



Circular Economy Regional Programme Initiative (Near Zero Waste)

Part I: Project Information

GEF ID

10328

Project Type

FSP

Type of Trust Fund

GET

CBIT/NGI

CBIT **No**

NGI **Yes**

Project Title

Circular Economy Regional Programme Initiative (Near Zero Waste)

Countries

Regional, Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia, Turkey

Agency(ies)

EBRD

Other Executing Partner(s)

EBRD, Private Sector Companies

Executing Partner Type

Private Sector

GEF Focal Area

Multi Focal Area

Taxonomy

Focal Areas, Chemicals and Waste, Emissions, Persistent Organic Pollutants, Polychlorinated Biphenyls, Unintentional Persistent Organic Pollutants, Plastics, Waste Management, Hazardous Waste Management,

Industrial Waste, eWaste, Eco-Efficiency, Best Available Technology / Best Environmental Practices, Industrial Emissions, Climate Change, United Nations Framework Convention on Climate Change, Paris Agreement, Climate Change Mitigation, Technology Transfer, Energy Efficiency, Renewable Energy, Influencing models, Deploy innovative financial instruments, Demonstrate innovative approach, Stakeholders, Type of Engagement, Participation, Information Dissemination, Consultation, Beneficiaries, Communications, Awareness Raising, Behavior change, Private Sector, Project Reflow, Capital providers, Large corporations, Financial intermediaries and market facilitators, Individuals/Entrepreneurs, SMEs, Non-Grant Pilot, Gender Equality, Gender results areas, Capacity Development, Gender Mainstreaming, Sex-disaggregated indicators, Capacity, Knowledge and Research, Knowledge Generation

Rio Markers

Climate Change Mitigation

Climate Change Mitigation 2

Climate Change Adaptation

Climate Change Adaptation 1

Submission Date

5/18/2020

Expected Implementation Start

8/16/2021

Expected Completion Date

8/17/2026

Duration

60In Months

Agency Fee(\$)

1,238,532.00

A. FOCAL/NON-FOCAL AREA ELEMENTS

Objectives/Programs	Focal Area Outcomes	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
CW-1-1	Strengthening the sound management of industrial chemicals and their waste through better control, and reduction and/or elimination	GET	10,321,100.00	106,410,000.00
CW-1-2	Strengthening the sound management of agricultural chemicals and their waste through better control, and reduction and/or elimination	GET	2,064,220.00	21,282,000.00
CCM-1-3	Promote innovation and technology transfer for sustainable energy breakthroughs for accelerating energy efficiency adoption	GET	1,376,148.00	14,188,000.00
Total Project Cost(\$)			13,761,468.00	141,880,000.00

B. Project description summary

Project Objective

The Circular Economy Regional Initiative project will address specific barriers to transitioning to circular economy in the Western Balkans and Turkey by catalysing the scale up of circular economy technologies and processes, as well as adoption of circular strategies and business practices.

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
Component 1: Implementation of Circular Economy Performance-based Financing	Investment	Outcome 1: Increased Investment in Circular Economy Initiatives	Output 1: Investment in 10 Circular Economy projects with a total investment of c. US\$ 153m	GET	13,711,468.00	140,000,000.00
Component 2: Technical Assistance for adopting Circular Economy Technologies and Processes, and Strategies	Technical Assistance	Outcome 2: Circular economy technologies and strategies mainstreamed in corporate processes and business models	Output 2.1: Technical assistance to identify technologies, products and processes Output 2.2: Circular economy strategies	GET		1,500,000.00

Project Component	Financing Type	Expected Outcomes	Expected Outputs	Trust Fund	GEF Project Financing(\$)	Confirmed Co-Financing(\$)
Component 3. Monitoring and evaluation	Technical Assistance	Outcome 3: Project monitoring and evaluation and ensuring effective achievement of intended results	Output 3.1 Project monitoring and evaluation	GET	50,000.00	30,000.00
Sub Total (\$)					13,761,468.00	141,530,000.00
Project Management Cost (PMC)						
GET					350,000.00	
Sub Total(\$)			0.00		350,000.00	
Total Project Cost(\$)			13,761,468.00		141,880,000.00	

C. Sources of Co-financing for the Project by name and by type

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
GEF Agency	EBRD	Loans	Investment mobilized	140,000,000.00
GEF Agency	EBRD	Grant	Investment mobilized	1,500,000.00
GEF Agency	EBRD	In-kind	Recurrent expenditures	380,000.00
Total Co-Financing(\$)				141,880,000.00

Describe how any "Investment Mobilized" was identified

The investment mobilised will include EBRD loans and private sector participation related to the circular economy investments under the project. At this stage the type and exact amount of private sector financing is unknown and will be defined when the sub-projects/investments are structured. For grants, the EBRD will mobilize funding through Austria and the EBRD Shareholder Special Fund. In-kind contributions from the EBRD have also been confirmed during full project preparation.

D. Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)
EBRD	GET	Regional	Multi Focal Area	NGI	13,761,468	1,238,532
Total Grant Resources(\$)					13,761,468.00	1,238,532.00

E. Non Grant Instrument

NON-GRANT INSTRUMENT at CEO Endorsement

Includes Non grant instruments? **Yes**

Includes reflow to GEF? **Yes**

F. Project Preparation Grant (PPG)

PPG Required **false**

PPG Amount (\$)

PPG Agency Fee (\$)

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)
Total Project Costs(\$)					0.00	0.00

Core Indicators

Indicator 5 Area of marine habitat under improved practices to benefit biodiversity (excluding protected areas)

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
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Indicator 5.1 Number of fisheries that meet national or international third party certification that incorporates biodiversity considerations

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
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Type/name of the third-party certification

Indicator 5.2 Number of Large Marine Ecosystems (LMEs) with reduced pollutions and hypoxia

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (achieved at MTR)	Number (achieved at TE)
0	0	0	0

LME at PIF	LME at CEO Endorsement	LME at MTR	LME at TE
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Indicator 5.3 Amount of Marine Litter Avoided

Metric Tons (expected at PIF)	Metric Tons (expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)
50,000.00	50,000.00		

Indicator 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit (At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
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Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	6250000	6250000	0	0
Expected metric tons of CO ₂ e (indirect)	15625000	15625000	0	0

Indicator 6.1 Carbon Sequestered or Emissions Avoided in the AFOLU (Agriculture, Forestry and Other Land Use) sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)				
Expected metric tons of CO ₂ e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

Indicator 6.2 Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO ₂ e (direct)	6,250,000	6,250,000		
Expected metric tons of CO ₂ e (indirect)	15,625,000	15,625,000		
Anticipated start year of accounting	2021	2021		
Duration of accounting	10	10		

Indicator 6.3 Energy Saved (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Total Target Benefit	Energy (MJ) (At PIF)	Energy (MJ) (At CEO Endorsement)	Energy (MJ) (Achieved at MTR)	Energy (MJ) (Achieved at TE)
Target Energy Saved (MJ)				

Indicator 6.4 Increase in Installed Renewable Energy Capacity per Technology (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)

Indicator 9 Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials and products (metric tons of toxic chemicals reduced)

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)
2,000.00	2,000.00	0.00	0.00

Indicator 9.1 Solid and liquid Persistent Organic Pollutants (POPs) removed or disposed (POPs type)

POPs type	Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)
Select Hexabromocyclodecane (HBCDD)	1,632.00	31.00		<input type="checkbox"/>
Select Perfluorooctane sulfonic acid, its salts and perfluorooctane sulfonyl fluoride	333.00	628.00		<input type="checkbox"/>
Select Polychlorinated biphenyls (PCB)	35.00	0.00		<input type="checkbox"/>
Select Hexabromodiphenyl ether and heptabromodiphenyl ether		1,341.00		<input type="checkbox"/>

Indicator 9.2 Quantity of mercury reduced (metric tons)

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)

Indicator 9.3 Hydrochlorofluorocarbons (HCFC) Reduced/Phased out (metric tons)

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)

Indicator 9.4 Number of countries with legislation and policy implemented to control chemicals and waste (Use this sub-indicator in addition to one of the sub-indicators 9.1, 9.2 and 9.3 if applicable)

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)

Indicator 9.5 Number of low-chemical/non-chemical systems implemented, particularly in food production, manufacturing and cities (Use this sub-indicator in addition to one of the sub-indicators 9.1, 9.2 and 9.3 if applicable)

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
5	5		

Indicator 9.6 Quantity of POPs/Mercury containing materials and products directly avoided

Metric Tons (Expected at PIF)	Metric Tons (Expected at CEO Endorsement)	Metric Tons (Achieved at MTR)	Metric Tons (Achieved at TE)
10,000.00	10,000.00		

**Indicator 10 Reduction, avoidance of emissions of POP to air from point and non-point sources
(grams of toxic equivalent gTEQ)**

Grams of toxic equivalent gTEQ (Expected at PIF)	Grams of toxic equivalent gTEQ (Expected at CEO Endorsement)	Grams of toxic equivalent gTEQ (Achieved at MTR)	Grams of toxic equivalent gTEQ (Achieved at TE)
75.00	75.00		

**Indicator 10.1 Number of countries with legislation and policy implemented to control emissions of
POPs to air (Use this sub-indicator in addition to Core Indicator 10 if applicable)**

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)

**Indicator 10.2 Number of emission control technologies/practices implemented (Use this sub-indicator
in addition to Core Indicator 10 if applicable)**

Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)

Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	160	160		
Male	640	640		
Total	800	800	0	0

Part II. Project Justification

1a. Project Description

1) The global environmental problems, root causes and barriers that need to be addressed (systems description)

There have been no changes in alignment with the original project design regarding the global environmental problem and the barriers addressed by the "Circular Economy Regional Initiative" project ("the Project"). Note that the Project title has adopted the acronym "CERI" and dropped reference to "Near Zero Waste".

1.1 Circular Economy.

1. The global economy has been largely based on a linear model in which raw materials are extracted, processed, sold, used and discarded. Products are being produced with increasingly shorter lifetimes.

The resulting environmental impacts are wide ranging and include: hazardous chemicals released to the environment, increased greenhouse gas emissions, plastics entering the ocean, increased use of land for landfill and greater water usage.

2. To address these challenges it is necessary to transition to a circular economy. A circular economy is a system that is restorative or regenerative by intention and design. It replaces the "end-of-life" concept with restoration, shifts material and energy systems towards closed-loop models, eliminates the use of toxic chemicals that impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems and business models.^{[1]¹}

3. The benefits of transitioning to a circular economy are significant. If implemented worldwide, the material cost savings have been estimated as nearly USD 1 trillion per year by 2025^{[2]²} and with

business opportunities of USD 4.5 trillion.[3]³ In the EU alone, it is estimated that the transition to a circular economy would result in savings of USD 630 billion per year for just medium-live products, with significant job creation and increase in GDP of between 3 to 4% compared to 2010 levels.[4]⁴

1.1.1 EBRD **Region** and the Circular Economy

4. The EBRD has established expertise in identifying and financing circular economy opportunities. From 2014 ? 2019, the Bank financed more than 100 projects supporting circular economy products and business models, contributing more than EUR 1 billion in finance. These projects are predominantly focused on private sector clients, with the majority of finance benefitting clients in the manufacturing and services and agribusiness sectors.

 5. With population increase and economic growth, the use of resources in the EBRD region has accelerated considerably and there is great potential for transitioning to a circular economy. Besides its contribution to addressing climate change and resource scarcity, transitioning to a circular economy in the EBRD region can improve the security of the supply of raw materials, increase competitiveness, promote innovation and boost economic growth while addressing material intensity.

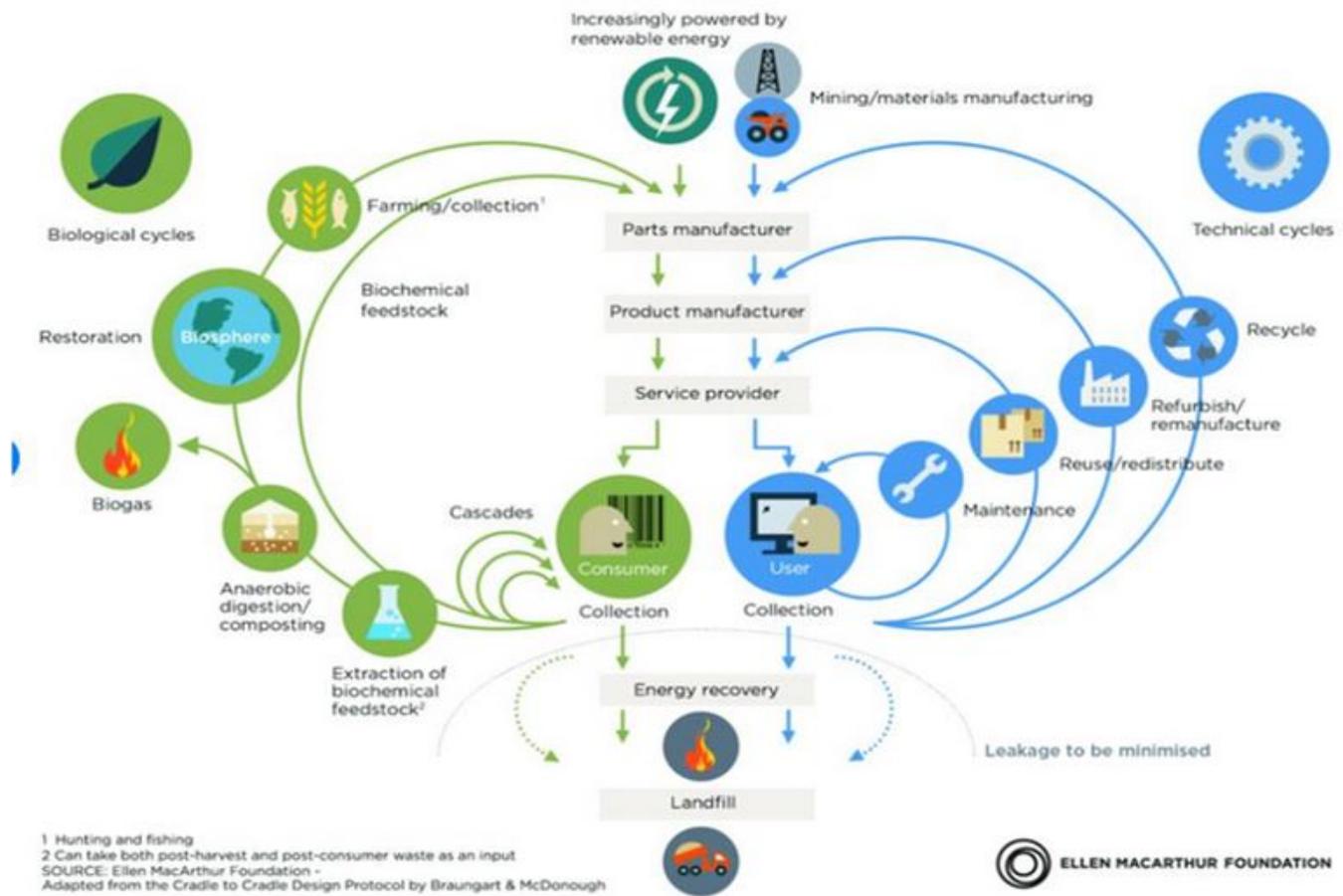


Figure 1. Visualisation of a circular economy

6. In March 2020, the European Commission expert group on circular economy led by the Directorate-General of Research and Innovation published a *Categorisation System for the Circular Economy*.^[5] EBRD was involved in the preparation of the categorisation system along with other organisations such as the European Commission ? Joint Research Centre and the European Investment Bank. The categorisation system has since been incorporated into EBRD's internal GET Handbook, which provides guidance to the relevant Bank personnel for assessing GET finance and GET benefits and describes the Monitoring, Reporting and Verification (MRV) aspects.
7. The categorisation system defines what kind of activities contribute to a circular economy and provide methodological guidance, including the typical investments/projects for each circular economy activity category.

8. Adopting the definitions and guidance from the above mentioned document, the EBRD defines the circular economy as a market economy that preserves the added and inherent value of physical resources while keeping resources within the economy for as long as possible. Circular economy captures economic value at the end-of-life, with the intention to minimise virgin material consumption, waste and value chain risks. Therefore, a project is considered as contributing to the circular economy if it falls under one of these categories:

- (i) Circular design and production
- (ii) Circular use models and life extension of products or materials
- (iii) Circular value recovery strategies after use
- (iv) Circular support (i.e. development/deployment of tools, applications, and services enabling circular economy strategies).

1.1.2 Chemicals and Plastics Waste Management

9. Plastics and plastics packaging are a crucial component in the global economy. In the EBRD region in particular there has been a significant increase in plastics production and consumption combined with inefficient use of resources and subpar waste management practices. This creates significant environmental problems, which stem principally from the following:

- ? Plastics are persistent and slow to degrade in the environment.
 - ? With over 90% of plastics produced being derived from virgin fossil fuel feedstocks, if the current strong growth of plastics usage continues as expected, the plastics sector will account for 20% of total oil consumption.[6]⁶
 - ? Plastics that are not recycled and re-used end up on land and eventually make their way to rivers, seas and oceans. Although plastics are not the only route for toxic chemicals to pollute the marine environment, there is compelling scientific evidence that plastics make a significant contribution to exposures to complex mixtures of chemical contaminants. Chemicals found in plastic marine litter can be classified in the following three categories of origin:
 - o Chemicals intentionally added during the production process (additives such as flame retardants, plasticizers, antioxidants, ultraviolet stabilisers, and pigments);
 - o Unintentional chemicals coming from the production processes (e.g. vinyl chloride, BPA, etc.);
 - o Hydrophobic chemicals adsorbed from environmental pollution onto the surface of the plastics. Hydrophobicity is a property common to most of the persistent organic pollutants (POPs).[7]⁷
 - ? In many developing countries with inadequate infrastructure for managing solid waste, a significant proportion of plastics end up in open dumps where they are usually burned. The open burning or incineration of plastics has three main negative effects: (i) burning plastics, especially containing chlorinated and brominated additives, is a significant source of air
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pollution, including the emission of unintended POPs such as chlorinated and brominated dioxins, furans, and PCBs; (ii) it releases CO₂ and black carbon ? two very potent climate-changing substances; and (iii) burning plastic poses severe threats to plant, animal and human health, because toxic particulates can easily settle on crops or in waterways, degrading water quality and entering the food chain.[8]⁸

10. The transition to circular economy principles is essential for tackling the global plastics and chemical waste problem. The main goals for achieving circularity in the plastics sector are:
 - ? Recovery of plastics waste and re-use;
 - ? Change plastics production processes or re-design plastics products in line with circular economy principles;
 - ? Raise awareness of the end-users to reduce the demand for plastics products, by promoting a culture of reuse, refill, repair, resale, service-as-product and other virgin raw material reducing measures;
 - ? Promoting innovation, research and development activities to identify alternative and sustainable materials that degrade on land and in water bodies without being subjected to specific conditions.

 11. Within the broad term of bio-degradability; industrially compostable materials are a category of biomaterials defined by different standards in different regions (EN13432[9]⁹ for Europe, ASTM D6400[10]¹⁰ and D6868[11]¹¹ for the United States). Such standards include criteria for whether a material is industrially compostable.[12]¹² These are industrially compostable, but can be treated at ambient temperatures and the timeframes for biodegradation and disintegration can be longer. Moreover, parameters such as moisture content, aeration, acidity and the carbon-to-nitrogen ratio do not need to be controlled.

 12. Compostable or biodegradable litter is not desirable, as compostable materials are designed to decompose under controlled circumstances in industrial composting facilities and biodegradable materials decompose in a specific medium (water, soil or air). If the materials do not decompose fully in natural ecosystems, the littering of such materials is generally more detrimental to the environment than collection and proper waste treatment.

 13. Several concrete areas for improvement of the environmental potential of bio-based and biodegradable materials can be identified. Although they replace fossil or mineral resources, their treatment is often not truly circular on account of being mixed with non-biodegradable materials, and because of inadequate disposal and waste management systems. Consumer behaviour, technical and logistical innovations and new business models should go hand in hand to optimise
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environmental performance. Therefore, the use of bio-based and biodegradable materials should be promoted only where they can be effectively recycled or properly treated at the end of life.

1.1.3 Climate Change and Materials Use

14. The quantity of raw materials extracted and used in the industrial sector is correlated with embodied energy use and GHG emissions, with more than half of the global GHG emissions related to materials management activities.[13]¹³ Integrating circular considerations into products and business models, extending lifetimes of products and recovering the existing value has significant potential to reduce the demand for extracting and processing virgin raw materials.
15. Reducing the amount of virgin raw materials as inputs in the economy will address this global environmental issue and unlock the potential for reducing GHG emissions from waste and underutilized materials. Measures such as increased re-use and recycling, reduction in the use of resources and extending the lifetime of end-products will contribute to improving resource efficiency and related energy savings.

1.2 Barriers to the Circular Economy

16. There are significant barriers to investing in circular economy initiatives in the participating countries that need to be overcome. Table 1 summarizes the key barriers to investments in circular economy initiatives by barrier type: financial, technological, knowledge and capacity, and policy/regulatory.

Table 1. Description of barriers to investment in circular economy initiatives

Barrier type	Description
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Barrier type	Description
Financial barriers	<p>1) Limited access to commercial funding: Commercial banks have limited understanding of the techno-economic feasibility of circular economy investments which prevents them from developing tailor-made financial instruments and amplify the risk perception. Limited funding from commercial banks for resource efficiency and circular economy business models in the participating countries.</p> <p>2) Early mover's disadvantage: Early adopters of technologies and processes face unaffordable or expensive terms of loans for funding new technologies. Transaction costs of developing resource efficiency and circular economy investments, especially those faced by small and medium-sized enterprises (SMEs), are usually high. Such costs can arise from the need for market assessments, resource audits and feasibility studies. These costs are further increased by the lack of adequate familiarity and necessary experience to identify and prepare projects both within industry and the financial sector.</p> <p>3) Limited access to commercial funding that is structured in a way to incentivise sustainability and green investments: Limited experience linking environmental, social and governance performance and credit risk in the participating countries. As a result, financiers are not in a position to develop financial instruments which incentivise and reward superior environmental performance.</p>
Technological barriers	<p>4) Low penetration rates: There is a lack of technology transfer across sectors. Lack of established communication channels within and across sectors, national boundaries, and institutions (including different levels of government) undermines the development and consolidation of regional knowledge and regionally appropriate best practices.</p> <p>5) Risk perceptions: New technologies and change in practices often incur high upfront costs due to underdeveloped supply chains and associated infrastructure and services, amplifying perceived risk.</p> <p>6) Underdeveloped supply chains: There is often a lack of competition among service providers and technology suppliers resulting in information asymmetries, high implementation costs and limited availability of service solutions</p>
Knowledge and capacity-barriers	<p>7) Lack of knowledge and awareness: Investments in circular economy business models and resource efficiency technologies with low market penetration are perceived to be financially and technically risky, and unable to yield commensurate financial returns. There are information asymmetries among stakeholders and knowledge is not transferred effectively to end-users.</p> <p>8) Lack of reliable data: Lack of reliable baseline data and statistics on circular economy business models and market penetration weakens the investment case for prospective projects.</p> <p>9) Weak capacity to develop bankable waste minimisation technology projects: Lack of experienced project developers and in-house technical expertise to complete the full project cycle (including administrative procedures to access financing), particularly in the municipal sector, where technical know-how and financial resources are limited.</p>

Barrier type	Description
Policy and regulatory barriers	10) Lack of adequate regulatory framework: Regulatory and legal frameworks do not provide the full incentives for waste minimisation and circular economy investments. For example, despite the harmonization efforts with the European Union Waste Framework Directive, the regulatory framework in the participating countries does not encourage use of secondary raw materials.
Behavioural barriers	11) Lack of incentives to transition towards a circular economy: Transitioning towards a circular economy requires challenging the existing production and consumption patterns. Currently, there is little incentive for the private sector to change its existing business model, production processes, product design and corporate strategy for sustainable production, unless the measures adopted lead to significant cost reductions and have very short payback time. This issue is amplified due to the lack of awareness in the local markets, where the consumers do not necessarily demand sustainable products and do not actively participate in managing end-of-life products (i.e. separate disposal of different waste streams).

2) The baseline scenario and any associated baseline projects

17. The baseline scenario and associated baseline projects remain aligned with the original project design, with additional information and detail provided below.

2.1 Baseline scenario

18. While advanced economies have started to adopt circular economy approaches, there is the urgent need to transition circular economy models to emerging and developing economies. Companies operating in more advanced economies have begun to incorporate circular economy measures in their operations. Enabled by access to technical know-how and finance to implement advanced resource management practices, these companies benefit from decreased costs of raw materials that are often imported. The European Union (EU) market, in particular, is currently spearheading a shift towards a circular economy in line with the aim to transition to a low-carbon economy and align with the Paris Agreement. The EU's policy is to facilitate this shift with the 2018 Circular Economy Package, which establishes several ambitious targets for all EU member states:

1. The recycling rate for all types of packaging to be increased (to 70%), plastic (to 55%), wood (to 30%), ferrous metals (to 80%), aluminium (to 60%), glass (to 75%) and paper and cardboard (to 85%) by 2030.
2. 55% of municipal waste must be prepared for re-use and recycling by 2025, 60% by 2030, and 65% by 2035.

3. The amount of municipal waste landfilled must be reduced to 10% or less of the total amount of municipal waste generated by 2035.
 4. As of 2030, all waste suitable for recycling or other recovery, in particular in municipal waste, must not be accepted in a landfill, except for waste for which landfilling delivers the best environmental outcome.
 5. By December 31, 2023, Member States must ensure that bio-waste is either separated and recycled at source or is collected separately and not mixed with other types of waste.
19. In addition, under the European Green Deal, the European Commission adopted a new Circular Economy Action Plan (CEAP) in March 2020. The CEAP announces initiatives along the entire life cycle of products, targeting for example their design, promoting circular economy processes, fostering sustainable consumption, and aiming to ensure that the resources used are kept in the economy for as long as possible.
20. However, as the immediate neighbours and important counterparts for the value chains of the EU market, the Project's participating countries are not in a position to respond to these demands. Indeed many companies – especially those in less advanced economies and SMEs – struggle to manage inefficiencies in their supply chain and to improve their resource efficiency due to financial, technical and capacity barriers outlined above.
21. In the Western Balkans (i.e. Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia), where SMEs dominate the private sector, there is great potential to improve resource efficiency and introduce circularity by supporting recycling and re-use activities (especially recycling plastic products and recovery of chemicals used in production processes) as well as stimulating the private sector to re-design their products for circular use and extension of their lifetime. Establishing recycling infrastructure in each of the Western Balkans countries for certain types of wastes/materials (with low waste volumes) may not be feasible due to economies of scale, policy gaps and the market maturity level. Therefore the potential may be realized through regional projects. Particularly, this might be the case for investments in establishing Extended Producer Responsibility schemes, POPs avoidance/reduction and integrated waste management plants.
22. In Turkey, there is significant potential for scaling up circular business models (e.g. industrial symbiosis, use of secondary raw materials, alternative fuels, etc.), and adoption of technologies and processes for material efficiency. While SMEs are the driving force of the economy accounting for 80% of employment and 60% of exports, there are also large enterprises with regional presence that are able to take advantage of economies of scale for productivity and resource efficiency. Since 2015, the Turkish government has shown interest in strengthening the regulatory framework to improve waste management in Turkey by setting higher rates for recycling of packaging wastes (60% by 2020). However, avoiding waste generation by re-designing products, separating waste at the source, and recycling and recovery of wastes all remain as challenges due to lack of incentives and enforcement.
23. Currently, there are no performance based financing instrument focused on sustainability or circular economy investments in the participating countries. Due to the differences in the level of market progressiveness in terms of the regulatory framework and the market size, it is expected

that the Project will support investments with varying degree of innovativeness among the participating countries. For example, in the Western Balkan countries, this financing instrument is expected to mostly support investments in resource efficient technology with low market penetration for integrated waste management, and stimulate the markets to introduce circular principles in the companies' business strategies. In the meantime, it is expected that in Turkey and Serbia, this performance based financing instrument may support more innovative technologies, production processes and circular business models while enhancing circular principles in the companies' business strategies. Such difference in the baselines for each participating country is further elaborated below.

