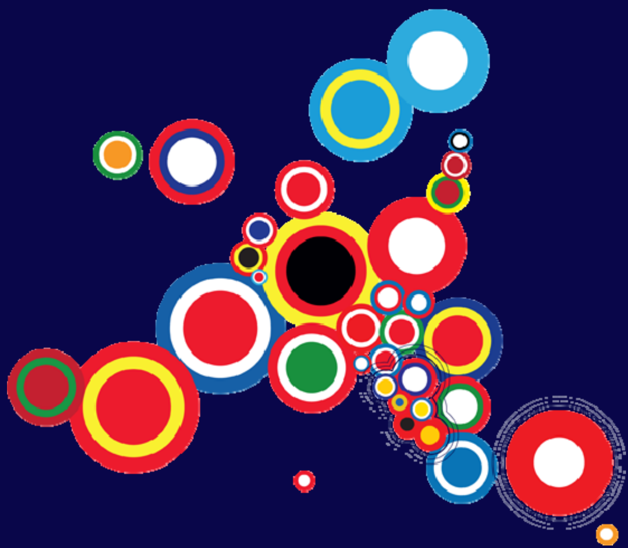
INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MULTI-COUNTRY

Green for Growth Fund (GGF)



Action summary

The Action supports the Green for Growth Fund, GGF, which was initiated in 2009 to facilitate energy efficiency (EE) in the public and private sector and to advance renewable energy (RE) based on a proven public private partnership model. For this purpose GGF combines a broad range of public, multilateral and private investors and managers delivering consistently high environmental impact exceeding its targets set for CO2 emission reductions and energy savings.

GGF provides financing and technical assistance to financial institutions to enhance their participation in the EE and RE sectors and also makes direct investments in renewable energy projects or related innovative fields. The GGF TA Facility, operating hand in hand with the GGF, provides critical support to the Fund in achieving its goal of promoting EE/RE and reducing CO2 emissions.

There is a recognized need in the Western Balkans for both improving energy efficiency in households, businesses and municipalities, and generating new, clean energy from renewable resources. This will help the region to meet its growing need for cleaner energy, while reducing dependence on imported sources and implementing savings and efficiency gains. The Action will catalyze substantial investments in the energy sector, and generate both energy savings and reductions in CO2 emissions. The GGF will continue to play a leading role in harnessing environmental impact, while deepening the support for EE/RE finance. At the same time, the Fund itself will benefit from additional capacity in Western Balkans, further strengthening its sustainability and its ability to transfer know-how across sectors and markets.

Action Identification	
Action Programme Title	IPA II Annual Multi-country Action Programme 2016
Action Title	Green for Growth Fund, Southeast Europe SA, SICAV-SIF
Action ID	IPA 2016/039-401.02/MC/GGF
Sector Information	
IPA II Sector	9. Regional and territorial cooperation
DAC Sector	23183- Energy conservation and demand-side efficiency
Budget	
Total cost	EUR 20 million (EC) + EUR 60 million (other investors) = EUR 80 million
EU contribution	EUR 20 million
Budget line(s)	22.020401- Multi-country programmes, regional integration and territorial cooperation
Management and Implementation	
Management mode	Indirect management
Indirect management: *Entrusted entity*	DG NEAR/D.5 (Western Balkans Regional Cooperation and Programmes) European Investment Fund (EIF)
Implementation responsibilities	Morten Jung, Head of Unit; Wolfgang Schlaeger, Head of Sector; Davor Kunc, Programme Manager, Energy & Transport
Location	
Zone benefiting from the action	Western Balkans (Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Kosovo[*], Serbia)
Specific implementation area(s)	N/A
Timeline	
Final date for contracting including the conclusion of delegation agreements	At the latest by 31 December 2017
Final date for operational implementation	At the latest by 31 December 2023

Policy objectives / Markers (DAC form)

General policy objective	**Not targeted**	**Significant objective**	**Main objective**
Participation development/good governance	✓	☐	☐
Aid to environment	☐	☐	✓
Gender equality (including Women In Development)	✓	☐	☐

[*] This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence.

Trade Development	✓	☐	☐
Reproductive, Maternal, New born and child health	✓	☐	☐
RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
Biological diversity	✓	☐	☐
Combat desertification	✓	☐	☐
Climate change mitigation	☐	☐	✓
Climate change adaptation	✓	☐	☐

1. Rationale

The Western Balkans are characterized by a high dependence on fossil fuels, moderate renewable energy generation and very little infrastructure and equipment in line with EU energy efficiency practices. With growing electricity demand, the region is also faced with increasing dependency on energy imports. Despite the fact that the situation in the Western Balkans has improved compard to 6 years ago when the GGF initiated its activities in the region, there is still strong demand for green finance. Due to the lack of awareness for energy efficiency in both the public and financial sector many opportunities for sustainable green business remain undiscovered.

The Western Balkans host a wide range of financial institutions ranging from MFIs, to leasing companies, to specialized financing companies, to banks, all offering access to various segments of the market, providing a ready platform for GGF to continue its success in mainstreaming green finance across the entire financial sector. Consistent with the GGF's proven approach in the target region, investments in the Western Balkans remain mainly through the financial sector, complemented by selected direct investments in EE or RE projects. Where there are growing renewable energy sectors, long-term funding combined with appropriate capacity building will allow local financial institutions to address this market. In the broader RE sector, the GGF will also seek out direct investments, both individually but also in conjunction with its IFI stakeholders active in this segment. The track record of GGF has shown that dedicated funding together with on-the-ground support can foster a shift in awareness and generate high impact. The portfolio growth of the GGF demonstrate that there is a demand for multiple EE/RE financing approaches in the market, with the GGF's commercial approach gradually "crowding out" the subsidized approach in specific sectors, and "crowding in" commercial investors. Without the presence of a commercial option, markets will naturally remain dependent on scarce subsidized funding, slowing the potential for growth and impact.

The recognized need in the Western Balkans for both improving energy efficiency in businesses and homes, and generating new, clean energy from renewable resources will help the region to meet its growing need for cleaner energy, while reducing dependence on imported sources and enforcing savings and efficiency gains. Based on the experience in the region and the recognized success of a specialized vehicle like the GGF, the Western Balkans will remain the core region of the Fund and are expected to account for more than 50% of the overall portfolio in the long-run. Hence, EU funds will be deployed effectively to meet the EU agenda of enhancing energy efficiency and fostering renewable energies in a financially sustainable manner. GGF can catalyze substantial investments in the Western Balkan's energy sector, and generate both energy savings and reductions in CO2 emissions. The GGF will continue to play a leading role in harnessing environmental impact, while deepening the support for EE/RE finance in the Western Balkans. At the same time, the Fund itself will benefit from additional capacity in Western Balkans, further strengthening its sustainability and its ability to transfer know-how across sectors and markets.

Background of the Green for Growth Fund (GGF)

The Directorate General Neighbourhood and Enlargement Negotiations ('DG NEAR') and the European Investment Fund ('EIF') entered into the first trusteeship contract on 17 December 2009[1] in order for EIF to invest funds into the Green for Growth Fund ('GGF') on behalf of the European Commission for an amount of EUR 19.6 million. In November 2011[2], an amended and restated trusteeship agreement was signed in order to subscribe an additional amount of EUR 19.1 million into GGF. The subscription took place on June 2011. Including a further EUR 10 million commitment from the European Commission into ENR-East C Shares closed in December 2013 – the underlying trustee responsibilities of which have been sub-delegated to EIF from EIB – EIF currently serves as trustee for nearly EUR 50 million first-loss commitment in the

[1] 2009/228/008 and 2009/228/006
[2] 2011/267/146

EUR 376 million GGF set up to enhance energy efficiency and reduce emissions in the Western Balkans, Turkey and the Eastern European Neighbourhood. In addition to representing the largest first-loss investor, EIF also represents DG NEAR as largest donor to the GGF TA Facility with EUR 5 million for the SEE region and EUR 3 million for ENR-East.

