in climate change financing due its efficiency and effectiveness. The proposed programme, however, goes far beyond making basic lines of finance available through local financial institutions in the following manner:

- Broader marketing network to reach out tens of thousands of project opportunities across regions, sectors and customer segment: the scope of PFIs has been broadened to include not only local banks but also microfinance institutions, leasing companies and technology vendors.
- The SEFF operations teams will provide PFI relevant training and technical tools and help set targeted benchmarks so that they could prioritise and integrate the financing of climate technologies in their daily business practices. As a result, PFIs will be able to identify climate technology investment opportunities from day-to-day financing requests. Furthermore, to deliver the committed climate financing volume and meet the benchmarks on the number of projects by sector, PFI will tap into the large number of small scale project opportunities by addressing the new segment of clients – namely female entrepreneurs, micro enterprises and lower income households – that have often been neglected in the traditional banking sector.

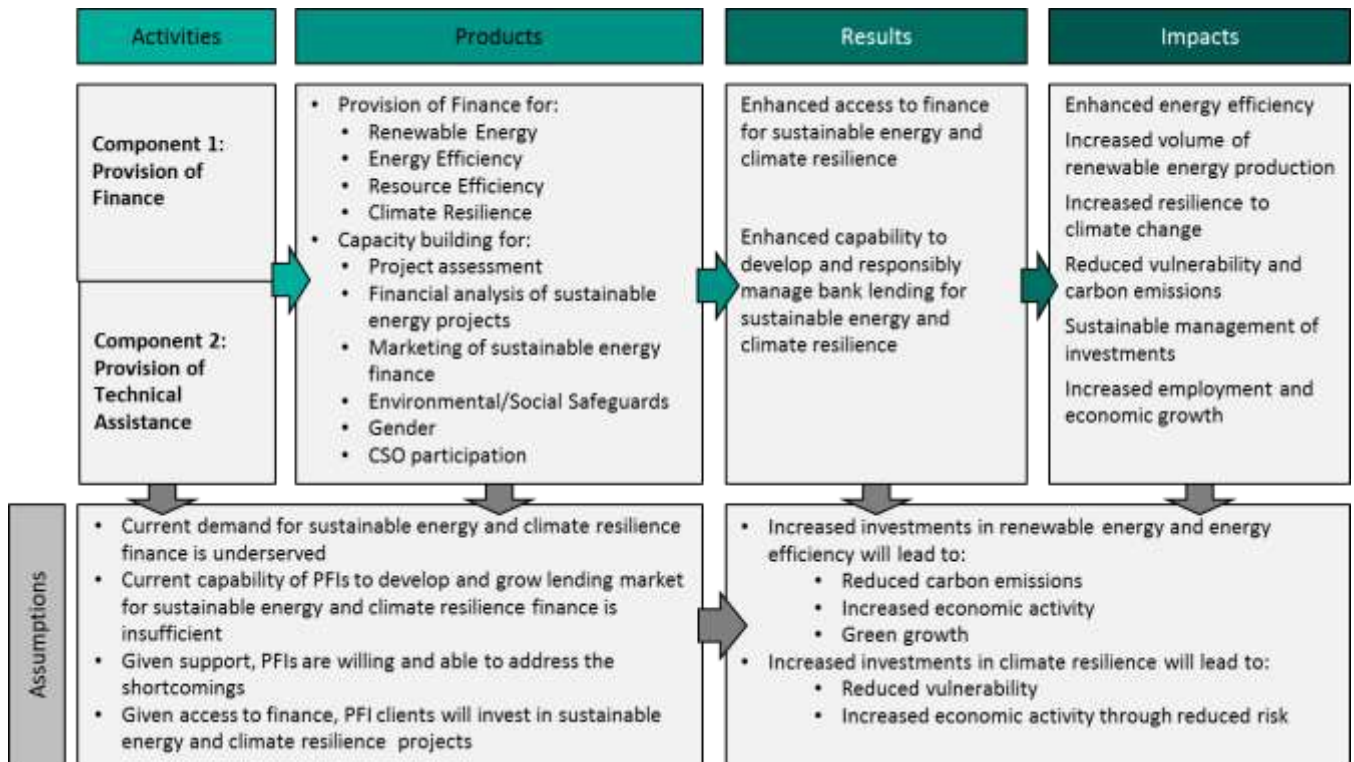
Post the Programme intervention

- Scaling up climate finance within the PFI: Through technical training, on-the-job training, and actual delivery of the climate

financing benchmarks together with the SEFF operation teams, PFIs will be able to identify commercial opportunities regarding climate technologies into their daily business operations – for example, from ‘business-as-usual’ financing requests from SMEs with outdated equipment and business processes. With enhanced understanding of these sectors and their profitability, PFIs will have a greater demand for financing climate projects and start using their own resources for climate lending. As a result, PFIs will be scaling up the volume of climate financing to tap into the commercial opportunities. Climate technology finance therefore will become an integrated and permanent aspect of the PFI’ businesses.

- Replicating the Programme’s success into other financial institutions and other regions will result from knowledge sharing among financial institutions that will be initiated by the EBRD bankers as part of ongoing business relationships with financial institutions in the target countries. The upfront engagement of technical assistance teams to deliver case studies, origination training and marketing efforts will help to establish demand for the financial product and for the Programme to be replicated.

The EBRD’s theory of change



**Figure 3. Theory of change – Sustainable Energy and Climate Resilience Financing Facilities**

A theory of change (ToC) diagram is presented in Figure 3 and provides the logical underpinning of the Programme. Specifically, the theory of change highlights the relation between “activities”, here indicated by the actions proposed for each component, and the main “products” or expected outputs from the implementation of the activities.

For the successful achievement of the outputs, under the current market environment, some hypotheses are needed, as shown in Figure 3 as assumptions. The right half of the figure provides the link between the “products” and the expected outcomes, or project “results”.

The application of ToC indicates that if the establishment of lending Programmes for climate change related purposes is achieved and the technical capacity in the partner financial institutions is built up, then demand for such a lending product will increase within the country, driving the broadening of the lending activities. From “results” to “impacts” we assumed, as

indicated in the figure, that increased lending for the purpose of investing in, inter alia, renewable energy projects, energy efficiency projects, and climate resilience projects, will lead to the achievement of climate mitigation and resilience impacts throughout the economies of the countries where the lending Programmes are being established.

#### E.2.2. Potential for knowledge and learning

Transfer of expertise and skills is a core objective of this Programme. It will mainly benefit loan officers at local financial institutions, while potential clients and civil society organisations (CSOs) active in promoting sustainable energy and climate resilience are also expected to receive support. The Programme aims to prepare at least 300 case studies to demonstrate successful projects across various sectors (Output 4 indicator in [Section H](#)) and make them publicly available through a [SEFF Programme website](#) or a [Facility website](#).

For PFI, the SEFF Programme will deliver trainings on business development and risk management in the sustainable energy and climate resilience sector to staff with client facing roles as well as risk analysis roles. Initial training of loan officers will focus on classroom training followed by on-the-job training.

- Classroom training – comprehensive training materials, covering the details and eligibility criteria of the facility, technical aspects of the project evaluation with illustrative examples, case studies and sales issues.
- On-the-job training – problem solving with actual pipeline of projects as loan officers and branch managers need substantial time and a period of trial and error before they became more adept at project identification. This hands-on training will result in the identification of ‘start’ loan officers, who fully embrace the opportunities for sustainable energy and climate resilience lending and pro-actively go out to promote such projects, going as far as helping their clients to identify potential energy saving projects.

For **end-beneficiaries**, namely SMEs, industrial and commercial sector companies and housing associations, expertise and skills will be transferred during the marketing activities of the Facility and via the project development assistance targeting beneficiaries.

- The widest knowledge and skills diffusion channel will be the various marketing campaigns associated to Facilities, whereby potential clients will learn about sustainable energy and climate resilience financing opportunities, and learn about the requirements of loan applications.
- For smaller-scale projects which are assessed and qualified for financing using lists of best available technologies (See [\(A\) of the Component 1 in C.3](#)), end-borrowers benefit from improved awareness of efficient, advanced technologies. From their interaction with the list tool, and with trained client-facing bank officers, end-borrowers are sensitized with regards to criteria which make technology upgrade choices bankable. Sometimes this can be reflected in clients opting for measures with higher up-front costs but better performance which they may not have chosen otherwise. Such awareness is an essential skill gain in order to ensure future continuous improvements in investment patterns.
- For medium-sized industrial or building projects, procured experts from the SEFF operation teams will visit client companies to conduct feasibility studies or energy and/or resource audits. The aim is to formulate priority investment plans based on the cost savings from energy use and environmental improvements. This process fosters understanding by enterprises of their risks associated with inefficient use of energy or environmental compliance status, their exposure to climate risks, and their technology upgrade and optimization potential. This increased awareness is likely to reflect not only in the directly enabled investment, but over the long-term, in other subsequent improvements. A particular aspect contributing to this lasting effect is due to experts from the SEFF operation teams having to interact with the companies’ financial officers, technical officers and PFI loan officers alike, in order to enable investment buy-in. A major barrier for sustainable investments globally is exactly this lack of integration of technical and financial awareness among enterprises’ decision-makers, in order to prioritize measures which are both technically optimal and bankable.
- All end-beneficiaries benefit from advice on behavioral changes, which are essential to reap the benefits of all efficiency-focused upgrades. In the industrial sector this often materializes as advanced energy management systems which rely on users and staff being trained to use facilities and equipment correctly. In the buildings sector, whether commercial, public or residential, building users are trained or informed of how to minimize energy and water losses.