24. At this time, the uptake of circular economy investments in the participating countries would need to be accelerated by using concessional finance due to inherent barriers in the market (please see 2.1 Barriers section for details) as well as environmental externalities.
25. In the following section, the relevant baseline is described for each participating country.

2.1.1 Albania

26. In Albania, there is slow progress for improving the waste management and lack of enforcement. In 2018, the European Commission reported that investment is required across Albania's waste management sector[14]¹⁴ included:

- ? More government effort is required to close and rehabilitate illegal dumpsites and construct sanitary landfills;
- ? The government should set cost and tariff schemes that accurately reflect the cost of waste management services for MSW;
- ? Recycling rates should be increased by establishing a market for recyclables; and
- ? The Government should develop a programme to address the clean-up and remediation of industrial and mining hotspots.

27. In 2017 (the most recent data), INSTAT recorded 1,253,913 tonnes of 'managed urban waste,' (i.e. MSW) of which 11.5% was industrial/commercial waste collected alongside household waste, and a collection rate of 65%. INSTAT reported that in 2017, 77.5% of urban waste went to landfill, 17.4% was recycled, 1.8% was incinerated for energy, 1.7% was deposited outside landfills, and 1.6% was burnt with no associated energy generation.[15]¹⁵

28. Although there is no producer responsibility legislation in Albania, economic instruments have been included within DCM no. 177 dated 06.03.2012 'On packaging and packaging waste', whereby the users of packaging and packaged goods, as well as producers and/or third parties acting on their

behalf, must use economic instruments (e.g. product taxes, differentiated taxes, reimbursement payment systems, etc.) for recycling and recovery of packaging waste.

29. Albania has been working on harmonising its waste management legislation in line with that of the EU and currently it is only partially aligned. Besides strengthening the regulatory framework, implementation and enforcement of regulations as well as availability of reliable data will help Albania achieve its recycling and recovery targets. The original National Waste Strategy, approved in 2011, set specific targets for certain materials in line with EU targets for waste recycling to be achieved by the end of December 2019 (plastic 22.5%, wood 15%, metals 50%, glass 60%, and paper and cardboard 60%). The new Integrated Waste Management strategy is yet to be published with new targets and a forecast for investment demand in integrated solid waste management until 2034.

30. Progress has been incremental since the 2011 Strategy was implemented and investment across all areas of the waste sector needed in order to increase the overall collection rate and move towards a higher recycling rate with the new Integrated Waste Management strategy. In order to improve collection services, municipalities can work together in regions to be able to operate on an 'economy of scale,' as most municipalities are too small for large-scale facilities to operate efficiently.

2.1.2 Bosnia-Herzegovina

31. The responsibilities for waste management is complicated due to the country's two major administrative regions, the Federation of Bosnia and Herzegovina (FBiH) and Republik Srpska (RS), which operate almost entirely separate regulatory and infrastructural systems for waste management. Bosnia-Herzegovina's third administrative region, Brčko District (BD), is jointly administered by FBiH and RS, and also bears responsibility for its own waste system. The entity governments for FBiH and RS and the government for BD are responsible for drafting and adopting their own waste legislation, so there is no overarching waste legislation at the national level, and each authority has developed their own laws and accompanying strategies and policies for implementation.

32. The most recent release from the Agency for Statistics of Bosnia-Herzegovina estimates generated municipal waste in 2018 to be 1,243,973 tonnes.^[16]¹⁶ However, data quality may be low due to the low number of survey responses and challenges with data collection, as many waste sites do not have weighing equipment. In addition, waste utility companies have not started applying a uniform methodology for data collection or a standard definition of waste. Separate waste data for the administrative regions is not available and variations in measurement methodologies between and within each region result in inconsistencies in federal level statistics.

33. Recycling in Bosnia-Herzegovina is very limited at present. The companies most actively engaged in waste recycling are generally not those collecting municipal waste and are privately run. Such private companies are dealers and traders dealing with already segregated waste streams, or those requiring limited processing, who then sell the recyclables on to other companies either within the

country or abroad. The collection companies are mostly focused on high value materials requiring minimal or no processing - primarily paper and scrap metal, but also waste plastics, used oils, and, to a lesser extent, end-of-life toners/cartridges and scrap wood.

34. In Bosnia-Herzegovina there is no definition of 'dumpsite' or 'unregulated landfill' and it is difficult to draw the line between 'illegal dumpsite' and a place of repeated fly tipping. Waste utility companies eradicate small dumpsites, but other dumpsites 'appear' at other locations or the old locations are used again. Where households are not covered by a formal waste collection service, unregulated dump sites are used or, in some cases, waste is burned.
35. FBiH had set out waste prevention and recycling and recovery strategies to 2018. However, an updated strategy is yet to be published creating a lapse in active policy documentation. In RS, a Waste Management Strategy for the period 2017 - 2026 was approved for adoption in July 2017, however it is yet to be made publicly accessible. In BD, the Brčko District Environmental Protection Strategy 2016 - 2026 includes the Brčko District Waste Management Strategy. The strategy does not contain any targets for waste management but focuses on a review of the current system and its shortcomings.

2.1.3 Montenegro

36. The outlook in moving towards a circular economy in Montenegro is positive, as relevant laws and policies are in place. The country recently invested in the development of regional waste management centres, including material recycling facilities, and is moving away from incineration. Sorting capacity is also being developed, although contamination is common. There are also producer responsibility systems in place.
 37. A National Waste Management Plan (NWMP) is in place for 2015-2020, which has directed the country towards the development of a coherent approach to waste management. The NWMP sets out objectives for waste preparation for reuse and recycling. It sets out specific objectives in the areas of waste separation, reuse and recycling, and provides for activities relating to the management of municipal waste. The targets are: 50% of total collected material and 53% packaging waste to be recycled by 2020, and only 35% of biodegradable municipal waste to be landfilled by 2035.^[17]¹⁷ The most recent data from MONSTAT reports that 330,839 tonnes of municipal waste was generated in 2018.^[18]¹⁸
 38. There are some schemes for the segregated collection of recyclables. Though adequate signage exists, there is still a large amount of cross contamination resulting in mixed waste sent to landfill due to the lack of sorting facilities. There are three recycling centres (at Podgorica, Herceg Novi and Kotor) that provide mechanisms for secondary sorting of collected wastes. These recycling centres still do not work at full capacity, and most waste is disposed of at landfill. The first
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composting facility became operational in 2016, but there is a requirement for more facilities to process biodegradable municipal waste to divert it from landfill.

2.1.4 North Macedonia

39. In North Macedonia, there is slow progress for improved waste management. Although there is government interest for improvement, due to lack of nation-wide quantitative and achievable targets, there is very little incentive for the private and public sector to adopt resource efficient technologies. The National Waste Management Strategy is valid until 2020 and defines the direction and principles of waste management over a 12-year period. The National Waste Management Plan, which lays out the technical work and timeline to harmonise standards with those of the EU over a 6-year period, expired in 2015. It included general references to improving municipal waste management services and developing Municipal / Regional Plans. However, it did not include any concrete measures to improve recycling services or an assessment of infrastructure required to meet the EU targets. The Plan recommended that, other than for some pilot studies, separate collection services should not be rolled out during 2009-2015 due to the associated cost. It also found composting of biowaste too expensive to implement. Both these documents state the need to reduce the overall quantity and risk of waste but do not include a programme of activities.
40. Data from the State Statistics Office's 2018 press release shows that the majority of waste was collected as mixed waste (86%), with some collections of separated materials such as textiles, paper, glass, plastics, and organic waste (food and garden waste, etc.).^[19]¹⁹
41. North Macedonia has a relatively low collection coverage. The coverage rate in urban areas is around 90% but can drop down to 15% in rural areas, resulting in illegal and unregulated dumpsites, which need cleaning up regularly. Some villages, although they have collection services, need to bring their waste to official collection points.
42. In the Republic of North Macedonia, every settlement has at least one landfill site used for the disposal of municipal waste, commercial, industrial, and even hazardous waste, including hazardous healthcare waste. Landfills in larger settlements are operated by licensed companies. Recyclable wastes are not segregated at landfills, except at the Drisla landfill site, where PET is being extracted and baled.
43. The State Statistics Office's 2018 press release reported a recycling rate of 0.5% of municipal waste, with the remainder (99.5%) of collected waste being disposed of in landfills.^[20]²⁰

2.1.5 Serbia

44. Serbia has a number of policy and regulatory instruments in place that will facilitate the development of the circular economy. The country has a good level of compliance with the EU
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Acquis. Compared with its other Western Balkan neighbours, waste data collection is relatively better and most regional landfills meet EU standards. A deposit return scheme is under consideration to increase recovery of beverage containers. A new Waste Management Strategy is underway with a regional waste model based on sorting, separation and recycling.

45. Despite the good outlook for circular economy investment in Serbia some risks remain. There is still significant use of uncontrolled landfills which means that for those who use them waste disposal is free, and there is no incentive to move away from their use or to pay for waste collection. In terms of legislation, the Landfill Directive, which aims to move waste away from landfill, has not yet been transposed into law.
46. Serbia has a producer responsibility system for waste electrical and electronic equipment (WEEE); the fee imposed on producers is used to finance collection, transport and treatment of WEEE waste. The most recent targets are; 50% collection of WEEE by the end of 2019 and 45% collection of batteries by 2016. These targets are likely to be updated in the upcoming new waste strategy, but they are currently unknown.

2.1.6 Turkey

47. Similar to Serbia, Turkey also has a number of strategies, policies and initiatives in place to enable shift to a circular economy.
 48. As a part of the EU accession process, Turkey's transposition of environmental legislation has been done in order to ensure harmonisation and alignment with the EU acquis. Waste Framework Directive (2008/98/EC) was also harmonised in the Turkish Waste Management Regulation, except the end-of-waste concept. On the other hand, the current regulatory framework allows the use of secondary raw materials through the use of 'alternative raw materials' and 'by-products'.
 49. According to the latest data from the Turkish Statistics Institute for 2018, 32.2 million tons of municipal waste was collected and 12% of this amount was recycled.^{[21]²¹}
 50. Turkey's latest Waste Management Strategy sets below targets until 2023:
 - ? Divert 35% of the waste from landfills;
 - ? Increase the recycling rate packaging waste to 12% from 5.3% in 2014;
 - ? Divert organic fraction of municipal waste, from 0.2% in 2014 to 4% in 2023.
 51. In 2017, the Ministry of Environment and Urbanisation launched Zero Waste initiative. Besides a recycling target, the initiative introduces a comprehensive understanding of waste management according to the waste hierarchy and is expected to result in multiple new or revised regulations in the mid-term, establishing waste as a resource.
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2.2 Associated Baseline Projects

52. The EBRD has a strong track record in green investments and has prioritized support for the development of circular business models. The EBRD has a strong track record in green investments via its GET approach.
 53. The EBRD has also prioritized support for the development of circular business models. The EBRD is actively engaged in both market development and in lending/investment activities to support the public and private sectors in implementing energy/resource efficiency strategies contributing to energy production, waste minimization and GHG emissions reduction.
 54. In particular, the EBRD recently carried out and successfully completed a Near Zero Waste (N?W)/circular economy pilot in Turkey focused on the circular economy, which provides an important baseline for the proposed Project. This pilot project in Turkey aimed to support state-of-the-art waste minimisation, and resource efficiency technologies and processes and had four components:
 1. Financing for waste minimization and resource efficiency projects, combining EBRD funds with concessional finance, to support early movers in replicable investments currently hindered by market failures.
 2. Technical assistance support for project developers.
 3. Policy dialogue to enable and mainstream the concept of waste minimization in different economic sectors.
 4. Knowledge sharing to promote awareness and knowledge of relevant technologies and best practice.
 55. The EBRD?s pilot work in Turkey provides strong learnings and a solid platform to launch the proposed regional Project. This pilot demonstrated the approach to introducing technologies with low market penetration in Turkey and helped create models for circular businesses across industrial sectors. Lessons learned included:
 1. Additional financial barriers exist for early movers of innovative technologies and business models and an impact-based incentive could be used.
 2. There is a need to engage with the private sector at the strategic level to enable transformational changes towards circular business models.
 3. Despite the recent developments in improving the waste management policy in Turkey, there is still significant need for further improvement in materials management as demonstrated by the country?s 12% recycling rate.[22]²²
 4. There is a need to further develop circular business models so that they are transferable to other EBRD Countries of Operation.
 5. There was a need to operationally simplify the approach to enable more cost-effective implementation.
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56. The EBRD has participated in the GEF-6 NGI Program under the 'Green Logistics Program' (GEF ID 9047) that has the objective to enhance implementation of green logistics in the Black Sea and Mediterranean regions. This Program has provided valuable lessons related to the internal operationalization of a NGI initiative within the Bank.

3) The proposed alternative scenario with a brief description of expected outcomes and components of the project

57. The alternative scenario remains aligned with the original project design. Supplemented with input from the project development stage, the components and activities are described in more detail in the section below. In addition, at STAP's request, a Theory of Change for the Project has been provided.

58. The Project is designed to contribute to the objectives of the GEF Climate Change Mitigation and Chemicals and Waste focal areas by removing the barriers to the transition to circular economy in the Western Balkans and Turkey resulting in improved management of raw materials, waste and harmful chemicals. The Project's approach to address each barrier type is summarized in Table 2.

59. Concessional support from the GEF is critically needed and will incentivise companies to implement GHG mitigation, POPs avoidance, and wider interventions across their environmental practices. The performance based financial instrument aims not only to promote implementation of such investments but also to incentivise behaviour change (i.e. adopting a corporate circular economy strategy) by offering additional interest rate reductions. Such a financial instrument specific to circular economy investments currently does not exist in the participating countries. Further elaboration on how the Project aims to achieve behavioural change for private companies is included in Project Components and Outputs section.

Table 2. Summary of how the Project addresses the identified barriers

Barrier type	How the Project addresses the identified barriers
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Barrier type	How the Project addresses the identified barriers
Financial barriers	<p>a. Limited access to commercial funding: The Project will provide a source of concessional finance targeting circular economy investments. The Project will demonstrate how tailor-made financial instruments can address circular economy issues including risk perceptions regarding financing of such projects.</p> <p>b. Early mover's disadvantage: The Project provides GEF's non-grant instrument blended with EBRD's commercial finance in order to support companies in overcoming the early mover's externalities.</p> <p>c. Limited access to commercial funding that is structured in a way to incentivise sustainability and green investments: The Project will be the first to use a performance based financial instrument to focus on circular economy investments in the participating countries.</p>
Technological barriers	<p>d. Low penetration rates: The Project will provide financing for technologies with low market penetration rate, which will demonstrate the early movers in the participating countries implementing pilot projects with high potential for replicability.</p> <p>e. Risk perceptions: The Project will provide dedicated technical assistance to companies for identifying technologies and processes that is most suitable for their businesses. This will support the companies in better understanding the risks associated with implementing new technologies or changing production processes.</p> <p>f. Underdeveloped supply chains: The technical assistance component of the Project will inform the companies in risks associated with underdeveloped supply chains for new technologies.</p>
Knowledge and capacity-barriers	<p>g. Lack of knowledge and awareness: The Project will contribute to raising awareness by engaging with the relevant stakeholders throughout the Project implementation and sharing the Project progress and results.</p> <p>h. Lack of reliable data: The Project will contribute to addressing this barrier by engaging with the local and regional stakeholders in their knowledge sharing activities to demonstrate the replicability of innovative sub-projects.</p> <p>i. Weak capacity to develop bankable waste minimisation technology projects: The technical assistance component of the Project is designed to overcome this barrier in circular economy investments by working with project developers and in-house technical expertise to complete the full project cycle (including administrative procedures to access financing), particularly in the municipal sector, where technical know-how and financial resources are limited.</p>
Policy and regulatory barriers	<p>j. Lack of adequate regulatory framework: Although the Project does not include a policy dialogue component, the EBRD will seek other donor co-financing opportunities if/when policy dialogue with the relevant authorities is necessary to proceed with the investment of a sub-project.</p>

Barrier type	How the Project addresses the identified barriers
Behavioural barriers	<p>k. Lack of incentives to transition towards a circular economy: The performance based financial instrument under the Project aims not only to promote implementation of circular economy investments but also to incentivise behavioural change (i.e. adopting a corporate circular economy strategy) by offering additional interest rate reductions. This is accompanied by the TC component, which further stimulates and supports the behavioural change at the company level. Such a financial instrument specific to circular economy currently does not exist in the participating countries.</p>

3.1. Theory of Change

60. The Programme's overall Theory of Change (ToC), which is described below and presented in Figure 2, conveys the logic underpinning the Programme. The ToC highlights the relationship between the barriers, inputs, activities and outputs to be achieved, expected outcomes and fund-level environmental impacts as a consequence of this sequence of actions and impacts.
61. The ToC is built on the participating countries' economies are affected by the implications of circular economy strategy in the EU due to proximity of the market and the value chains. However, the financial and technological barriers are the most pressing issues preventing the uptake of circular economy investments in the participating countries, in addition to knowledge and capacity barriers and policy/regulatory barriers. By providing performance based blended finance coupled with technical assistance, the EBRD aims to address such barriers and unlock the opportunity for accelerating investments in circular economy.
62. A performance based financial instrument, blending concessional funds from the GEF and commercial financing from EBRD, will incentivise companies to implement circular economy investments which they often associate with high upfront costs and high risk due to implementation of new technologies, processes and business models. In parallel, the Project will further support the companies with dedicated technical assistance for adopting/identifying technologies, processes and business models as well as developing roadmaps for integrating circularity in their business strategies.
63. The Project offers a performance based financial instrument which links interest rate reduction to achieving two circularity milestones. The first milestone is technology installation and the second milestone is adoption of circular business strategy. The second milestone is related to the development of a roadmap for companies to integrate/enhance circular principles in their business strategy. Each roadmap will be developed by providing technical assistance to the interested companies. The combination of interest rate reduction and technical assistance aims to facilitate a shift in the companies' behaviour beyond technology installation.
64. The Project will be subject to periodic monitoring and evaluation activities (see Section 6 ? Monitoring and Evaluation for details), which will monitor the external drivers and risks and incorporate lessons learned, in order to achieve the desired environmental impact.

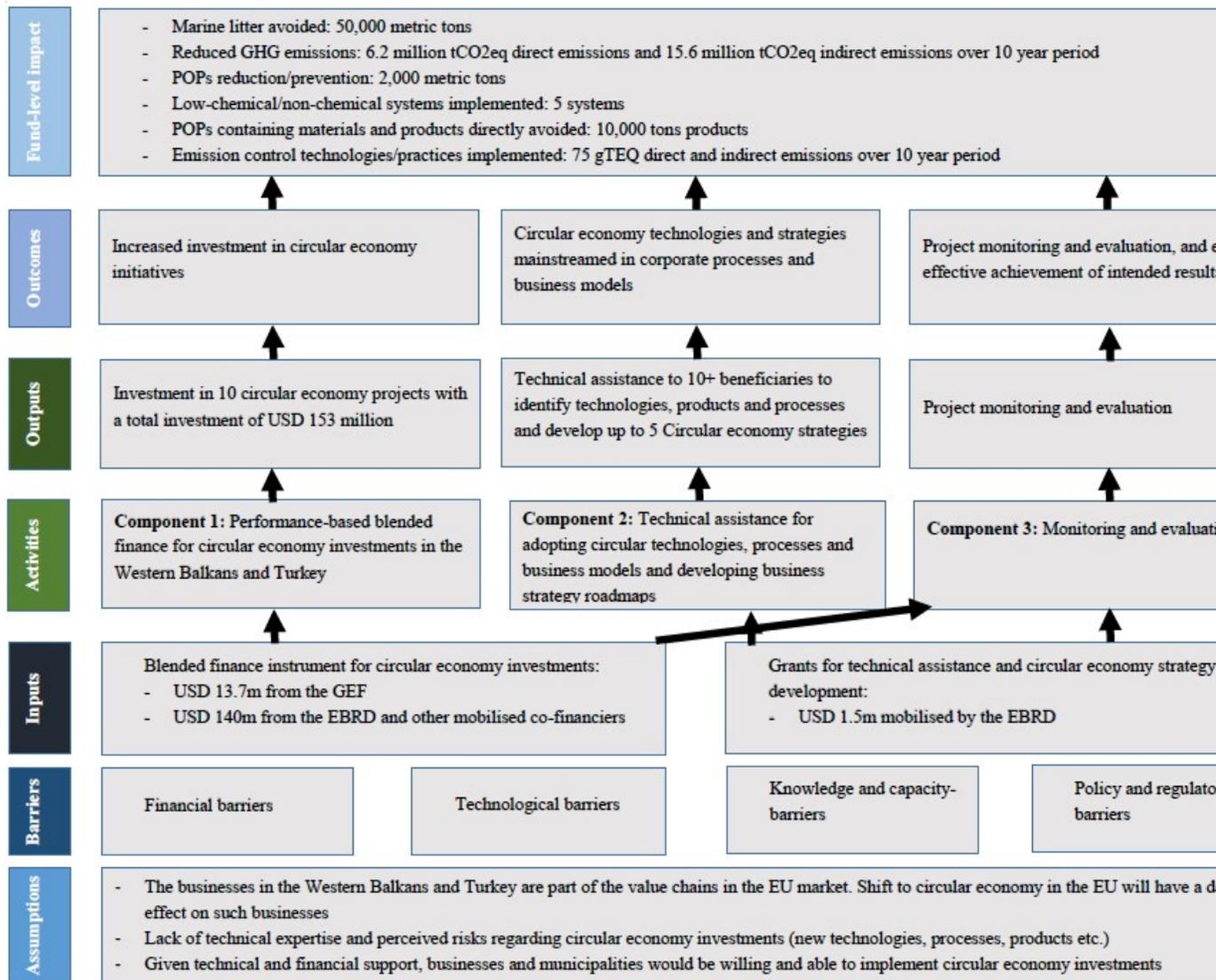


Figure 2. Circular Economy Regional Initiative's Theory of Change

3.2. Geographic Focus and Target Beneficiaries

65. The EBRD's circular economy analysis and lessons learned from the pilot in Turkey have identified the Western Balkans and Turkey as key countries for support under the Project.
66. The EBRD proposes that the Circular Economy Regional Initiative targets Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia and Turkey. Importantly, Turkey will also be included in the proposed Project to enable testing of the new concessionality methodologies;

demonstration of new support technologies/circular models; and to facilitate sharing of lessons learned.

67. The Project targets private sector and state-owned entities, municipalities and municipal enterprises that are early movers or adopters, with the entry point being their interest in adopting new technologies and process changes and to benefit from a circular economy model. Due to different market contexts in the participating countries, the Project is expected to focus across two types of companies:

? ?Champion? companies that operate in less advanced market contexts, and have high potential for resource efficiency and circular economy through demonstrated technologies, processes and business models. These are primarily in Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia.

? ?Frontier? companies that operate in more advanced market contexts where innovative circular economy business models, practices and technologies can drive a transformative impact in the market. Frontier companies are targeted primarily in Turkey and Serbia.

3.3. Project Objective and Outcomes

68. The proposed Project is structured under three Components, as described in the section below. There are three expected outcomes:

? Outcome 1: Increased investment in circular economy initiatives

? Outcome 2: Circular economy principles mainstreamed in technologies and processes, and in business strategies and practices

? Outcome 3: Project monitoring and evaluation to ensure effective achievement of intended results.

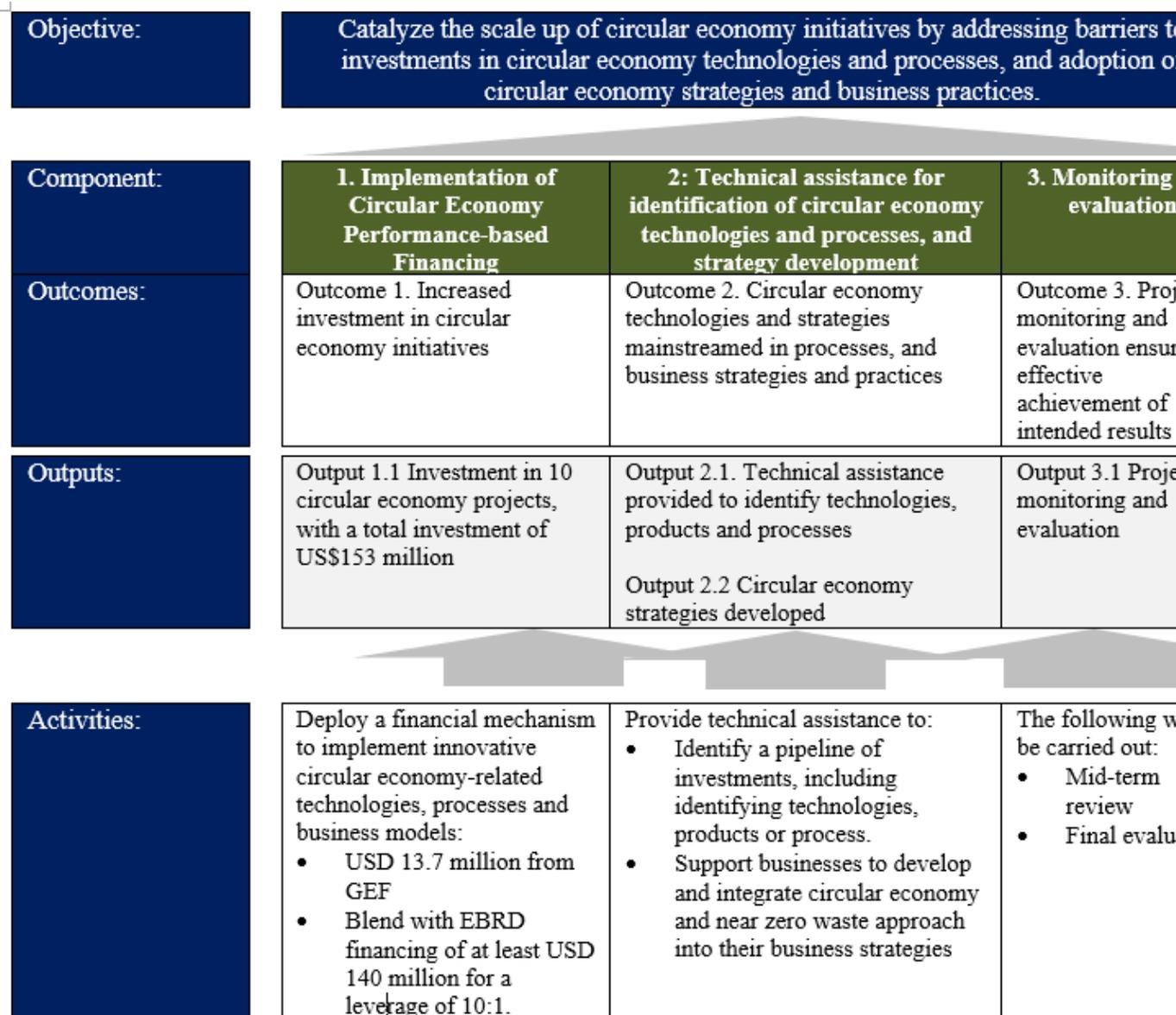


Figure 3. Overview of Circular Economy Regional Initiative

Project Components and Outputs

69. The Project consists of three components described in more detail in the section below:

- ?Component 1: Implementation of circular economy performance-based financing
- ?Component 2: Technical assistance for identification of circular economy technologies and processes, and strategy development

- ?Component 3: Monitoring and evaluation.