The mission of the Green for Growth Fund, Southeast Europe[3] is to contribute, in the form of a public private partnership with a layered risk/return structure, to enhancing energy efficiency and fostering renewable energies in the Southeast Europe region including Turkey and in the Neighbourhood Region, predominantly through the provision of dedicated financing to businesses and households via partnering with financial institutions and direct financing.

GGF is a unique public-private partnership established in December 2009 to promote energy efficiency in its target region and to reduce CO2 emissions. GGF's investments seek to achieve a minimum 20% reduction in energy consumption and/or a 20% reduction in CO2 emissions, by

1. Funding Financial Institutions (local commercial banks, non-bank financial institutions such as microfinance institutions and leasing companies and other selected financial institutions) providing loans to households, businesses, municipalities and public sector for energy efficiency measures or renewable energy projects. Investments through Financial Institutions will constitute the majority of GGF's investments.

2. Providing direct financing to Non-Financial Institutions (energy service companies, renewable energy companies or projects, small scale renewable energy and energy efficiency service and supply companies) that meet GGF energy saving and/or emissions targets, and comply with the technical criteria and GGF exclusion list.

As an initiative of international financial institutions already active in the area of energy efficiency and renewable energy in the region, the Fund is designed to be complementary to existing programmes and funding sources and contribute to further innovations in financing and expanding the industries in Western Balkans. Moreover, with its public-private partnership structure, GGF can leverage donor funds, in the form of first-loss C shares, and IFI funds in the form of mezzanine shares, to access private capital through senior shares and notes. This increases the effectiveness of donor and IFI funding by bringing in additional capital that might not otherwise be attracted to the sector.

GGF also seeks to increase awareness of the importance and impact of energy efficiency and renewable energy in its Target Partners, and to develop the capacity of its investees in this area and, to a lesser extent, the market in general. This is achieved through dedicated projects organised and financed by the Fund’s Technical Assistance Facility (GGF TAF). GGF TAF projects include capacity building and training to GGF’s Partner Institutions (both financial institutions and non-financial institutions), awareness raising and market enabling activities as well as validation and monitoring of energy savings and CO2 emission reductions.

An overview of the shareholder and donor structure is as follows:

[3] See www.ggf.lu for further information

Current Shareholders

Initiators

TA Facility Donors

Progress of the Green for Growth Fund (GGF): GGF has to date attracted commitments from new and existing investors which total EUR 376 million. GGF has also managed to mobilise private Note investors, totalling EUR 40.7 million. The investment portfolio of the Fund current stands at EUR 312.5 million, with 35 Partner Institutions in 13 beneficiaries, including all six Western Balkans beneficiaries (WB6)[4]. Since inception, GGF signed loan agreements in the amount of more than EUR 410 million. As per Q1 2016, the Fund's PIs cumulatively disbursed over 18,600 loans to end-borrowers in the amount of EUR 302.5 million. The Fund has achieved high environmental impact in its six years of operations. In aggregate, the GGF portfolio is facilitating energy savings of 1,338,605 MWh/yr and CO2 reductions of 346,082 tons/yr. The investments of end-users financed under the GGF yield energy savings or CO2 reductions of at least 20%. As of Q1 2016, the estimated C02 reductions of the disbursed funds amounted to 51% and energy savings were 48%.

The Western Balkans is the core region of the Fund. Since inception, the Fund has made investments totalling EUR 132.1 million to 12 financial institutions and renewable energy projects, collectively "Partner Institutions", in the WB6. These Partners Institutions have in turn invested over EUR 92 million in over 9,000 loans to end-borrowers, generating energy savings of 542,884 MWh/yr and CO2 reductions of 161,405 tons/yr. As these funds are repaid and reinvested, this environmental impact continues to grow.

Mission and activities of the GGF Technical Assistance Facility (GGF TAF): Operating hand in hand with the GGF, the Technical Assistance Facility provides critical support to the Fund in achieving its goal of enhancing EE and reducing CO2 emissions. More specifically, the TAF has been instrumental in building capacity in the GGF region's financial sector and supporting the Fund in its mission to advance both EE and RE through its projects. Typical projects include energy audits, development of EE/RE loan products, portfolio analysis, staff training, monitoring and reporting and support with environmental and social ('E&S') compliance - for financial institutions - and financial and technical feasibility studies, and support in improving adherence to international best practices in environmental and social matters, for renewable energy projects. The TAF also finances awareness raising and market enabling activities such as sector events and publications, as well as studies to inform the Fund on strategic topics. Through these activities, the TAF has been instrumental in building capacity in the financial sectors in the GGF region to advance EE and RE.

[4] Albania, Bosnia & Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia.

PROBLEM AND STAKEHOLDER ANALYSIS

Energy efficiency and renewable energy are topics that are high on the agenda in both developed and developing nations. But in Southeast Europe, specifically the WB6, they are of particularly acute importance. Given the growth that these beneficiaries will undergo as they converge with the European Union, they will experience an increasing demand for energy while simultaneously needing to meet the EU's goal of a 20 % reduction in energy consumption and CO2 emissions.

This situation is particularly acute due to the comparitvely high energy intensities observed in WB6, around three times higher than the average within the broader EU. This results from a series of longer term infrastructure and development challenges that has resulted in a reduced focus on issues related to residential, commercial, agricultural and industrial efficiency, as well as the supporting enabling environments that will allow the necessary investments to take place. Previous studies suggest that there are large technical efficiency potentials – in the order of 25 to 40% depending on sector – in the region to be realised by bringing practices in line with those observed in the EU. Improving energy efficiency in the WB6 will significantly benefit those beneficiaries in a number of ways, including reduced investments in generation infrastructure; addressing energy security concerns related to predominantly import focused energy systems; improved competitivenes, particularly in more energy intensive industries; reduced govnerment expenditure on energy subsidies in a number of the target beneficiaries; reduced energy bills for consumers; and improvements in livelihoods and well-being, for example related to insulation or working conditions.

In parallel, there are additional challenges with supply-side infrastructure. Many existing power plants are of advanced age and have seen a lack of investments, often leading to low operational efficiencies and high GHG emissions intensities associated with the supply of power. Much of the energy infrastructure in the Western Balkans was damaged during the conflicts related to the break-up of the Socialist Federal Republic (SFR) of Yugoslavia in the 1990s. Consequently, these beneficiaries have initiated energy reforms at a later stage than other European economies in transition. Electricity systems in some parts of the region remain fragile: low system reliability and low efficiency impede economic recovery. Clean and affordable energy supply is crucial for economic development and social welfare across the Western Balkan region. Fortunately, there is significant potential for wind, solar, hydro and biomass energy in the region, if supportive regulatory frameworks can be developed and matched with appropriate sources of finance.

Despite the described potential for EE and RE measures, a lack of sufficient legal, policy and other framework conditions currently impedes the widespread implementation of EE and RE technologies. Most WB6 beneficiaries have adopted sector strategies and policies that support the reduction of energy use and the promotion of RE. However, necessary support mechanisms, such as feed-in tariffs, audit standards, tax advantages, transparent tendering of concessions and licenses or sanctions for companies with high emissions are often lacking, insufficient, or are yet to generate substantial investments. Further, SMEs and households often lack the understanding of the benefits of EE and RE measures, thereby effectively overestimating their costs while underestimating their benefits. Consequently, even highly profitable investments with payback periods of less than two years are often not implemented. Additionally, local financial institutions often lack the technical expertise in EE and RE financing products. Finally, a lack of available long-term funding presents an obstacle for the widespread implementation of EE and RE investments.