- All groups benefit from heightened awareness and understanding of how their operations impact natural resources, contribute to and are effected by climate change, and the kind of measures they can take in order to reduce their impacts.

**Civil Society/Non-Governmental Organisations (CSOs/NGOs):**

- Working through CSOs/NGOs, the Programme will transfer skills and knowledge to local populations in a sustainable manner, and ensure the inclusive involvement and buy-in of local stakeholders.
- Associations active on sustainable energy and climate resilience in the proposed regions will receive support to enhance technical knowledge and their capacity to deliver trainings.

**Table 3. Example civil society capacity building activities in the Kyrgyz Republic**

Overview	
Related Investment Programme	Scaling up private sector climate finance through local financial institutions in Kyrgyz Republic
Duration	Approx. 36 months (1-2 assignments per year lasting 10-15 months each)

**Rationale and description of the civil society capacity building**

During the implementation of SEFF projects, there are a number of specific challenges and bottlenecks which can be effectively addressed through civil society capacity building projects focusing on institutional capacity, transfer of skills and technical knowledge, training capacity and communication and outreach skills. Depending on the specific needs of different SEFFs in different countries, the capacity enhancement of civil society organisations (CSOs) would aim to contribute to one or more of the following outcomes:

- raising awareness among the general population about sustainable energy and its relationship to climate change, environmental benefits and positive livelihood impacts;
- stimulating sustainable positive behavioural changes among the population in terms of rational energy consumption and other adaptation options;
- enhancing the capacity of housing and resident associations to access loans from SEFFs;
- training of installers of energy efficiency/ renewable energy equipment;
- supporting social enterprises focusing on sustainable energy for vulnerable groups;
- facilitating knowledge transfer between research and business.

Sectors: SEFF projects typically range across all sectors (agribusiness, food processing, and manufacturing to industry, construction and services). Therefore, CSO capacity building activities would not be limited to individual sectors. An initial needs assessment and experience from previous technical cooperation projects indicates particular potential to work with the residential borrower segment. In addition, cooperation with the financial institutions (who are the recipients of the SEFF credit lines) could be envisaged with regards to trainings on general financial literacy and access to specific loans to housing associations, social enterprises and other potential non-for-profit type clients.

**Case study in Kyrgyz Republic**

The CSO capacity building component will build on the successful experience of the technical cooperation project ‘Capacity Building of a Kyrgyz Association - Energy Efficiency in Buildings’ which supported a SEFF in the Kyrgyz Republic in 2013-2015. The technical assistance was attached to the Kyrgyz Sustainable Energy Financing Facility (KyrSEFF), which aimed to reduce the high carbon-intensity of the residential building sector in the country. The civil society capacity building project addressed a specific bottleneck in the implementation of the investment project – namely poor quality of installation of energy-efficient equipment in residential buildings which is due to a low level of technical skills and vocational training of local installers. The beneficiary CSO (an association working on sustainable energy) received support to enhance its institutional capacity, technical knowledge and its capacity to

deliver trainings in order to be able to assume its aspired role as a leading training body and technical expert on energy efficiency and renewable energy in buildings. The association then promoted the correct use of energy efficient technology and conducted trainings that improved vocational skills of installers according to best international standards in the city of Bishkek as well as the regions in line with the regional coverage of KyrSEFF. A training curriculum was integrated into the portfolio of the association which now allows it to offer trainings in a financially sustainable manner. Also, after the successful completion of technical training courses, trainees were included into a list of Master installers recommended by KyrSEFF to carry out orderings from the borrowers of the KyrSEFF partner banks. Finally, the technical cooperation project raised awareness and increased access to residential energy efficiency loans among potential borrower groups emphasizing that the desired energy savings and making homes better equipped for climatic conditions depend on the quality of installation works.

#### E.2.3. Contribution to the creation of an enabling environment

The Programme contributes to creating an enabling environment for sustainable energy and climate resilience investment through targeted capacity building, awareness raising and connecting a diverse range of stakeholders along the supply chain. The Programme will result in bridging the gap in the climate technology supply chain from manufacturers, suppliers and installers, to buyers, to finance providers, and to other stakeholders by

- establishing the market specific lists of Best Available Technologies;
- various marketing and networking opportunities;
- investment assessments and meetings where SEFF operation team experts, beneficiary's finance team and technical staff will be present;
- consultation with local stakeholders and capacity building of civil societies.

On the PFI's side, the Programme will enhance the PFI staff's understanding of evaluating sustainable energy and climate resilience investments and change the risk perceptions towards these new financing opportunities. This will contribute to a rapid scale up of necessary capital in the market.

On the end beneficiary's side, enhancing investments in more efficient technologies will ultimately make beneficiaries more competitive, more profitable, and less exposed to input costs of energy and resources. From EBRD's SEFF experience, many such investment opportunities would either not come to fruition, or would not happen as rapidly as optimal, were it not for the "accelerating" role of targeted technical assistance tools which bridge potential beneficiaries and providers of finance.

- End-beneficiaries will benefit from technical SEFF investment assessment tools (such as the expert teams conducting customized energy and/or resource audits, or the eligibility assessment against lists of best available technologies) as these tools make their investment plans bankable – they integrate in a streamlined manner considerations related to both technical performance and financial returns.
- For investments in climate resilience, beneficiaries can deepen their understanding of the longer-term risks associated with vulnerability to climate change and an alignment of their investment with this risk factor.
- The beneficiaries in the buildings sector optimize their investment plans which often present wider social and environmental benefits, especially in the municipal and residential sectors. These include enhanced comfort levels and safety, alignment with regulatory requirements for social infrastructure buildings, aesthetic improvements, and increased property asset value.
- Awareness raising activities and dedicated loan product availabilities are expected to stimulate demand for sustainable energy and climate resilience investments.

#### E.2.4. Contribution to regulatory framework and policies

Successful performance of the Programme will encourage national and local authorities to prioritise policy improvement in this sector. To address legal barriers in the market, the EBRD will carry out policy dialogue activities, not as part of the proposed Programme but in parallel with, and informed by, the activities of the proposed Programme.

### E.3. Sustainable Development Potential

#### Wider benefits and priorities

##### E.3.1. Environmental, social and economic co-benefits, including gender-sensitive development impact

#### 1. ECONOMIC, ENVIRONMENTAL AND SOCIAL CO-BENEFITS

##### Economic benefits

In the proposed countries, the SME sector employs the majority of the population and has vast potential for energy efficiency improvements. Improved operational efficiency through the Programme intervention will contribute to SME's competitiveness.

By directly involving the private sector, and raising awareness of the benefits of sustainable energy and climate resilient technologies, at both household, and market levels, the Programme will directly contribute to the creation of markets for these products in the targeted countries. The SEFF Programme will contribute to mainstreaming energy efficiency and renewable energy investments in the financial sector as well as private sector companies by developing competitive market conditions both on the demand side (over 20,000 commercial projects across sectors and raised awareness) and supply side (available capital for sustainable energy financing, capacity building, enhanced knowledge sharing between market players along the supply chain). This Programme will scale up private sector water efficiency financing by introducing water efficient technologies, supporting local financial institutions, delivering innovative water efficiency lending and raising awareness. By delivering demand-side water efficiency improvements at scale in some of the most water-scarce regions in the world, the Programme will drive business competitiveness, reduce the water stress faced by communities and ensure lasting and sustainable development.

Job creation potential: Roughly speaking, the Programme is expected to contribute to around 11,500 green jobs by creating a market for sustainable energy technologies along the supply chain as well as vocational training. The estimate is based on an assumption drawn from the UK Energy Research Centre (UKERC)'s findings that for every GBP 1 million of sustainable energy investments across Europe and countries have contributed to 10 jobs created (equivalent to USD 1 million of investments creating 6.8 green jobs).<sup>11</sup>

##### Social benefits

Improving the efficiency of heating systems and equipment, and building energy use will bring important health and social benefits to the residents in Central Asia and the Caucasus. Heating is of paramount importance in countries with long, cold winters such as those in Central Asia and the Caucasus. Reliable and affordable heating in homes and at work is a fundamental need for all, in particular people living with disabilities and elderly citizens. Also, the Programme interventions are expected to improve adaptive capacities of the vulnerable groups (e.g. farmers) and strengthen community ownership of renewable energy projects through stakeholder engagement.

#### 2. GENDER SENSITIVE DEVELOPMENT IMPACT

Gender equality is an important dimension of the proposed Programme as the EBRD recognises the importance of this agenda as follows:

- Improved and more reliable access to electricity will have strong co-benefits for gender-sensitive development and contribute to better living conditions. Energy vulnerability may have specific impacts on women, such as the increased use of low-grade fuels for cooking and heating which leads to health impacts, resulting in opportunity costs, and fewer

<sup>11</sup> UKERC <http://www.ukerc.ac.uk/publications/low-carbon-jobs-the-evidence-for-net-job-creation-from-policy-support-for-energy-efficiency-and-renewable-energy.html>

education/income generation opportunities due to lack of indoor lighting (UNDP 2012).

- There is a financing gap which mirrors the underinvestment in gender equality in the economic and productive sectors in general.<sup>12</sup> While the transport and energy sectors receive the largest amounts of bilateral aid to climate change overall, only a very small proportion of this targets gender equality. Almost no climate aid to the transport and energy sectors was reported as targeting gender equality as a principal objective.<sup>13</sup>
- In the Middle East and North Africa, closing the gender gap in the labour market could increase GDP by more than 25 per cent per capita.<sup>14</sup> This region still has the lowest levels of women in the workforce in the world. Entrepreneurship, in particular female entrepreneurs, remains an untapped potential source of economic growth. Improving females' access to business support and credit lines could contribute to entrepreneurship, business competitiveness and economic growth.