Component 1: Implementation of circular economy performance-based financing

(blending USD 13.7m from GEF and USD 140m from EBRD for investments)

70. Enhancing the efficiency of using exhaustible resources has been a key pattern during the industrial development. However, it has provided easier access to resources, which has led to a higher exploitation than expected. This phenomenon has become known as ?The Rebound Effect?.[23]²³ Therefore, a central question surrounding the circular economy is whether and to what extent secondary production displaces primary production.
 71. The circular rebound effect seems to be a particular question concerning the use of secondary raw materials in production. Secondary goods may be insufficient substitutes for primary goods because they are of inferior quality or are otherwise less desirable to users.[24]²⁴ Hence, products or materials that are poor substitutes attributable to differences in quality, price, or target market may not be able to compete with primary alternatives may result in rebound - more consumption of materials/products.
 72. Accounting for concerns over circular rebound effect, it is important to note that the Project?s approach to improved materials management is fully in line with the EU Waste Framework Directive (2008/98/EC) as amended in 2018. The EU's approach to waste management is based on the waste hierarchy which sets the following priority order when shaping waste policy and managing waste at the operational level: prevention, (preparing for) reuse, recycling, recovery and, as the least preferred option, disposal (which includes landfilling and incineration without energy recovery).
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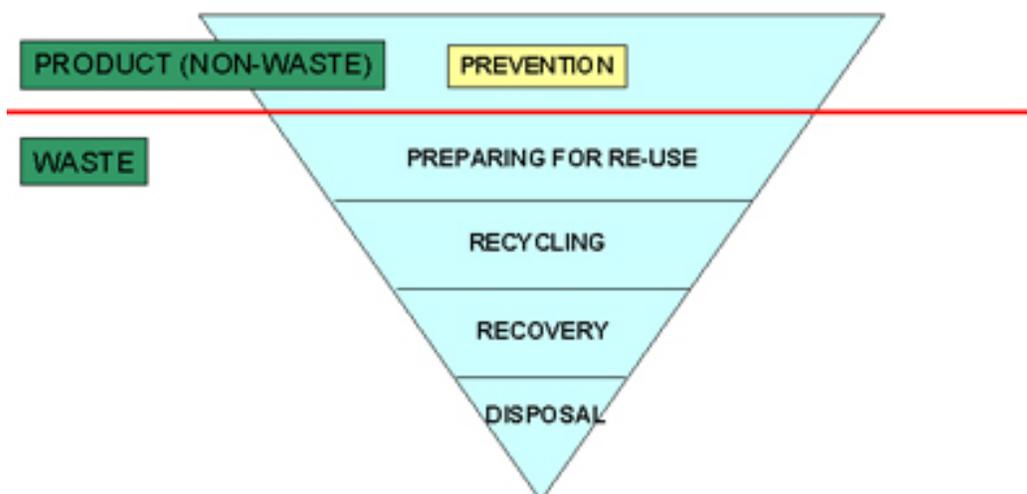


Figure 4. Waste Hierarchy

73. Additionally, in line with Circular Economy principles, the Project will not only focus on recycling/recovering materials but will actively seek to support sub-projects that are placed higher and more desirable in the waste hierarchy; such as 'designing out' waste from products, promoting circular use models (product-as-service business models) and extending the lifetime of products etc.[25]²⁵

74. The financing mechanism offered in the Project is similar to mechanisms common for standard bank transactions where the interest rate is linked to financial performance (e.g. DSCRs, results based payments), with the innovation being the link to the company's circularity performance in its operations. GEF loans will be provided to eligible projects to address early mover's externalities associated with implementing technologies with low market penetration rate and integrating circularity into the company's business strategies. Early mover costs in circular economy investments often result in long payback periods beyond the loan tenors available in the market, hence a performance-based interest rate reduction combined with a long tenor is crucial for a customised financing structure.

75. Concessional support from the GEF will incentivise companies to commit and to implement GHG mitigation, POPs avoidance and integration of circular principles in either within their own operations or along their value chains; and encourage behaviour-change by offering additional interest rate reductions. Such financial instrument specific to circular economy investments currently does not exist in the participating countries.

76. Additionally, investments for sustainability (either through technologies or practices) are widely undemonstrated in the participating countries, and therefore the perception of risk is high (see section on barriers).

77. At this time, utilising concessional finance is needed for accelerating the uptake of circular economy investments in the participating countries. The need for concessional finance is primarily based on:

1. The requirement to fill a financing gap arising from the lack of financing available from commercial banks for circular economy investments.
2. Limited access to commercial funding that is structured in a way to incentivise behavioural change which promotes introducing circularity into business strategies, and triggering additional sustainable and green investments.
3. Addressing the risks and related higher upfront capital costs faced by first and early movers in the market including those arising due to implementation of technologies with low market penetration rate.
4. Stimulating the market for circular business models, processes and operations as well as encouraging investments in the use of non-toxic chemicals to substitute the use of POPs and implementation of low-chemical/non-chemical systems.

Output 1.1. Investments in 10+ circular economy projects with a total investment of USD 153m

78. The expected outputs are investments in at least 8 innovative resource efficiency technologies and circular models in the Western Balkans, and support to at least 2 technologies/circular models in Turkey with low local market penetration. This includes not only greenfield but also brownfield investments, which improve the operational or resource efficiency of the existing infrastructure, and/or production processes of businesses. The investments will address the full life cycle of products, which predominantly ?avoid?, ?reduce?, ?reuse?, ?recycle? or ?recover? material waste.

79. The countries participating in this Project face common financial barriers of limited access to commercial funding that is structured in a way to incentivise sustainability and green investments and the early mover?s disadvantage due to low market penetration rate of resource efficient technologies and circular business models. In response, this Component blends USD 140m financing from the EBRD and other co-financiers with USD 13.7 GEF concessional funds aimed at developing circular business models through projects. In order to facilitate the use of concessional funds for multiple companies and countries, the concessional component will be capped at USD 2 million or 30% of the eligible circular economy investment size, whichever is lower.

80. Under Component 1, concessional funds will be allocated according to below key eligibility criteria:

Table 3. Circular Economy Regional Initiative eligibility criteria

Criteria Category	Criteria Description
Countries	Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia, Turkey

Criteria Category	Criteria Description
Sectors	Private including public-private partnerships (only if the investment is carried out by a private entity)

Criteria Category	Criteria Description
Selection criteria	<p>a. Adoption of technologies, processes and innovation on business and governance models that move beneficiaries towards circular economy in line with the European Commission's Categorisation System for the Circular Economy[26]²⁶. These activities are categorised as:</p> <ul style="list-style-type: none"> (i) Circular design and production; (ii) Circular use models and life extension of products or materials; (iii) Circular value recovery strategies after use; (v) Circular support (i.e. development/deployment of tools, applications, and services enabling circular economy strategies). <p>b. Biomass and bio-waste to energy projects can be classified as circular economy projects under certain conditions:</p> <ul style="list-style-type: none"> ? If they are part of larger circular value chains that aim to close material loops i.e. feedstock is separately collected at source and by-products are used as fertilizers; ? Where the biomass originates from sustainable sources and/or is a non-recyclable and non-hazardous waste; ? Where biomass and bio-waste to energy unit is located on-site for self-consumption of energy at a production facility contributing to decentralisation of renewable energy, in line with the objectives outlined in the GEF-7 Climate Change Focal Area Investments and Associated Programming;[27]²⁷ ? Where the technology/business model is innovative and activity complies with technical screening criteria for substantial contribution to climate change according to EU Taxonomy for Sustainable Finance. <p>c. Contribute to at least one of below environmental benefits :</p> <ul style="list-style-type: none"> ? Phase out, avoid, eliminate or minimise use and release of POPs ? GHG emissions reductions; ? At least 1,000 tons/year material savings or materials diverted from landfill. ? Low chemical or no chemical systems <p>d. The technology, process and/or the business model which has low market penetration rate and potential for replication.</p> <p>e. Biodegradable materials/products which conform to the current standards for industrially compostable materials (such as EN13432, ASTM D6400 and D6868) and for biodegradability in the marine environment (such as ASTM D6691). Additionally, the markets in which biodegradable products are sold to and used in, shall have proper infrastructure in place for treating biodegradable/compostable waste.</p>

81. The concessional financing will be provided according to below structure (shown in Figure 5):

a. The GEF loan will have up to 10 year tenor with a bullet repayment at the end of the tenor. The initial pricing of the GEF loan will be parallel to the EBRD loan, at the market rate. Hence, the GEF loan's initial all-in interest rate (interest margin plus base rate) will be equal to the EBRD loan's initial all-in interest rate.

b. Two covenanted circularity milestones to be achieved are paired with an interest rate discount on the GEF tranche:

- Once the 1st milestone (M1: technology installation) is verified by the EBRD through regular monitoring reports, and/or site visits, a first discount on the initial all-in interest rate will be applied. The first discount rate is 50% for all participants.
- Once the 2nd milestone (M2: adoption of circular business strategy) is achieved, an additional discount will be applied on the initial all-in interest rate. The total discount rate will sum up to 75% together with the additional discount rate. Figure 5 below presents the interest rate reduction mechanisms for all participants.
- The agreed milestones have to be completed during the tenor of the EBRD loan. Thus, the beneficiaries will be incentivized to undertake the commitments during the EBRD's tenor; and monitoring activity is minimal after the EBRD loan is completed.
- In general, Milestone 1 is expected to be achieved before Milestone 2. However, entailing Capex installation, the Milestone 1 achievement would depend on the sector and the project scope and can take longer. In cases where Milestone 2 is achieved before Milestone 1, the interest rate discount mechanism would be adjusted, such that the Milestone 2 achievement would trigger the first discount on the interest rate, and the Milestone 1 achievement would trigger the second discount.

82. The 2nd milestone is related to the development of a roadmap for companies to integrate/enhance circular principles in their business strategy under Output 2.2 Circular economy strategies developed. Each roadmap will be developed by providing technical assistance to the interested companies on a case by case basis, in line with the activities indicated in the European Commission's Categorisation System for the Circular Economy. These roadmaps will (i) provide a benchmark analysis on how circular the company is, a comparison to its peers and best international practices, (ii) include an action plan with measurable quantitative and qualitative targets by specific deadlines, and (iii) suggest appropriate means for monitoring and verification of such actions. The 2nd milestone is optional for the sub-project beneficiaries. The appropriate means for verifying the adoption of the circular business

strategy by the company will be covenanted in the Loan Agreement in order to ensure that EBRD is able to verify the achievement. These may include:

- A company board decision regarding acceptance of the circular business strategy;
- Providing an official mission statement for instance on the company website, among the corporate objective statement in an annual report, or other (e.g. commitment to phase out a high percentage of plastic packaging used);
- Consistent progress made in implementing a relevant action included in the circular business strategy (e.g. increasing the secondary raw material used in a product).

83. The Project pursues a targeted approach to the use of concessional blended finance in the context of significant market failures including inherent market barriers and the lack of internalisation of environmental costs. In line with the Bank's Green Economy Transition Approach 2021-2025, the Project pursues transformational impact across sectors using a concessional model that incentivises and rewards: (i) private sector mobilisation and partnerships; (ii) innovation (result-based finance); (iii) adoption of a robust approach to climate governance (corporate circular economy strategies); and (v) positive environmental impact.

84. The Project design ensures that the GEF concessional funds are tied to performance (achievement of two milestones). The EBRD will justify the need for GEF's concessional funding for each project according to the eligibility criteria. Therefore the level of concessionality will be determined during due diligence by the loan size, pricing, and the minimum contribution needed from GEF to generate a reduction in the interest rate in line with the Project Document's Annex 5 ? Concessional Loan Calibration. The EBRD applies the principle of least concessionality^[28] to all projects, consistent with EBRD's Guidelines for the Use of Concessional Finance and the DFI Enhanced Principles.^[29] The five core principles, are (i) additionality/rationale for using blended finance, (ii) crowding - in and minimum concessionality, (iii) commercial sustainability, (iv) reinforcing markets, and (v) promoting high standards. Each individual project will need to show compliance with the Enhanced Principles for Blended and Concessional Finance. This requires, in particular, ensuring that the grant element has been sized not to lead to an over-remuneration of the project in comparison with market rates. EBRD will assess the market and show in a best effort basis there are not similar projects in the market that are being financed commercially or with a lower rate of concessionality and that EBRD is reassured that the concessionality will not lead to uncompetitive advantage of the beneficiary in comparison with other companies not benefitting from the grant.

85. The Project also reflects lessons learned from the pilot Near Zero Waste Programme in Turkey, including striking the right balance between the complexity of the concessional model and programme marketability, implementation and ease of verification.^[30]

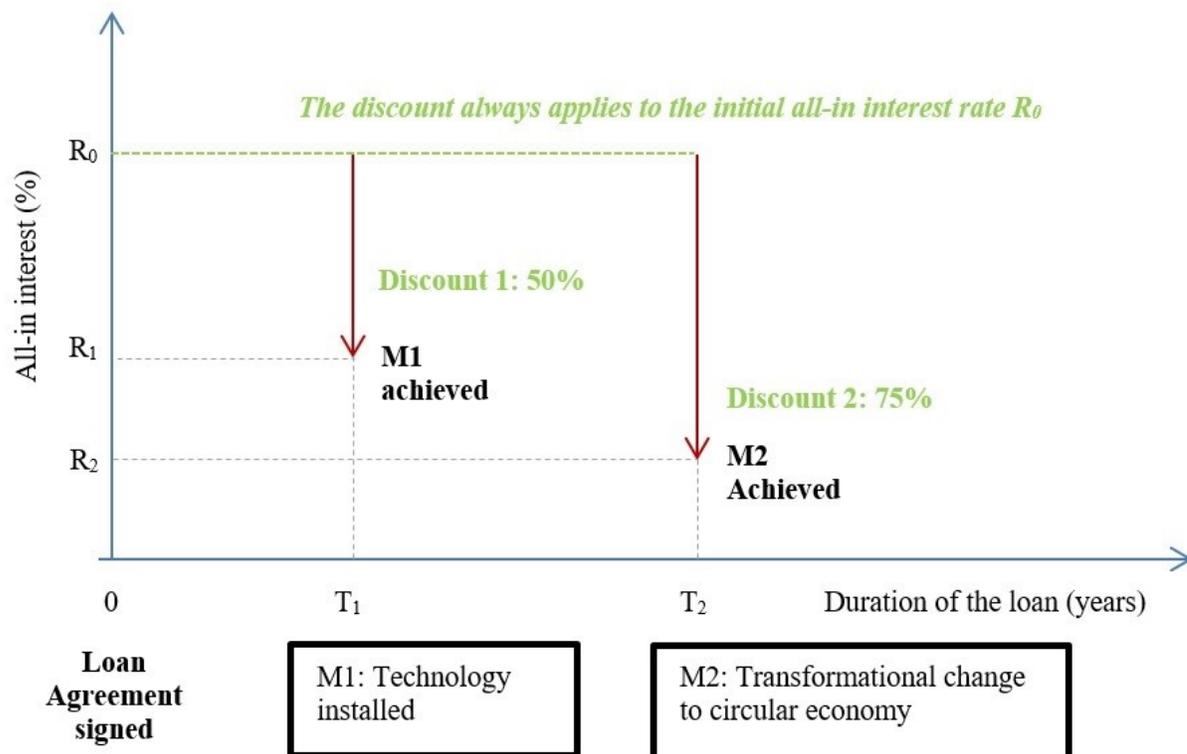


Figure 5. Concessional finance structure

86. The co-financing ratio (i.e. amount of Non-GEF financing to GEF financing) dedicated to the circular economy investments is targeted at the Project (portfolio) level at 10:1 (i.e. the sum across all the sub-projects). Some smaller projects may require higher levels of concessionality than larger ones. Hence the level of co-financing at the subproject level will vary based on need, risk, technology etc., but we are seeking 1:10 ratio across the combined sub-projects.

87. All of the investments supported under the Project will observe the principles of transition and GET approach as well as sound banking and additionally as applied consistently across all EBRD investments. All EBRD investments are subject to a rigorous Transition Impact assessment, underpinned by a transparent and robust methodology for ensuring that EBRD investments are consistent with the Bank's mandate to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative. As such, all EBRD investments are designed to avoid introducing distortions by positively influencing the structure and extent of markets, strengthening institutions and policies that support markets and promoting market-based behaviour patterns, skills and innovation. As is EBRD's consistent practice, the Project will adhere to relevant safeguards thereby ensuring that the Project overall and the individual sub-projects do not act as a market distorting mechanism.

Component 2: Technical assistance for identification of circular economy technologies and processes, and strategy development

Output 2.1. Technical assistance provided to identify c.10+ technologies, products and processes

88. Technical assistance will be provided to those companies participating in the Project to support the identification and integration of circular technologies, products and processes into their activities. Support may include process redesign; identification of innovative technologies and processes; identification of alternative feedstocks^[31]³¹; information platforms. Overall support will be provided to approximately 10 or more beneficiaries, ensuring the technical and financial feasibility of the investments under Component 1.

89. Note that policy dialogue to support key regulatory changes necessary to support investments is part of the EBRD's regular delivery model. The EBRD, including through its Resident Offices, is in regular contact with the relevant Ministries in all of the participating countries, including through policy dialogue. This extensive involvement at the national level, coupled with experience in private sector engagement, will be harnessed and used during Project implementation to support the successful achievement of Project targets. While the regulatory environment is well understood in the participating countries, should additional policy dialogue be identified as needed to address local regulations or frameworks directly related to a targeted investment under the Project, the EBRD would source additional co-financing and ensure that these activities are conducted.

Output 2.2 Circular economy strategies developed

90. In connection with the performance-based financing under Component 1, the Project will further support the selected beneficiaries to develop and integrate circular economy and near zero waste approaches into their business strategies and models. This activity includes supporting those beneficiaries which secure their management support to identify business opportunities, as well as roles and responsibilities at the management level to integrate sustainability strategy into the company. Overall support will be provided to at least 5 beneficiaries.

91. The Project will provide post-signing technical assistance to the selected companies to assess the company's current operations and business model (base case) and develop a roadmap and action plan for introducing/enhancing circular economy aspects into the Company's business strategy in line with the European Commission's *Categorisation System for the Circular Economy*.

92. The Project will support companies to prepare circular economy roadmaps, which will include identifying the baseline status for all products and activities with the products' life cycle, and review and identify intervention points from the design to production, use and materials recovery.^[32]³² Priority actions will then be identified covering both technical solutions and governance issues (e.g. accountabilities, internal processes and tools, competencies, disclosure). This roadmap will include potential interventions with both suppliers (e.g. requirements for material intensity, sustainable

sourcing of material) and customers (e.g. customer awareness campaigns to reduce environmental impact of products during useful life, understanding of take-back schemes).

93. The actions taken by the companies according to the circular economy roadmaps will form the basis for achieving the optional *Milestone 2: adoption of circular business strategy* under Component 1 to trigger an additional interest rate discount.

Component 3: Monitoring and evaluation

Output 3.1 Project monitoring and evaluation

94. To ensure that the Project is effective in achieving its intended results, monitoring will be conducted at the mid-term and an independent evaluation held near the end of the Project's lifetime. These activities will be in addition to the regular annual reporting requirements of the GEF and the monitoring cycle of the EBRD.

95. The MTR will be carried out by an independent party with two basic objectives: (i) to assess the results and impacts, both intended and otherwise, of the Project (accountability function), and (ii) to determine whether there are lessons to be learned from past experience to make future operations better, thereby contributing to 'institutional memory' (lessons learned or quality management orientation). Additionally, the MTR will be useful in identifying areas where improvements could be made in the project's design and management, and to improve the effectiveness of results and impacts.

96. The independent Terminal Evaluation (TE) will have similar basic objectives as the MTR. The TE will look at the impact and sustainability of results, including the contribution to the capacity development and the achievement of global environmental benefits goals. The TE will also provide recommendations for follow-up activities.

4) Alignment with GEF focal area and/or Impact Program strategies

97. The Project remains aligned with the GEF's Chemicals and Waste, and Climate Change Mitigation focal areas' programming directions, as described below.

4.1 Alignment with the GEF Climate Change Mitigation focal area

98. The Project is aligned with the GEF Climate Change Mitigation focal area strategy's *Objective 1. Promote innovation and technology transfer for sustainable energy breakthroughs*, as it enables unlocking energy efficiency in the production processes and/or energy savings in the value chains due to avoided use of virgin materials. The Project aims to incentivise technology implementation and behaviour change according to circular principles, which will contribute to reducing the embodied energy and carbon emissions associated with industrial-scale materials production and processing. Additionally, the Project will support transferring and disseminating technologies along the value chains across sectors.

4.2 Alignment with the GEF Chemicals and Waste focal area

99. The Project is aligned with the GEF-7 Chemicals and Waste focal area programming, as it aims to eliminate, prevent and improve management of harmful chemicals (specifically POPs) in the production processes. In order to establish an environmentally sound circular economy, material loops are required to be free of toxic chemicals. The Project will incentivise companies to adopt technologies and/or processes which eliminate uPOP emissions, enable the use of non-toxic chemicals to substitute the use of POPs, as well as implementation of low-chemical/non-chemical systems in agribusiness and manufacturing industries.

100. In GEF-7 there is increased attention placed on maximising private sector engagement and gender mainstreaming in the Chemicals and Waste focal area. It is expected that majority of the Project beneficiaries will consist of private sector companies operating in the industry, commerce and agribusiness sectors. Additionally, a large gender gap in labour force participation is evident in the participating countries. The Project will contribute to gender mainstreaming by promoting women's access to economic opportunities, in line with GEF's policy and the EBRD's Strategy on the Promotion of Gender Equality. A detailed Gender Action Plan for the Project is provided in Annex 2.

4.3 Project's suitability for GEF Non-Grant Instruments

101. The Project has been designed to be consistent with the GEF's Guidelines on the GEF Project and Programme Cycle Policy and NGI policy. Fundamentally, Non-Grant Instruments (NGIs) can be used in a GEF project that allows the use of funds in a form that has the potential to generate financial returns ? in this Project the GEF funds flow back to the GEF Trust Fund.

102. The above Policy and NGI Annex note that the GEF encourages the use of NGIs to foster higher leverage and, often, greater private sector engagement. The Project will pilot a new innovative result-based interest rate mechanism to create higher environmental benefits building on the experience and outcomes of the EBRD's programmes. To achieve the Project's key outcomes of (i) Increased investment in circular economy initiatives and (ii) Circular economy technologies and strategies mainstreamed in processes and business models, the Project's theory of change is to use GEF concessional funds to blend with and lever other finance (at a x10 ratio) thereby triggering Circular Economy projects that will act as demonstrations that facilitate scale-up and replication of circular economy business models.

103. The EBRD as a GEF Agency and a Multilateral Development Bank meets all of the GEF's criteria.

Table 4. Project's alignment with the GEF Non-Grant Instruments window

NGI Criteria	Summary of Project's alignment with the NGI window
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NGI Criteria	Summary of Project's alignment with the NGI window
1. Scalability	The Project is expected to have a demonstration effect in the participating countries where circular economy investments are currently undeveloped. The Project will catalyse a market-level transformation towards circular economy in the private sector by promoting the companies to re-consider their production processes, technologies, products and business model. Scale-up will be further supported by targeted knowledge and awareness raising, and linking the Project's beneficiaries and learnings with existing platforms such as the Materials marketplace.
2. Appropriate and enhanced co-financing ratios	Investments co-financing will be USD 140 million. Additional co-financing for technical assistance will be: USD 1.5 million grant and USD 0.35 million in-kind.
3. Attractive financial terms	An instrument that targets and incentivizes technology implementation through lower interest rate is innovative and is otherwise not available to the beneficiaries. A 10-year average tenor is not available in the participating countries for the private sector.
4. High financial additionality	<p>NGI support for the proposed Project is incremental, and is targeted to enable the provision of finance that will incentivize companies to implement circular economy investments. Without dedicated GEF financing for the NGI, the participants are unlikely to be offered suitable financing and they would most likely not include circular economy-related milestones. Investments in circular economy initiatives (either through technologies or practices) are relatively undemonstrated in the target region, and therefore the perception of risk would remain high (see section on barriers).</p> <p>The co-financing provided by the EBRD is integral to the design of the Project. The high leverage provided by the co-financing will enable beneficiaries to commit to circular economy principles and governance practices, and adopt circular business models, resulting in clear demonstrations of the environmental and business benefits.</p> <p>The Project is based on a milestone approach that incentivises behaviour by providing financing with interest rate linked to the achievement of agreed performance milestones. The design of the Project ensures that the minimum level of concessionality will be used (by the loan size, pricing) and that the NGI funds are tied to performance.</p>
5. Capacity to generate reflows	The EBRD has the capacity to generate reflows. Reflows are summarized in Annex D.
6. Innovative financial solutions	The Circular Economy Regional Initiative is innovative in its approach to accelerate the uptake of circular economy initiatives by incentivizing participating entities to not only implement resource efficient technologies, processes or products, but also to consider how their business practices to integrate circular economy at the strategic level. The innovative financial mechanism will catalyse investments and thereby incentivize a shift to circular economy mindset by providing the minimum level of concessionality required to drive behavioural change.
7. Global environmental benefits	The Project will avoid over 6.25 million tonnes CO ₂ e (direct) and 2,000 tonnes of POPs and 10,000 tons of POPs-containing material.

5) Incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and co-financing

104. The incremental cost reasoning, and expected contribution from the baseline, the GEFTF and co-financing amounts remain the same as in the approved PIF.

5.1 Incremental cost reasoning

105. The GEF support to the Project is incremental, as in absence of the requested GEF support, the financing of circular economy initiatives will be impeded by the presence of the financial and technical barriers outlined above. It is expected that without GEF support the uptake of circular economy initiatives in the participating countries will remain low, while the sectors continue with old process and waste management practices. Furthermore, the GEF support is crucial as it will allow for the EBRD and the GEF to jointly support an initiative inclusive of both financing and technical assistance that are essential to advance circular economy in the participating countries.