Given the average age and overall efficiency levels of technology and infrastructure in the Fund's Western Balkan target beneficiaries, there is substantial growth potential for the GGF. However, the degree to which this potential can be realized will depend on developments in the general legal and regulatory framework, as well as building the necessary web of supporting market structures to make energy efficiency and renewable energy investments possible. There is a chance to leapfrog the developed countries by building sustainable industry in these beneficiaries while they are growing, rather than trying to convert from a developed fossil fuel-based economy later on. In view of climate change and constrained supplies of fossil fuels, this is clearly the preferred course of action. It makes economic and social sense to invest in energy efficiency and renewable energy utilization. It is the mission of the GGF to promote this approach.

OUTLINE OF IPA II ASSISTANCE

The growth of the GGF within the WB6 shall contribute to overcome the problems described above by providing long-term financing instruments – both to financial instiutions and directly to renewable energy projects and non-financial Partner Institutions. Additionally, the Technical Assistance (TA) Facility of the GGF shall support local financial institutions in developing EE and RE financing as a sustainable field of business. All activities are conducted in line with the Fund's goal of enhancing energy savings and reducing CO_2 emissions.

INVESTMENTS IN FINANCIAL INSTITUTIONS

GGF provides medium to long-term financing for energy efficiency and renewable energy to strong and reputable commercial banks, micro-finance institutions, leasing companies, and other non-bank financial institutions committed to the Fund's energy saving objectives. The funds provided by the GGF are used for on-lending to sub-borrowers such as households, household associations, small and medium enterprises, large business, municipalities, public sector entities, and renewable energy projects. As of 30 June 2016, the Fund is invested in 12 financial institutions in all six WB6 beneficiaries.

INVESTMENTS IN RENEWABLE ENERGY PROJECTS

The Fund offers direct financing in all forms of capital with a strong focus on senior debt. This includes financing through or with banks (co-financing) for established technologies such as solar thermal and photovoltaic, hydro, biomass, geothermal, and wind. The GGF works with reputable, local and international developers that are willing to bring equity into a project. As of 30 June 2016, the GGF is actively invested in one hydropower project in Albania and is in discussion with two wind projects in Serbia. In addition to providing long-term capital, the Fund is working to ensure that these projects are developed according to the highest international environmental and social standards.

TECHNICAL ASSISTANCE FACILITY

The TA Facility works with the clients of the GGF SEE in a partnership approach to ensure the sustainable use of energy efficiency and renewable energy loans. By deploying skilled individuals from its extensive network of specialists and consultants, it provides support for capacity development of financial and non-financial institutions and assists the Fund's target group in implementing energy efficiency and renewable energy investments.

RELEVANCE WITH THE IPA II MULTI-COUNTRY STRATEGY PAPER AND OTHER KEY REFERENCES

GGF promotes the objectives and caters for the policy objectives of the IPA II Multi country Indicative Strategy Paper 2014-2020[5] in a number of regards:

- GGF has to date disbursed more than 130 million to GGF Partner Institutions in the WB6 region, which in turn has led to more than 9,000 sub-loans to end-clients. The Action will serve to increase GGF's (and by extension the European Commission's) impact in this region;
- GGF closely links the eligibility of EE and RE measures to relevant EU Directives relating to energy use and environmental protection. This acts to promote these directives and the development of equivalent or comparable legislation in the beneficiaries that it operates including the WB6;

[5] C(2014)4293, 30.06.2014. This paper already lists GGF as one of the existing financial instruments to be developed further under section 3.2

- By providing targeted long-term financing related to EE and RE, GGF contributes to a number of the priority policy areas within the Stategy Paper related to a) sustainable socioeconomic growth and regional development, b) employment and human resources development, and c) agriculture and rural development. In particular GGF contributes to employment generation and economic growth, by making households and companies more efficient and channeling investments into productive assets, rather than into energy consumption;

- The Fund contributes towards achieving the Europe 2020 strategic goals by supporting the Energy Community Treaty regional target of 9% energy savings by 2018, implemented through the National Energy Efficiency Action Plans (NEEAPs) and renewbale energy targets of individual beneficiaries. To date it is estimated that GGF-funded investments in EE contribute up to 8% of the year on year savings required under the NEEAPs of Western Balkan target beneficiaries.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

With a six year track record, the GGF is a proven mechanism for effectively channelling EE/RE financing in Southeast Europe. While there are a number of providers of EE/RE finance in the market, GGF is the only specialized Fund in the Western Balkans to focus exclusively on EE/RE, performing successfully with low operating expense, no losses or impairments and without direct subsidies or incentives. Hence, EU funds will be deployed effectively to meet the EU agenda of enhancing energy efficiency and fostering renewable energies in a financially sustainable manner. The GGF activities present a strong, sustainable impact for all stakeholders and the development of the market. This was confirmed in the Results Oriented Monitoring mission (ROM) undertaken by DG ELARG in autumn 2013. Some key conclusions from the ROM are:

- GGF support for improving energy efficiency is decisive for competitiveness, security of supply and for meeting the commitments on climate change made under the Kyoto Protocol.
- The GGF activities contribute directly to reductions in the greenhouse gas emissions that cause climate change and to increased EE.
- The GGF provides targeted technical assistance and facilitates the sustainable impact of the Fund’s activities.
- The GGF activities are directly relevant to environmental objectives and the promotion of high standards of responsible lending practices.
- There is a high level of commitment (ownership) by the supported Partner Institutions.

The GGF is a very effective vehicle for channelling EE/RE finance. Per data collected by the WBIF, the GGF is one of the leading sources for green energy finance and know-how in the Southeast European market, and is well-positioned to remain so. The Fund operates in a highly complementary fashion with its IFI stakeholders and in dialogue with the Energy Community, ensuring that each institution adds value to the green finance sector in a way that is sustainable and provides additionality. In particular, the GGF’s approach to TA, coupled with its flexible palette of financing instruments, is unique in the sector, creating strong demand for its products and services. To ensure that EE/RE products become integrated into the long-term strategy of its Partner Institutions, GGF requires PIs not only to disburse, but to maintain an outstanding portfolio invested in EE/RE sub-loans. These successes are built on the Fund’s competitive advantage providing patient capital and high-impact, tailored TA. GGF invests on market-based terms and refrains from deploying subsidy components.

Among the key lessons learned in the Fund’s six years of operation:

- Tailored, integrated technical assistance must be provided alongside funding to ensure that the partner institution has sufficient capacity to deliver impact over the medium-to-long term;

- A regional approach is most efficient, allowing innovations and approaches developed in one market to be shared with other markets, preventing the need to “reinvent the wheel”;

- A market-based commercial approach can successfully co-exist alongside subsidized offerings, so long as the clear market expectation is towards further commercialization, reducing the expectation of borrowers that subsidies will be around forever and therefore they should always hold off on making EE/RE investments hoping for future subsidies to increase;

- Local knowledge and presence is key, since each market requires a tailored solution, whether developing an approach to a specific market, or adapting an approach from another beneficiary in the region.; and

- Management buy-in at the partner institution is critical to the success of the integration of the green energy product into the institution's strategy. Close cooperation with management and deep knowledge of the institution has helped the GGF identify those partners most likely to success in implementing its credit lines.

With EUR 302 million cumulatively committed investments in twenty-one partner institutions, and EUR 238 million outstanding after repayments, Southeast Europe represents the largest region of the Fund. As of year-end 2015, the GGF has made the following investments in Southeast Europe, including a wide range of intermediaries to achieve outreach and impact. Note that for purposes of this historical look-back, Croatia and Turkey is included in the figures, as the IPA funding was previously not differentiated between the Western Balkans and Croatia.

Target Partner	Numer of Partner Institutions	Committed amount
Albania	2	34.1
Bosnia and Herzegovina	3	19.0
Croatia	2	45.0
The former Yugoslav Republic of Macedonia	2	19.0
Serbia	5	60.0
Turkey	7	125.1
SEE Total	**21**	**302.3**

Since the beginning of the year, GGF invested in partner institutions in Kosovo and Montenegro bringing the Fund to all target beneficiaries in the Western Balkans.