The EBRD's Strategy for the Promotion of Gender Equality<sup>15</sup> constitutes a major step towards a more systematic approach in terms of gender equality and includes specific references to the work to be done on climate change. For example, gender assessments were conducted for a SEFF in Turkey in which credits became available for women-led small and medium-enterprises, reducing gender gaps in access to finance (See 11).

By taking into account gender components from the initial design of facilities and providing technical support on the promotion of gender equality throughout the Programme lifetime, the Programme will add significant value in the sectors where gender equality is poorly addressed. By mainstreaming gender, the Programme is in line with the Gender Policy and the Gender Action Plan of GCF which aim to:

- Ensure that women and men will equally benefit from loans/investments supported by the Fund;
- Address the assessed potential project/Programme risks on women and men associated with energy efficiency and renewable energy investments financed by the Fund;
- Contribute to reducing the gender gap of climate change-induced social, economic and environmental vulnerabilities; and
- Build women and men's resilience to climate change.

Gender assessments of initial target countries and a Programme level gender action plan were provided to the GCF alongside the proposal.

#### E.4. Needs of the Recipient

##### Vulnerability and financing needs of the beneficiary country and population

###### E.4.1. Vulnerability of country and beneficiary groups (Adaptation only)

Climate resilience investments, in particular water efficiency, will be piloted in the countries in Central Asia, the Middle East and North Africa, which are characterized by their vulnerability to the impact of climate change, particularly suffering severe water stress.

The countries in Central Asia are projected to be particularly affected by climate change. Predicted increases in the variability of precipitation and changes in snow melt patterns have a severe impact on water availability. This is potentially a detrimental risk to economies relying on water as a key resource, with the main sectors depending on agricultural irrigation and hydropower as the main source of electricity.

The Middle East and North Africa region is projected to suffer from increased water scarcity due to climate change. The stress on water resources is often exacerbated by widespread inefficient usage practices and a lack of adequate institutional capacity for effective management. Further, temperatures in the region are projected to rise, leading to increased heat stress and more

<sup>12</sup>OECD (2015) "From commitment to action: Financing gender equality and women's rights in the implementation of the Sustainable Development Goals"

<sup>13</sup> OECD DAC Network on gender equality (Gendernet) (2015) "Making climate finance work for women: overview of the integration of gender equality in aid to climate change"

<sup>14</sup> OECD, <http://www.oecd.org/mena/competitiveness//Statistical%20Portrait.pdf>

<sup>15</sup> EBRD, <http://www.ebrd.com/gender-strategy.html>

frequent heat waves. This in turn will result to more demand for room cooling and an increase in energy usage.

In addition, other Programme regions are vulnerable to the impacts of climate change.

The projected impacts of climate change in the Caucasus region in the form of shifting precipitation patterns, glacial shrinkage and more variable hydrology have serious implications for water availability. This impacts the economic productivity of the region in a range of key sectors including agricultural irrigation, hydropower generation and natural resource extraction.

South-eastern Europe and Moldova: Projections in the IPCC's 5<sup>th</sup> Assessment Review for the wider Mediterranean Basin, including the five Western Balkan countries, for the second half of the 21<sup>st</sup> century, indicate future increases in temperatures, increased frequency and extent of drought periods, and a decrease in precipitation patterns. Additionally, given the mountainous topography of the Western Balkans region, there is a growing risk of flooding associated with more irregular heavy precipitation events. The region as a whole relies on hydropower more so than others in Europe, so there is a direct link between changes in precipitation patterns and the wider economy via the impacts on the power sector.

#### E.4.2. Financial, economic, social and institutional needs

##### **Need of households and MSMEs for climate finance**

Among the beneficiaries of the Programme, MSMEs, households and agricultural sector clients often need climate resilience solutions the most, including those on low-incomes that rely on the availability of financing to afford higher performance technologies. For example, investing in residential energy efficiency is a key measure in approaching the rising affordability impact on households as energy prices will continue to rise to align to costs.

Households and micro, small and medium enterprises (MSME) often lack access to financing due to small loan sizes and relatively high transaction costs. PFIs would be interested in this client segment if large numbers of micro or small sized loans are aggregated and benchmarks targeted at addressing this group of customers are set. The global/local BAT selector that will be used in this Programme includes climate technologies and equipment that have costs starting from just US\$200, enabling the financing of large number of micro and small-sized loans. The EBRD's BAT selector enables delivering the MSMEs and household climate finance at scale through a fast technical eligibility screening and the resulting loan approval by PFIs – often less than a day. In this regard, PFIs are encouraged to promote many micro or small sized loans and those who might have been marginalized in traditional banking could benefit from the Programme.

##### **Need by region**

**The Caucasus:** Armenia and Georgia widely vary in their energy and environmental policy challenges, due to differences in energy supply accessibility, but confront together the impacts of climate changes, such as increasing temperatures, melting of the glaciers, flooding, heat waves, and water shortages. On average, the three countries present an intensity of energy (TPES/GDP, PPP) consumption approximately 33% higher than in the EU. **Georgia and Armenia** are net energy importers. Therefore, diversification of energy supply and tapping into its substantial energy efficiency potential is a regional priority and vital to Georgia and Armenia's energy security.

**Central Asia** continues to suffer from its dependence on fossil fuel, antiquated infrastructures that date back to the Soviet times, and severe scarcities in resources, in particular water. in a region highly prone to climate extremes and climate change, most countries have adopted low-carbon development paths by adopting national strategies that list policy measures and actions for climate mitigation and adaptation, but still have weak regulatory environments to support these policy measures and thus lag in mobilising relevant investments, particularly in the private sector on energy efficiency and renewable energy.

**The Middle East and North Africa:** Enhancing energy sustainability and energy efficiency is undeniably a top regional priority in countries targeted in the region, which are suffering from severe energy crisis and energy deficit, as well as resource scarcity, undermining even political stability.

**South-eastern Europe and Moldova:**

Countries in the Western Balkan region present a very particular situation in terms of overall economic and institutional context, owing to their combined transition and post-conflict. Overall, they differ in their levels of income and institutional setup; however per capita incomes in the region as a whole stands at below a third of the EU average, while on average policy implementation and formulation capacities remain low.

Financially, countries in the region are either recovering slowly or facing stagnant economic conditions, in the aftermath of the crises and slowdown in the Eurozone which they are closely linked to. Although their banking sectors are now generally stable and liquid, banks have been shrinking loan books and remain reluctant to service the region's huge energy and resource efficiency needs given that such investments require adequately termed finance, technical support and often partial grant support. Generally, banks in the region, although liquid, lack access to long-term wholesale financing sources and therefore rely on IFI credit lines for longer on-lending maturities as is required for sustainability focused investments.

This occurs in the context of the region displaying energy intensity levels of GDP four times higher than the EU average (or, more suggestively, 3.7 times the level of neighboring Greece), and primary energy imports representing on average a third of their total primary energy needs. 97% of the oil and natural gas needs of the countries, which account for a third of overall primary energy consumption, are met through imports. The rest of the energy mix is preponderantly represented by coal, and in some countries more than in others, by hydroelectric generation. This still leaves the average CO<sub>2</sub> emissions intensity of GDP of the five countries taken together, at more than 5 times the EU average, according to the IEA. Taken together, these aspects mean that investments in households' energy efficiency need to be made widely available, but together with enabling structures which facilitate access to finance, such as technical assistance and/or incentive grant co-financing.

### E.5. Country Ownership

Beneficiary country (ies) ownership of, and capacity to implement, a funded project or Programme

E.5.1. Existence of a national climate strategy and coherence with existing plans and policies, including NAMAs, NAPAs and NAPs

The Programme will contribute to meeting beneficiary countries' nationally set climate targets and policy priorities by upscaling private sector financing in highly energy intensive and climate vulnerable regions, mainstreaming climate finance into private investments and local financial institutions and building local capacity and awareness on identifying investment opportunities and benefits and how to implement them.

#### The Caucasus region:

Georgia and Armenia are both parties to the UNFCCC and have submitted Intended Nationally Determined Contributions to the Paris Agreement. Both countries have presented quantified mitigation targets and have included an adaptation component. Their contributions build on several years of climate change policy development, reflected in previous national communications to the UNFCCC and, in the case of Georgia, its low emissions development strategy. Both countries have adopted strategies and policies at national as well as local levels, such as the Covenant of Mayors.

#### Central Asia:

Central Asia continues to suffer from its dependence on fossil fuel, antiquated infrastructures that date back to the Soviet times and severe scarcities in resources, in particular water. In a region highly prone to climate extremes and climate change, most countries have adopted low-carbon development paths by adopting national strategies that list policy measures and actions for climate mitigation and adaptation, but still have weak regulatory environments to support these policy measures and thus lag in mobilising relevant investments, particularly in the private sector on energy efficiency and renewable energy. The Central Asian countries have all ratified the UNFCCC and have submitted INDCs. Kazakhstan, for example, has adopted green growth as a national objective and priority, and has improved its regulatory environment for commercial renewable energy investments over the next few years.