106. The Project is incremental in terms of financial and innovation aspects. Without the provision of GEF funds in the form of concessional loans, the barriers identified in Section 2 (targeted by Component 1) would not be overcome. Because the beneficiaries would most likely not be offered suitable financing, and in any case, financing would not include circular economy-related milestones.

107. The Project is also incremental regarding global environmental benefits, as without the provision of GEF funds in the form of concessional loans, the global environmental benefits would also not be achieved. These are reflected in the Project's results framework.

108. The involvement of the GEF leads to higher flows of financing than would otherwise have been the case from private sector sources. The co-financing ratio of the Project is expected to be around 10, which would enable beneficiaries to implement circular economy investments and adopt circular business models, resulting in clear demonstrations of the environmental and business benefits. Moreover, concessional loans would offer a tenor of up to ten years for the private sector, which is above the market average. A long tenor is crucial to structure the financing since early mover costs in circular economy investments result in long payback periods beyond the loan tenors available in the market.

6) Global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF)

109. The anticipated GEBs remain the same as in the approved PIF except the type of POPs to be targeted by the programme. At PIF stage, the programme has planned to target hexabromocyclododecane (HBCD), perfluorooctane sulfonate (PFOS) and polychlorinated biphenyl (PCB). During the Project design, the Bank has identified potential child projects with potential reduction of PFOS, PBDEs and HBCDs in target countries. Although the primary focus will be on above mentioned POPs, the Project would consider to target other POPs if child projects with higher environmental benefits are determined during implementation period.

110. The Project aims to achieve global environmental benefits contributing to the GEF's focal areas targets of: Chemicals and Waste, and Climate Change Mitigation. The indicative pipeline includes investments which cover the entire value chain of products; some sub-projects focus on interventions in the upstream (product design, alternative and secondary material use etc.), some sub-projects focus on downstream end-of-life waste/material management, while a others include both downstream and upstream interventions in the product life cycle. During the implementation period, the project will balance the number of sub-projects between upstream and downstream measures to have broader intervention with a prioritisation of sub-projects with higher global environmental benefit.

111. Based on EBRD's prior experience, and assumptions regarding the expected performance of the sub-projects included in the indicative pipeline, the GEBs have been estimated as follows:

Table 5. Summary of global environmental benefits

GEF Indicator	Direct Annual	Direct Lifetime	Direct Secondary	Indirect
Amount of Marine Litter Avoided		50,000 metric tons		
CO ₂ Emissions avoided	500,000 tons CO ₂	5,000,000 tons CO ₂	1,250,000 tons CO ₂ e	15,625,000 tons CO ₂ e
POPs - solid and liquid Persistent Organic Pollutants (POPs) and POPs containing materials and products removed or disposed (POPs type) [33] ³³		1,600 metric tons	400 metric tons	
Number of low-chemical/non-chemical systems implemented, particularly in food production, manufacturing, and cities	N/A	5 systems	N/A	
Quantity of POPs/Mercury containing materials and products directly avoided		10,000 tonnes products		
Number of emission control technologies/practices implemented (grams of toxic eqv. g TEQ)	6 gTEQ	60 gTEQ [34] ³⁴	15 gTEQ	

112. The output- based targets are estimated as direct annual/lifetime and direct secondary. Direct annual/lifetime targets represent immediate benefits of implementation of eligible technology and processes (Milestone 1) whereas direct secondary benefits refer to the expected benefits from adoption of circular business strategy (Milestone 2). The Project is structured to promote and support moving

towards circular business models rather than promoting only stand-alone technologies and processes. The project team estimates these transformational changes will enable secondary environmental benefits. The team estimates 25% of additional benefits could be achieved for each respective indicator, which are captured under direct secondary impacts.

6.1 Persistent Organic Pollutants (POPs)

113. The Project aims to promote a circular economy approach to enable multiple environmental benefits by reducing resource consumption, introducing innovative technologies with low or no toxic chemicals, and facilitate reuse and recycling. Reducing the prevalence of harmful chemicals and waste by supporting the implementation of clean alternative technologies is becoming increasingly important for the transition to circular economy in EBRD CoO. Recycling materials containing toxic chemicals contaminates the resulting products and continues the legacy of hazardous emissions and increases exposures. To be able to develop a circular economy, material loops are required to be free of toxic chemicals. POPs are a special group of substances of very high concern that require specific attention when designing strategies and measures to close material loops in a circular economy.

114. In this context, the Project will ensure POPs reduction/prevention in both upstream production side and downstream disposal side by supporting sub-projects, which is consistent with EBRD's circular economy approach and enables substantial global environmental benefits.

115. Regarding POPs relevant to products and the circular economy, relevant examples include:

-**Hexabromocyclododecane (HBCD)** is a brominated flame retardant primarily used in polystyrene building insulation. HBCD is highly toxic to aquatic organisms is listed in the Stockholm Convention for global elimination with a five-year specific exemption for use in building insulation that should expire for most Parties in 2019. Approximately 80% of HBCDD produced is estimated to be used as a flame retardant in expanded polystyrene (EPS) and extruded polystyrene (XPS) insulation products for buildings and construction

-**Polybrominated diphenyl ethers (PBDEs)** are a group of industrial aromatic organobromine chemicals that have been used since the 1970s as additive flame retardants in a wide range of - mainly - consumer products. POP-PBDEs have been used in the electronics industry for the manufacture of plastic casings for computer equipment and in the transport industry for the manufacture of foam cushioning in automobiles. Even though POP-PBDEs are considered to be no longer produced, the main challenge for their elimination is the identification of existing stockpiles and articles containing POP-PBDEs and their disposal at end-of-life. Large volumes of these materials are in the global recycling flow and will continue to be used in consumer articles. The fourth meeting of the COP decided to list the POP-PBDEs with a recycling exemption that allows recycle under certain conditions.[35]³⁵

-Perfluorooctane sulfonate (PFOS) is both lipid- and water-repellent and has been used in a wide variety of applications, often to supply a surfactant function. PFOS and related substances are extremely persistent, toxic to aquatic organisms. PFOS and PFOS-related substances have an extensive usage area which is limited by the Convention, permits to intended purposes and special exemptions. According to NIPs, there is no PFOS production in the participating countries whereas PFOS coming into the countries via import.

116. During the Project design phase, the EBRD regional offices have engaged with relevant Ministries, institutions and industries in Western Balkan countries and Turkey to identify potential circular economy projects which also enables removal and safe disposal of POPs containing wastes and articles. Examples of potential projects (from our pipeline) include:

117. Serbia plans to construct regional solid waste management centers, source separation and bio-waste facilities in Kolubora, Duboko, Pirot, Kalenic and Subotica. The Bank is in discussion with the Serbian Government to support them with technical assistance for feasibility studies and financing. The planned facilities will serve around 6% of population and initially include separation centers, composting and landfills in EU standards. The region has also an estimated potential for recycling of circa 600 tonnes/year of e-waste and 18,000 tonnes/year of construction and demolition waste. The Bank's shorter term finance will include municipal investments. In parallel, the Bank plans to engage with private sector actors to enable recycling of e-waste and construction and demolition waste with the support of the Project in medium term. The sub-project will be structured to enable removal and safe disposal of PBDEs and HBCD containing wastes in household appliances, IT and consumer equipment and insulation materials and plastics in construction and demolition waste and transport vehicles.

118. As a result of engagements with various stakeholders in Turkey, the Project decided to focus on phase out and removal of PFOS in Turkey as these chemicals are still estimated to be in use in the country. Whilst there is no PFOS production in the country, PFOS is being imported into the country. According to Turkey's NIP, PFOS are estimated to be used in metal plating, hydraulic fluids, textile, synthetic carpets and paper and cardboard sectors. As part of this project, EBRD is considering launching a study within Q3-2021 to identify potential companies using PFOS in products, with focus on paper and cardboard sector. The sub-project targets to phase out at least 7,500 tons of PFOS containing paper and cardboard products with approximately 1% of PFOS content, which results in avoidance of 75 tons/year PFOS.

119. In Albania, Bosnia-Herzegovina and Turkey, the EBRD has engaged with industries which have likely releases of uPOPs to air and water and identified two sub-projects in Albania; the first one is in a ferro-chrome producer and the latter is in metal recycling sector. Additionally one sub-project in metal recycling sector in Turkey and finally one sub-project in a silicon metal producer in Bosnia-Herzegovina were identified. The Bank has agreed on the terms of reference documents to provide technical assistance to the companies in Albania to identify potential circular economy measures and emission abatement needs to reduce uPOPs. Both technical assistance assignments are due to start in Q4 2020.

120. The detailed estimations of POPs related savings of pipeline of sub-projects are provided in the attached Project document. The amount of POPs in waste streams are calculated using the Persistent Organic Pollutants (POPs) accounting methodology and tool developed by Wood Environment & Infrastructure Solutions in support of the EBRD's Financing Advanced Environmental Technologies in the Mediterranean Sea Region for Water Systems and Clean Coasts (EnviTeCC) Child Project on safe disposal of POPs and reduction of untreated wastewater discharge in the Mediterranean Sea Region. The child project is funded by the GEF under the Mediterranean Sea Programme (MedProgramme). The amount of uPOPs reduction as a result of pipeline projects are calculated using UNEP's POPs toolkit on PCDD/PCDF.

121. The short and medium-term pipeline of sub-projects in Turkey and Serbia will enable to removal and disposal of at least 1,600 tonnes of Solid and liquid Persistent Organic Pollutants (POPs) and 10,000 tonnes of POPs containing materials and products during the lifetime of projects as estimated during PIF stage. Therefore, the objective is estimated to be achieved successfully by the implementation of pipeline sub-projects.

122. During the PIF stage, the Project was estimated to achieve 60 g TEQ of uPOPs in addition to the removal and disposal of solid and liquid POPs objective. The Project is estimated to achieve this objective by implementation of emission control technologies/practices on identified pipeline of sub-projects.

6.2 GHG Emissions Reductions

123. During the Project design phase, the EBRD resident offices have engaged with relevant industries in Western Balkans and Turkey to identify potential circular economy projects which enables the estimation of GHG emissions reductions as well as other environmental benefits. Some of the sub-projects provided in pipeline have multiple environmental benefits. Examples of potential pipeline projects are listed below. It is important to emphasise, though, that the pipeline is indicative and the potential sub-projects analysed provide an estimate of the scale of possible direct global environmental benefits the Project could generate. The actual results may differ and will depend on the eventual composition of investment portfolio under the Project.

124. The bank has launched a technical assistance study in an existing client of the Bank, a ferrochrome producer in Albania with a production capacity of 48,000 tonnes per year, to explore measures to improve resource and energy consumption at the client facilities. The company produces high carbon ferrochrome, a high quality product used in stainless steel and special steel production. A list of potential energy and circular economy measures are identified for further analysis during initial screening, such as i) processing of ferrochrome slag to extract Cr metal and find usage for process tailings. ii) use of ferrochrome slag as raw material for production of MgO.iii) utilisation of process

off-gases to preheat raw materials iv) efficient use of water circulation system. The expected energy and associated GHG emissions savings from identified measures are calculated using reference values taken from Best Available Techniques (BAT) Reference Document for the Non-Ferrous Metals Industries Table 8.5. A certain degree of baseline energy efficiency improvements is assumed through application of BAT values at the lower end of the range. The actual consumption and savings data will be determined during technical assistance assignment.

125. Another sub-project capable of yielding GHG emission reductions involves a telecommunication company in Turkey to implement a series of measures to reduce energy consumption in its network. The investments include i) upgrade from copper to fiber wires in its broadband network and ii) upgrade of existing data centres. The expected energy and GHG emission savings and energy efficiency are calculated by using Power Usage Effectiveness calculator.^[36] The Bank has also initiated a technical cooperation study with the Company to investigate viability of collection and recycling of used mobile phones and modems in Turkey.

126. The bank has engaged with a farming company in Serbia to finance the company's investment programme which involves i) installation of 15 MWe bioenergy plant at the company's production facility for its own energy consumption and ii) organic fertiliser plant utilising by-product digestate from bioenergy plant. The expected energy and GHG emission savings stem from renewable energy generation displacing grid power consumption, diverting manure from lagoons to anaerobic digestion and replacement of synthetic fertilisers with organic fertilisers.

127. In Bosnia and Herzegovina, the Bank is exploring potential energy and resource investments in a silicon metal and silicon fume producer. The initial measures explored are i) energy recovery in electric arc furnaces and ii) electricity production via 1 MW rooftop PV panels and iii) circular production improvements such as utilisation of slag. The expected energy and associated emissions savings from identified measures are calculated using reference values taken from Best Available Techniques (BAT) Reference Document for the Non-Ferrous Metals Industries Table 8.7. A certain degree of baseline energy efficiency improvements is assumed through application of BAT values at the lower end of the range. The actual consumption and savings data will be determined during technical assistance assignment.

128. In Albania, the Bank has initiated a technical cooperation study with a mining and metal smelting company. The TC study will support the company to develop a Low Carbon Pathway as well as explore measures to increase circularity of the operations. The identified opportunities from the

study will be financed by the CERI project. The sub-project is estimated to bring significant GHG reduction and resource savings in a highly resource intensive sector. The expected energy and associated emissions savings from identified measures are calculated using reference values taken from Best Available Techniques (BAT) Reference Document for the Non-Ferrous Metals Industries Table 8.5. A certain degree of baseline energy efficiency improvements is assumed through application of BAT values at the lower end of the range.

129. Another early stage sub-project that is under discussion involves an automotive supplier of steel and aluminium products in Turkey. The company is considering to increase secondary aluminium use in its products by construction of a secondary aluminium smelting facility with capacity of 24,000 tons/year. The Bank will support the company to analyse status of local aluminium waste collection and improve local supply chains; develop programmes/plans (such as awareness raising, new collection schemes, etc) to improve aluminium waste collection rates locally. The investment involves increasing the quantity and quality of secondary aluminium supply as well as upgrading the company's technology and product design to enable using significantly increased amounts of secondary aluminium in its products instead of primary aluminium. The expected GHG emissions reductions stem from substitution of primary aluminium with secondary aluminium and calculated using life cycle emissions data for Aluminium Production and Semi-Fabrication for the GREET Model.

130. Lifetime direct project GHG emissions mitigated are attributable to investments either during the project's supervised implementation period or after it, but supported by financial facilities or regulatory interventions by the GEF project, totalled over the respective lifetime of the investments. Lifetime indirect GHG emissions mitigated are those attributable to the long-term outcomes of GEF activities that remove barriers, such as capacity building, innovation, and catalytic action for replication.

131. ***Direct:*** To date, discussions of industry emissions has focused on abatement of emissions under a company's direct ownership or operational control and from a company's purchase of electricity, heat and steam, both of which relate to supply-side. However, there is need to also account for GHG emissions along the value chains and product portfolios (scope 3 or direct secondary) to comprehensively manage GHG-related risks and opportunities. Far less attention has been paid to demand-side: how a more circular economy could reduce emissions through better use and reuse of the materials that already exist in the economy. Therefore, the Regional Circular Economy Initiative aims to unlock further GHG emissions reduction by promoting interventions on all phases of product lifecycle and the full value chain of a company.

132. The expected GHG mitigation from the pipeline of sub-projects summarised above estimated as circa 5,063,000 tCO₂e over an average 10-year investment lifetime. The detailed estimations on direct GHG savings of pipeline of sub-projects are provided in the attached document.

133. Direct secondary emission reductions are expected due to enhanced transformation change towards circular economy (i.e. Milestone 2: adoption of circular business strategy) in the beneficiaries. The potential for direct secondary emission reductions will primarily depend on the type of investments and specific segments there are implemented in, and have been estimated at 25% of the direct GHG savings, or ca. 1,266,000 tons CO₂ eq.

134. ***Indirect:*** The potential indirect GHG impacts of the Project have been indicatively assessed through a bottom-up approach using GEF methodology, specifically using the financial instruments module that is suitable when projects involve investments or financing mechanisms where GEB may result from activities where the specific technologies, sectors or end use may be difficult to predict (loan instruments), and/or when there is replication of pilot or demonstration activities. This Project involves demonstration activities related to the use of a new non-grant instrument under Component 1 and its anticipated outcome of increased investment in circular economy initiatives. This is supported by Component 2's technology demonstration and capacity building, and technology development and diffusion, though Component 2 has not been included in indirect estimate as it is not funded by the GEF Trust Fund (co-financed only).

135. The number of expected replications during the post-project influence period related to Component 1 is at least 2.5, which assumes more than a doubling of the original Project investment in the relevant sector during 10 years after Project completion. This estimate is based on the EBRD's understanding of the market potential for similar types of circular economy investments in the range of sectors involved, and also considers the anticipated impact of the Project as a pilot/demonstration and its contribution to addressing the targeted barriers in the beneficiary countries.

136. Therefore, with the direct GHG mitigation impact of around 6.33 MtCO₂ and a potential conservative replication factor of 2.5, the indirect emission reductions are estimated at around 15.820 MtCO₂.

6.3 Marine Litter

137. The methodology focuses on the assumption that about 60-90% of marine litter consists of mismanaged plastics. Marine litter originating from the maritime sector comprises on average roughly 20% weight of total marine plastics while the balance of 80% coming from land-based sources.[37]³⁷

138. The main sources of marine litter in the Western Balkans and Turkey are:

? Uncontrolled dumping of waste, which is common in developing countries where the waste collection infrastructure is inadequate;

? Littering;

? Fly-tipping as illegal dumping of waste without waste management licence;

? Leaking of waste from mismanaged legal landfills;

? Waste generated by the industrial sector can become marine litter during disposal or transport. Industries such as the automotive, furniture, textile and large packaging manufacturing companies are thought to be key sources of microplastics in the marine environment. 86 per cent of the Danube River's plastic load originates from the activities of plastics manufacturing and processing companies operating near the banks of the river.[38]³⁸

139. In the light of this, sound solid waste management, resource efficiency and transition to circular economy are the only major effective prevention measures. While solid waste management focuses on the collection and treatment of discarded materials, there is also a need to act further 'upstream' in the value chain of products to extend the lifetime of the products and promote re-use and recycling.

140. It is important to note that the municipal waste collection rate in the participating countries is around 65-80%, combined with fly-tipping, uncontrolled dumping, littering practices and inadequately managed legal landfills. This indicates a significant risk for transmission of large amounts of waste into the marine environment. Some recycling activities take place in the participating countries (ranges from 1 to 10 per cent of the collected municipal waste) which has a direct effect to the abatement of marine litter.

141. The Regional Circular Economy Initiative targets reduction of waste landfilled at 5,000 tonnes per annum. If waste does not end up in the landfills and maintain its value in the economy due to avoidance/re-use/recycle at source or during waste treatment, then it will not end up in the marine environment. Please see below for a chart on the transmission pathways of plastic waste into the marine environment. This applies to other types of waste/debris (in addition to plastics) such as glass, metal etc.

142. The details of estimations for this indicator based on indicative pipeline of sub-projects are provided in the attached document. The indicative pipeline includes two sub-projects in Turkey which will contribute to the avoidance of marine litter by 108,240 tonnes over a 10-year period. If both investments in the pipeline are completed, the Project will go beyond its target for avoiding 50,000 tonnes of marine litter.

143. One planned investment involves the first biodegradable wet wipes production in Turkey. Due to the COVID19 outbreak, the demand for wet wipes have soared globally. Instead of expanding its production capacity for conventional wet wipes (produced mostly from polyester), the company will invest in a new line to produce certified biodegradable wet wipes. The raw material composition of the wet wipes will be changed to contain a combination of certified biodegradable viscose and wood pulp without chemical binders. This investment will contribute to the avoidance of 9,824 tonnes/year microplastics pollution on soil and in the marine environment, as wet wipes are in principle single-use plastics which end up in landfills or in sewage systems because they are flushed after use.

144. In line with circular economy principles and waste hierarchy, the EBRD will support investments in biodegradable materials/products only if such materials conform to the current standards for industrially compostable materials (such as EN13432, ASTM D6400 and D6868). Additionally, the Bank will only support investment in those products which are sold to and used in those countries which have proper infrastructure in place for treating biodegradable/compostable waste. In order to minimise the impact to the marine environment in case of leakages, the Bank will seek compliance with ASTM D6691 standard for biodegradability in the marine environment. Therefore, a product certification which displays 'OK COMPOST', 'OK COMPOST HOME', 'OK BIODEGRADABLE SOIL' and 'OK BIODEGRADABLE MARINE' logos will be sought as a prerequisite to support investments in biodegradable products.

145. The second investment concerning marine litter involves working with a packaging producer to implement a number of interventions in their supply chain, packaging design, and production processes to reduce plastics use in their products. In Turkey around 60% of the plastic packaging waste is collected and treated/recycled. The investment is expected to contribute to avoidance of marine litter by 1,000 tons per annum by changing the packaging design and using recycled materials.

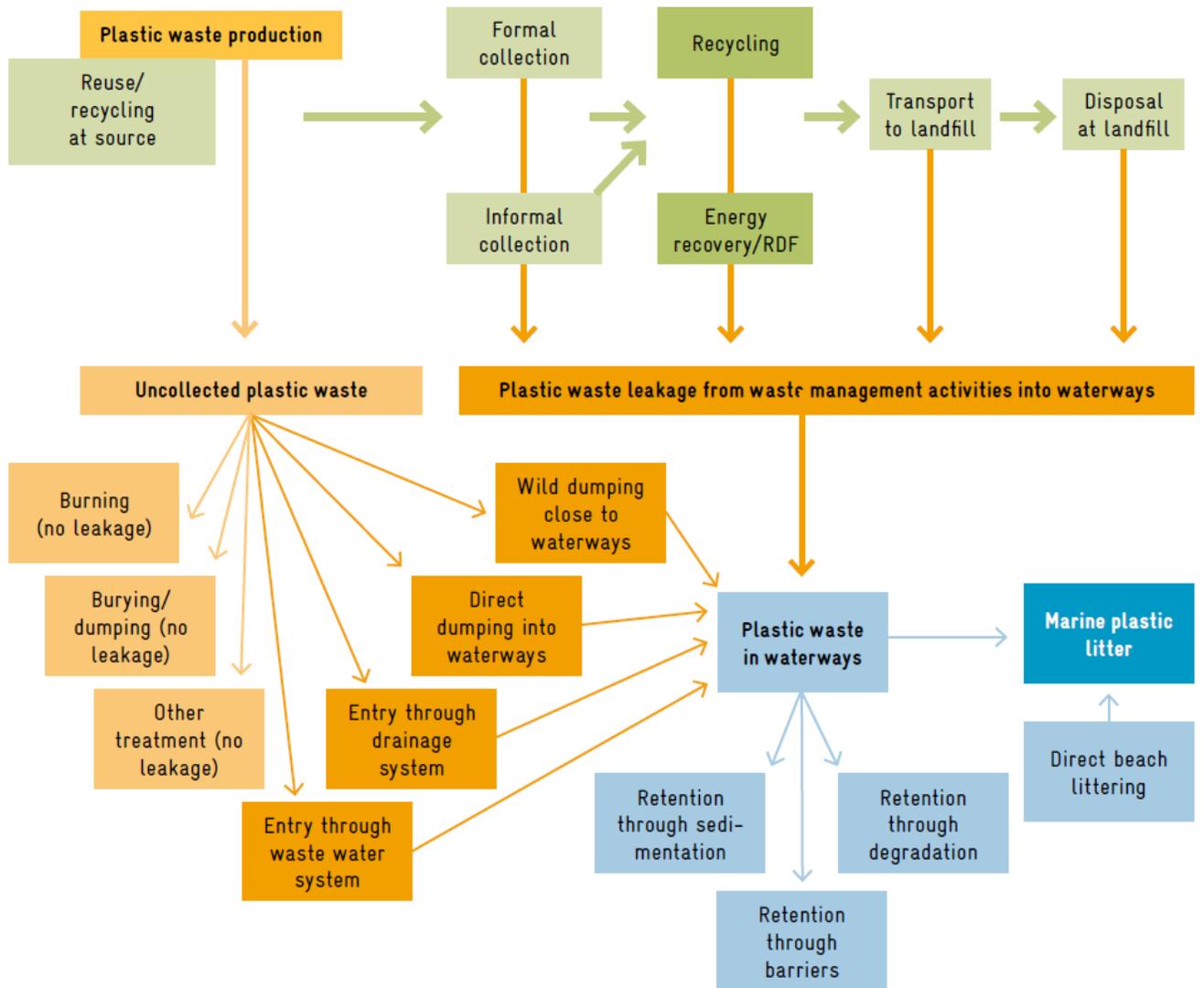


Figure 6. Transmission pathways of plastic waste into the marine environment[39]³⁹

6.4 Project Financing

146. The Project is financed by the GEF Trust Fund under the Climate Change Mitigation, and Chemicals and Waste focal areas and by the EBRD and other co-financiers, as described in the following sections. The total project funding is around USD 155 million, combining GEF and EBRD and other co-financing, and excluding fees. Table 6 provides the breakdown of financing by project components and sources, as well as the type of financing.

Table 6. Breakdown of project components and sources of financing

Project Component	in USD			
	GEF project financing	Type of financing	EBRD financing	Type of co-financing
Component 1: Implementation of Circular Economy Performance-based Financing	13,711,468	INV	140,000,000	concessional funds, loan
Component 2: Technical Assistance for Adopting Circular Economy Technologies and Strategies		TA	1,500,000	Grant
Component 3: Monitoring and evaluation	50,000	TA	30,000	Grant, in-kind
TOTAL:	13,761,468		141,530,000	

* The investment mobilised will include EBRD loans and private sector participation . At this stage the type and exact amount of private sector financing is unknown and will be defined when the sub-projects/investments are structured.

147. The EBRD and other co-financiers will provide the following financing, which will co-finance the GEF funding:

? USD 140,000,000 for direct financing of circular economy investments.

? USD 1,500,000 in grants for technical assistance provided by the EBRD and wider donors. It is currently envisaged that co-financing will be sought from EBRD's Shareholder Special Fund and approximately EUR 1 million from Austria's DRIVE Fund (Delivering Resource efficiency Investments), which supports investments in resource efficiency.

6.5 Cost Effectiveness

148. The cost effectiveness of the approaches used in this Project stems from the substantial co-financing and investment contributions from private sector, and by the market-oriented approach used. The GEF contribution of USD 13,761,468 will leverage an additional USD 141,530,000 in investment and technical assistance from EBRD, plus additional equity financing; representing a minimum leverage of 1:10.

149. Cost effectiveness will be ensured at each stage of implementation by the adoption of tender-based procurement for all activities, and within investments, and through the technical assistance (Component 2), which will facilitate the implementation of harmonised approaches and reduce duplication of efforts, thus maximizing the impact of investments.

150. In addition, the multifocal and regional nature of the project will maximize the impact of GEF resources that, if invested through separate initiatives, could result in the delivery of more limited environmental benefits.

151. GEF NGI funding per GHG abated is USD 2.75 per tonne CO₂eq ? which can be considered very cost-effective. GEF NGI funding per estimated direct lifetime and direct secondary (including savings from achieving both Milestone 1 and 2) GHG abated is 2.2 USD per tonne CO₂eq.