In turn, these financial institutions have on-lent these funds to their clients, disbursing cumulatively sub-loans as of 31 December 2015 in the amount of EUR 249 million. Overall, the GGF has successfully supported a broad spectrum of the financial sector, cooperating with mid-sized and large banks, as well as leasing companies, to ensure the highest impact in terms of mainstreaming EE/RE finance and fostering replication across the sector.

The table below details the number, volume, and energy/CO_2 savings of the GGF's portfolio in Southeast Europe as of 31 December 2015:

CO2 REDUCTION AND ENERGY SAVINGS AS OF 31 DECEMBER 2015

Measure	Cumulative disbursement amount (EUR)	CO2 reduction (tCO2/year)	Energy Savings (MWh/year)
Agri-equipment	3,439,601	9,183	46,814
Buildings	79,424,690	157,565	621,572
Complex heat supply and distribution systems	3,532,487	7,788	30,320
Energy service and supply business	14,915,220	-	-
Household devices	28,283	256	615
Improvements in processes, process related equipment	89,900,223	53,932	200,852
Lighting	421,232	77	213
Vehicles	1,317,902	123	458
Sub-total EE	**192,979,638**	**228,924**	**900,844**
Use of RE by households and businesses	9,654,713	12,110	46,669
Use of RE for commercial energy generation	46,431,368	31,406	75,014
Sub-total RE	**56,086,081**	**43,516**	**121,684**
Total	**249,065,719**	**272,440**	**1,022,528**

Source: FiM Management Information System (MIS)

The GGF's strict on-lending requirements are a unique feature of the Fund, and translate into an even higher level of leverage through the revolving nature of its investments, further increasing environmental impact.The composition of the measures financed in Southeast Europe are similar to the GGF's overall portfolio, with building improvements and improvements in production processes at small and medium enterprises making up the largest groups of measures financed. This is particularly noteworthy as it has a demonstration effect within a community and helps to further raise awareness.

The GGF Technical Assistance Facility has been a key instrument for change in Southeast Europe. To date, the TA Facility has funded 104 projects with the Fund's partner institutions there, with a total budget of EUR 5.2 million. These projects have assisted GGF's partners in strengthening their energy efficiency lending techniques, improved their environmental monitoring of renewable energy projects, provided energy audits to enable the institutions and their clients to assess realized energy savings, and strengthened energy and CO2 saving monitoring and reporting. Through several campaigns, GGF TA constantly raises awareness for EE and RE in the region, e.g. the launch of an SME brochure in several languages on energy efficient business solutions, educational projects with students, and an Energy Efficiency brochure to households which was duplicated as an interactive web version. TA has been fully funded through donor grants. The GGF's approach to TA is to work closely with its partners to develop a TA package right for their strategic needs and goals, and then to employ primarily local consultants to deliver a tailor-made solution geared to maximizing capacity within the institution itself. This increases ownership of the process, and maximizes impact over the medium- to long-term.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	
To support institutions in the Western Balkans in developing a sustainable, competitive and transparent energy efficiency and renewable energy market compliant with the requirements of the Energy Community Treaty.	Achievement of energy savings; determined as the contribution to reducing the primary energy consumption index, as achieved for additional investments in Western Balkans***	GGF annual report GGF Quarterly Fact Sheets GGF Quarterly Shareholder Report	
SPECIFIC OBJECTIVE	**OBJECTIVELY VERIFIABLE INDICATORS (*)**	**SOURCES OF VERIFICATION**	**ASSUMPTIONS**
To achieve energy savings and/or carbon emission reductions.	The contribution to reducing the final energy consumption index***, as achieved for additional investments in Western Balkans. Average primary energy savings, at the measure-level, as achieved for additional investments in the Western Balkans Average CO_2 savings, at the measure-level, as achieved for additional investments in Western Balkans	GGF annual report GGF Quarterly Fact Sheets GGF Quarterly Shareholder Report	GGF reporting is correct and provided on time. Where possible, SEA should be carried out at planning level. In case of investments or projects' support, EIA and Appropriate Assessment (AA) should be carried out at an early stage.
RESULTS	**OBJECTIVELY VERIFIABLE INDICATORS (*)**	**SOURCES OF VERIFICATION**	**ASSUMPTIONS**
Contribution to National Energy Efficiency Action Plans (NEEAPs) of Western Balkan partner beneficiaries	Percentage contribution to the NEEAPs of Western Balkan beneficiaries	Energy Community Secretariat	
GGF financing on-lent to finance eligible investments	Total on-lent to finance eligible investments N. of projects receiving finance (N. of sub-loans)	GGF annual report GGF Quarterly Fact Sheets GGF Quarterly Shareholder Report	GGF reporting is correct and provided on time.
Skills transfer and local capacity building	Number of TA projects (all kinds) Number of capacity building TA projects for Partner Institutions	GGF TA reporting	GGF TA reporting is correct and provided on time.

(*) All indictors should be formulated as measurement, without specifying targets in the Logical Framework Matrix. The targets should be included in the performance measurement table in section 4. More detailed guidance on indicators is provided in Section 4 on performance measurement.

(**) Relevant activities have to be included only in the following sub-section.

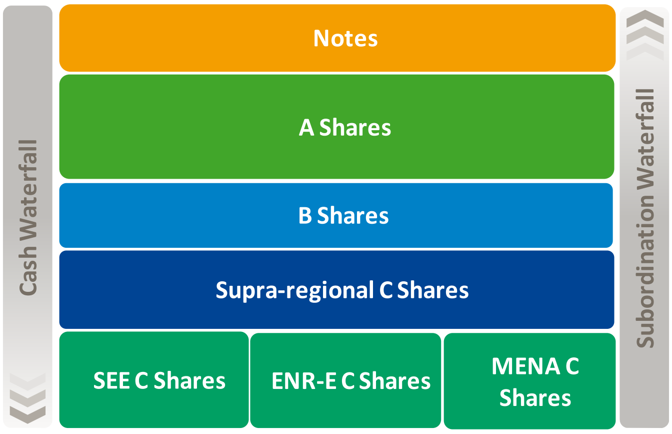
(***) Primary and final energy consumption index calculated versus a base year of 2010 (as per the protocol of the NEEAP and as required by the available data)

DESCRIPTION OF ACTIVITIES

The inception of the GGF for Southeast Europe and Turkey took place in December 2009. The GGF currently offers financing for EE and RE measures in Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Kosovo, and Turkey. In September 2012, the GGF was extended to the countries of the ENR, namely Armenia, Azerbaijan, Georgia, Moldova and Ukraine.

The GGF structure aims at leveraging donor funding by mobilizing funds from development banks and, ultimately, the private sector. The "First Loss Tranche" (C-shares) is provided in form of grants by donors and different governments. The "Mezzanine Tranche" (B-Shares) consists of investments by development banks. The "Senior Tranche" (A-Shares) is provided by development banks and/or private institutional investors. The First Loss Tranche is subordinated and thereby serves as a risk cushion for the Mezzanine and Senior Tranches. Dividends are distributed to the shareholders from the net income available for distribution following an income waterfall, whereby A-Shares assume the highest priority, followed by B-Shares and finally C-Shares.

The amount of EUR 20 million of the proposed grant shall be contributed in form of an equity participation (C-Shares) to the First Loss Tranche of the GGF. The purchased C-Shares will be regionally earmarked to leverage investments in the six beneficiaries of the Western Balkans.