#### The Middle East and North Africa:

Enhancing energy sustainability and energy efficiency is undeniably a top priority in the region, which suffers from severe energy crisis and energy deficit, as well as resource scarcity, undermining stability. All six countries have ratified the UNFCCC and submitted INDCs, although the commitment levels are at a considerable range. Notably, Jordan has achieved a series of regulatory improvements between 2012 and 2013 for energy efficiency and renewable energy, approving the “Renewable Energy and Energy Efficiency Law,” as well as announcing the “Energy Efficiency bylaw,” providing grounds for the establishment of a national Renewable Energy and Energy Efficiency Fund. Despite the relatively well-established banking sectors in the region, there is little to no experience in financing sustainable energy and climate resilience investments, especially to SMEs and retailers, and the EBRD has been actively engaged in policy dialogue and pioneering in sustainable energy and climate resilience finance through local financial institutions.

**South-eastern Europe and Moldova:**

Albania, Montenegro and Serbia are Contracting Parties to the Energy Community Secretariat, an inter-governmental organization seeking to align the energy policies of the Western Balkans and Black Sea countries with those of the EU. As such, these countries have committed to adopting EU policies, acquis and related standards in the field of energy and environment into their national laws. These include EU Directives on energy efficiency (2012), on energy services (2006), energy performance of buildings (2010), energy use related labelling of products (2010), etc. Some countries are more advanced than others in transposing these directives. The Energy Community Secretariat regularly monitors their progress. Additionally, most countries in the region have adopted National Energy Efficiency Action Plans submitted every three years, and, as non-Annex I Parties to the UNFCCC, have submitted INDCs.

**E.5.2. Capacity of accredited entities and executing entities to deliver**

Since 2006, the EBRD has invested in over USD 20 billion in sustainable energy<sup>16</sup> and climate resilience financing, either through direct investments or investments via local financial institutions. With the EBRD Board approval on the Green Economy Transition (GET) approach, the EBRD is expected to increase its level of financing in the sphere of climate mitigation and resilience to around EUR 18 billion over the next five years. Therefore the EBRD’s green financing will be expanded to around 40 per cent of its total annual investment by 2020.

In the proposed regions, the EBRD has a proven track record of implementing SEFFs and the Programme would greatly aid scaling up and broadening the scope of EBRD SEFFs into new sectors. The proposed Programme will build on EBRD’s past experience and the GCF’s ability to mobilise a large amount of resources to achieve otherwise unattainable results and eliminate market barriers at both country level and regional level. The proposed Programme will ensure the penetration into previously untapped markets, as well as fully eliminate the targeted market barriers in the developing countries in which EBRD already launched smaller SEFFs in the past.

What has allowed the SEFF Programme to be particularly successful is that a SEFF operation team at Facility level has been established and has provided support on the ground under the supervision of EBRD in-house SEFF managers. The SEFF operation team comprises of local and international experts, to provide professional technical and marketing assistances to local financial institutions and their clients. The knowledge sharing and the local capacity building achieved through this support have been essential to scaling-up finance in sustainable energy in the local market and raising awareness.

The EBRD also combines relevant policy dialogue efforts in parallel to the Programme to further engage in improving regulatory environment for private investments in sustainable energy.

In the countries where EBRD hasn’t launched dedicated energy efficiency financing products through local financial institutions, namely Albania, Jordan, Montenegro and Tunisia, EBRD has established relationships with local financial institutions through other financial products and has knowledge on the market for sustainable energy and climate resilience through its direct investment.

Please see the EBRD SEFF website for more details on EBRD actions in each country, Facility, and project.

<sup>16</sup> In this Programme’s context, sustainable energy refers to energy efficiency and renewable energy.

### E.5.3. Engagement with NDAs, civil society organizations and other relevant stakeholders

EBRD works very closely with governments, authorities and the civil society, to uphold the principle of country ownership via direct partnerships (regional offices); via country representatives on EBRD's resident Board of Directors ([all member countries are represented](#)), and via the provision of country and sector strategies that are developed with the relevant country's involvement and in consultation with key stakeholders.

EBRD has engaged with NDAs with regards to this Programme through face-to-face meetings, presentations and email correspondence. This will be an ongoing process throughout the implementation phase. EBRD has also engaged with respective governments through policy dialogue activities. For example, in South-eastern Europe, the EBRD has been engaging with Albania, Montenegro and Serbia, either directly or via the Energy Community Secretariat, with regards to energy and energy efficiency policy formulation and implementation. Additionally, EBRD has extensive multi-stakeholder engagement experience in the area, as shown by the decision not to proceed with several projects in the past where environmental concerns were flagged up by relevant local groups. These were hydro and transport infrastructure projects.

#### **Engagement with civil society organisations (CSOs)**

The EBRD recognises the important role of CSOs in raising awareness and stimulating behavioural change, and has engaged with a wide range of CSOs throughout past SEFFs, for example in the Kyrgyz Republic and Tajikistan.

- In the Kyrgyz Republic, a capacity building project for a Kyrgyz Association for sustainable energy was carried out to raise public awareness on the rational use of energy and to improve vocational skills of installers ([Kyrgyz Sustainable Energy Financing Facility](#)).
- In Tajikistan, EBRD has been closely collaborating with a wide-reaching CSO network on questions of climate resilience. This has facilitated a continuous dialogue with a wide range of CSOs, which contributed to the development of the climate resilience component of SEFF.

The Programme's design and implementation are consistent with the Fund's requirements for stakeholder engagement and disclosure, as well as the GCF's Criteria for Programme and Project Funding. A Stakeholder Engagement Plan will guide communications in the Programme with stakeholders including public disclosure of additional information not required by local laws and gender considerations. The Programme will ensure all consultations be designed in a gender responsive way and women will be equally consulted and participate in all discussions related to the project (including the question of affordability that may potentially affect single headed households). The EBRD's stakeholder engagement schemes will ensure that the views and concerns of local communities are adequately reflected and that the Programme objectives, risks, and results are communicated effectively among local stakeholders ensuring local ownership of this Programme.

In addition, a civil society capacity building component will enhance CSOs' technical knowledge, institutional and skills transfer capacity (Training of Trainers), as well as training and outreach skills. This will enable CSOs to implement public awareness raising activities and disseminate skills and knowledge among their constituencies about the benefits of sustainable energy production and consumption, access to loan products, environmental benefits, the relationship between climate change and energy security and consequent impacts on public health, as well as adaptation options, thus promoting sustainable positive behavioural change among target citizen groups. The capacity building component will be implemented through trainings, tailored coaching, public events and workshops. Beneficiaries will include a range of CSOs, such as sustainable energy CSOs, environmental NGOs, resident and housing associations, neighborhood groups, and local small business associations.

The Programme's CSO engagement and capacity building component will draw on the successful experience of previous SEFFs in the Kyrgyz Republic. Replicating the positive impact from KyrSEFF, specific bottlenecks in the implementation of the Programme will be addressed in a manner that is tailored to the needs and specificities of each country and local stakeholder groups. The summary of the KyrSEFF case study is provided below (See [10](#) for more details):

As part of Kyrgyz Sustainable Energy Financing Facility (KyrSEFF), capacity building project was carried out for a Kyrgyz



association which promotes the use of energy efficient technologies between 2013 and 2015. Trainers from the association who received training from KyrSEFF then conducted trainings that improved vocational skills of installers according to best international standards in the city of Bishkek as well as the regions covered under KyrSEFF. Trainees who successfully completed technical training courses were included into KyrSEFF's list of Master Installers, which borrowers of KyrSEFF loans referred to in order to identify qualified installers. The CSO capacity building project contributed to raising awareness and increased uptake of residential energy efficiency loans among potential borrower groups.

Gender-sensitive stakeholder engagement

The Programme will ensure all consultations with stakeholders to be designed in a gender responsive way and women will be equally consulted and participate in all discussions related to the project (including the question of affordability that may potentially affect single headed households). This approach will be incremental and would set a proper benchmark for the projects to follow.

**E.6. Efficiency and Effectiveness**

Economic and, if appropriate, financial soundness of the project/Programme

**E.6.1. Cost-effectiveness and efficiency**

The analysis on the emission reduction potentials of the Programme shows that 1 tonne of CO<sub>2</sub> equivalent emission reductions can be achieved with US\$46.4 of mitigation investments in this Programme. The GCF will be able to achieve unit emission reductions (1 tonne of CO<sub>2</sub> eq) with US\$11.6 of its own funds on mitigation activities (See [Section E6.5](#)).

**E.6.2. Co-financing, leveraging and mobilized long-term investments (mitigation only)**

The EBRD will provide co-financing of USD 1,118 million from its own resources and from the EBRD's bilateral and multilateral donors. The Government of the Republic of Korea will contribute USD 3 million through its Korea Technical Assistance and Cooperation Fund. As a result, the GCF contributions will account for around 27% of the total financing required to deliver the Programme. This is expected to leverage a substantial amount of financing from local financial institutions.

E.6.3. Financial viability

Each SEFF under the Programme will approve projects that meet certain profitability criteria (e.g. Internal Rate of Return > 10 per cent) on an ex-ante basis during the technical eligibility assessment to ensure financial viability of projects and asset quality. Improvements in energy efficiency often help the credit worthiness status of industrial and commercial companies due to reduced operational costs, which are achieved through energy savings and increased production reliability.

E.6.4. Application of best practices

Industrial energy efficiency and building level projects require technical assessments by experts procured by EBRD. The experts will conduct supply chain analysis, identify best available technologies for the client companies and help to prioritize investments. As a result, clients can adopt international best practices in terms of efficient energy and resource use, which often outperform national regulations.