7) Innovativeness, sustainability and potential for scaling up

152. The Project's potential for innovation, sustainability and scaling-up remain as planned in the approved PIF.

7.1 Innovation

153. The Circular Economy Regional Initiative is innovative in its approach to accelerate the uptake of circular economy initiatives by incentivizing participating entities to not only implement resource efficient technologies, processes or products, but also to consider how their business practices to integrate circular economy at the strategic level. Additionally, at the heart of the Project is an innovative performance based financial mechanism that promotes a shift to circular economy mindset.

154. The financing mechanism offered in the Project is similar to mechanisms common for standard bank transactions where the interest rate is linked to financial performance (e.g. DSCRs, results based payments), with the innovation being the link to the company's circularity performance in its operations.

7.2 Sustainability

155. By incorporating circular economy considerations into the participating companies' business strategies (i.e. promoting change in the mindset and behavior) and offering new concessional finance instruments to support investments (i.e. promoting technology, process or product change), the Project is expected to contribute a gradual transformation towards circular economy and low carbon pathway across sectors in the Western Balkans and Turkey. In order to mainstream circular economy and to ensure a sustainable impact, the Project will actively seek to coordinate with the ongoing initiatives in the Western Balkans and Turkey which are led by EBRD and other stakeholders in order to enable maximum level of complementarity.

156. Additionally, the Project is aiming to contribute to removing the financial and technological barriers, in particular, by offering a blended performance based financial instrument combined with a dedicated technical assistance. Once the Project's investments have been made and these initial investments are proven to be effective, it is anticipated that financing from commercial lenders will follow. The EBRD will showcase the results of the Circular Economy Regional Initiative to ensure that other lenders understand the potential of this market.

7.3 Scaling-up

157. The Project is expected to have a demonstration effect in the participating countries where circular economy investments are currently undeveloped. Through this demonstration effect, the Project intends to catalyse a market-level transformation towards circular economy in the participating countries by promoting the companies to re-consider their production processes, technologies, products and business model. Scale-up will be further supported by technical assistance provided to the companies, and linking the Project's beneficiaries and learnings with existing platforms such as the Turkey Circular Economy Platform.

158. Overall, the use of a performance-based financing is an adequate tool to shift production practices to circular economy by providing incentives if behavioural change happens. The loan and the reduction of interest rates if milestones are achieved throughout the life of the investment is an approach to test private sector interest in circular economy.

[1] The Ellen MacArthur Foundation (2012), Towards the Circular Economy.

<https://www.ellenmacarthurfoundation.org/assets/downloads/publications/Ellen-MacArthur-Foundation-Towards-the-Circular-Economy-vol.1>.

[2] World Economic Forum (2014). Towards the Circular Economy: accelerating the scale-up across global supply chains.

http://www3.weforum.org/docs/WEF_ENV_TowardsCircularEconomy_Report_2014.pdf?wb48617274=73C950F6

[3] World Business Council for Sustainable Development (2017). CEO Guide to the Circular Economy. <https://www.wbcsd.org/Programs/Circular-Economy/Factor-10/Resources/CEO-Guide-to-the-Circular-Economy>.

[4] World Economic Forum (2014). Towards the Circular Economy: accelerating the scale-up across global supply chains.

http://www3.weforum.org/docs/WEF_ENV_TowardsCircularEconomy_Report_2014.pdf?wb48617274=73C950F6

[5] <https://op.europa.eu/en/publication-detail/-/publication/ca9846a8-6289-11ea-b735-01aa75ed71a1>

[6] The Ellen MacArthur Foundation (2016) The New Plastic Economy. Available at

https://www.ellenmacarthurfoundation.org/assets/downloads/publications/NPEC-Hybrid_English_22-11-17_Digital.pdf

[7] Gallo et al. Marine litter plastics and microplastics and their toxic chemicals components: the need for urgent preventive measures, Environmental Science Europe (2018) 30:13. Available at

https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5918521/pdf/12302_2018_Article_139.pdf

[8] Scientific and Technical Advisory Panel (2018). Plastics and Circular Economy. Available at

<http://www.stagef.org/sites/default/files/documents/PLASTICS%20formatted%20for%20posting.pdf>

[9] http://docs.european-bioplastics.org/publications/bp/EUBP_BP_En_13432.pdf

[10] <https://www.astm.org/Standards/D6400.htm>

[11] <https://www.astm.org/Standards/D6868.htm>

[12] If the material biodegrades by at least 90% by weight within six months under controlled composting conditions, it fragments into pieces smaller than two mm diameter under controlled composting conditions within 12 weeks and the compost obtained at the end of the process has no negative effects on plant growth.

[13] OECD (2018) Global Material Resources Outlook to 2060 ? Economic Drivers and Environmental Consequences. Available at <https://www.oecd.org/environment/waste/highlights-global-material-resources-outlook-to-2060.pdf>

[14] UNECE (2018) *Albania - Third Environmental Performance Review*, 2018
https://www.unece.org/fileadmin/DAM/env/epr/epr_studies/ECE.CEP.183_Eng.pdf

[15] INSTAT (2018) *Urban Solid Wastes in Albania*, accessed 19 August 2019,
<http://www.instat.gov.al/media/4759/urban-solid-waste-statistics-2017.pdf>

[16] <https://www.sarajevotimes.com/over-one-tonne-of-municipal-waste-collected-in-bih/>, accessed 19 June 2020.

[17] <https://www.eea.europa.eu/themes/waste/waste-prevention/countries/montenegro-waste-prevention-fact-sheet>

[18] http://monstat.org/userfiles/file/komunalni%20otpad/2015/2018k/Municipal_waste_2018.pdf

[19] <http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef>

[20] Ibid.

[21] <https://biruni.tuik.gov.tr/medas/?kn=119>

[22] <https://biruni.tuik.gov.tr/medas/?kn=119>

[23] Horvath et al. ?The Ecological Criteria of Circular Growth and the Rebound Risk of Closed Loops?, *Sustainability* 2019, 11(10), 2961; <https://doi.org/10.3390/su11102961>

[24] Zink and Geyer, ?Circular Economy Rebound?, *Journal of Industrial Ecology*, 2017.

https://www.researchgate.net/publication/313371834_Circular_Economy_Rebound

[25] For those investments that aim to produce products from secondary raw materials, the EBRD will assess the possibility and the extent of the circular rebound effect through Technical Assistance under Component 2 of the Project before supporting the investment.

[26] <https://circulareconomy.europa.eu/platform/en/knowledge/categorisation-system-circular-economy-contribution-future-eu-taxonomy>

[27] https://www.thegef.org/sites/default/files/publications/GEF-7%20Programming%20Directions%20-%20GEF_R.7_19.pdf

[28] The degree of concessionality of a loan is measured by its 'grant element' which is defined as the difference between the loan's nominal value (face value) and the sum of the discounted future debt-service payments (present value), expressed as a percentage of the loan's face value. The discount rate for each project will be assumed equal to the initial EBRD interest rate, which will be at market rate.

[29] <https://publications.iadb.org/publications/english/document/DFI-Working-Group-on-Blended-Concessional-Finance-for-Private-Sector-Projects-Summary-Report.pdf>

[30] Please refer to Section 2.3.7 Associated Baseline Projects for more information and lessons learned on the pilot Near Zero Waste Programme in Turkey.

[31] Alternative feedstock use refers to utilisation of alternative or secondary raw materials for production of goods in the corporate sector. For switching to alternative feedstock use, particularly in plastics production, the EBRD will assess if the alternative material is truly bio-degradable through its technical assistance before supporting the investment.

[32] In line with the approach for Component 2.1 regarding the use of alternative feedstock from a circular design perspective, the technical assistance for Component 2.2 will also assess the potential of switching to alternative feedstock which may be biodegradable, especially for plastics producers. When the opportunity for supporting such investments arise, the Bank will seek to understand if such materials conform to the current standards for industrially compostable materials (such as EN13432, ASTM D6400 and D6868).

[33] The reduction target is given only as lifetime as some of the sub-projects will have one-time benefits whereas others might have life-time impacts.

[34] The estimated reduction target is provided at the time the project is proposed. The target is based on the baseline calculation of the emissions against the expected reductions that will result from the implementation of the project. At project completion, a final emissions number 'in grams of toxic equivalent (gTEQ)' will be subtracted from the baseline emissions number to determine the reduction.

[35] UNEP Stockholm Convention Guidance on preparing inventories of polybrominated diphenyl ethers (PBDEs) listed under the Stockholm Convention on Persistent Organic Pollutants, Draft Revised January 2017

[36] <https://www.42u.com/measurement/pue-dcie.htm>

[37] https://marinelitter.iswa.org/fileadmin/user_upload/Marine_Task_Force_Report_2017/ISWA_report_in_teractive.pdf

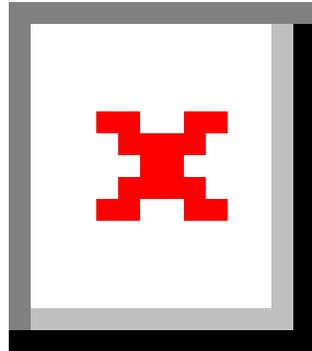
[38] A. Lechner, H. Keckeis, F. Lumesberger-Loisl, B. Zens, R. Krusch, M. Tritthart, M. Glas, and E. Schludermann, "The Danube so colourful: A potpourri of plastic litter outnumbers fish larvae in Europe's second largest river," *Environmental Pollution*, vol. 188, pp. 177-181, 2014.

[39] https://www.giz.de/en/downloads/giz2018_marine-litter-prevention_web.pdf

1b. Project Map and Coordinates

Please provide geo-referenced information and map where the project interventions will take place.

Country	Geo-Coordinates
Albania	N 41° 19' 39" / E 19° 49' 8"
Bosnia and Herzegovina	N 43° 50' 55" / E 18° 21' 23"
Montenegro	N 42° 26' 28" / E 19° 15' 49"
North Macedonia	N 41° 59' 47" / E 21° 25' 53"
Serbia	N 44° 48' 14" / E 20° 27' 54"
Turkey	N 41° 0' 49" / E 28° 56' 58"



1c. Child Project?

If this is a child project under a program, describe how the components contribute to the overall program impact.

2. Stakeholders

Select the stakeholders that have participated in consultations during the project identification phase:

Civil Society Organizations Yes

Indigenous Peoples and Local Communities

Private Sector Entities Yes

If none of the above, please explain why:

Please provide the Stakeholder Engagement Plan or equivalent assessment.

Annex 1: Stakeholder Engagement Plan

Introduction

The Stakeholder Engagement Plan (SEP) is designed to ensure effective engagement and maximise the complementarity of efforts between various stakeholders throughout the lifecycle of the Circular Economy Regional Initiative.

This SEP is built on the Bank's continuous and regular stakeholder engagement activities through its Resident Offices in the participant countries and will incorporate further work that is specific to the needs of the Project. The GET Ambassador Network of the Bank will be crucial in implementation of this SEP. The GET Ambassadors Network is composed of EBRD representatives nominated by Resident Office (RO) Heads, who act as local GET focal points in the ROs. GET Ambassadors support the Bank in strengthening relationships with local authorities, private sector representatives, EU Delegations and other key stakeholders.

The Project will aim to initiate and maintain meaningful dialogue with the relevant national and regional authorities and institutions in Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia and Turkey; as well as businesses and business associations, NGOs, the scientific sector, key international organizations and local community groups.

Regulations and Requirements

In line with the GEF Public Involvement Policy, the GEF Guidelines for the Implementation of the Policy on Stakeholder Engagement and EBRD Access to Information Policy^[1], the Stakeholder Engagement Plan seeks to ensure the Project:

- Effectively involves the public to enhance the social, including gender issues, environmental, and financial sustainability of sub-projects;
- Takes responsibility for assuring that public involvement rests within the country, normally with the government, project executing agency or agencies and with the support of GEF Partner Agencies;
- Designs and implements public involvement activities in a flexible manner, adapting and responding to recipient countries' national and local conditions and to project requirements;
- Delivers effective, public involvement activities that are broad-based and sustainable;
- Includes the appropriate allocation of resources, throughout the identification, design, implementation, monitoring and evaluation of GEF-Financed Activities, to ensure sustained commitments and actions related to public involvement activities;
- Carries out public involvement activities in a transparent and open manner, ensuring disclosure of non-confidential information;
- Has full monitoring and documentation of public involvement.

Objectives

The objectives of this SEP are:

- To identify stakeholders involved directly or indirectly in the project as well as the nature and extent of their engagement (i.e. inform/consult/involve/collaborate).
- To provide a summary on how stakeholders will be engaged in project execution, the means and timing of engagement, how information will be disseminated, and an explanation of any resource requirements throughout the project/program cycle to ensure proper and meaningful stakeholder engagement.

- To specify procedures and methodologies for stakeholder consultations and feedback.
- To establish an accessible, transparent and responsive grievance mechanism for the project.

Summary of any previous stakeholder engagement activities

Section 5.4 of the Project Document lays out the foundation for Knowledge Management activities of the Project, which will constitute the major part of stakeholder engagement activities throughout the Project cycle.

Through its local presence in its CoO, the Bank is continuously involved in consultations and information sharing activities with various stakeholders, which are interested in shifting to circular economy in the participating countries. Some of the stakeholders, which the Bank has already engaged with, are provided below. The Project team will continuously seek to include and collaborate with various regional and national stakeholders, both men and women, according to the needs and the audience of each specific activity, therefore stakeholders indicated below do not provide an exhaustive list. Some activities involving various stakeholders will also especially focus on gender issues. Additionally, throughout Project implementation, the EBRD will remain sensitive to the evolving political and economic landscape around circular economy projects, policies and regulatory framework in the participating countries.

Turkey:

The Project's stakeholder engagement in Turkey will build up on the existing relationships and the ongoing initiatives, while seeking to develop new networks as needed throughout the project cycle.

EBRD has been working together with *Business Council for Sustainable Development of Turkey (BCSD Turkey)* for the management of the *Turkey Materials Marketplace (TMM)* since 2016. It was founded as a platform through which participating companies can exchange underutilized materials, by-products and wastes; turning one company's waste into raw material for the other. Since the beginning of 2020, the TMM is going through a transformation to become Turkey Circular Economy Platform^[2], consisting of five pillars:

- ? The Marketplace: A cloud based IT platform for the member companies to share information their wastes, by-products and other underutilised materials as well as secondary raw materials which they can use in their production processes. The aim of this IT platform is to bring together companies to exchange materials and facilitate industrial symbiosis.
- ? The Knowledge Hub: An embedded section in the website of the Turkey Circular Economy Platform providing an open source for technical knowledge on circular economy practices in Turkey and the world (mainly in the EU), aiming to guide the private sector, municipalities and municipal enterprises. The content of the Knowledge Hub includes definition of circular economy, examples of best practices in the world, sector-specific guidelines, the relevant regulations and action plans in Turkey and the EU.
- ? The Finance Hub: An embedded section in the website of the Turkey Circular Economy Platform providing an open source for the private sector, municipalities and municipal enterprises to display which banks (including EBRD) are actively seeking to support circular economy projects and offer specific products to facilitate such projects.
- ? The Circular Vouchers: A technical assistance grant offered to members of the Turkey Circular Economy Platform to identify, analyse and assess the feasibility of resource efficiency and production optimisation opportunities. It particularly focuses on (i) identifying potential material exchanges across different companies participating in the TMM, (ii) assessing the techno-economical feasibility of the introduction of alternative materials in the production and logistic process, (iii) developing a roadmap for companies to introduce/strengthen circularity in their business strategy.

? The Network: The Turkey Circular Economy Platform organises two network events and two sector-specific workshops each year that is open to both members and non-members to ensure reaching out to a wider audience for knowledge dissemination and awareness raising. Additionally, a Steering Committee consisting of representatives from EBRD, BCSD Turkey, as the Ministry of Environment and Urbanisation and the Ministry Industry and Technology to provide information on the platform's progress and discuss the regulatory limitations for mainstreaming of secondary raw materials in the private sector with suggestions from the platform members.

EBRD will leverage on the networks it built through the Turkey Circular Economy Platform in the past four years. This will enable the Bank to engage in stakeholder consultations in an efficient and effective manner. Turkey Circular Economy Platform currently serves as the main platform on circular economy for establishing and maintaining relationships with the national authorities such as *the Ministry of Environment and Urbanisation and the Ministry Industry and Technology, as well as many representatives of the private sector, municipalities and municipal companies, financial institutions, the NGOs, business associations and the academia.*

Additionally, EBRD was informed about Business Plastics Initiative in Turkey focusing on decreasing plastics footprint of the private sector.^[3] This initiative was established by the UN Global Compact, BCSD Turkey and Turkish Industry and Business Association; together representing the majority of the private sector businesses in Turkey. The initiative promotes businesses to explicitly commit to decreasing their plastics footprint within a certain time period and disclose annual information on where they stand inters of their targets. As of April 2020, 41 companies announced their participation and the number is expected to grow until the end of 2020. EBRD is consistently in touch with the founding institutions and will explore areas of collaboration during Project implementation.

Western Balkans:

The EBRD has a broad range of relationships with public and private stakeholders in the Western Balkans relevant to this project. The EBRD will build up on those while seeking to develop new networks as needed throughout the project cycle. Some examples of recent activities include:

- The EBRD is currently in collaboration with various stakeholders in relation to pollution from plastic packaging. In Albania, Bosnia and Herzegovina, and Montenegro, EBRD is focusing the food and beverage producers, and relevant business support organizations, to define measures for tackling plastic packaging. The three countries are Contracting Parties to the Barcelona Convention. A technical assistance project is implemented in cooperation with the UN Environment's Center for Sustainable Consumption and Production (SCP/RAP). The activities are aligned with the objectives of the Mediterranean Marine Litter Regional Action Plan.

- Green Innovation Vouchers Serbia: This EBRD-launched scheme has been active in Serbia since 2018. It offers grants for SMEs to access R&D service providers to develop and improve products and technologies that enable a more efficient use of resources (energy, water and materials). There are more than 60 R&D service providers and 35 SMEs involved in the scheme.

- Resource efficiency capacity building and business development activities: With funding from the Austrian DRIVE^[4] Fund set up at the EBRD, the Bank proactively engages with existing and potential clients to inform them about opportunities in resource efficiency. Most recently, a study tour to Austria brought 13 companies from the Western Balkans to Austria, with the objective to foster technology transfer and business partnerships.

Investment Councils: the EBRD is engaged in Foreign Investment Councils in most countries in the region, and takes part in these public-private dialogue platforms on a regular basis. EBRD was informed about the Center of Excellence for Circular Economy and Climate Change founded by Serbian Solid Waste Association (SeSWA) which was founded with the support of United States Environmental Protection Agency (USEPA) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in Serbia. The EBRD will actively engage and seek potential cooperation with the Center for Excellence in order to maximise the knowledge management outreach of the Project.

Additionally, the EBRD was informed about a regional GIZ project, Integrated Waste Management and Marine Litter Prevention in the Western Balkans, currently being undertaken in Albania, Bosnia and Herzegovina, and Montenegro. The focus of implementation is on regional cooperation and knowledge sharing between national institutions, communities and companies. At the local level, partner communities and organisations in Albania, Bosnia and Herzegovina and Montenegro receive support in the form of the requisite equipment (such as containers for collecting recycling materials separately), which helps to improve the collection of recycling materials and waste. The Project can be complementary to the GIZ project as it can support municipalities, municipal companies and private companies for implementing larger integrated waste management projects. The EBRD will actively engage and inform the GIZ regarding its Project activities in the Western Balkans to maximize the complementarity of efforts.

Summary of Stakeholder Engagement during Project Design phase

? **Meeting with Exitcom:** The aim of the conference call was to understand Exitcom's activities in Turkey as a company that provides services in recycling of waste electrical and electronic equipment (WEEE). The representatives of the company explained that the POP content of the e-waste is not currently analysed in terms of PBDE or other possible POPs at their facilities. The e-waste recycled according to the applicable regulations in Turkey and potential POPs are not separated during the recycling process.

The EBRD and Exitcom will engage after launch of the Project for potential sub-projects related to environmentally sound management of POPs containing WEEE at the Company's facilities.

? **Meeting with the Republic of Turkey Ministry of Environment and Urbanisation - Department of Chemicals Management:** The aim of the conference call was to discuss the National Implementation Plan of Turkey for POPs inventory, mainly to understand the data status and also to have deeper insight of Ministry's activities on POP elimination or reduction as well as informing the Ministry about the upcoming Circular Economy Regional Initiative.

? **Meeting with UNDP Turkey:** Based on the suggestion from the Ministry, the EBRD team contacted the local team of the UNDP as the organization is currently working on a couple of projects on POPs elimination and reduction in Turkey. The details of ongoing GEF project of the UNDP with the collaboration of Ministry of Environment and Urbanisation for the last HCH stockpile elimination in Kocaeli was briefly discussed.

The UNDP is planning to initiate a project focusing on the market surveillance in order to limit the use of POPs in different industries as well the import of these chemicals to Turkey. The Project also aims for capacity building of the related authorities and building an inventory on the content of different POPs in the waste generated in the past and in the material/equipment which are currently in use.

UNDP and EBRD collaboration opportunities on POP related projects were also discussed and both parties agree to maintain close communication to ensure complementarity of efforts.

? **Meeting with Akademi Cevre:** Akademi Cevre is a waste management company involved in a Project with UNDP on low concentration PCB removal; especially from closed loop applications, transformers and condensers.

PCB contaminated oil removal is one of the services that Akademi Cevre is providing thanks to collaboration with the UNDP. The PCB contaminated equipment were handled at Akademi Cevre's facility for decontamination purposes.

Further discussion may be held with the company during Project implementation related to potential sub-projects on environmentally sound management of other POPs containing wastes.

? **Meeting with UNDP ? GEF Regional Project experts:** Overall UNDP activities on POPs and the GEF-funded projects were discussed extensively. In addition to activities in Turkey, UNDP's POPs related projects in other focus countries such as Albania, Bosnia and Montenegro were discussed.

- ? **Meeting with UNIDO Turkey:** EBRD team contacted the UNIDO, as the organization is currently undertaking a couple projects on POPs elimination and reduction in Turkey with the collaboration of the Ministry of Environment and Urbanisation.

UNIDO prepared the first NIP document during 2006-2009 in Turkey in collaboration with the Ministry of Environment and Urbanisation. Currently, the latest NIP from 2014 is being updated and is expected to be finalized towards the end of 2020.

UNIDO is also collaborating with the UNDP on PCB recycling and uPOP, dioxin and furan, abatement through the BAT and BEP applications. They focused on steel and iron industry and secondary metal production for dioxin and furan reduction technologies. 5 companies were selected and applied the BAT-BEP methods and the results were positive in terms of uPOP emission reduction.

Additionally, UNIDO started a project on HBCDD removal from EPS and XPS applications while supporting companies on technical assistance. The UNIDO and EBRD teams will remain in touch to ensure complementarity of efforts during Project implementation.

- ? **Meeting with UNDP Bosnia Herzegovina:** The aim of the call was to understand the current UNDP activities on POPs in Bosnia-Herzegovina. The latest NIP document of Bosnia Herzegovina represents the 2013-2014 data. Therefore, a detailed and updated inventory will be prepared. Expected timeline is next year for this project.

Japan International Cooperation Agency performed a chemical pollution study including POPs polluted sites in 2014 to identify the hot polluted sites for remediation.

Bosnia Herzegovina received funding from Swedish International Development agency for the management and remediation plan of PCB contaminated site. An abandoned chemical factory selected as pilot project and 3 more sites are considered under this project. uPOP emission reductions are also targeted, steel and coke plants are targeted for industrial pollution prevention. Additionally, a legislation gap analysis needs to be performed against EU regulations.

- ? **Meeting with UNDP Montenegro:** The aim of the call was to understand the current UNDP activities on POPs in Montenegro. UNDP Montenegro office is currently working on PCB removal of 900 tons of contaminated oil and soil. One of the major sites is Aluminium plant (KAP) selected for soil remediation.

POP inventory of Montenegro was updated in 2019 and shared with the EBRD team. Currently, UNDP Montenegro office is also preparing a project on circular economy focusing on Montenegro's potential and roadmap for circular economy principles.

Project Stakeholders

The major groups of stakeholders will be regularly engaged about the progress in the project and opportunities for potential areas of cooperation and coordination will be actively sought during project implementation.

- National government, agencies and Ministries/regulatory authorities in Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia, Turkey, and including GEF focal points;
- Private sector (SMEs and large enterprises), chambers of commerce and relevant sector business associations;
- Municipalities and municipal enterprises;
- NGOs and civil society;

Stakeholder Engagement Activities

The goal of Stakeholder Engagement Activities is to involve all relevant stakeholders of the Project, including the Project-affected groups, and local NGOs, as early as possible in the implementation process and throughout project duration. The plan will also help the project in implementing effective communication channels and working relationships. The Project Team will hold stakeholder engagement activities throughout project implementation. The engagement model of each group of stakeholders is defined as inform, consult and collaborate.

Inform: This engagement model ensures flow of information to the relevant stakeholders for each component of the Project.

Consult: This engagement model aims to obtain feedback from the relevant stakeholders on analysis, implementation of activities, and/or decision-making in each component of the project.

Collaborate: This engagement model aims to partner with the relevant stakeholders to carry out certain activities or identify certain areas for working together to ensure maximum complementarity of similar efforts.

Table I.1. Summary of Project Engagement by Stakeholder Group

Stakeholders	Engagement Model	Engagement methods/means	Engagement Activities	Responsible parties	Required Resources
Component 1: Implementation of circular economy performance-based financing					
National government, agencies and Ministries/regulatory authorities (including GEF focal points)	Inform	Face-to-face meetings; tele-communication; emails	Sharing project progress; invitation to key meetings.	Project team	Staff time, communication costs, local travel
Private sector (SMEs/large)	Inform; consult; collaborate	Face-to-face meetings; tele-communication; emails	Sharing project progress, collecting feedback on implementation of investment activities of the project; invitation to key meetings.	Project team	Staff time, communication costs, local travel

Municipalities and municipal enterprises	Inform; consult; collaborate	Face-to-face meetings; tele-communication; emails	Sharing project progress, collecting feedback on implementation of investment activities of the project; invitation to key meetings.	Project team	Staff time, communication costs, local travel
Beneficiaries of project investment activities	Inform; consult; collaborate	Regular project communication.	Discussing investments to be supported within the project; sharing project progress, invitation to key meetings.	Project team	Staff time, communication costs, local travel
NGOs, business associations, civil society	Inform	Face-to-face meetings, e-mails	Discussing appropriate awareness-raising and knowledge dissemination strategies; invitation to key meetings	Project team	Staff time; communication costs, local travel
Stakeholders	Engagement Model	Engagement methods/means	Engagement Activities	Responsible parties	Required Resources
Component 2: Technical assistance for identification of circular economy technologies and processes, and strategy development					
National government, agencies and Ministries/regulatory authorities (including GEF focal points)	Inform	Face-to-face meetings; tele-communication; emails	Sharing project progress; invitation to key meetings; discussing the needs for addressing challenges in transitioning to circular economy	Project team	Staff time, communication costs, local travel

Private sector (SMEs/large)	Inform; consult; collaborate	Face-to-face meetings; tele-communication; emails	Sharing project progress, discussing potential investments to be supported within the project (Component 1); invitation to key meetings.	Project team	Staff time, communication costs, local travel
Municipalities and municipal enterprises	Inform; consult; collaborate	Face-to-face meetings; tele-communication; emails	Sharing project progress, discussing potential investments to be supported within the project (Component 1); invitation to key meetings.	Project team	Staff time, communication costs, local travel
Beneficiaries of project investment activities (private sector and municipal)	Inform; consult; collaborate	Face-to-face meetings; tele-communication; emails	Regular project communication ; Identifying and discussing investments to be supported within the project (Component 1); preparing and overseeing the implementation of the technical assistance and discussing financial models.	Project team	Staff time, communication costs, local travel

NGOs, business associations, civil society	Inform; consult; collaborate (if/when possible)	Face-to-face meetings, e-mails	Discussing appropriate awareness-raising and knowledge dissemination strategies; invitation to key meetings ; Discussing the local needs for addressing challenges in transitioning to circular economy	Project team	Staff time; communication costs, local travel
Stakeholders	Engagement Model	Engagement methods/means	Engagement Activities	Responsible parties	Required Resources
Component 3: Monitoring and evaluation					
Beneficiaries of project investment activities	Inform; collaborate	Face-to-face meetings; tele-communication; emails	Sharing project progress, Monitoring and Evaluation of the project	Project team	Staff time; communication costs
National government, agencies and Ministries/ regulatory authorities (including GEF focal points)	Inform	Face-to-face meetings; tele-communication; emails	Sharing project progress, invitation to key meetings; Monitoring and Evaluation of the project	Project team	Staff time; communication costs

Stakeholder Risks

The risk of poor stakeholder engagement on the Project is deemed low. Section 4.2 of the Project Document focuses on risks and cites lack of interest/engagement from the corporate sector in the project as 'low' rated risk for the Project. Any risk of poor stakeholder management will be mitigated by the project team who will monitor this factor and adjust activities related to knowledge sharing as necessary.