The GGF provides financing for investments in EE and RE to SMEs, households and municipal entities via local financial institutions on a revolving basis. The investments financed under the GGF yield energy and/or CO2-emission savings of at least 20%. Target financial institutions are banks and non-bank financial institutions. To a lesser extent, the fund also extends direct financing to energy service companies (ESCOs), municipal entities or small EE and RE stand-alone projects. Municipal entities can receive financing either as a sub-borrower from target financial institutions or as a direct investee. Financing is extended in form of medium- to long-term senior loans, subordinated loans, guarantees and equity participations. The tenors of the loans or guarantees are in the range of 5-10 or, in exceptional cases, up to 15 years. Where possible, GGF will use hedging instruments like the TCX (Currency Exchange Fund) to provide loans in local currency. Since 2011, GGF can provide equity for stand-alone projects or institutions (e.g. ESCOs), which are, however, subject to strict portfolio limitations. The fund has established beneficiary limits, which are currently set at 20% of total fund assets per beneficiary (or, in special cases, up to 30%). This is to ensure regional diversification and minimize concentration risks. The actual portfolio size per beneficiary will depend on the demand in the respective beneficiaries. The Investment Guidelines of GGF, which determine the eligible Partner Institutions, financing instruments as well as risk limits and restrictions, are included in the Issue Document. Any changes to the Issue Document require the prior approval of the shareholders.

Additional to the described financing instruments, GGF provides capacity building, consulting and training measures trough its TA Facility, thereby further supporting the development of EE and RE lending operations and increasing awareness. The TA Facility assists potential Partner Institutions with the development of new products and segments, the introduction of new processes, the conducting of portfolio analysis studies, impact measurements and energy audits, the monitoring of investments or the reporting to the fund management. Direct support is also granted to end-users for complex projects that require additional studies, such as feasibility studies, energy audits or impact analysis. Further, the facilitation of awareness raising and market enabling activities, the support of the validation and monitoring of energy and CO2 savings as well as strategic advice to the GGF in the form of market and sector studies is financed.

The growth of the GGF within the Western Balkans shall contribute to overcome the problems described above by providing long-term financing instruments – both to financial insitutions and directly to renewable energy projects and non-financial Partner Institutions. Additionally, the Technical Assistance (TA) Facility of the GGF shall support local financial institutions in developing EE and RE financing as a sustainable field of business. The financing of pilot projects and marketing campaigns shall help to create awareness and understanding of the profitability of EE and RE investments.

The above activities are described in more detail below and linked with the intervention logic provided in Section 2.

INVESTMENTS IN FINANCIAL INSTITUTIONS

The GGF aims to institutionalize sustainable energy finance in its partner financial institutions by providing them with funding accompanied by the know-how and tools to succeed in the market, develop and place appropriate products, and to measure results. The Fund offers a broad palette of financing instruments, including medium to long-term senior loans, subordinated loans, syndicated loans, and mezzanine debt instruments. By combining these investments with targeted technical assistance for each of the Partner Institutions, the Fund ensures the long-term effectiveness of each investment. The level of investment for each institution is tailored to match its individual profile and absorption capacity.

The funds provided by the GGF are used for on-lending to sub-borrowers such as households, household associations, small and medium enterprises, large business, municipalities, public sector entities, and renewable energy projects.

GGF provides medium to long-term financing for energy efficiency and renewable energy to strong and reputable commercial banks, micro-finance institutions, leasing companies, and other non-bank financial institutions committed to the Fund’s energy saving objectives.

Financial institutions must fulfill the Fund’s eligibility criteria which include: compliance with local and relevant European regulation, financial strength, creditworthiness, strong corporate governance, responsible lending principles and compliance with the environmental and social guidelines of the GGF.

INVESTMENTS IN RENEWABLE ENERGY PROJECTS

Many renewable energy projects are capital-intensive and require large volumes of funds to be sourced well in advance of operations. This is a challenge, considering that many of the markets in which these projects aim to operate are not sufficiently developed and largely untested. Besides regulatory challenges, the lack of adequate financing mechanisms for smaller renewable energy projects that might not seem instantly bankable is probably the greatest challenge. And this is where GGF plays a role. The Fund offers direct financing in all forms of capital with a strong focus on senior debt. This includes financing through or with banks (co-financing) for established technologies such as solar thermal and photovoltaic, hydro, biomass, geothermal, and wind. The GGF also provides technical assistance for viable renewable energy projects.

The Western Balkans represent a growing market for renewable energy investments. Because there is a greater availability of funding for larger projects in the regions, the Fund has decided to focus on smaller scale renewable energy projects in the following areas: solar (thermal and photovoltaic), hydro, wind, biomass, geothermal, and methane recovery. All investments must be in line with the exclusion list of the GGF, and must meet specific technical criteria depending on the type of project. The GGF generally focuses on projects with total project costs in the range of EUR 10-50 million, with the GGF’s participation limited to EUR 10 million. In the case of wind and hydro power projects, the installed capacity should be less than 30 MW; dam heights for hydro may not exceed 15 meters. Smaller projects of a size less than EUR 5 million would either be referred to a partner financial institution of the GGF or potentially bundled with similar projects to reach an economic scale where direct financing makes sense.

The GGF works with reputable, local and international developers that are willing to bring equity into a project. Potential projects have to match the eligibility criteria and general terms and conditions for cooperation. The overarching requirement that needs to be satisfied before the GGF decides to support a renewable energy project is the potential development impact the project can have combined with its commercial feasibility. Other factors the GGF will analyze in depth are the sponsor(s), the availability of bankable documents, the quality of the concession or permitting process, off-take or other main commercial risks, and overall risk / return profile.

TECHNICAL ASSISTANCE FACILITY

The TA Facility works with the clients of the GGF in a partnership approach to ensure the sustainable use of energy efficiency and renewable energy loans. By deploying skilled individuals from its extensive network of specialists and consultants, it provides support for capacity development of financial and non-financial institutions and assists the Fund’s target group in implementing energy efficiency and renewable energy investments.

By combining investments with targeted technical assistance, the GGF strives to build up capacities within its Partner Institutions that ensure the long-term effectiveness of its investments. It does so by directly supporting the Fund’s financial and non-financial Partner Institutions through a broad range of capacity building activities such as identifying market niches, developing loan products, training staff and promoting renewable energy projects, but also indirectly through market-enabling and awareness raising activities. Furthermore, the TA Facility supports Partner Institutions in implementing monitoring and reporting systems for the validation of energy savings and CO_2 emissions reductions. For renewable energy projects, the TA Facility can help to bring such projects to successful financing, help promote adherence to international and environmental standards, or to step in if an ongoing project encounters difficulties.

All of the TA Facility’s activities are conducted in line with the Fund’s goal of enhancing energy savings and reducing CO_2 emissions or provide the Fund with strategic advice in line with this goal

RISKS

Beneficiary Risks

Political and economic instability in the beneficiaries negatively affect the banking sector and depress lending activity. The Fund undertakes an active risk mitigating strategy, including without being limited to the following: a) desk integrity reviews as well as commissioning extensive background checks where appropriate, b) cooperation with financial sector stakeholders to promote good corporate governance, c) promoting club deals with international financial institutions/development finance institutions (IFIs/DFIs), d) involvement of local legal counsel where recommended, e) eligibility checks on potential investees, f) comprehensive on-site and off-site due diligence, and g) comprehensive risk monitoring.

Partner Institutions

The Fund runs the risk of any defaulting on their borrowings from the Fund. Such Partner Institutions (PIs) may default on their interest and/or on their principal repayment. The Fund mitigates this risk by selecting the Partner Institutions according to the criteria set forth in the Investment Guidelines and then by closely monitoring them on a quarterly basis. In this context, the Fund performs intensive eligibility checks in order to pre-select potential PIs. During the selection process for a new PI, a mandatory Due Diligence is performed.