In addition, SEFF uses a list of best available technologies for small scale projects to speed up investment in these technologies. This market-specific technology database is publicly available on each Facility website and introduces technologies that have been identified as having high performance at a reasonable cost. The list will contain around 50 climate technology categories, 500 sub-categories and performance criteria; equipment models, materials available in the market; a list of manufacturers, suppliers and installers. As investments from the list can be approved by local financial institutions without further eligibility assessments, the list reduces transaction costs for local financial institutions and accelerates financing for a large number of small-sized projects.

The extent to which the performance requirement goes beyond the reference baseline differs for each specific technology and is set according to four major principles: technological progress, maturity of market supply, market penetration rates and technology costs.

E.6.5. Key efficiency and effectiveness indicators

Estimated cost per t CO <sub>2</sub> eq, defined as total investment cost / expected lifetime emission reductions			
		Mitigation finance only (excluding adaptation finance and cross-sectoral TA support)	Total programme finance
<i>GCF core indicators</i>	(a) Total Programme financing	US\$ 1,350.0 million	US\$ 1,538.5 million
	(b) Requested GCF amount	US\$ 337.5 million	US\$ 420.5 million
	(c) Expected lifetime emission reductions	29,085,915.9 tCO <sub>2</sub> eq	29,085,915.9 tCO <sub>2</sub> eq
	(d) Estimated cost per tCO <sub>2</sub> eq (d = a / c)	US\$ 46.4/tCO <sub>2</sub> e	US\$ 52.9/tCO <sub>2</sub> e
	(e) Estimated GCF cost per tCO <sub>2</sub> eq removed (e = b / c)	US\$ 11.6/tCO <sub>2</sub> e	US\$ 14.5/tCO <sub>2</sub> e
Expected volume of finance to be leveraged by the proposed project/Programme and as a result of the Fund's financing, disaggregated by public and private sources (mitigation only)			
<p>Given the early development stage of the market, the Programme requires that local financial institutions successfully on-lend EBRD and the GCF resources to final beneficiaries. For this reason, EBRD does not track co-financing amounts by partner financial institutions (PFI) nor require reporting of co-financing from PFIs.</p> <p>PFIs report to the EBRD the disbursed/utilized amount of the credit line only. The EBRD obtains information on co-financing amounts indirectly from SEFF operation teams through monthly, bi-monthly or quarterly reporting. SEFF operation teams assist PFIs with project screening and implementation. They report to the EBRD the</p>			



disbursement rate of the credit lines, the number of projects approved during the reporting period, and the total investment size of each project. The EBRD estimates the co-financing amount based on the difference between the total project size and the project loan amount. This difference can be from the PFI's own resources, the borrower's own resources, or other sources, most of which come from the private sector. However, reporting by SEFF operation teams cannot differentiate between these various sources of co-financing amounts.

Additional information on co-finance can be obtained through EBRD-led surveys of PFIs. Also, the efficiency and effectiveness of the SEFF Programme is likely to be evaluated by the EBRD's independent Evaluation department after the closing of the Programme, in line with EBRD policies.

\* The information can be drawn from the project/Programme appraisal document.

## F.1. Economic and Financial Analysis

A detailed economic and financial analysis will be conducted at project level for investments that require eligibility assessments. The regional and country specific economic and market analyses have been provided to the GCF Secretariat.

### GCF Concessionality

Concessional and grant funding from the GCF to go alongside the EBRD will bring a range of benefits to the recipients as well as final beneficiaries: incentives to establish and/or expand on new business models for lending for sustainable energy, resource efficiency, and climate resilience; technical assistance and capacity building of final beneficiaries, namely energy audits and energy management systems; and the promotion of gender equality.

Concessionality will consist of reduced pricing compared to EBRD pricing and market finance. The provision of such reduced pricing is a key element attracting PFIs. It will enable PFIs to justify internally the acceptance of the enhanced reporting and monitoring requirements, as well as the expenditure of setting up new lines of business in unproven markets, and the investment in training of loan officers. It will also drive competition between PFIs in a given market who can use the concessional pricing to pass on benefits to their clients with the aim of increasing market share in sustainable energy lending. Concessionality will be tailored to the specific local market situation within the parameters established as part of this Programme application.

The relatively low level of blended concessionality does not allow for a requirement to have this passed on to the end client of the PFIs. First, such a pass-through requirement will remove the incentive for the PFI to engage in building up the lending Programmes, as discussed above. Secondly, the low level of concessionality will not make a substantial difference to end borrowers in influencing their investment decision. Thirdly, there would be substantial cost involved in establishing and policing such a mechanism. Finally, there market observation indicates that some of the concessionality will be passed on by PFIs as part of the competitive process, when they attempt to build market share.

## F.2. Technical Evaluation

A number of ex-ante technical performance indicators will be defined and provided as Policy Statement (see samples submitted as part of this application) governing Loan Agreements between EBRD and PFI. Projects using the SEFF loan proceeds will thus meet technical performance requirement specified through this statement.

Those indicators are namely:

- Energy saving ratio of projects to be more than 20% compared to baselines
- Internal Rate of Return (IRR) of projects to be more than 10%

*Global/regional BAT selector* will provide a list of equipment and measures that meet the SEFF loan criteria and that are appropriate in the local market context. For complex industrial or building projects, experts procured by EBRD will conduct technical evaluations for the individual project and prepare technical evaluation reports.

## F.3. Environmental, Social Assessment, including Gender Considerations

### 1. Environmental and Social Management System

The EBRD will establish a comprehensive Environmental and Social Management System (ESMS) for the Programme, based on its established Environmental and Social Policy. This will ensure that PFIs financed through the Programme will comply fully with all requirements needed to ensure mitigation of environmental and social risks relating to the implementation of projects. PFIs will also have to define roles and responsibilities for designated staff members for the oversight and day-to-day implementation of their ESMS and ensure that adequate technical expertise is available (either in-house or externally sourced)

for the implementation of their ESMS.

PFI will be categorised and will have a number of requirements to meet the EBRD's environmental and social performance. Comprehensive monitoring will be carried out by EBRD and technical consultants implementing the support of the Facility. Reporting to the GCF will be based on the results of this monitoring.

#### Categorisation of PFIs and Environmental and Social Due Diligence

Given that the financing structure of the Facility involves provision of financing through financial intermediaries (FIs), EBRD will categorise all projects under this Facility as "FI". The PFIs will therefore generally have to follow the same environmental and social appraisal process as directly financed projects by EBRD would. However, the nature of environmental and social appraisal will be adjusted to the specific characteristics of PFI projects.

Although the EBRD does not formally further categorise its FIs into FI-1, FI-2 and FI-3, the EBRD does, at the time of categorisation, undertake an informal risk categorisation of the FI and its current and proposed activities. In the context of the Facility, loans provided to PFIs for residential financing will typically be considered as low environmental and social (E&S) risk, whereas loans provided for the financing of industrial and commercial projects would typically be considered low-medium, or high-medium, risk and in a few cases high risk, particularly where financing is to be provided for selected renewable energy projects.

Each PFI will be considered on a case-by-case basis. When appraising the environmental and social risks associated with a PFI, EBRD will consider a variety of factors, namely the nature of the PFI's businesses, E&S and human resources policies and management systems and current exposures to E&S risks.

The environmental and social due diligence (ESDD) for PFI projects will start with questionnaires, which must be completed by the PFI's client and submitted to EBRD for review. Based on the information obtained through the questionnaires, EBRD will determine:

- whether further environmental and social investigation is needed;
- a need for additional requirements for projects or for training to strengthen the environmental and social and/or human resources management capacity of the FI; and
- the nature of reporting and monitoring requirements to be imposed on the project.

#### General Performance Requirements

All PFIs financed through the Facility will also be required to comply with the relevant EBRD's Performance Requirements, as set out below.

1) Applicable to the PFI itself and not the project portfolio

PR2: Labour and Working Conditions. The key requirements of PR2 are that the PFIs comply, at a minimum, with (i) national labour, social security and occupational health and safety laws, and (ii) the fundamental principles and standards embodied in the ILO conventions.

PR4: Health and Safety. The key requirements of PR4 are that PFIs take steps to identify and prevent accidents, injury and disease to workers and affected communities arising from or associated with, or occurring in the course of the project activities and prepare and implement preventative measures and plans to manage health and safety risks in accordance with the mitigation hierarchy approach and GIP.

2) Applicable to the PFI and to its activities and portfolio

PR9: Financial Intermediaries. The key requirements of PR9 are that PFIs put in place a clearly defined Environmental and Social Management System (ESMS), including an environmental and social policy and environmental and social procedures commensurate with the nature of the FI, the level of environmental and social risks associated with its business activities, and the type of the projects.

#### Exclusions, and Compliance with Relevant Laws and Regulations

All projects financed by the PFIs must comply with EBRD's Environmental and Social Exclusion List as well as applicable local and national environment, health, safety and labour regulations and standards.

In cases where the PFIs finance projects that would be classified 'A' on the environmental risk assessment if they were to be financed by EBRD, the PFI will be required to ensure that all such projects meet the criteria in the indicative list of Category A projects included as Appendix 2 in the EBRD Environmental and Social Policy (ESP); such projects will be required to meet PRs 1 to 8 and 10. Appendix 2 can be found on Page 9 of the EBRD's Environmental and Social Policy [at this link](#).

The full PRs can be found following [this link](#). To assist the PFIs in implementing the above requirements, EBRD has developed a number of guidance documents. All of these can be found through [this link](#).

#### Monitoring

On an annual basis, all PFIs will be required to submit to the EBRD annual environmental and social reports on the implementation status of the ESMS, PR9, PR 2, the occupational health and safety requirements of PR 4, as well as the environmental and social performance of its portfolio of projects. EBRD also reserves the right to conduct site visits to PFIs to monitor the implementation of the Bank's requirements and to visit projects as necessary.