Risk	Level of Risk	Mitigation measures
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<p>Low commitment from the governments in Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia and Turkey for improving the regulatory framework supportive of circular economy investments and related initiatives</p>	<p>Medium</p>	<p>As the Project targets six countries political/regulatory risk is spread. This risk is also mitigated by (i) the EU accession process as an external driver for harmonising the regulatory frameworks; (ii) promoting shifting to circular economy by demonstrating the environmental and commercial benefits of the projects which can in turn stimulate the authorised national institutions to adopt enabling policies.</p>
<p>Lack of support from NGOs, business associations, civil society and local communities for project activities</p>	<p>Low</p>	<p>The Bank is already engaged with the majority of the identified stakeholders through its local presence in its CoO. During project implementation, the Project team will contact the stakeholders early on to maximise complementarity of efforts.</p>

Stakeholder Engagement Approach

Formalised Communications Plan: A Communications Plan will be prepared and implemented throughout the project implementation and updated when necessary throughout the Project to clearly disseminate timely and relevant information and to gather feedback regarding the needs and priorities of all stakeholders.

Social Inclusion: A socially inclusive consultation process will be adopted where a range of stakeholders, including those identified as vulnerable, women in particular, are effectively engaged and adequately represented. Consultation methods will vary according to audience and levels of education. These will include awareness raising, campaigns, posters and general information sessions. All sessions and communication modes will be offered in national languages and follow the customs and norms of communities in each of the countries.

Transparency and Reporting: Consultation sessions will be well-documented, identifying attendees (men/women), topics discussed, feedback and issues raised by stakeholder groups, and outcomes or actions resulting from the consultation. Management measures must be completed, disclosed, and discussed with stakeholders prior to implementation of any activities that may cause adverse economic, social and environmental impacts.

Regional Level Engagement: The project team will work with key regional stakeholders, including UNDP, UNIDO, Climate Change Mitigation and Chemicals & Waste projects (GEF-funded projects, EBRD-funded projects) in order to co-ordinate project activities, and especially for the implementation of *Component 1: Implementation of circular economy performance-based financing*.

National Level Engagement: The project team will engage with key national stakeholders early on to establish communication and networking approaches to be used throughout the Project duration. Awareness raising and knowledge dissemination activities will take place at a national level to strengthen and showcase the Project and its outcomes.

Grievance Mechanism

As part of all Project-related interactions through consultations and capacity building, all stakeholders will be informed of how to submit a complaint about the Project, how to report anonymously, and how to access the grievance mechanism.

Anonymous reporting can include a public log held at each participating organization and capacity building session, or through anonymous feedback forms. Such feedback should be registered as part of general Project monitoring and evaluation, addressed in Project meetings, and finally integrated into the project as a means to course correction if the Project Team deem this significant and necessary. The Grievance mechanism will take into account the local-level, cultural context and language, local customs, and project conditions and scale. The plaintiff who submitted the grievance, will be invited to a discussion with a trained allocated Project Officer who will apply objective and consistent criteria for assessing the complaint. Following the discussion, the plaintiff should clearly and transparently be told whether or not the complaint is eligible to be processed.

In terms of investment activities, the project will also implement the [Project Complaint Mechanism](#) (PCM), which is the EBRD's accountability mechanism. It provides an opportunity for an independent review of complaints from individuals and organizations concerning EBRD-financed projects which are alleged to have caused, or are likely to cause, environmental and/or social harm.

The PCM process is governed by the PCM Rules of Procedure, which set out the rules about how a complaint may be filed and how it will be processed. They also set out the requirements relating to timelines, reports, disclosure of and access to information, training, outreach and other issues relevant to the administration of the PCM. The current PCM Rules of Procedure were approved by the EBRD Board of Directors in May 2014 and came into force on 7 November 2014.

The PCM is independent from the EBRD's banking operations and the Environment and Sustainability department. It is administered by a dedicated PCM Officer who is located within the EBRD's Office of the Chief Compliance Officer (OCCO) and is responsible for the overall, day-to-day operations and external relations of the PCM.

Additionally, [a roster of independent experts](#) assists the PCM Officer in the process. Their functions include the assessment, together with the PCM Officer, of the eligibility of complaints, the undertaking of Compliance Reviews or Problem-solving Initiatives and follow up monitoring.

When a complaint is received and registered, the PCM Officer will appoint an independent expert from the existing roster. Together with the expert the PCM Officer will assess the eligibility of the complaint and make a decision on whether or not it should proceed to Compliance Review and/or Problem-solving stage or neither.

Monitoring and Reporting

General Monitoring: Updates will also be made available to project stakeholders during various communication approaches outlined in Table I.1, and on the Project/ EBRD web-site (<http://www.ebrd.com>).

Project progress will also be shared directly with key stakeholders such as the Ministries of the Environment of Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia and Turkey and other government agencies in the project territories.

[1]

<https://www.ebrd.com/cs/Satellite?c=Content&cid=1395282205899&d=&pagename=EBRD%2FContent%2FDownloadDocument>

[2] <https://dongusekonomiplatformu.com/>

[3] <https://www.plastikgirisimi.com/>

[4] DRIVE ? **D**elivering **R**esource Efficiency **I**n**V**estments

In addition, provide a summary on how stakeholders will be consulted in project execution, the means and timing of engagement, how information will be disseminated,

and an explanation of any resource requirements throughout the project/program cycle to ensure proper and meaningful stakeholder engagement

1. Key stakeholder groups will be actively engaged during Project implementation. A detailed Stakeholder Engagement Plan outlining relevant roles and consultations during the project implementation is provided in **Annex 1**.
2. The Project has developed from dialogue between the EBRD and key stakeholders in the participating countries, including the private sector. The Project's key stakeholders are expected to be the private sector in industry and agriculture, as well as state-owned companies, municipalities and municipal enterprises to a lesser extent.
3. **National and local institutions and public sector entities** ? Partnership and dialogue with relevant national governments and national and local public sector entities (including municipalities) are considered critical for transitioning to Circular Economy. The EBRD has already established close links with governments in all of its countries of operation, including Turkey and Western Balkans, and will continue to foster these relationships through policy dialogue and networking.
4. **Private sector** ? The private sector is the primary stakeholder engaged during design and to be engaged during implementation of the Project. Private enterprises will play a key role in identifying, developing and implementing projects, and will benefit directly from the financing mechanism established. The EBRD is also committed to building public-private partnerships to promote transition to circular economy where applicable.
5. **Municipal enterprises** ? One of the key potential beneficiaries of the Project will be municipal enterprises such as solid and hazardous waste management entities. As with private sector enterprises, these municipal enterprises will play a key role in developing and implementing projects, and will benefit directly both from investment and technical cooperation activities in the project.
6. **NGOs, business associations, civil society and local communities** ? The Project aims to raise awareness about sustainable production and consumption and its role in climate change mitigation. Through its local offices, the EBRD has already established close links with the NGOs and business associations in Turkey and the Western Balkans. The EBRD will continue to foster these relationships throughout implementation phase of the Project.

Select what role civil society will play in the project:

Consulted only; Yes

Member of Advisory Body; Contractor;

Co-financier;

Member of project steering committee or equivalent decision-making body;

Executor or co-executor;

Other (Please explain)

3. Gender Equality and Women's Empowerment

Provide the gender analysis or equivalent socio-economic assesment.

1. Gender inclusion and responsiveness in the EBRD projects has become increasingly important as a means of transitioning towards improved representation, equal opportunity and project sustainability. A gender landscape study examining the six participating countries, in addition to a Gender Action Plan (GAP) focused on the Project design, is provided in Annex2. The analysis examines how differences in gender norms, roles, activities, needs and power structure affects women and men in the participating countries and discusses implications for the Project design. All countries, however, have programs and initiatives in place to address the gender gap and, along with EBRD's commitment to its "Strategy for the Promotion of Gender Equality 2016 - 2020," will ensure that the Project is closer aligned to gender equality.
2. EBRD's Gender Strategy is supported by a clear theory of change focused on "Equality of Economic Opportunity", and points to three key objectives of:
 - ? Increased access to finance and business support for women-led businesses;
 - ? Increased access to employment and opportunities and skills for women; and
 - ? Improved access to services.
3. These objectives are essentially addressing deep-rooted structural barriers denying women in particular: participation in, contribution to, and receiving enhanced benefits of, the local economy. EBRD will apply these three objectives to the Circular Economy Regional Project, by tracking gender across the Project components as described in the GAP, taking into account local context and opportunity. The EBRD considers gender issues as key, and considers tracking participation by gender as a first step towards improvement in gender discrimination.

Annex 2: Gender Analysis and Gender Action Plan

1 Gender profiles: Overview of the gender issues of the participating countries

1.1 Albania

1.2 Bosnia-Herzegovina

1.3 Montenegro

1.4 North Macedonia

1.5 Serbia

1.6 Turkey

2 Gender-responsive Project design

2.1 Gender mainstreaming under Component 1

2.2 Gender mainstreaming under Component 2

2.3 Gender mainstreaming under Component 3

3 Gender Action Plan

1 Gender profiles: Overview of the gender issues of the participating countries

1.1 Albania

The 1998 Constitution of the Republic of Albania enshrines equality between men and women and provides protection from discrimination on the grounds of gender (Art. 18).

There is a **large gender gap in labour force participation**: in 2015, 47% of women in Albania and 64% of men were economically active (either employed or unemployed) (ILO, ILOSTAT, 2015).

Women face both horizontal segregation and vertical segregation in the labour market. Only 14% of women work in the industrial sector and 38% in the services sector (the remaining 48% are employed in the agricultural sector), compared to 22% of men in the industrial sector and 41% in services (World Bank, WDI, 2015) (and 36% in the agricultural sector). Women are under-represented in many sectors, such as mining, electricity, gas and water supply (23%), construction (8%) and trade, transportation, accommodation and food, and business and administrative services (35%).

Only 1% of working women (World Bank, WDI, 2015) (compared to 3.4% of working men) are employers. Women are under-represented in top management positions, regardless of firms' business sector. Only 12% of firms have a female top manager: 11% of small firms, 6% of medium firms and 37% of large firms (World Bank, Enterprise Surveys, 2013). Women participate in the ownership of 12.5% of firms, far below the regional average of 36.7% of firms (World Bank, Enterprise Surveys, 2013).

Women face a number of barriers to participate in the labour force:

•**Social norms:** *While 94% of men and 98% of women think it is acceptable for a woman to have a paid job outside of the home, 20% of men prefer women in their family to stay at home rather than work in a paid job. Women's disproportionate load of unpaid care work further constrains their economic opportunities (EBRD, 2016).*

•**Labour Laws:** *Women working in the informal sector have reduced access to social protection and insurance schemes and are not entitled to paid maternity leave. Due to high levels of informal employment, in 2014, only 19% of pregnant women received maternity leave in rural areas compared to 59% of women in urban areas (FAO, 2016).*

Women are also vulnerable when it comes to waste, water and sanitation. 95.1% of the population has access to improved water sources, slightly more in rural areas (95.2%) than in urban areas (94.9%) (World Bank, WDI, 2015). 90.2% of the rural population and 95.5% of the urban population has access to improved sanitation facilities (World Bank, WDI, 2015).

1.2 Bosnia-Herzegovina

The Constitution guarantees non-discrimination on the grounds of sex (Art. 2). The Law on Gender Equality establishes non-discrimination on the basis of sex in employment (Art.12). However, women cannot work in jobs deemed arduous or hazardous in the same way as men. Furthermore, there are restrictions concerning the employment of women in the areas of mining (Labour Law, Art. 52).

There is a significant gender gap in labour force participation, reaching 23.3 percentage points in 2016 and female inactivity is twice as high as the male rate (World Bank, 2017). In 2016, 32.1% of women and 54.9% of men aged 15+ were economically active (employed or unemployed), and women accounted for 38.4% of the labour force (World Bank, WDI, 2016). 22.4% of women and 42.5% of men were employed in 2016 (World Bank, 2017).

Women face both horizontal segregation and vertical segregation in the labour market. The majority of female employment is concentrated in the services sector (accounting for 66.4% of female employment), followed by agriculture (17.5%) and industry (16.1%).

Female employment is mainly concentrated in wholesale and retail trade activities (accounting for 20.2% of female employment), agriculture, forestry and fishing (17.5%), manufacturing (12.7%), education (11.8%) and public administration and defence (8.8%).

Women represent the majority of employees in education (68.6%) and human health and social work activities (67.6%), while 93.8% of employees in construction and 90% in mining and quarrying activities are men (ILO, ILOSTAT, 2014).

24.1% of firms have a female top manager (World Bank, Enterprise Surveys, 2013). In 2015, 24.2% of positions in senior and middle management were occupied by women (World Bank, WDI, 2015). In 2014, 3.4% of working women and 5.3% of working men were employers (World Bank, WDI, 2014).

Men have better opportunities than women to occupy higher positions. Even when women are better educated or have more experience, they are less represented on private sector executive positions (World Bank, 2015b).

Women face a number of barriers to participate in the labour force:

- **Education:** 44% of women and 35% of men think that if a woman has similar education and experience to a man, she has worse opportunities to find a job (Gallup and ILO, 2017).

- **Social norms:** While 95% of men and 97% of women think it is acceptable for a woman to have a paid job outside of the home, 9% of men prefer women in their family to stay at home rather than work in a paid job. At the same time, 34% of women would prefer to work at a paid job (Gallup and ILO, 2017).

Entrenched gender stereotypes continue to negatively affect women's economic participation. Traditional perceptions of women as mothers, housewives and housekeepers are still prevalent among men as well as women. Some employers still consider some professions to be better suited for men and others for women. The uneven sharing of domestic responsibilities within households also constrains women (World Bank, 2015b).

- **Labour Laws:** *The length of maternity leave can result in employers' discrimination against women of child-bearing age due to the associated indirect costs (IMF, 2015).*

- **Low availability of services:** The limited number of childcare facilities is an obstacle to female participation

Bosnia-Herzegovina has high levels of water and sanitation management: Access to improved water sources is almost universal in Bosnia and Herzegovina (World Bank, WDI, 2015). 94% of the population has access to improved sanitation facilities (World Bank, WDI, 2015).

1.3 Montenegro

While the Labour Law prohibits indirect and direct discrimination against persons seeking employment and employed individuals based on the grounds of gender, sexual orientation, and pregnancy, among others (Article 7), this does not extend to positions that are considered dangerous or potentially hazardous to the health of a woman (Articles 104 & 105).

Labour force participation differs between men and women: 48% of working age women and 62% of working age men are participating in the labour force. These figures correspond to the average labour force participation in South-Eastern European countries (49% for women and 61% for men) (ILO, ILOSTAT, 2016).

The gender gap in labour force participation is strongest in rural areas. In addition, women with low education levels and older women are particularly likely to drop out of the labour force (World Bank, 2013).

Women experience vertical and horizontal segregation in the labour market: Women's employment is concentrated in the education and health sectors, making up 72% and 70% of employees respectively. These occupations account for 19% of female employment. Men predominate in fields

such as construction, electricity and manufacturing. In total, 32% of men work in sectors in which less than 30% of employees are female (ILO, ILOSTAT, 2015).

An in-depth analysis of wage-differentials found that professions with a high share of female workers tend to pay lower wages than more male-dominated professions on the same skill level. While the gender wage gap within a profession are not very pronounced, male-dominated professions are better paid than female-dominated ones (FREN, 2013).

There is evidence of a glass ceiling effect on the Montenegrin labour market. Women outnumber men in both high and low skilled occupations, making up 51% and 57% of the workers respectively (ILO, ILOSTAT, 2015). Despite their overrepresentation in high-skilled occupations, women remain a minority among managers, which is the best-paid profession (FREN, 2013; UNDP, 2011). Only 22% of managers are women (ILO, ILOSTAT, 2015). Among Montenegrin firms, only 19% have a female top manager (World Bank, Enterprise Surveys, 2013).

Women face a number of barriers to participate in the labour force:

●**Unpaid care work:** A UNDP study (2012) showed that 99% of married and 95% unmarried women are engaged in housework compared to only a quarter of men. Married women spend significantly more time on household tasks: 91% of married women compared to 60% unmarried women spend over an hour per day on household chores, while 36% of married women work on household tasks for more than 3 hours a day.

The CEDAW committee notes that women may be more likely to work in part-time positions due to the inflexibility of work schedules in relation to childcare and family responsibilities (2017).

●**Social norms:** *Popular opinion favours women's labour force participation. 95% of women and 92% of men think that it is perfectly acceptable for a woman in their family to have a paid job if she wants to (Gallup and ILO, 2017).*

77% of women would prefer either to work at a paid job exclusively or to combine it with their household responsibilities. 78% of men would prefer women in their family to make either of these decisions over them staying at home exclusively (Gallup and ILO, 2017).

●**Water and sanitation are subject to an urban-rural gap, likely to disproportionately affect women:** The large majority of the population has access to improved drinking water sources (100% in urban areas and 99.2 % in rural areas). 98% of urban population and 92.2% of the rural population has access to improved sanitation facilities (UNSD, 2015).North Macedonia

1.4 North Macedonia

Women's access to employment is restricted by Labour Code provisions that prohibit women from working in mining, in factory, and in construction industries in the same way as men and limit women's night labour (Labour Relations Act, Art. 131, 160; Labour Relations Act, Art. 61 and 65).

Women are much more exposed to lower participation rates and lower employment than men (ILO, 2015). The labour market is generally characterized by low activity rates, low employment and high unemployment. Indeed, 42% of women above 15 years old are active in the labour market compared to 68% of men (ILO, ILOSTAT, 2016). Therefore, there is a 26 percentage points gender gap in labour force participation in North Macedonia, which is more than twice the South-Eastern Europe gender gap (12 percentage points in 2016) (ILO, ILOSTAT, 2016).

Horizontal and vertical segregation of the labour market is a persisting issue: The share of women in wage employment in the non-agricultural sector is 42% (World Bank, WDI, 2013). The more gender-balanced sectors of the economy in 2016 were agriculture and communication, with 53% of male and 47% of female workers. Women are underrepresented in mining, construction and transportation activities and overrepresented in health, insurance and educational activities (ILO, ILOSTAT, 2016).

Gender segregation is a significant feature of employment in North Macedonia (European Commission, 2016). According to the Committee on Economic, Social and Cultural Rights (2014), **women remain overrepresented in low-paid jobs.**

Only 26% of firms have a woman as a top manager (World Bank, Enterprise Surveys, 2013). More small firms (27%) than medium (18%) or large firms (22%) have a female top manager, but this proportion does not change across business sectors (about 26%) (World Bank, Enterprise Surveys, 2013).

Women face a number of barriers to participate in the labour force:

●**Education:** Although educated women are much more likely to participate in the labour force, they face higher unemployment probabilities than men (compared to less educated individuals), which can indicate that women are discriminated by employers at the point of job entry, or that employers value male unobservable characteristics more than those of women (ILO, 2015).

●**Labour Laws:** Women cannot work in mining, in factory, and in construction industries in the same way as men according to the Labour Relations Act (Art. 131, 160). Women during pregnancy or with a child under two years old cannot work longer than the full working hours nor in night shifts (Labour Relations Act, Art. 61).

●**Social norms:** For women that work part-time, family and childcare responsibilities are much more important factors than for men: 27% of women state that the main reason for part-time employment are family responsibilities compared to 7% of men (Eurostat, Employment and Unemployment, 2016).

Water and sanitation levels differ across urban and rural areas: 99.8% of people in urban areas and 98.9% of people in rural areas have access to improved water sources. 95.8% of people in urban areas and 98.1% of people in rural areas use basic drinking water services. However, while 90% of people use safely managed drinking water services in urban areas, only 75% of people use it in rural areas. Similarly, 97% of people in urban areas and 91% of people in rural areas use sanitation services. 97% of people in rural areas have access to improved sanitation facilities against 83% in rural areas.

Waste management usually affects women and men differently: The combustible renewables and waste represent 6.5% of total energy use (World Bank, WDI, 2014).

1.5 Serbia

The Constitution guarantees the principle of gender equality and explicitly prohibits indirect and direct discrimination (Constitution 2006, Art. 15, 21(3)). There are no restrictions on women entering certain professions and they may work the same night hours as men (World Bank, 2016).

Female labour force participation remains lower than men's: In Serbia, women's labour force participation is 45% compared to 62% for men. Employment rates are higher for both women and men in rural areas than in urban areas: 38% of urban women and 49% of urban men are employed versus 39% of rural women and 58% of rural men (ILO, ILOSTAT, 2016; Reva, 2012). A quarter of both the male and the female labour force in Serbia are employed in the agricultural sector. 10% of Serbian men and 6% of Serbian women work in the informal sector, mostly in agriculture (ILO, ILOSTAT, 2016; Reva, 2012).

Horizontal and vertical segregation characterizes the labour market for women: From the 2009 Labour Force Survey, one quarter of both employed women and men work in agriculture. Horizontal segregation is most pronounced in the health and social work sector, which employs 13% of working Serbian woman and 2% of men. The construction sector employs 2% of working women, compared to 8% of men. The second most important sector for women is wholesale and retail trade, which employs 17% (Reva, 2012).

Only 14% of Serbian firms employ women as top managers (World Bank, Enterprise Surveys, 2013). Women are more likely to hold short-term jobs than men (ILO, 2013). Research suggests that due to social norms, women face challenges to break the glass ceiling. Challenges include the unequal share of care work and an adverse professional environment for women in leadership positions (Babovic, 2008; CEDAW, 2013).

Women face a number of barriers to participate in the labour force.

•**Education:** Women with lower levels of education are more likely to be unemployed compared to women who have completed secondary and tertiary education in Serbia. Employment rates among Serbian women vary from 9% for those with no education to 50% for those who have completed higher education (LFS, 2009). Moreover, uneducated women are less active in the labour market and more prone to undertake housework and unpaid care work (ASTRA, 2013). When asked about the job prospects of similarly qualified men and women, 62% of women and 45% of men affirm that women have worse opportunities (Gallup and ILO, 2017).

•**Rural women:** Although employment rates are higher among the rural population, gender gaps in employment sectors are more pronounced. As an example, only 38% of those employed in the agricultural sector are women, while 68% are men (ILO, ILOSTAT, 2016).

•**Social norms:** In Serbia, the persistence of traditional gender roles impedes women's economic advancement in the labour market. Serbian women's predominant role in childrearing and the large charge of household chores prevent them from returning to work after childbirth (Dokmanovic, 2016). 90% of men and 95% of women think that it is acceptable for a woman to take a job outside her home if she wants to. 52% of women would want to take a paid job. 22% of men want women in their family to stay at home (Gallup and ILO, 2017).

Water and sanitation is characterized by a rural-urban gap: According to the WHO/UNICEF Joint Programme for Water Supply and Sanitation, almost all Serbian households (99.2%) have access to drinking water sources (World Bank, WDI, 2015).

However, 86.4% of the urban population uses drinking water that is piped into their dwelling compared to 77% of the rural population. (SORS, UNICEF, 2014).

1.6 Turkey

Turkey was established as a secular republic in 1923, which provided women with a spectrum of civil, family and political rights including the right to vote in the mid-1930's and equal rights in matters of divorce and child custody. Beginning in 2000, Turkey updated its fundamental laws with respect to gender equality (Constitutional Amendments of 2001, 2004 and 2010, and adoption of a new Civil Code in 2001 and a new Penal Code 2004).

There is a large gender gap in the Turkish labour force: 72% of men participate in the labour force, compared to only 32% of women (ILO, ILOSTAT, 2016). In 2015, the prevalence of youth not in employment, education or training was 34% among young women, while it was only 14% among men in the same age bracket (World Bank, WDI, 2015). Labour market activity is slightly lower in rural than in urban areas for both sexes. Among men, 66% were employed in urban areas compared to 65% in rural areas. Among women, 29% were employed in urban areas compared to 28% in rural areas in 2016 (ILO, ILOSTAT, 2016).

Horizontal and vertical segregation of the labour market persists: Men and women tend to be concentrated in different sectors of Turkey's labour market. For example, the construction sector accounts for 10% of male employment but only 1% of female employment. Women and men have similar levels of employment in the service sector (53% and 55% respectively). The Turkish public and social services sector employs more than a quarter of women, compared to only 16% of men (ILO, ILOSTAT, 2016).

Vertical segregation remains a challenge: women are involved in the ownership of 25.4% of private Turkish firms, but only 5.4% of firms have a female top manager (World Bank, Enterprise Surveys, 2013).

Women face a number of barriers to participate in the labour force:

- ? **Rural/urban:** Among both men and women, employment is more common in urban than in rural areas. 66% of working age men in urban areas are employed compared to 65% in rural areas. For women, the corresponding figures are 29% in urban areas and 28% in rural areas (ILO, ILOSTAT, 2016).

- ? **Unpaid care work:** The unequal division of unpaid care work negatively affects women's ability to participate in the labour market. Women spend 4.6 hours per day on care work, while men only devote 0.9 hours to these activities (UN, Time use data portal, 2016). In more than 90% of households, the person responsible for cooking, doing laundry or cleaning the house is a woman (TUIK, Social Structure and *Gender Statistics*, 2016).
- ? **Education:** The female share among secondary students enrolled in technical and vocational education programmes (including teacher training) was 45% in 2013 (World Bank, WDI, 2013). Lower levels of education have a strong impact on women's employment: 40% of men without secondary education are unemployed compared to 75% of women with similar education levels (OECD, 2016b). Low levels of education impact rural and urban women differently: while low-educated urban women remain inactive, rural women are more likely to work as unpaid family workers in agriculture (OECD, 2016b). When asked about the job prospects of similarly qualified men and women, 30% of women and 29% of men affirm that women have worse opportunities (Gallup and ILO, 2017).
- ? **Social norms:** 15% of the population, and 22% of men, deem women's labour force participation inappropriate. In addition, 54.6% of the population think having a child has a negative impact on the mother's social, educational and professional life, and 33% think it has the impact on the father (TUIK, Social Structure and Gender Statistics, 2016). 84% of men and 92% of women think that it is acceptable for a woman to take a job outside her home if she wants to. 34% of women would want to take a paid job. 32% of men want women in their family to stay at home (Gallup and ILO, 2017).