Concentration Risks

The Fund operates in predominantly small economies which typically have high financial sector concentration, i.e. a small number of banks with high relative market shares. The Fund´s eligibility criteria and prudent credit risk mitigation standards further limit the number of eligible PIs. Consequently, in certain cases the Fund may invest relatively large amounts in a relatively small number of PIs of good credit standing or project quality within one beneficiary. The Fund therefore aims to achieve optimal balance between the individual PI quality and portfolio diversification. Risk mitigation measures are not limited to individual PI level but also to portfolio level. Maintaining adequate levels of diversification is essential in this regard which is defined is in the Issue Document of the Fund.

Market Risks

Market risk is the risk that the value of financial instruments fluctuates due to changes in capital and monetary market, in particular currency and interest rate risk from its financial instruments. It is the Fund’s policy to minimize its exposure to market fluctuations by issuing liabilities in the respective currency or engaging in hedging instruments.

CONDITIONS FOR IMPLEMENTATION

Support to Partner Institutions and technical assistance will remain a key pillar in GGF’s approach to mainstream EE and RE finance in the Western Balkans, particularly recognizing the early stage of EE/RE development in the region. By implementing know-how and best practices from the GGF’s more than six year track record to the region, the Fund will be able to achieve high development impact.

The on-the-ground presence of the Investment Advisor in the region, with dedicated staff, local offices, and a network of financial institution clients, facilitates activities in the region. Especially in such a fast developing but challenging region, experience has shown that the local staff and local presence of the Investment Advisor is not only key for success but an indispensable component of risk management. The Investment Advisor has developed an investment strategy for the Western Balkans using internal market knowledge, publically available data and additional interviews with stakeholders and financial institution in the region. Based on this, investments have been identified and the Investment Advisor is building an initial portfolio pipeline, providing rapid utilization of the requested C Shares for the Western Balkans.

Strengthening the available technical expertise is a significant aspect of the TA Facility efforts to facilitate additional investments in the Western Balkans. The TA Facility will identify, build and further train a pool of experts in the region, building on its existing expert database. The TA Facility, as a donor-funded support mechanism, leverages impact through a strong emphasis on capacity building within institutions in order to build long-term and sustainable dedication to green energy finance. Additional support is provided to inexperienced project developers to bring their projects in line with international environmental and social standards for renewable energy projects. Since many financial institutions in the Western Balkans are in an early stage of introducing green products, significant TA efforts will be needed to support them, amongst others in developing an appropriate strategy and product design, adjusting client assessment and monitoring tools and training staff in promoting and processing green financial products. Finally, the TA Facility will not only support GGF’s partners, but also the consumers of electricity by helping to build awareness of the benefits of EE/RE through events, marketing materials, and cooperation with local energy experts. Raising awareness and creating outreach is an important aspect. To achieve this effectively, the TA Facility will organize educational workshops and promotional events to present the Fund in new markets, as well as publishing relevant informational materials in order to increase the visibility of the Fund. New in-depth market surveys will be commissioned analyzing the potential of concrete EE/RE investment segments.

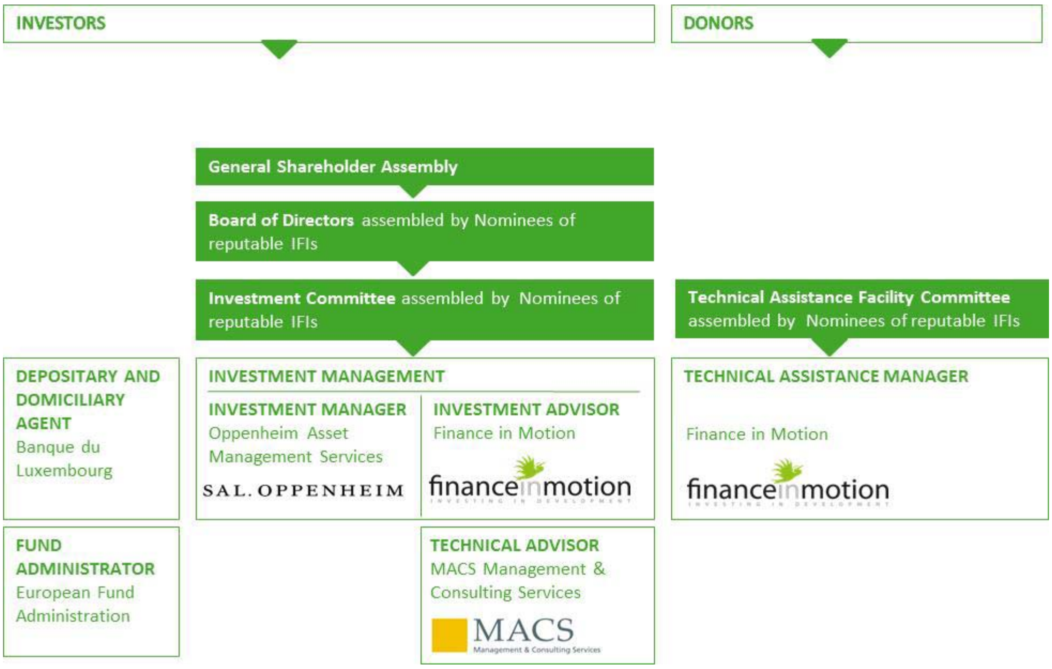
3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The Action will be implemented via indirect management with the EIF, and in close coordination with GGF’s Investment Advisor (including semi annual meetings).

Since GGF is a financial instrument, in accordance with Title VIII of the Financial Regulation, it falls under indirect management. Given the structure of the instrument - i.e. EU funding is subscribed by EIF into the Fund as C Shares and thereafter EIF acts as trustee for shareholder representation, since it is not the executor of the Financial Instrument – EIF's roles and responsibilities are strictly linked with those of the Fund and its Investment Advisor.

As background to the structure of GGF; the Fund is managed by a Board of Directors comprised of nominees of the major IFI shareholders (although acting independently from their IFIs and in the best interest of the Fund), with the nominee of the EIB currently serving as Chairman. Investment decisions are taken by an Investment Committee, appointed by the Board. On a day-to-day basis, the Fund is advised by professional service providers, including a investment manager/advisor consortium with extensive experience in the field of structured funds and development finance, under the close supervision of the Board and the Investment Committee. The strong governance structure of the Fund ensures high quality in the management of the business operations. At the same time, the simple and clear structures balance public interest and financial sustainability with full transparency and look-through. This was also confirmed in multiple external monitoring missions undertaken by donors and investors.



IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

The EUR 20 million from MC IPA will be contracted via indirect management (Delegation Agreement) with the EIF, albeit with some structural allowances to reflect that the main implementation tasks fall to the Investment Advisor of GGF (as mentioned above) – for this a description of the Investment Advisor's tasks are also provided below.

The Investment Advisor conducts an extensive market mapping exercise and screens financial institutions across all GGF target partner beneficiaries. The objective is to identify the growth and expansion potential for the Fund based on eligibility, market, and additionality criteria. All institutions were examined against the Fund's formal eligibility criteria. In a next step, additional filters are applied gradually reflective of the individual financial markets operating environment and the Fund's development objectives.

The Fund's investments are market-based instruments without subsidy components, GGF mainly provides financing for investments in EE and RE to households, MSMEs, and municipal entities via local financial institutions on a revolving basis. The investments financed under the GGF are required to achieve energy and/or CO2-emission savings of at least 20%. Target financial institutions are banks and non-bank financial institutions. To a certain extent the Fund can also directly finance municipal entities or EE and RE stand-alone projects. Financing can be provided in form of medium- to long-term senior loans, subordinated loans, guarantees and equity participations. The tenors of the loans are in the range of 5-10 or, in exceptional cases, up to 15 years.