#### **2. Gender Considerations**

The Programme will aim to promote gender equality in the implementation of the Programme. For this, gender analysis will be conducted - during an early phase of the Programme - to undertake a baseline assessment with sex-disaggregated data and inform the design of Facilities. In this context, gender profiles of the first 4 pilot countries are prepared and submitted alongside the proposal.

The EBRD has prepared an overall gender action plan, which includes specific activities, expected outputs, outcomes and impacts as well as monitoring indicators (See the table below). A dedicated budget will be allocated to undertake this gender action plan in order to allocate adequate resources to integrate dedicated specialists into the SEFF operation teams in each country. A dedicated team will also be allocated (composed by consultants team leader and Programme manager) to coordinate all consultants and monitor activities and results, with an oversight by the EBRD.

### **F.4. Financial Management and Procurement**

#### **FINANCIAL MANAGEMENT**

As stated in Article 10 of the Agreement Establishing the EBRD, *Separation of operations*, the 'ordinary capital resources' of the EBRD and the GCF resources as 'Special Funds resources' of the EBRD shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from each other. EBRD will thus establish the GCF Special Fund ('the Special Fund') internally, through which all payments from the GCF and repayments to the GCF will pass.

Financial Reporting on the GCF Special Fund will be provided on an annual basis as standard, covering the period January to December inclusive. If more frequent financial reporting is required, this will be subject to negotiations at the time of signing of the relevant funding agreement.

## PROCUREMENT

### 1. EBRD's Procurement Policies and Rules (PP&R)

The EBRD aims to help create reliable and stable markets for climate technologies in its regions and thus puts strong emphasis on procurement of relevant goods and services. The EBRD's Procurement Policies and Rules (PP&R) are designed to promote efficiency and effectiveness and to minimise credit risk in the implementation of the EBRD's lending and investment operations.

Among the EBRD's PP&R<sup>17</sup>, *Procurement in Private Sector Operations* (PP&R Section 4) and *Procurement of Consultant Services* (PP&R Section 5) are of particular relevance to this Programme.

### 2. Event of violation of procurement policies and EBRD Enforcement Policy and Procedures

The EBRD requires that clients, including beneficiaries of Bank-financed operations, as well as tenderers, suppliers, contractors, concessionaires and consultants under EBRD-financed contracts, observe the highest standard of transparency and integrity during the procurement, execution and implementation of such contracts. In pursuance of this policy, the Bank defines prohibited practices, namely coercive practice, collusive practice, corrupt practice, fraudulent practice and theft (PP&R Section 2.9).

Any occurrence, or suspected occurrence, of a Prohibited Practice in the procurement, award, or implementation of a Bank-financed contract in the context of an EBRD transaction shall be dealt with in accordance with the provisions of the Bank's Enforcement Policy as defined in the EBRD's Enforcement Policy and Procedures. These rules will be included in the loan agreements with PFIs and in any contracts selected under this Programme.

### 3. Procurement plan for consultant services for SEFF implementation teams

- Step 1. As soon as the Programme gets the GCF board approval, the EBRD will seek to obtain internal approval of using the resources of the GCF for technical cooperation activities (Component 2 at Section B.1) – expected duration 1 month
- Step 2. The EBRD provides an official channel for consultants procurement. The EBRD will prepare specific Terms of Reference (ToR) for each Facility, including a description of the tasks to be performed, time-schedules and reporting instructions – 2 month
- Step 3. The EBRD will review qualified candidates' expression of interests and technical and financial proposals. Proposals will include details of the expert(s) proposed to carry out the work. – 2 months
- Step 4. After reviewing the proposals, the EBRD will invite the final candidates for face-to-face interview and will make decisions. Negotiating with the pricing, duration and scope of the assignments will be carried out. – 1 month.

<sup>17</sup> <http://www.ebrd.com/news/publications/policies/procurement-policies-and-rules.html>

### G.1. Risk Assessment Summary

The performance of the Programme could be affected by the following key risks: limited uptake of sustainable energy or climate resilience products, Environmental and Social (E&S) policy compliance, procurement to FIs and final borrowers in line with the GCF fiduciary requirement, market risks due to foreign exchange fluctuations. The levels of these key risks are considered moderate and expected to be mitigated to a substantial degree by the EBRD's operational tools and control mechanisms.

With over 10 years of experience on sustainable energy financing through local financial institutions, EBRD has established and enhanced control mechanisms to address key project risks. As a result, historic risk of default of the SEFF projects and the loss given default are among the lowest in the EBRD's financial sector portfolio.

The EBRD's willingness and ability to bear risk, as a result of its shareholder base and established control systems, allows itself to act at the frontier of commercial possibilities and be an effective 'demonstrator' with regards to sustainable energy and climate resilience financing.

### G.2. Risk Factors and Mitigation Measures

*Please describe financial, technical and operational, social and environmental and other risks that might prevent the project/Programme objectives from being achieved. Also describe the proposed risk mitigation measures.*

#### Risk factor 1. Limited uptake of energy efficiency loans in the residential sector

Description	Risk category	Level of impact	Probability of risk occurring
The penetration of energy efficiency loans in the residential sector might be very low due to the fragmented residential sector, lack of awareness of the potential energy savings and lack of capacity of local financial institutions. The main implementation risk lies in the limited uptake of loans by local financial institutions and underutilization by households.	Technical and operational	High (>20% of project value)	Medium

#### Mitigation Measure(s)

This risk can be mitigated to a substantial degree by a strong marketing campaign, skills transfer aimed at building durable skills and capacity within local banks and key stakeholders, and a targeted selection of the financial institutions that are dedicated to mainstream energy efficiency lending in their business lines.

#### Risk factor 2. Sub-loan (asset) quality

Description	Risk category	Level of impact	Probability of risk occurring
Ineffective decision making in PFI may result in unrealistic expectations, disbursement delays and repayment problems and hence affect the success of the Facility (SEFF).	Financial	Medium (5.1-20% of project value)	Low



<b>Mitigation Measure(s)</b>			
<p>Sub-loan quality risk is expected to be mitigated to a substantial degree through a technical support component in the Programme. To ensure the underlying investments are financially viable, the SEFF operation team will provide support with technical eligibility assessments and financial analysis to project cash-flow from the anticipated technical performance. The SEFF operation team will provide on-the-job training to loan-officers and develop relevant tools such as Operations Manuals, standard application forms, etc. In addition, qualifying financial institutions will conduct credit risk assessments on their clients (final beneficiaries) and structure security as necessary, all of which will help to maintain good asset quality.</p>			
<b>Risk Factor 3. Macro-economic risks</b>			
<b>Description</b>	<b>Risk category</b>	<b>Level of impact</b>	<b>Probability of risk occurring</b>
Macroeconomic factors such as political instability and decrease of currency value can lead to a slowdown in both the growth of the economy in the Programme region and financial sector. This could pose threats to the financial performance of the PFI and their ability to successfully utilise the credit lines under the Programme.	Financial	High (>20% of project value)	Medium
<b>Mitigation Measure(s)</b>			
<p>EBRD will closely monitor the upcoming events on the markets and the potential impacts on the financial performance of partner financial institutions. Partner financial institutions will have an obligation to regularly report on financial performance, financial covenants and implementation of the Facility. In addition, EBRD will coordinate closely with the SEFF operation team and receive regular updates and reports on the project implementation.</p>			
<b>Risk Factor 4. Use of loan proceeds or grants in unintended areas</b>			
<b>Description</b>	<b>Risk category</b>	<b>Level of impact</b>	<b>Probability of risk occurring</b>
Use of loan proceeds for purposes other than those envisaged under the Facility	Other	Medium (5.1-20% of project value)	Low
<b>Mitigation Measure(s)</b>			
<p>The risks that loan proceeds or grants could be utilized for objectives not consistent with the Programme objective will be mitigated as follows:</p> <ul style="list-style-type: none"> <li>• The scope of each project to be implemented will be defined and agreed in consultation between the SEFF operation team and clients (final beneficiaries who borrow funds from the partner financial institutions) and must meet eligibility criteria of the respective Facility;</li> <li>• The project completion is validated by the SEFF operation team; projects not meeting the criteria will be excluded from the portfolio of the Facility; and</li> <li>• Frequent monitoring of progress by EBRD through the project monitoring reports.</li> </ul>			