2 Gender-responsive Project design

The EBRD considers gender equality as key to build sustainable and equitable economies in its countries of operations, and one of the Bank's guiding principles and core values. The Bank is currently implementing its first Strategy for the Promotion of Gender Equality (2016-2020) to guide its work on mainstreaming gender across the Bank's operations and to contribute to the creation of an enabling environment that can address the constraints gender inequality places on a sustainable transition. The Bank is currently developing its new Gender Strategy that will begin implementation in 2021.

The circular economy presents differentiated challenges and opportunities for women and men. While global production and consumption patterns have led to an increase in waste, pollution and hazardous products, women are often more vulnerable to and affected by the negative externalities than men. Therefore, innovative and more sustainable production and consumption are needed for a green transition, but also to reduce inequalities, and promote equal opportunities for both men and women. The sectors targeted under the Project are characterized by gender inequalities at different levels:

- Environmental consequences of poor waste management and unsustainable production affect women and men differently. In particular, pollution and hazardous waste, stemming from unsustainable production, can be harmful for the most vulnerable groups of society, in particular women who can be over-represented in sectors particularly exposed, or be vulnerable under certain conditions (pregnancy for instance).
- Women's labour force participation in mostly but not exclusively technical positions in the relevant sectors (horizontal segregation), as well as in related high-skilled and managerial roles (vertical segregation) is low. Women are far more represented in low-skilled, low-paid occupations with bad working conditions and are in, in some sectors, exposed to hazardous chemicals and waste. Gender-based inequality at the workplace continues to exist.

When it comes to opportunities, women tend to be more conscious consumers and early adopters of more sustainable, circular and green production and consumption patterns.

Under this Project, significant opportunities exist to promote women's access to economic opportunities, in line with GEF's gender policy and the EBRD's Strategy for the Promotion of Gender Equality. To address gender gaps where it invests, the EBRD identifies appropriate actions under its investments. Under this Project, the EBRD will support eligible private sector and municipal clients to incorporate gender considerations into the design, implementation and monitoring and evaluation of their activities.

Gender has been mainstreamed in the Project's design, implementation, monitoring and evaluation, specifically within all of the Components, as described below by relevant Output.

2.1 Gender mainstreaming under Component 1

1) Output 1.1.: Investment in 10+ Circular Economy projects with a total investment of c. US\$ 153m

Under this component, it is expected that at least USD 153 million in investments will be mobilized for circular economy investment across various sectors in target countries.

Eligible organizations securing financing from the EBRD will commit to:

- ? EBRD's Environmental and Social Policy
- ? EBRD's Gender Strategy
- ? Report gender-disaggregated data of their workforce.

2.2 Gender mainstreaming under Component 2

2) Output 2.1. Technical assistance to identify technologies, products and processes

The EBRD will deliver technical assistance related to gender on a case-by-case basis with up to 5 clients supported. Gender related activities will be agreed with the companies from among a set of activities that support the gender-responsive implementation of investments. Technical assistance will ensure gender baseline assessments and equal opportunities.

The following are examples of activities that may be supported on a case-by-case basis and will be selected based on discussions with project beneficiaries.

a) Gender Baseline Assessment

A gender baseline assessment analyses the differentiated impacts for both men and women of poor waste management and unsustainable production processes.

Points that could be addressed during the development of a gender baseline assessment:

- ? Awareness of and access to information for both men and women in relation to risks caused by poor waste management and unsustainable production processes;
- ? Different needs, priorities and vulnerabilities for both men and women to poor waste management and unsustainable production processes as well as strategies overcome these, including green technologies and circular economy processes;
- ? Employment trends and barriers women's face to access employment in sectors with high potential to reduce waste, adopt sustainable production processes and overall engage in circular economy projects;

- ? Barriers for women-led businesses to access finance for green technologies and circular economy processes;
- ? Barriers to participatory dialogue and engagement in leadership for both men and women in the field of waste management, unsustainable production processes and circular economy.

b) Equal Opportunity Action Plan

The Project will support eligible clients with a review HR policies and practices in order to promote diversity and equal opportunities in the client's workforce.

EBRD's Equal Opportunities Action Plans will promote equal opportunities for men and women in the workforce of sectors that are mostly male-dominated. The selected clients will improve diversity and will promote equal opportunities in their recruitment, retention, promotion, wages and work-life balance policies and will promote the representation of women in leadership roles.

3) *Output 2.2.: Circular economy strategies developed*

The circular economy strategies developed with clients benefiting from Output 2.1. will build upon the findings, where relevant and appropriate, of the gender-related work conducted during the Project. Therefore, at least 3 circular economy strategies developed will be gender-responsive.

During the development of all circular economy strategies, particular attention will be paid to enhance women's (at all levels of management) participation in the process.

During the development of the circular economy strategies, particular attention will be paid to reach both men and women, and will aim to understand how men and women may have different perspectives about reducing environmental impact of products during useful life.

2.3 Gender mainstreaming under Component 3

4) *Output 3.1.: Monitoring and Evaluation*

The Monitoring and Evaluation activities will be carried out in alignment with GEF and EBRD standards and requirements. For the GEF, gender-disaggregated data will be collected to assess the impact and sustainability of results, tracked against the Gender Action Plan.

Project Components / Outputs	Indicators and Targets related to Gender	How gender is incorporated / addressed	Timeline	Responsibilities	Associated budget
Component 1: Implementation of Performance-based Financing					
Output 1.1. : Investments in 10+ Circular Economy projects with a total investment of c. US\$ 153m	Tracking gender-disaggregated data of workforce	Investments will comply with ? EBRD?s Environmental and Social Policy and ?EBRD?s Gender Strategy	To be verified before the completion of financing transactions	EBRD	The budget for this activity will be covered within the investment package and follow EBRD?s client contribution guidelines.
Component 2: Technical assistance for adopting circular economy technologies and processes, and strategies					
Output 2.1 : Technical assistance provided to identify c.10+ technologies, products and processes Output 2.2. : Circular economy strategies developed	Number of private sector clients and municipalities benefited from gender-responsive technical assistance: up to 5 clients The following activities may be supported on a case-by-case basis: - Gender Baseline Assessments - Equal Opportunities Action Plans Gender-responsive Circular Economy strategies: to at least 3 clients	Assessment of women and men?s differentiated impacts of poor waste management and unsustainable production processes. Review HR policies and practices to promote good practices as part of the Equal Opportunities Action Plans. Strategies take into account women and men?s differentiated needs, vulnerabilities and contributions.	Within the timeline of implementation of specific technical assistance packages.	Consultants	The budget for this activity will be covered within the technical assistance package and follow EBRD?s client contribution guidelines.
Component 3: Monitoring and Evaluation					
Output 3.1 : Monitoring and Evaluation	Mid-term and Terminal Evaluations will include the gender-disaggregated data collected throughout implementation	Consideration of gender-disaggregated data as part of Project evaluation.	At MTR and Final Evaluation	EBRD, Consultants	The budget for this activity will be covered within the M&E budget.

Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment?

Yes

Closing gender gaps in access to and control over natural resources;

Improving women's participation and decision making Yes

Generating socio-economic benefits or services or women

Does the project's results framework or logical framework include gender-sensitive indicators?

Yes

4. Private sector engagement

Elaborate on the private sector's engagement in the project, if any.

1. As noted above, the Project targets private sector and state-owned entities, municipalities and municipal enterprises that are early movers or adopters, through the private sector is the primary stakeholder engaged during design and will be involved in the implementation of the Project. The main entry point is private sector's interest in adopting new technologies and process changes and to benefit from a circular economy model.
2. Given the Project's focus on deployment of the non-grant instrument, private sector investors in particular are considered a key stakeholder group. The investment development process will be largely demand-driven. Private enterprises will play a key role in identifying, developing and implementing projects, and will benefit directly from the financing mechanism established. Through the EBRD's past and on-going investment activities, policy dialogue and consultations, and the EBRD's overarching transition mandate in the participating Countries, it has been established that these stakeholders value the EBRD's role in promoting sustainable energy and climate resilience investments and look to continue to partner in the areas of climate mitigation and environmental initiatives.
3. Consistent with the EBRD's comparative advantage as a GEF Agency, the financing instrument has been structured based on the EBRD's extensive experience in financing technology modernization and innovation, developing market-based mechanism for the provision of services, leveraging private sector finance and promoting the introduction of best practice, and will complement other EBRD products in the market. Incentives as part of the Project will be smart, will aim to not introduce market distortion and will be blended with EBRD financing.
4. The Project will also engage with the private sector through providing technical assistance, in particular technology identification and implementation support, and circular economy strategies development. By doing so the Project will increase the capacity of the private sector to undertake activities related to the circular economy in the region.

5. Risks to Achieving Project Objectives

Elaborate on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, the proposed measures that address these risks at the time of project implementation.(table format acceptable):

1. The table below summarises risks including climate change, potential social and environmental risks that might prevent achievement of the Project objectives, and the proposed measures to address these risks during project implementation.

Table 7. Risks, ratings and mitigations

Risks	Rating		Description	Mitigation approach
	Probability	Impact		
Macroeconomic risk	Medium	High	<p>Currently, the COVID-19 pandemic poses a significant risk through a decrease in demand, halt in production activities, travel restrictions, disruption to supply chains, and loss of consumer confidence. As a result, potential beneficiaries may postpone circular investments in the short term.</p> <p>In general, macroeconomic instabilities (e.g. recession, crisis, inflation, and currency devaluation) in the participating countries can impact the uptake of green investments. In severe cases, national priorities and market conditions may change.</p>	<p>The final economic impact will depend on the duration of the pandemic, as well as policy response by national authorities and governments. Although some of the beneficiaries of the Project may postpone circular economy investments in 2020, they are expected to implement these next year to be competitive. The EBRD, through its investment and policy advice, will play a systemic role in supporting the broader private sector. The policy advice will aim to ensure an inclusive and gender-sensitive crisis response, strengthen good governance and safeguard the shift to the green economy.</p> <p>Apart from pandemic, any macroeconomic risk affecting a single country would be mitigated by a multi-country approach. In addition, the EBRD is working with the governments on various policy activities to enhance sustainability practices and circular economy practices in the participating countries.</p>

Risks	Rating		Description	Mitigation approach
	Probability	Impact		
Political risk	Low	Medium	The participating country governments may be uninterested in improving the regulatory framework supportive of circular economy investments and related initiatives.	Companies in the region are increasingly under pressure to adopt higher sustainability practices and undertake circular economy measures to be more competitive and to comply with the EU market regulations as they are mainly exporting to the EU, and are mostly EU candidate countries.
Regulatory risk	Medium	Medium	The regulatory framework related to circular economy in the participating country(ies) may need to be enhanced.	If the EBRD identifies local regulations or frameworks directly related to a targeted investment under the Project, the EBRD would seek additional co-financing to carry out policy dialogue activities with the relevant authorities.
Market risk	Low	Medium	The corporate sector may be hesitant to undertake circular economy investments due to lack of technical knowledge and perceived risk about technologies with low market penetration rate.	According to the EBRD's experience, concessional loans combined with technical assistance to identify circular economy investments would be sufficient to incentivize the beneficiaries to participate in the Project.
Financial risk	Medium	Low	The financial performance of the beneficiaries would affect the success of the Project.	All subprojects will be subject to the standard EBRD approval procedures, which entail extensive credit risk assessment according to the sound banking principle. Overall, the Project will diversify the risk through several projects in various sectors and countries.
Currency risk	Medium	Low	Loans may be made in a currency, where available, which matches the currencies of the Borrowers' cash flows and debt service. If requested by the clients, providing concessional loans in local currency can be considered. In such a case, a currency risk may arise. In the last 10 years all local currencies depreciated against USD.	The EBRD provides mostly hard currency loans in the Western Balkans and Turkey. In principle, the proposal aims to finance in hard currency. Local currency will only be used, as approved by internal EBRD procedures.

Risks	Rating		Description	Mitigation approach
	Probability	Impact		
Implementation risk	Low	High	<p>The regional approach provides additional complexity in implementation (i.e. delay, country coordination, and private sector uptake, etc.)</p> <p>Implementation of each subproject is key to the success of the Project.</p>	<p>Having regional offices in each participating country, the EBRD will draw upon its demonstrated knowledge of the markets and track record in the participating countries. The Project will target companies and investments that meet specific criteria (see the description of Component 1). The technical assistance to support beneficiaries would also mitigate implementation risk.</p>
Technology risk	Low	Low	<p>The innovative technologies may not be mature for full scale commercial deployment.</p>	<p>EBRD will only invest in technologies which have already been tested in more advanced markets. Technical assistance will also support identifying the proven technologies.</p>
Climate change risk	Medium	Medium	<p>Climatic events may impact the Project directly, and the extent will depend on the country and sector involved. For example, agricultural supply chains may be affected by climatic changes, which include increased mean annual temperatures, increased frequency of droughts and other extreme weather events (like torrential rains, hail, etc.) At the same time, changing climatic conditions may elsewhere have an overall positive impact on crop yield.</p>	<p>The Project is designed to reduce GHG emissions from the sub-projects and thereby reduce contributions to the overall climate change.</p> <p>Climate change risk is addressed in the Project's design, as investments supported by the NGI will be in circular economy-related technologies and processes that must be climate-resilient.</p> <p>More details on the Project's approach to climate risk at the sub-project (investment) level are provided below this table.</p>

Risks	Rating		Description	Mitigation approach
	Probability	Impact		
Environmental and social risk	Low	Medium	If the beneficiaries fail to manage their environmental and social issues adequately, they may encounter negative financial, legal, or reputational consequences.	Once the demonstration project has been identified the EBRD will integrate environmental and social considerations and follow its approach for project appraisals.[1] An Environmental and Social Action Plan (ESAP) will be developed for each subproject to mitigate associated risks identified during project preparation. This will include gender issues in line with EBRD's gender policy. ESAP will bring the beneficiaries' operations in compliance with good international practices relating to sustainable development. Updates will be provided in annual reports (PIRs).

Climate Risk Screening

2. Summary of Climate Trends / Risks: The preliminary climate risks identified across Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia, and Turkey are outlined. The evidence base (leaning upon the World Bank Climate Change Knowledge Portal country risk profiles[2]) points to similar challenges and direction of travel across the countries. Namely:

i. There have been likely increases in either the frequency or intensity of heavy precipitation with some seasonal and/or regional variation. This will increase into the future. For example in Albania, under a high GHG emission scenario, World Bank data projections suggest annual precipitation will decrease by - 52.09mm (-275.69mm to 119.48mm) in 2040-2059. Conversely, annual maximum 5-day rainfall (25-yr RL) will rise by 3.34mm (-37.23mm to 52.02mm) in 2040-2059.

ii. The intensity, duration, and frequency of summer heat waves are expected to be substantially greater. For example, in Turkey under a high GHG emission scenario World Bank data projections suggest a mean annual temperature will rise by 2.33°C (1.32°C to 3.89°C) in 2040-2059.

iii. Climate change is enhancing the risks, acting as a threat multiplier, particularly with regard to the availability of water and the changes in thermal environment. In many places, climate change is expressing itself through higher variations in moisture, increase in dryness when dry, and increase in wetness when wet. Long periods of consecutive days with little or no precipitation also can lead to drought like conditions.

3. Projected Impacts on the NGI Investees: Overall, we expect the NGI companies to face lower climate impacts than those noted above, namely due to a shorter time horizon (10 years over the lifetime of the investments versus the c. 40 years in the above analysis).

? For the companies, temperature rises and climate impacts will be less severe, on a relative basis.

? Furthermore, the exact impact remains uncertain because we currently do not know the exact profiles of the NGI companies as these will be confirmed post CEO Endorsement.

? The risks faced by the companies may differ depending on the sub-sector and their local regional context.

? Nonetheless, we recognise that these companies will start to (and in some cases are already) experiencing the impacts of a changing climate, and will need to become more resilient these to shocks as they expand and worsen over time.

4. EBRD Approach to Address Climate Risks: The STAP guidance on climate risk screening is consistent with the understanding that GEF-funded investments are increasingly exposed to risks associated with climate change and natural disasters . In addition, a climate risk screening during project design is considered essential to enable identification and inclusion of appropriate risk mitigation to be included in projects. The STAP guidance recommends a risk screening process that addresses: hazard identification, assessment of vulnerability and exposure, risk classification, and a risk mitigation plan to manage these risks.

5. The EBRD takes an active approach to assessing climate risks and opportunities for projects, which involves a number of departments (ESD, E2C2, EPG, Country Risk team). As this Project is designed to reduce GHG emissions through the sub-projects supported by the NGI in eligible countries, climate risk screening will therefore be conducted at the sub-project level in two steps: (i) at eligibility and (ii) during project appraisal.

6. Eligibility: A simplified preliminary risk screening will be incorporated into the eligibility criteria where key risks and suitable risk mitigation measures will be considered. This criteria may include categorisation of the sub-project, where the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required will be considered commensurate with the nature, location, sensitivity and scale of the sub-project.

7. Project appraisal: All sub-projects will undergo environmental and social appraisal both to help EBRD decide if the sub-project should be financed and, if so, the way in which environmental and social risks and impacts should be addressed in planning, implementing and operating a project. While the exact scope of the appraisal will be determined on a case-by-case basis, it will be appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts. The EBRD makes use of a number of processes to address climate risk, with a focus on the climate resilience of the investment, and climate risks on the surrounding environment:

Note : ESD oversees the ESP 2019, which provides a comprehensive framework for the identification, avoidance, and mitigation of adverse impacts to people and the environment. In addition, EBRD projects/clients must meet ten EBRD Performance Requirements (PRs) . The 1st PR on Assessment and Management of Environmental and Social Risks and Impacts assesses, where relevant / in scope, climate hazards and risks and their impact on the project and wider environment. The Bank through its Environmental and Social Impact Assessments (ESIAs) will screen projects for environmental and social impacts. Where the climate risks are identified in screening as being material to the sub-project impacts, the ESIA's will align with the four main elements identified by the STAP. An Environmental and Social Action Plan (ESAP) will be developed for each sub-project to mitigate associated risks identified during project preparation.

Note: Climate Resilience Investments team (in E2C2) reviews investments for climate adaption and resilience risks to identify climate change impacts that will affect their operations; and identifies opportunities to develop and implement strategies to address and implement adaptation measures. In particular, the process includes:

- ? Involvement in the sub-project design process at internal concept review.
- ? Where the climate change risk is assessed, initial steps are taken to identify areas of vulnerability.
- ? Assessment of the extent of that risk (i.e. what could be the potential impact on the sub-project).
- ? Identification of design and measures to improve resilience. These can be hard or soft measures (e.g. integrated into the infrastructure design, feasibility studies, or wider technical assistance measures).
- ? Measurement of benefits of climate resilient infrastructure.

[1] The EBRD will, where applicable, undertake environmental and social assessment in line with its 2019 Environment and Social Policy (ESP)

[2] World Bank. Climate Change Knowledge Portal. Accessed April 2021

6. Institutional Arrangement and Coordination

Describe the institutional arrangement for project implementation. Elaborate on the planned coordination with other relevant GEF-financed projects and other initiatives.

6.1 Project Management Structure

1. The Project's implementation structure, presented in Figure 7, will be integrated into the existing structures of the Bank, which has an ongoing management team for the climate and resilience funds.
2. The Project will be led by the Energy Efficiency and Climate Change (E2C2) team in EBRD's headquarters and the regional offices (RO) in Serbia and Turkey, supported by the banking teams located in EBRD's ROs of each participating country and headquarters. Responsibilities of the Project Leaders include the origination of investment projects, management of the internal approval process, management of the consultants and their work (including leading the procurement of consultants), and oversight on the overall Project implementation, as well as the monitoring and reporting of the progress.
3. The Donor Co-Financing, Environmental and Sustainability Department (ESD) and the Gender team, located in headquarters, will also support the activities and advise on reporting.
4. The responsibilities of the project leaders include preparation of the ToRs for Consultants, consultant selection, the review of the content and assessing quality of outputs provided by consultants, assistance to consultants with identifying key stakeholders and participation in key meetings in the Region. The project leaders will also engage with and draw on other units within the EBRD if the need arises – such as experts from Legal Transition Team, Communication Department, and others. The Project leaders will meet at Project kick-off and then liaise regularly and as and when needed.
5. **Investment Project Management** – Investment projects will be originated by bankers located in Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia, Turkey with technical support from E2C2 experts and through the work of consultants. The Project Leaders will continuously monitor the pipeline of projects. Individual investment projects will have a separate team structure created to comply with EBRD internal approval procedures. These teams will involve experts from Credit, Environment and Sustainability Department, Economics, Policy and Governance (EPG) department, Legal Department, Banking, etc.

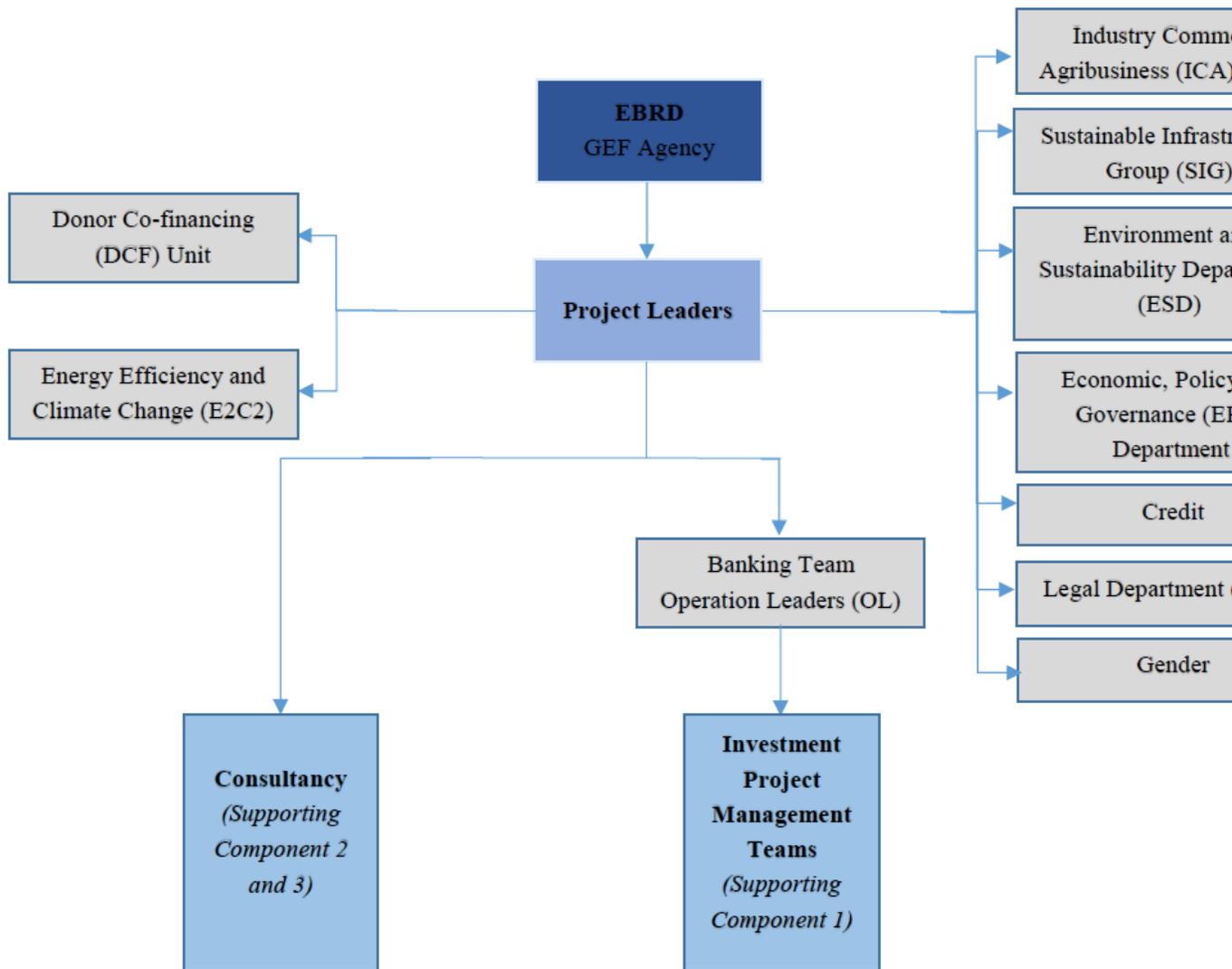


Figure 7. Project Management Structure

6. **Coordination with external stakeholders** ? Coordination with public institutions and non-governmental initiatives focusing on climate change mitigation, chemical and waste and circular economy will involve continued communication and networking with all relevant stakeholders, bilateral counterparts and international agencies. The EBRD will ensure full coordination with existing initiatives in the participating countries in order to leverage their resources and support the key outputs of the Project.

6.2 Consultancies

7. The Project will be implemented in combination with a series of consultancies to deliver on the objectives of Component 2 - Technical Assistance for Adopting Circular Economy Technologies and

Strategies. Due to the specificity of tasks to be undertaken, the Project activities will be either delivered by a consortium of companies or will be split into distinct tasks.

8. At least 10 consultancies are anticipated focusing on (i) sub-project technology implementation support, (ii) developing a roadmap for the beneficiary company to enhance/introduce circularity in its business strategy.
9. In addition, the EBRD may consider cooperating with other partners for some elements of project execution, in line with specific needs as they emerge consistent with enabling high quality project and investment delivery. While specific needs and associated roles are subject to emerging needs of the Project's investments, the EBRD may enter into more formalised strategic alliances such as through a Memorandum of Understanding or Framework Agreement to enable exploitation of synergy effects related to effectively supporting the specialized nature of the Chemicals and Waste, and Climate Change Mitigation activities. With establishing such partnerships, the Project will also look for opportunities for cost savings and efficiencies. The EBRD will maintain supervisory and monitoring responsibilities overall Project activities regardless of the specialized agencies that could be brought in, to support execution.

7. Consistency with National Priorities

Describe the consistency of the project with national strategies and plans or reports and assessments under relevant conventions from below:

NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.

1. The Project is in full alignment with the national priorities of the six participating countries to increase the implementation of circular economy technologies and practices related to both chemicals and waste management (specifically to reduce POPs pollution) and climate change mitigation.
2. Specific national strategies, plans, and reports that are applicable for this Project include the various national implementation plans for the waste management, reduction of POPs, climate change mitigation as well as other environmental strategies as summarized for each country in Table 8.