In addition, GGF has co-financing arrangements with multiple IFIs and is able to assume such a role in both FI and NFI investments, e.g. EBRD, IFC, FMO, OeEB. GGF participates in transactions as a participating lender, where financing is otherwise unavailable or limited in some way, or where GGF’s contribution can contribute to the development of the renewable energy or energy efficiency framework of the beneficiary. By supporting such investments, GGF will contribute to the pooling of resources among development-oriented financiers for priority projects, and support projects that are worthy and where resources are more limited in the Western Balkans. In all instances, investments supported by GGF must comply with the Fund’s Investment Guidelines, including the Fund’s environmental and social criteria.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

The EIF shall carry out monitoring responsibilities as entrusted entity at the level of the Fund’s Advisor/Manager and/or Financial Intermediaries and shall have access to the same level of detail of documentation as the Fund Advisor/Manager.

In addition, the European Commission may carry out evaluations and on the spot checks in line with the provisions of the EC-EIF FAFA and the Delegation Agreement. At the level of the Fund itself, GGF and all of its activities are being monitoring according to the GGF standard procedures and tools. The project monitoring will include regular and periodic assessments of the progress on targets and objectives, these periodic reports include quarterly reports annual reports, progress reports etc. Further, information meetings between the GGF, potentially other co-financiers and the EU will be organised in principle annually or when needed in order to review the progress of the project.

With regards to monitoring and reporting energy related impacts, the GGF provides Partner Institutions and their loan officers with a software solution (eSave) that quantifies energy savings and CO_2 emission reductions of energy efficiency and renewable energy projects. The tool is based on a large number of underlying information, such as climate data, verified assumption for certain eligible measure and is thus able to calculate savings for individual measures. For more complex calculations, the GGF sends energy consultants to assess projects and to verify the energy and CO2 savings. The software supplies data on total energy and CO2 emission reduction for the fund as a whole, and can even drill down to individual measures. The calculation methodology follows international standards such as the EU Directive 2006/32/EC, IPCC 2006, DIN 18599 or GEMIS. Loan officers in the regional branches are the prime user of the tool and receive dedicated training. The impact of complex projects is calculated by local energy auditors as projects require more detailed engineering analysis. The data entered into the eSave tool stems from audit reports. Constant checks and balances are used to ensure a high quality of data. Various internal and external reviews and due diligences on the reporting methodology have been conducted and resulted in positive assessments. Continues software upgrades ensure error reduction by limiting possibilities for human error and improving methodology for consolidation of data. Also a helpdesk is made available to answer specific questions during the use.

INDICATOR MEASUREMENT

Indicator	Baseline 2015 (2)	Target 2020 (3)	Final Target/ benchmark (4)	Source of information
Output indicators Total on-lent to finance eligible investments N. of projects receiving finance (N. of sub-loans) Percentage contribution to the NEEAPs of Western Balkan beneficiaries(5) Number of TA projects (all kinds) Number of capacity building TA projects for Partner Institutions	Disbursed amount to GGF Partner Institutions: 132 million (2015) Cumulative number of sub-loans 9,249 (2015) Approx. 4.5% contribution to regional aggregate target Cumulative number of TA projects (all kinds): 77 (2015) Cumulative number of capacity building TA projects for Partner Institutions: 43 (2015)	Disbursed amount to GGF Partner Institutions: 212 million (2020) Cumulative number of sub-loans 14,900 (2020) Approx. 5.5% contribution to regional aggregate target Cumulative number of TA projects (all kinds): 125 (2020) Cumulative number of capacity building TA projects for Partner Institutions: 70 (2020)		Quarterly Shareholder Reporting Fund Annual Report Quarterly Fact Sheets Reporting to Energy Community Secretariat TA Reporting
Outcome Indicators Primary energy consumption Index (6) Final energy consumption Index (6) Average primary energy savings, at the measure-level Average CO_2 savings, at the measure-level	GGF contributes 0.18% reduction GGF contributes 0.27% reduction 20% primary energy savings achieved across all partner institutions. Equivalent to annualized primary energy savings: 542,884 MWh 20% CO_2 savings achieved across all partner institutions. Aggregated equivalent annualized savings: 161,405 tCO_2	GGF contributes 0.33% reduction GGF contributes 0.49% reduction 20% primary energy savings achieved across all partner institutions. Equivalent to annualized primary energy savings: 1,040,000 MWh 20% CO_2 savings achieved across all partner institutions. Aggregated equivalent annualized savings: 280,000 tCO_2		Quarterly Shareholder Reporting Fund Annual Report Quarterly Fact Sheets Reporting to Energy Community Secretariat

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)
(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".
(3) The target year CANNOT be modified.
(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.
(5) NEEAPs extend only until 2018, the 2020 figure shown here is the impact that GGF would have on the 2018 target by the year 2020.
(6) See annex for detailed calculations

Outcome Indicators

Primary energy consumption Index
Final energy consumption Index
Average primary energy savings, at the measure-level
Average CO_2 savings, at the measure-level

Output indicators

Percentage contribution to the NEEAPs of Western Balkan beneficiaries
Total on-lent to finance eligible investments
N. of projects receiving finance (N. of sub-loans)
Number of TA projects (all kinds)
Number of capacity building TA projects for Partner Institutions

5. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

Although the primary mission of the Fund is on promoting renewable energy and energy efficiency, consideration of gender is a cross-cutting issue which plays an important role throughout the activities of the Fund. The Fund is committed to promoting projects that bring additional environmental and social benefits to communities where the activities are implemented, such as employment and economic development as well as reduction of social exclusion, promotion of gender equality and provision of basic services (GGF E&S Procedures p. 5). Hereby it is important to note that men and women face particular non-financial barriers, including the following:

- Imbalanced decision-making power in households, including potentially decisions on energy efficiency investments as well as differentiated usage patterns of certain investments
- Lack of information and/or misinformation among men and women on energy efficiency measures

The following are being implemented in connection with this action:

- Ensuring that the environmental and social performance requirements for Partner InstitutionPartner Institutions are covered under the review of potential Partner InstitutionPartner Institutions and that the screening of non-discrimination and equal opportunity policies is a firm part of screening of a potential institution
- Stimulating the participation of both women and men in training and awareness-raising activities financed by the GGF TAF, including energy consultant training and roundtables, distribution of information material and tailored training sessions at the Partner InstitutionPartner Institutions
- Being gender sensitive in promoting financial products on energy measures by including energy savings and thus lower energy costs, as well as non-financial benefits which might impact women and men differently, e.g. higher comfort levels, lower GHG emissions, Consider screening eligible energy measures for gender aspects and ensuring gender sensitivity as to what extent these investment promote gender equality

EQUAL OPPORTUNITIES

The financing provided by the GGF to FIs and then on-lend as well as to RE projects is available to women and men, as well as participation of all people in a non-discrimatory matter. Any individual or business owner meeting the GGF eligibility criteria and the partnering financial institution's eligibility criteria will be allowed to participate.

MINORITIES AND VULNERABLE GROUPS

The financing provided by the GGF is available to all residents including minorities and vulnerable groups without discrimination. Any individual or business owner meeting the GGF eligibility criteria and the partnering financial institution's eligibility criteria will be allowed to participate. GGF has extensive experience in partnering with microfinance institutions in the Western Balkans to provide access to finance to those not sufficiently served by the traditional financial sector. This will continue under the activities described in this Action Document. Further, via the potential to deliver financing through vendors of certain energy measures (point-of-sale) a complementary financial mechanism to individual loans is created, especially for those from lower and middle socio-economic groups, since their purchasing power may not be enough to allow them to access bank loans;

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

While the main target group of the GGF is its partnerning financial institutions, civil society organisations (CSOs) can be a effective communicator in order to contribute to the uptake of sustainable energy solustions. It may be envisioned to involve CSOs in the cooperation with local authorities and stakeholders, communication and awareness raising, monitoring of policies and budgets and potentially implementation of certain applicable TA projects. Further, the participation and feedback of all CSOs is appreciated by the GGF and it strives to include CSOs in all relevant stakeholder engagement processes related to projects and events.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

An investment shall comply with the relevant national legislation and promote alignment to applicable EU Directives, in particular the Directive on Energy Performance of Buildings, or any successor thereto, in so far as the investments relate to the building sector, and the Directive on Energy End-use and Energy Services and the Renewable Energy Directive.