<b>Risk Factor 5. Environmental and social (E&amp;S) safeguards</b>			
Description	Risk category	Level of impact	Probability of risk occurring
When less strict national regulations are in place, PFIs may not carry out necessary steps to ensure environmental and social due diligence to comply with the EBRD Environmental Social Policy, which is in line with the GCF Environmental and Social Safeguards.	Social and environmental	Medium (5.1-20% of project value)	Low
<b>Mitigation Measure(s)</b>			
<p>Majority of loans for financing <u>(I) pre-approved technologies</u> in the BAT selector, namely household equipment, will typically fall into low environmental and social (E&amp;S) risk category. On the other hand, <u>(II) loans provided for the financing after expert assessments</u> (e.g. medium sized industrial and commercial projects) will fall into various E&amp;S risk categories depending on the project-specific characteristics; E&amp;S risk for these complex projects can vary from low-medium to high-medium, to high risk where financing is to be provided for selected renewable energy projects.</p> <p>Each project in the second category (II) will be assessed by the SEFF implementation team and will be reviewed by the EBRD in-house staff. In this manner, PFIs' compliance with the EBRD's environmental and social policy (ESP) will be closely monitored.</p> <p>PFIs will be required to report to the EBRD on the implementation of its Environmental and Social Management System (ESMS) Performance Requirements as well as the environmental and social performance of its portfolio of projects. EBRD also reserves the right to conduct site visits to PFIs to monitor the implementation of the Bank's requirements and to visit projects as necessary.</p>			
<b>Risk Factor 6. Failure of third parties to comply with the policy requirements of the EBRD and the GCF</b>			
Description	Risk category	Level of impact	Probability of risk occurring
During the 12 <sup>th</sup> Board meeting of the GCF, civil society organisations and the GCF Secretariat stated concerns with regards to failure of compliance by the third parties in using the resources of the GCF. In this Programme's context, they are partner financial institutions (PFI).	Technical and operational	Medium (5.1-20% of project value)	Low
<b>Mitigation Measure(s)</b>			
<p>The EBRD has established oversight and control practices to address the above risks to the fullest extent throughout the entire project and project lifecycle.</p> <p>Majority of financial institutions to participate in this Programme are expected to have existing relationships with the EBRD. The EBRD has already tested their level of compliance with policy requirements, via sustainable energy and climate resilience financing products (SEFF) and/or other financial products. The EBRD has filed existing PFI' track record and exposure to risks with regards to AML/CFT, E&amp;S and other corporate practices.</p> <p>The EBRD specifically does not work with PFIs where policy compliance is in doubt or considered at risk. For both existing and</p>			

new PFI clients, the EBRD carries out a robust and thorough due diligence assessments to address the mentioned above risks.

**Risk Factor 7. Foreign exchange (FX) fluctuations**

Description	Risk category	Level of impact	Probability of risk occurring
<p>Foreign exchange (FX) fluctuations could affect the value of reflows to the GCF and/or the probability of default of PFIs.</p> <p>In the Central Asia and the Caucasus, small and medium enterprises (SMEs) often borrow in foreign currency while selling their goods and services in local currency. This practice could lead to heightened currency risks for borrowers and PFIs.</p>	Financial	Medium (5.1-20% of project value)	Medium

**Mitigation Measure(s)**

The EBRD can hedge the currency risks with the following measures:

- providing local currency loans through procuring local currency funding or hedging
- entering into currency swaps with third party providers, such as the Currency Exchange Fund called TCX.

Source: <http://www.ebrd.com/what-we-do/sectors-and-topics/local-currency-early-transition-countries.html>

By lending in local currency, the EBRD can achieve the following:

- Improve the creditworthiness of projects which solely generate local currency income by avoiding FX risk
- Stem unhedged currency mismatches on the balance sheets of both corporate, SME and household sectors
- Extend the maturity of local currency loans available in the market
- Address the lack of local currency funding at the market (if applicable)

In parallel to the project level currency risk hedging, the EBRD addresses currency risks at a systematic manner. The EBRD's Local Currency and Capital Markets Development (LC2) initiative aims to build deeper and more resilient local financial markets in its regions. The LC2 activities include analytical and advisory work, organization and implementation of capacity building and knowledge sharing activities, as well as technical support to investments and capital market transactions which could play catalytic roles in the capital market development process.

**H.1. Logic Framework.**

Please specify the logic framework in accordance with the GCF's Performance Measurement Framework under the Results Management Framework.

<b>H.1.1. Paradigm Shift Objectives and Impacts at the Fund level<sup>18</sup></b>						
<b>Paradigm shift objectives</b>						
Shift to low-emission sustainable development pathways	The Programme will contribute to mainstreaming energy efficiency and renewable energy investments in the financial sector as well as among private sector companies, by developing conducive and competitive market conditions both on the demand side (over 20,000 commercial projects across sectors and raised awareness) and on the supply side (available capital for sustainable energy financing, capacity building, enhanced knowledge sharing between market players along the supply chain).					
Increased climate-resilient sustainable development	This Programme will scale up private sector water efficiency financing by introducing water efficient technologies, supporting local financial institutions, delivering innovative water efficiency lending and raising awareness. By delivering demand-side water efficiency improvements at scale in some of the most water-scarce regions in the world, the Programme will drive business competitiveness, reduce the water stress faced by communities and ensure lasting and sustainable development.					
Expected Result	Indicator	Means of Verification (MoV)	Base line	Target		Assumptions
				Midterm (End of 2024) <sup>19</sup>	Final (End of 2031)	
<b>Fund-level impacts</b>						
M1.0 Reduced emissions through increased low-emission energy access and power generation	Tonnes of carbon dioxide equivalent (t CO2eq) reduced or avoided	EBRD Board documents	0	4.8 million tCO2eq	9.1 million tCO2eq	
M3.0 Reduced emissions from buildings, cities, industries and appliances	Tonnes of carbon dioxide equivalent (t CO2eq) reduced	EBRD Board documents	0	10.7 million tCO2eq	20.0 million tCO2eq	
			Sum	15.5 million tCO2eq	29.1 million tCO2eq	
Expected Result	Indicator	Means of Verification (MoV)	Base line	Midterm target	Final target (2020)	Assumptions
A3.0 Increased resilience of infrastructure and the built environment to climate change	Number and value of physical assets made more resilient to climate variability	EBRD Board documents	0	Not applicable (n.a)	USD 112.5 million of climate resilience financing or	Each climate resilience project will include at least one physical asset (e.g. water

<sup>18</sup>Information on the Fund's expected results and indicators can be found in its Performance Measurement Frameworks available at the following link (Please note that some indicators are under refinement): [http://www.gcfund.org/fileadmin/00\\_customer/documents/Operations/5.3\\_Initial\\_PMF.pdf](http://www.gcfund.org/fileadmin/00_customer/documents/Operations/5.3_Initial_PMF.pdf)

<sup>19</sup> Mid-term (2024) and final target period (2031) correspond to the envisaged economic life time (15 years) of a majority of eligible technologies to be financed under the Programme.

	and change, considering human benefits <sup>20</sup>				2,900 physical climate resilience measures	efficiency equipment, etc.).
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All the output and outcome targets in Section H.1.2 are expected to be achieved within a short implementation period and, thus, mid-term targets will not be reported.

H.1.2. Outcomes, Outputs, Activities and Inputs at Project/Programme level						
Expected Result	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions
				Mid-term	Final (2019)	
<b>Programme outcomes</b>	<b>Outcomes that contribute to Fund-level impacts</b>					
M6.0 Increased number of small, medium and large low-emission power suppliers	6.3 MWs of low emission energy capacity installed, generated and/or rehabilitated	EBRD project monitoring reports	0	n.a	309 MW	
M7.0 Lower energy intensity of buildings, cities, industries and appliances	7.1 Energy intensity/improved efficiency of buildings, cities, industries and appliances	EBRD project monitoring reports	0	n.a	3,533 GWh /year	
A8.0 Strengthened awareness of climate threats and risk-reduction processes	8.1: Number of males and females made aware of climate threats and related appropriate responses	EBRD project monitoring reports	0	n.a	53,000 people Of which at least 38 per cent to be women	Number of people reached through marketing activities: 50,000. Of this, around 40 per cent is expected to be female.  Number of people accessing the website: 3,000. Due to the difficulty in finding out gender of online users, female users are not estimated.

<sup>20</sup> In this Programme's case, number and volume of 'adaptation' sub-loans to purchase physical assets that will enhance climate resilience.

Programme outputs	Outputs that contribute to outcomes					
Output 1. Commercially viable sustainable energy projects are identified, financed and implemented.	Number of projects	EBRD project monitoring reports	0	n.a	20,000	1,200 Building-level projects; 1,200 from the industrial and corporate sector; 17,600 from the residential sector.
Output 2. Increased volume of financing for projects typically perceived as risky.	Volume of financing	EBRD project monitoring reports	0	n.a	USD 1,462.5 million	Risk training, marketing activities and the concessional terms of the Programme finance will improve the PFI's risk perception of commercially viable sustainable energy/climate resilience investments.
Output 3. Sustainable energy project financing skills are successfully integrated in local financial institutions.	Number of loan officers trained	EBRD project monitoring reports	0	n.a	360	The total training budget of USD 3,600,000 will be allocated across 40 PFI. Estimated costs to deliver in-depth training are USD 90,000 per PFI.
	Number of branches in which loan officers are trained	EBRD project monitoring reports	0	n.a	72	
	Number of EE/RE loans originated by the PFIs	EBRD project monitoring reports	0	n.a	20,000	
Output 4. Increased awareness of benefits of energy efficiency and	Number of companies reached through various marketing	EBRD project monitoring reports	0	n.a	1,000	Targeted marketing activities, including SEFF website and

renewable energy projects.	events					case studies, will enhance awareness of potential borrowers about eligible investment opportunities and the SEFF loan application process.
	Number of people accessing the SEFF website	EBRD project monitoring reports	0	n.a	3,000	
	Number of loan applications over time	EBRD project monitoring reports	0	n.a	20,000	
	Number of case studies published	SEFF website	0	n.a	300	
Activities	Description		Inputs		Description	
<p><b>Regarding Output 1 &amp;2</b></p> <p>Financing of projects which increase the generation of renewable energy, the efficient use of resources and/or the resilience to climate change, of households, commercial buildings and SMEs and industrial entities</p>	<p>Activities will include:</p> <ul style="list-style-type: none"> <li>Scoping and financing of more complex, larger-scale, projects, based on targeted deployment of technical experts who can analyze and recommend priority investments for specific clients and their facilities (approximately 1,200 customized projects are estimated at the EBRD-GCF Program level);</li> <li>Checking and financing of small-scale, standardized investments following credit analysis and eligibility assessment based on pre-established list of BATs (approximately 18,800 list-based measures are estimated at the EBRD-GCF Program level);</li> </ul> <p>Estimating and reporting the level of enhancement of resource use efficiency and/or climate resilience at the project, SEFF, and Program levels.</p>		<p>Financial resources and technical expertise deployed to develop, assess, finance and report on projects</p>		<ul style="list-style-type: none"> <li>Financial and technical and environmental experts required for customized investment plan formulation and assessment, including for on-site visits to clients' facilities;</li> <li>Financial, technical and IT experts required for the compilation of SEFFs-specific lists of pre-assessed standardized BAT measures, to be used by financial institutions to check eligibility of smaller-scale investments;</li> <li>Financial resources, on commercial and/or concessional terms, deployed to support the implementation of the eligible projects;</li> <li>Dedicated expertise required for the aggregation and maintenance of results-tracking databases and webpages with the estimated impact of the financed projects and measures;</li> <li>Verification experts required to verify the physical implementation of projects (on a sample basis for the smaller-scale projects).</li> </ul>	

<p><b>Regarding Output 3</b></p> <p>Capacity building of financial institutions in originating, assessing, financing and tracking sustainable energy and climate resilience projects</p>	<p>Activities will include:</p> <ul style="list-style-type: none"> <li>• Training of financial institutions sales staff to market the benefits of efficiency and/or resilience projects, and training of client relationship managers to recognize clients with investment potential;</li> <li>• Development of corporate strategies, financial products and/or tools to identify, assess, track and report on projects;</li> </ul> <p>Training of financing officers /credit staff to assess and carry through to financial close projects, based on specific assessment tools and financial products.</p>	<p>Expertise and skills transfer for financial institutions capacity enhancement</p>	<ul style="list-style-type: none"> <li>• Training experts, complemented by financial and technical experts, required to develop training materials and deliver targeted training sessions for a range of financial institutions staff: sales, client relationship managers, credit experts, lender’s engineers.</li> <li>• Corporate planning and process mapping experts, complemented by financial and technical experts, required to develop the strategy of each financial institution to mainstream and increase financing of efficiency and/or resilience projects; this may include steps like the development of project eligibility lists, template project assessment forms, internal procedure to call-off technical experts who can assess client facilities, etc.</li> </ul>
<p><b>Regarding Output 4</b></p> <p>Awareness raising among financial institutions, SMEs and corporate borrowers and homeowners</p>	<p>Activities will include:</p> <ul style="list-style-type: none"> <li>• Development of marketing strategies for each financial institution and of specific marketing tools (such as brochures, webpages, etc) to market their capacity to finance sustainable energy and/or climate resilience projects;</li> <li>• Engagement of financial institutions’ existing and prospective clients via targeted marketing events;</li> <li>• Development of a SEFF-specific website to market the facility and to report on the progress of the SEFF program.</li> </ul>	<p>Expertise and skills transfer for marketing and awareness raising</p>	<ul style="list-style-type: none"> <li>• Marketing and design experts, complemented by technical and financial experts, required to develop PFI strategies, marketing tools, and SEFF website;</li> <li>• Marketing experts and event organizing resources for client events.</li> </ul>



## H.2. Arrangements for Monitoring, Reporting and Evaluation

### MONITORING

Implementation of each Facility under this Programme will be managed and monitored at project and Facility level by both EBRD's in-house staff and SEFF operation team procured by the EBRD:

#### 1. EBRD in-house staff's oversight and quality assurance

The EBRD has dedicated staff in its headquarters and regional offices involved in engaging PFIs, selecting qualified PFIs, structuring credit lines and agreements regarding on-lending criteria, approving project eligibility, and monitoring financial, technical and other risks.

- EBRD SEFF Project managers will oversee and mitigate factors that can affect the performance of the Programme. SEFF project managers' involvement can include the following: provision of standardized project development procedures from sub-loan application to eligibility and compliance screening, implementation supervision, marketing guidance and mitigation of Programme risks based on EBRD track-record and lessons learned from previous SEFFs,
- EBRD will conduct due diligence and monitor financial and integrity risks and prepare mitigation measures throughout the Programme lifecycle.
- Assumptions and technical performance of the Facility that lead to climate objectives will be verified by EBRD SEFF managers.

#### 2. Monitoring by the SEFF operation teams procured by the EBRD

SEFF operation teams on the ground will assist and monitor PFIs along the entire project lifetime. SEFF operation team's roles include the following:

- Training PFIs with standardized Project procedures along the project lifecycle from project screening to monitoring
- Project level due diligence: screening project eligibility and compliance prior to approval
- Follow-up after financial close: verifying the implementation of project and performance of the project
- Project level monitoring: monitoring the progress and implementation of the Facility as a whole.

### REPORTING

**1. Reporting of the PFI to the EBRD:** As specified in the Loan Agreement between PFI and EBRD, the PFI is obliged to report its portfolio on the use of proceeds of the Programme to the EBRD.

#### 2. Reporting of the SEFF operation team to the EBRD

- Inception report: As soon as a team of local and international consultants ('SEFF operation team' or 'Project implementation team') is procured to implement a Sustainable Energy and Climate Resilience Financing Facility ('SEFF' or 'Facility'). During the inception phase, the SEFF operation team will report to the EBRD SEFF manager their activities including the starting up phases of: establishing the country or region specific marketing strategy; establishing processes and procedures in consultation with PFIs and other stakeholders; developing a Facility website; establishing the Facility database, including the market specific list of Best Available Technologies (BAT).
- Facility monitoring reports: Once the Facility is officially launched, the SEFF operation team will consult with the EBRD SEFF managers on the progress of the Facility and report on a weekly, monthly, and quarterly basis throughout the Facility lifetime. These reporting will include (A) Facility and PFI level and (B) end-beneficiary level monitoring.  
(A) Facility and PFI level:
  - Portfolio reporting: disbursed sub-loan amount by PFI, list of projects and sectors by PFI, project values, etc.
  - Quantitative target monitoring: expected energy savings, expected emission reductions and specific adaptation benefits
  - Qualitative target monitoring: marketing activities, training and capacity buildings, updating the list of Best Available Technologies including eligible suppliers, installers, materials and equipment.

- Changes of Project and Facility risks and mitigation measures
  - Monitoring overall Facility success
- (C) Beneficiary level:
- Individual project assessment reports (not applicable to investments in pre-approved technologies; applicable to investments that require eligibility assessments; See Component 1 in Section C.3) will involve desk-based assessments and/or site-visits and will contain the following: the beneficiary, project location and sector information; proposed measures by the beneficiary and experts' consultation with the beneficiary with regards to investment priorities; expert's recommendations on the beneficiary's energy management systems; economic and financial analysis; mitigation and adaptation potential analysis; and environmental and social due diligence (See more details on ESDD in Section F.3).
  - Verification reports: verification of the implementation of projects through site-visits and/or desk-top based checks. Evidence such as invoices and photos will be presented.
- Final report: Once the Facility reaches its final stage, the SEFF operation team will prepare a self-evaluation report on a Facility scale.

See more details on monitoring and reporting in Section G.

### **3. Reporting of EBRD to the GCF**

Once the EBRD receives reporting from the PFIs and the SEFF operation teams, the EBRD will identify discrepancies and reconcile the data. Based on this, EBRD will provide a Programme-level reporting to GCF.

The EBRD will report to the GCF on a periodic basis as agreed with the GCF, on the status of GCF funded activities throughout the relevant reporting period. The periodic reporting will include the disbursements made during the relevant period, the implementation status of the Funded Activity and the monitoring of results and impacts of such Funded Activity.

In addition, the EBRD will provide to the GCF an interim evaluation report and the final evaluation report at the end of the implementation period of the Programme. Upon completion, projects will be subject to the EBRD formal evaluation process. A final report prepared by the independent Evaluation Department (EvD) sets out the results and impacts achieved, as well as their sustainability, scalability and lessons learned, during the relevant period.

### **4. Reporting of EBRD to the respective Governments**

To help the beneficiary country governments to track their mitigation and adaptation targets and progress, the EBRD will communicate the mitigation and adaptation impact of the Facilities with the respective governments.

## **EVALUATION**

### **1. Project or Facility level evaluation by the SEFF operation teams and EBRD project managers**

Throughout the Facility lifecycle, both the SEFF operation team and EBRD project managers will evaluate the success and risks of projects and the Facility. A final report of each facility will include review and evaluation of the financial and technical performance of projects, capacity building results, estimated climate mitigation and adaptation impact, as well as donor visibility and marketing outreach.

### **2. Project or Programme level evaluation by the independent EBRD Evaluation department**

The independent Evaluation Department evaluates the performance of the EBRD's completed projects and Programmes. The Evaluation Department (EvD) is a department independent of the EBRD's various banking divisions and therefore, EvD reports solely to the Board of Directors (i.e. to the representations of the shareholding governments). The EvD evaluates the effectiveness, relevance and input efficiency of projects and provides the Board with important insights into the implementation of projects, their impacts and lessons learnt. Under the EBRD's Public Information Policy, EvD publishes summaries of its independent project evaluations.

**ANNEXES**

**Programme Implementation Timetable**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Output 1. Commercially viable sustainable energy projects are identified, financed and implemented.															
Output 2. Increased volume of financing for projects typically perceived as risky															
Output 3. Sustainable energy project financing skills are successfully integrated in local financial institutions.															
Output 4. Increased awareness of benefits of energy efficiency and renewable energy projects.															