Climate action relevant budget allocation: EUR 20,000,000

6. SUSTAINABILITY

The action will promote rational use of energy in the context of rising (conventional) energy costs. Hereby, the GGF Partner Institutions are effective channels to raise awareness and educate their clients and thus to enable a wider up-take of innovative products in the field of energy efficiency.

Equally, the provision of financing for renewable energy technologies paves the way for further development of required systemic infrastructure, including amongst others, energy auditors, project developers, technology providers. The action will thus raise awareness about sustainable energy investments within a wide range of target groups including suppliers, installers, vendors as well as the wider population and end-users. This will increase the penetration rate of best practice sustainable energy technologies.

It is anticipated that through familiarizing with lending for sustainable energy investments, the Partner Institutions will be more open to and prone to promoting other innovative and sustainable lending products.

As the GGF is committed to exploring new sectors and fields of operations, the action will facilitate development in several areas, including the energy service company landscape. Currently ESCOs are not very prevalent due to a complex lack in legislation, tools and infrastructure, but once these are in place and once GGF Partner Institutions have more experience in investments via ESCOs, it is anticipated that ESCOs will be more widespread in the landscape of sustainable energy investments.

7. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.

GGF recognizes that active communication with its stakeholders is an integral part of good business practice. The GGF will be in regular communication and interaction with the EU delegations in the relevant beneficiaries: it will keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

Further, it will be ensured that the visibility of the EU contribution is guaranteed and is at least equal to the visibility of other donors supporting the action given in the media. GGF shall report on its visibility and communication actions in its relevant reports.

Communication activities

The Fund’s key strategic aims to support its communication objectives with respect this Action are to:

- Utilise the GGF website as the primary communication medium ‘to speak’ to stakeholders
- Maintain and continuously update the GGF website to top international standards, and make it easy for stakeholders to find out about GGF activities and events - primarily through the Fund’s website
- Promote and manage the GGF corporate identity and its activities in a coherent way
- Regularly interact with media representatives from GGF’s partner countries (“regional media”) as well as with international and national media
- Build a strategic communication partnership with the Fund initiators and other stakeholders of the Fund, including shareholders and service partners to support the implementation of the communication policy into the GGF mission
- Participate in relevant industry conferences and disseminate study results
- Evaluate on a continuous basis the effectiveness of the GGF communication strategy
- Regularly update the GGF Board of Directors on communication activities
- Give a profound overview of activities with the annual report
- Keep the target group informed with publications such as fact sheets and brochures

The Fund employs a variety of ways and means to communicate, and provides information in multiple formats to accommodate diverse needs. The type of communication method used depends on the target audience. Communication vehicles are listed and summarized in the table below.

Primary target groups	Communication vehicles available
Shareholders	• Issue document • Funding & commitment structure

	• Energy/environmental impact statistics • Shareholder Reports, including quarterly unaudited financial statements • Annual audited financial statements • Portfolio by beneficiary • Portfolio information, • Funding and commitments with names • E&S reports (AESPR)
Academia, microfinance and SME community, industry associations	• Website • Annual report • Quarterly fact sheet: Development performance • Conferences and events
Local authorities	• Website • Annual Report • Quarterly fact sheet • Conferences and events • Media relations
Media	• Website • Press releases • Press conferences/briefings • Media interviews • Annual Report • Quarterly fact sheet • GGF general brochure • Fact sheet “GGF at a Glance” • Public relations initiatives
General public	• Website • Media relations • Other key target groups as multipliers • Annual Report • GGF general brochure • Fact sheet “GGF at a Glance” • Quarterly fact sheet • Public relations initiatives

Annex: Final and primary energy indicator calculations

	Energy Community Data[1]												GGF Data						
	Period covered by EEAP	Overall final energy savings target Directive 2006/32/EC			Total primary energy supply [TPES] (ktoe)				Total final energy consumption [TFEC] (ktoe)				Primary energy savings to date[2]			EE primary energy factor (PEF)[3]	Final energy savings		
		ktoe	%	year	2010	2011	2012	2013	2010	2011	2012	2013	total (GWh/yr)	EE (GWh/yr)	RE (GWh/yr)	pe/se	total (GWh/yr)	EE (GWh/yr)	RE[4] (GWh/yr)
Albania	2010 - 2018	168	9	2018	2,111	2,238	2,075	2,618	1,989	1,992	1,905	2,092	11.6	0.7	10.9	0.5	1.4	1.4	n/a
BiH	2010 - 2018	298	9	2018	7,012	7,086	7,311	7,598	3,837	3,960	3,852	3,534	82.9	75.5	7.4	1.1	68.6	68.6	n/a
Kosovo	2010 - 2018	92	9	2018	2,496	2,528	2,368	2,364	1,190	1,317	1,258	1,277	0.0	0.0	0.0	n/a	0.0	0.0	n/a
Serbia	2010 - 2018	752	9	2018	15,536	16,185	14,462	15,063	9,479	9,778	8,593	8,985	424.5	420.8	3.7	1.2	349.5	349.5	n/a
Montenegro	2010 - 2018	59	9	2018	1,174	1,126	1,062	1,037	806	763	734	719	0.0	0.0	0.0	n/a	0.0	0.0	n/a
Macedonia	2010 - 2018	147	9	2018	2,883	3,107	2,968	2,746	1,823	1,952	1,874	1,815	71.9	69.3	2.6	0.7	103.8	103.8	n/a
		1515.9						31426.0				18422.0	590.9	566.3	24.6		523.2	523.2	0.0

Notes:
1 from www.energy-community.org
2 from GGF sub-loan data, Q1 2016
3 GGF specific factors based on current porfolio and fuels avoided. Assumes that the future portfolio is broadly similar.
4 RE does not directly contribute to final energy consumption, only primary energy consumption through the displacement of fossil fuels
5 As presented in Action Document - incremental primary energy savings to be achieved with the proposed 20 mln EUR C shares

Baseline 2015

Total GGF **primary** energy savings	590.9	GWh/yr	
Total GGF **final** energy savings	523.2	GWh/yr	
Total Western Balkan interpolated **primary** energy savings	1,724.0	ktoe	
	20,049.9	GWh/yr	
Total Western Balkan interpolated **final** energy savings	1,010.6	ktoe	
	11,753.3	GWh/yr	
GGF fraction **primary** consumption savings	2.9%	fraction of the region's interpolated target contributed by GGF (i.e. if	
GGF fraction **final** consumption savings	4.5%	need to achieve '100' units of savings, GGF contributes 2.9/4.5 units)	
GGF fraction of regional NEEAP targets in that year	4.5%	the fraction of the region's NEEAP target in a given year that is contributed by GGF	
GGF fraction total **primary** energy consumption	0.18%	the fraction of the region's total energy consumption reduced by GGF	
GGF fraction total **final** energy consumption	0.27%		

Target 2020

Total GGF **primary** energy savings[5]	1,090.9	GWh/yr
Total GGF **final** energy savings	965.9	GWh/yr
Total Western Balkan extrapolated **primary** energy savings	3,160.6	ktoe
	36,758.1	GWh/yr
Total Western Balkan extrapolated **final** energy savings	1,852.8	ktoe
	21,547.7	GWh/yr
GGF fraction **primary** consumption savings	3.0%	
GGF fraction **final** consumption savings	4.5%	
GGF fraction of regional NEEAP targets in that year	5.5%	
GGF fraction total **primary** energy consumption	0.33%	
GGF fraction total **final** energy consumption	0.49%	