Table 8. Summary of relevant national priorities

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
Albania	Review and Update of the National Implementation Plan (NIP) for the Stockholm Convention on POPs (2017)	<p>Key sectors identified by the 2006 NIP for Reduction and Disposal of POPs, and the 2017 review and update of the NIP for Albania are: Construction - particularly the energy sector, accommodation and transportation, mineral processing, cement industry, steel industry, waste management, electronics and telecommunications, healthcare and agriculture.</p> <p>POPs in Annexes A and B of the Stockholm Convention including DDT, Heptachlor, Aldrin, Dieldrin, Toxafene (Melipax) and Chlordane have been imported, formulated and used in Albania. Hexachlorane and Lindane have also been produced. PCBs were never produced in Albania. Unintentionally produced POPs such as PCDD and PCDF are a major environmental concern in Albania. The uncontrolled open burning of waste in Albania remains the main source (with 40%) of PCDD and PCDF emissions, which are unintentionally released into the environment.</p>
	Sixth National Report to the Convention on Biological Diversity (2019)	Report outlining the information on the targets being pursued at the national level, implementation measures taken and assessment of progress towards each national target. Currently all targets outlined in the National Biodiversity Strategy and Action Plan (NBSAP) of Albania are on track (please see below for details).
	Document of Strategic Policies for the Protection of Biodiversity to 2020 (NBSAP), prepared in 2015	The Action Plan presents national objectives aimed at: transposing and implementing the EU acquis on nature protection by 2020; adopting a revised NBSAP (achieved); designating 17% terrestrial protected areas and 6% marine and coastal protected areas, sustainably managed through the adoption of an integrated approach, by 2020; establishing the national ecological network as an integral part of the Pan European Ecological Network by 2020; rehabilitating at least 15% of degraded areas through conservation and restoration activities, including through implementation of management plans for protected areas, and action plans for species, and especially for habitats; increasing activities in the areas of sustainable agriculture and forestry; implementing the Nagoya Protocol on ABS (Albania is a Party to the Protocol); and raising awareness of biodiversity.
	Third National Report on the Implementation of the Cartagena Protocol on Biosafety (2015)	Report outlining the information on the progress for complying with the obligations under the Protocol. One major challenge to implementation was identified as limited financial and human resources.

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
	National Waste Management Plan 2010-2025	Improve management of municipal solid waste (MSW) in Albania by increasing the availability of public recycling sites for separate collection of waste and other technologies for the use of materials from waste. The Plan sets the target of increasing recycling/composting to 55% of the MSW generated by 2020.
	Third National Communication to the UNFCCC (2016)	The entire process of Third National Communication development, finalized in 2016 served to build the institutional capacity and to raise public awareness on climate change issues in Albania.
	UNFCCC Nationally Determined Contribution (NDC) of the Republic of Albania (2016)	Albania commits to reduce CO ₂ emissions compared to the baseline scenario in the period of 2016 and 2030 by 11.5%. This reduction means 708 kT CO ₂ emission reduction in 2030.
Bosnia & Herzegovina	Bosnia and Herzegovina National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants (2015)	The key private sectors identified by the NIP from 2015 are: the metallurgical industry, electricity supply, supply of natural gas, mining, importers and exporters of pesticides, electronics and consumer goods, landfills, producers of mineral products, and manufacturers of chemicals and consumer goods.
	Sixth National Report of Bosnia and Herzegovina to the Convention on Biological Diversity (2019)	Report outlining the information on the targets being pursued at the national level, implementation measures taken and assessment of progress towards each national target. Currently all targets outlined in the National Biodiversity Strategy and Action Plan (NBSAP) of Bosnia and Herzegovina are on track and main challenges for implementation are identified (please see below for details).
	Strategy and Action Plan for Protection of Biodiversity 2015-2020 (NBSAP)	While the revised NBSAP (2015-2020) has been adopted at state level and represents the basic document for CBD implementation in Bosnia and Herzegovina (BiH), nature protection is regulated at entity level (Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS)) and at district level (Brčko (BD)). Significant progress has been achieved to date towards Aichi Target 1 (awareness increased), Aichi Target 2 (biodiversity values integrated) and Aichi Target 17 (NBSAPs). Areas in which progress is most weak relate to Aichi Target 3 (incentives reformed) and Aichi Target 10 (pressures on vulnerable ecosystems reduced), while modest progress has been made towards the remaining targets.
	Second National Report on the Implementation of the Cartagena Protocol on Biosafety (2011)	Report outlining the information on the progress for complying with the obligations under the Protocol.

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
	Environmental Approximation Strategy of Republika Srpska (2016)	The strategy identifies the gaps in the environmental policy of the Republika Srpska within Bosnia and Herzegovina in order to harmonise it with that of the EU (known as Chapter 27).
	Solid Waste Management Strategy of Republika Srpska 2017-2026	The National Assembly of the Republika Srpska approved the strategy, but the draft of the Republic Waste Management Plan is in the process of preparation. Some EU waste directives have already been transposed (e.g. the Waste Incineration Directive), but by-laws governing the management of certain waste streams have not yet been approved, so their transposition is incomplete. Recycling rates remain at a low level and many of the other key targets remain to be established.
	The Third National Communication and Second Biennial Update Report on Greenhouse Gas Emissions of Bosnia and Herzegovina under the UNFCCC (2017)	The report states that in the last five years, Bosnia and Herzegovina has been facing with several significant extreme climate and weather episodes that have caused substantial material and financial deficits, as well as casualties.
	UNFCCC Nationally Determined Contribution (INDC) of the Republic of Bosnia and Herzegovina (2016)	According to the scenarios - the peak of energy consumption occurs in 2030; according to the baseline business as usual scenario in 2030 expected emissions are 20% higher than the level of emissions in 1990. Emission reduction that BiH unconditionally might achieve, compared to the BAU scenario, is 2% by 2030 which would mean 18% higher emissions compared to the base year 1990. Significant emission reduction is only possible to achieve with international support, which would result in emission reduction of 3% compared to 1990, while compared to the BAU scenario it represents a possible reduction of 23%.
Montenegro	Montenegro National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants (2014)	Key private sectors identified by the NIP from 2014 are: forestry, waste management, construction, and transport. Risks related to implementation of the NIP are mainly connected to financial difficulties that are equally encountered with by polluters and those mostly bearing the costs of improving POPs management and state administration authorities that are responsible to ensure suitable POPs management.

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
	Sixth National Report of Montenegro to the Convention on Biological Diversity (2018)	Report outlining the information on the targets being pursued at the national level, implementation measures taken and assessment of progress towards each national target. Currently all targets outlined in the National Biodiversity Strategy and Action Plans (NBSAP) of Montenegro are on track. Several important steps have been made towards providing support mechanisms for the new NBSAP, such as the revision of the existing and adoption new legislation related to nature protection and natural resource use.
	National Biodiversity Strategy Action Plan for the 2016-2020 (2016)	Montenegro set the following 7 strategic targets to be achieved by 2020: the de facto practice of biodiversity protection (identified as one of the most important social and political priorities for overall development); biodiversity protection by all stakeholders and by employing a multi-sectoral approach; development of an efficient financing mechanism for biodiversity protection and adaptation for a sustainable biodiversity economy (as part of a green economy); significant reduction in identified direct pressures on biodiversity; creation of preconditions and implementation of targeted measures for biodiversity protection; creation of environmental infrastructure as the basis for national biodiversity conservation; and improvement, systematization and wide and equitable availability of biodiversity knowledge through developed mechanisms.
	National Strategy for Chemicals Management with Action Plan 2019-2022 (2019)	The Action Plan aims to ensure a high level of protection of human and environmental health and improve free trade with the EU and other countries, while encouraging the competitiveness of the Montenegrin economy through the introduction more secure chemicals and technological processes.
	Technology Needs Assessment for Climate Change Mitigation and Adaptation for Montenegro - National Strategy and Action Plan (2012)	Priority sectors are identified as agriculture, forestry, energy and tourism. Barriers that slow down or hinder deployment of technologies at desired scale were identified. In response to identified barriers, solutions were proposed and measures were defined to create enabling environment and accelerate deployment of technologies.
	National Strategy for Sustainable Development by 2030 (NSSD)	Guided by the decision to establish an ecological state, Montenegro is among the first states from South-Eastern Europe region that established strategic and institutional framework for sustainable development in accordance with the standards of developed countries of the EU. Solid waste management is identified as one of the priority areas.

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
	Second National Communication to the UNFCCC (2015) and the Second Biennial Update Report on Climate Change to the UNFCCC (2019)	In order to improve climate change governance and meet the challenges that Montenegro will face as a result of climate change, there is a need to mainstream climate change concepts into national and sectoral development plans. As part of its ultimate and long-term objectives, this project contributes to mainstreaming of climate change concepts by strengthening the institutional capacity.
	The National Climate Change Strategy (2017)	It provides guidance and direction for climate-change policies, as well as analysis of the mitigation policies measures and actions that will be implemented until 2030 to reduce GHG emissions. The strategy has a strong focus on harmonization with the EU's climate-change legislative framework, as well as mitigation measures, while it is relatively vague on adaptation to climate change.
	UNFCCC Nationally Determined Contribution (INDC) of Montenegro	Montenegro aims 30% emission reduction by 2030 compared to the 1990 base year.
North Macedonia (the former Yugoslav Republic of Macedonia until 2019)	The former Yugoslav Republic of Macedonia National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants (updated in 2017)	<p>The action plan implementation strategy will be based on the following objectives:</p> <ul style="list-style-type: none"> ? Detailed inventory of all Annex C POPs; ? Established system for control of releases from unintentional production; ? Established system for long-term permanent monitoring and reporting on the releases from unintentional production.
	The Fifth National Report to the Convention on Biological Diversity (2014)	Report outlining the information on the targets being pursued at the national level, implementation measures taken and assessment of progress towards each national target. Currently all targets outlined in the National Biodiversity Strategy and Action Plan (NBSAP) of North Macedonia are on track and one of the main challenges for implementation is identified as lack of financial resources (please see below for details).
	National Biodiversity Strategy with Action Plan 2018 -2023 (2018)	Priority to the following biodiversity issues: sectoral mainstreaming; information/knowledge of status and trends; legislative and institutional strengthening; conservation; sustainable use of biodiversity components; monitoring, assessment and evaluation, prevention and mitigation of impacts; education (formal and informal); public awareness-raising, information and dissemination; and access and benefit-sharing.

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
	Third National Report on the implementation of the Cartagena Protocol on Biosafety (2018)	Report outlining the information on the progress for complying with the obligations under the Protocol.
	Waste Management Strategy 2008 -2020	Waste management is one of the most serious environmental issues in Macedonia. Basic principles for development of Macedonian waste management scheme include; separation at source, separate collection of waste at source, utilise waste as a resource and use waste as a substitute for non-renewable fuel.
	The National Strategy for Nature Protection (2017-2027)	The strategy integrates geodiversity and biodiversity protection and interconnects actions developed under the related strategies on water, biodiversity, mineral resources, tourism, energy and other sectors, as well as obligations stemming from the ratified international conventions.
	UNFCCC Nationally Determined Contribution (NDC) of the former Yugoslav Republic of Macedonia	To reduce the CO2 emissions from fossil fuels combustion for 30%, that is, for 36% at a higher level of ambition, by 2030 compared to the business as usual (BAU) scenario. The CO2 emissions from fossil fuels combustion cover almost 80% of the total GHG emissions in the country with a dominant share of the following sectors: energy supply, buildings and transport.
Serbia	National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants (2010)	<p>During NIP preparation several priorities were identified such as:</p> <ul style="list-style-type: none"> ? Complete establishment of relevant legislation and strengthening of stakeholders capacities for rising of public awareness regarding all POPs; ? Preparation of overview of import, production and use of new POPs; ? PCB management and phase out management of PCB equipment until 2015 for the equipment above 5 dm3; ? Sound waste management for proper handling of POPs waste and in order to avoid uPOPs; ? Implementation of BAT/ BEP for avoidance of emission of uPOPs in relevant industrial and other sectors; ? Identification and remediation of POPs contaminated sites on the environmentally sound manner; ? Addressing the obsolete pesticide issue and prevention of generation of new waste.

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
	Fifth National Report to the Convention on Biological Diversity (2014)	Report outlining the information on the targets being pursued at the national level, implementation measures taken and assessment of progress towards each national target.
	The Biodiversity Strategy of the Republic of Serbia (NSBAP) (2011-2018)	The strategy establishes basic principles for biodiversity protection in Serbia, which are harmonized with the principles of EU within the process of harmonization of Serbian legislation with the EU legislation.
	Second National Report on the Implementation of the Cartagena Protocol (2012)	Report outlining the information on the progress for complying with the obligations under the Protocol.
	The National Waste Management Strategy 2010-2019	Prioritizes reducing waste generation and increasing recycling and reuse.
	UNFCCC Nationally Determined Contribution (NDC) of the Republic of Serbia	The target is GHG emission reduction by 9.8% until 2023 compared to base-year (1990) emissions.
Turkey	National Implementation Plan for the Stockholm Convention on Persistent Organic Pollutants (2014)	Identifies that financial resources and mechanisms should be identified as the priority for the NIP. The Regulation on POPs was published in the Official Gazette on 14 November 2018 and became immediately effective. It is fully aligned with EU requirements.
	The Fifth National Report to the Convention on Biological Diversity (2014)	Report outlining the information on the targets being pursued at the national level, implementation measures taken and assessment of progress towards each national target. Currently all targets outlined in the National Biodiversity Strategy and Action Plan (NBSAP) of Turkey are on track (please see below for details).
	National Biodiversity Strategy and Action Plan	Turkey's National Biodiversity Action Plan (2018-2028) is an addendum to the NBSAP (2007-2017). It's new objectives are biodiversity pressures and threats; biodiversity components and conservation approaches; biodiversity conservation in agricultural, forestry and fishing areas; awareness of ecosystem services by the public and administrators and sustainable management; ecosystem rehabilitation and restoration and the filling of related legislative gaps; development of high value-added products aligned with the principles of conservation and sustainable use; and establishment of required technical infrastructure.
	Third National Report on the Implementation of the Cartagena Protocol (2015)	Report outlining the information on the progress for complying with the obligations under the Protocol.

Country	National Strategy/ plan/ report	Project's relevance to and consistency with these strategies, plans and reports
	National Waste Management Action Plan (2016-2023)	Identification and prioritisation of strategies for recycling and recovery of waste to be utilised as secondary raw materials.
	Zero Waste Project	The Ministry of Environment and Urbanisation launched the Zero Waste Project in 2018. Awareness campaigns are being held across the country. As a result, Zero Waste Regulation came into effect on 2019; obligating all ministries, public institutions, municipalities and public spaces to comply with establishing zero waste system as described in the regulation.
	UNFCCC Nationally Intended Determined Contribution (INDC) of Turkey	Turkey is yet to ratify Paris Agreement. The INDC targets up to 21% reduction in GHG emissions from the Business as Usual (BAU) level by 2030.
	National Climate Change Action Plan (2011-2023)	The action plan provides a roadmap for the implementation of target for mitigation and adaptation. The priority sectors are identified as energy, industry, buildings, transport, waste, agriculture, land use and forestry.

3. **Country strategies:** As summarized in Table 9, the EBRD's country strategies of Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia and Turkey outline the strategic directions and relevant priorities on the environment.

Table 9. EBRD Country Strategy objectives of the participating countries

Country	Approved	Strategic Directions
Albania	12 February 2020	? Support governance improvements across the industry, ? Enhance private sector competitiveness and inclusion through wider access to finance and skills. ? Strengthen energy diversification and low-carbon transition.

Country	Approved	Strategic Directions
Bosnia - Herzegovina	5 July 2017	<p>? Enable capacity-building and scaling up of the private sector, while promoting commercialisation of public utilities, and supporting privatisation of viable state-owned enterprises to enhance Competitiveness.</p> <p>? Support development of key transport and energy cross-border links to promote Integration with the region while enhancing Resilience of the economy.</p> <p>? Support energy efficiency and renewable energy generation, while helping municipalities upgrade quality of services to promote Green economy.</p>
Montenegro	3 May 2017	<p>? Enhance Competitiveness of the private sector, including by developing agribusiness value chains and backward linkages in the tourism sector.</p> <p>? Improve connectivity and regional Integration by expanding crossborder transport and energy links.</p> <p>? Continue to foster transition to a Green economy, including sustainable tourism.</p>
North Macedonia	22 May 2019	<p>? Support competitiveness by enhancing value chains, upskilling the workforce, and strengthening governance.</p> <p>? Strengthen regional integration, soft connectivity and support EU approximation.</p> <p>? Support Green Economy Transition through a more sustainable energy mix and greater resource efficiency.</p>
Serbia	27 February 2018	<p>? Foster Competitiveness and Governance by enhancing private companies' capacity, and reforming selected SOEs and public utilities.</p> <p>? Enhance Integration by improving the transport network, supporting regional economic connectivity reform, and advancing energy interconnectivity.</p> <p>? Support Green economy by fostering energy efficiency, enhancing renewable energy, and promoting sustainable practices.</p>

Country	Approved	Strategic Directions
Turkey	24 July 2019	<ul style="list-style-type: none"> ? Strengthen resilience of the financial sector and develop domestic capital & financial markets. ? Foster Turkey's knowledge economy and higher value-added activities, and promote good governance. ? Promote economic inclusion and gender equality through private sector engagement. ? Accelerate Turkey's Green Economy Transition and regional energy connectivity.

8. Knowledge Management

Elaborate the "Knowledge Management Approach" for the project, including a budget, key deliverables and a timeline, and explain how it will contribute to the project's overall impact.

1. The Project will engage in raising the capacity of beneficiaries to understand and achieve the benefits of circular economy technologies, process and practices. This knowledge will include how to reduce costs through enhanced resource efficiency. In addition, the Project will support the participating companies in identifying opportunities for resource efficiency and circular economy business models.
2. The project will bring together corporates, as direct beneficiaries of the financing instrument, which are entities that may range from SMEs to large and influential corporates. The EBRD recognizes the importance that larger corporates play in the circular economy 'ecosystem' and their ability to trigger and influence systemic change. These entities can, for example, act as system aggregators in terms setting materials requirements or circularity standards for their suppliers. Therefore, the Project will actively seek to link these corporates through the knowledge management and information platform component activities.
3. In particular, the Project's Component 2 - Technical Assistance for Adopting Circular Economy Technologies and Strategies ' seeks to consolidate and spread knowledge throughout the value chain of the beneficiary company. Due to the nature of circular economy initiative, it is understood that one company's change in business practices can influence or affect others in the value chain. Further, given the lack of models for financing circular economy initiatives, the experiences of this Project will provide valuable knowledge to the international community.
4. The EBRD will monitor and assess the Project and capture lessons learned including through Component 3 ' Monitoring and Evaluation.
5. The Project beneficiaries will be encouraged to demonstrate their investments and share their experience implementing the international best practices via EBRD's existing knowledge management and stakeholder engagement activities. . The EBRD will seek to share lessons learned at relevant business association events. The knowledge sharing materials will be shared with EBRD's partners and EBRD's

existing online knowledge platforms such as the EBRD website and the Turkey Circular Economy Platform website as explained in detail below.

6. The EBRD is part the FinanCE Working Group, convened by the Ellen McArthur Foundation in 2015. Together with other financing institutions, pension funds, equity investors and researchers in the Circular Economy, the EBRD focuses on developing the knowledge and tools that the financial sector needs to drive the shift to circular economy. The group has issued two publications, titled "Money makes the world go round" that defined circular economy business models and their competitive advantages, and "Linear risks" that articulated the currently under recognised risks assumed by business when operating according to a take-make-waste paradigm. The EBRD is also a member of the EU RTD CE Expert Group, with the mission of defining incentives for financing the circular economy and developing a common taxonomy for categorising circular economy activities.

7. The Project will also seek to connect with global initiatives such as PACE (Platform for Accelerating the Circular Economy). PACE is a public-private collaboration platform and project accelerator for the circular economy. This platform brings together a large global community of public and private sector actors committed to driving public-private action and collaboration on the circular economy.

8. To further accelerate uptake of knowledge, the Project will link with on-going initiatives and leverage existing networks. Since 2016, the EBRD has funded the first national circular economy network in Turkey called the Turkey Materials Marketplace (TMM). TMM is developed by the EBRD for the private sector and managed by the Business Council for Sustainable Development of Turkey. It is a platform through which participating companies can exchange underutilized materials, by-products and wastes; turning one company's waste into raw material for the other. As of the beginning of 2020, the TMM has been transformed into Turkey's first and only Circular Platform which serves as a one-stop-shop for all stakeholders interested in circular economy. Turkey Circular economy Platform holds at least two network events in Turkey every year with participation of about 100 people each time, focusing on sharing knowledge, showcasing best practices, as well as "match-making" sessions to facilitate finding material exchange synergies among companies. The Turkey Circular economy Platform is also in close contact with other national circular economy networks, such as the Circular Hotspot in the Netherlands, to retrieve knowledge on the best practices and diffuse it in the market. As part of the knowledge activities of Turkey Circular economy Platform, "Circular Vouchers" scheme was introduced in 2018. Circular Vouchers (up to EUR 25,000 each) are awarded to selected Turkey Circular economy Platform member companies on a competitive basis for purchasing customised consultancy activities to (i) identify the technological options available to introduce alternative raw materials in the production process (ii) and/or transforming by-products in the production, (iii) to process material streams to ensure their marketability in Turkey Circular economy Platform, and (iv) in general to promote innovation in the area of material efficiency.

9. Additionally, the EBRD is currently in collaboration with various stakeholders in relation to plastics pollution. In Albania, Bosnia and Herzegovina, and Montenegro, EBRD is focusing the food and producers, and relevant business support organizations, to define measures for tackling plastic packaging. The three countries are Contracting Parties to the Barcelona Convention. A technical assistance project is implemented in cooperation with the UN Environment's Center for Sustainable Consumption and Production (SCP/RAP). The activities are aligned with the objectives of the Mediterranean Marine Litter Regional Action Plan.

10. Serbia is among five selected countries where EBRD is conducting a study on the state of plastic packaging management applied by the largest retailers in the country. The assignment includes preparation of country-specific Roadmaps for retailers and their suppliers for improved management of plastic packaging - including avoidance, reuse, recycle, redesign. Priority actions will cover both technical solutions and governance issues (e.g. accountabilities, internal processes and tools, competencies, disclosure).

11. In this context, EBRD Circular Economy Project will also seek for opportunities for collaboration with Global Plastic Action Partnership via knowledge sharing and dissemination activities. The GPAP is a structured global platform focused on plastic pollution, with the intent of enabling leaders from public, private and civil society to come together and to develop action plans. While the GPAP priority countries do not include those covered by the Project or the EBRD's Countries of Operation, the Project will seek opportunities for collaboration, including via knowledge sharing and dissemination activities. Potential collaboration modalities will be explored during Project implementation.

Indicative KM Budget

-Please note this budget remains indicative and subject to change

-Whilst not featured here, the KM features a heavy component of in-kind contributions from the EBRD and beneficiaries

KM Activity (indicative)	Estimated Cost (USD)	Timeline
Outreach Events	45,000	On-going, with emphasis at start and end of the project
Workshops	15,000	
Website / Platform	*	
Communication Material (case studies, leaflets, videos etc.)	17,500	
Total KM (indicative)	77,500	

* The website will likely be hosted on ebrd.com at our own cost.

9. Monitoring and Evaluation

Describe the budgeted M and E plan

Monitoring and reporting plan for the Project meets the requirements of both the EBRD and the GEF.

9.1 GEF Monitoring and Reporting

9.1.1 Annual review and PIR

2. Progress against the targets in the Project Results Framework will be reviewed and reported to the GEF consistent with GEF requirements as part of the EBRD's contribution to the Annual Portfolio Monitoring Report (APMR), and include the requirements of Annex 1.4 of GEF/C.39/09.
3. The Project Implementation Report (PIR) will be prepared to monitor progress made annually according to GEF's reporting period (1 July to 30 June of every year). The PIR includes, but is not limited to, reporting on the following:
 - ? Information on the Project status
 - ? Rating of Project performance including information on progress towards achievement of environmental objectives (impacts) and implementation progress (outputs delivered)
 - ? Risk rating / assessment
 - ? GEF core indicators.

9.1.2 Mid-Term Review and Terminal Evaluation

4. Reviews of the Project will include a Mid-term Review (MTR) and a Terminal Evaluation (TE) held near the end of the Project's lifetime, and follow the requirements of the GEF project and programme cycle policy (C.52.Inf_.06). These reviews will be in addition to the regular annual reporting requirements of the GEF and the monitoring cycle of the EBRD. The MTR and TE activities for the Project are included in the Project's Component 3.
5. The Project's MTR and TE will be carried out by independent parties at the appropriate time and have two basic objectives: (i) to assess the results and impacts, both intended and otherwise, of the Project (accountability function), and (ii) to determine whether there are lessons to be learned from past experience to make future operations better, thereby contributing to 'institutional memory' (lessons learned or quality management orientation).
6. The MTR will identify areas where improvements could be made and to improve the effectiveness of results and impacts. The review and evaluation will provide the basis for a system of accountability to managers and to the GEF.
7. The Project will undergo a TE in accordance with GEF guidelines.^[1] The TE is 'expected to provide a comprehensive and systematic account of the performance of a completed project by assessing its design, implementation, and achievement of objectives.'
8. The EBRD will ensure that the TE is conducted within six months before or after project completion; ensure that project evaluation team members are independent, unbiased, and free of conflicts of interest; facilitate the engagement of the GEF operational focal points in conducting the terminal evaluation; actively seek and address feedback of relevant stakeholders to prepare terminal evaluation's terms of reference and its final report. The EBRD will submit the TE report to the GEF Independent Evaluation Office (IEO) in accordance with GEF Evaluation Policy.

9.1.3 Monitoring and Evaluation Budget

9. The monitoring and evaluation activities will be financed by co-financing and agency fees, with USD 50,000 budgeted from the GEF funding for contracting external evaluation contractors and USD 30,000 in-kind provided from EBRD. Costs associated with data collection will be included in the staff costs for team members in the day-to-day execution of their tasks and will be reported on during the course of the Project.
10. Monitoring and verification of the results is key to determining the success of the Project's financing. The entire Project will be monitored, and inputs from participating stakeholders in the Project (including borrowers) will be required to provide information on materials saved, waste diverted from landfill, and POPs eliminated/avoided and other benefits achieved under the Project as part of the agreement that will be signed prior to their access to the Project.
11. Monitoring and evaluation will take place with reports summarizing the overall progress and that of individual investment projects that receive financing. These reports will be available for official use.

Table 10. Indicative monitoring and evaluation plan

Type of Monitoring and Evaluation activity	Responsible Parties	Budget from GEF (USD)	Time frame
Semi Annual Project progress reports	Operation Lead (OL)	0	Every six months
Annual Project Report and Project Implementation Report	EBRD	0	Annual
Mid-term Review	EBRD (independent consultant)	20,000	At the midterm of the project
Terminal Evaluation and Report	EBRD (independent consultant)	30,000	At the end of the project
TOTAL COST		50,000	

[1] <http://www.gefio.org/sites/default/files/ieo/evaluations/files/gef-guidelines-te-fsp-2017.pdf>

10. Benefits

Describe the socioeconomic benefits to be delivered by the project at the national and local levels, as appropriate. How do these benefits translate in supporting the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCE/SCCF)?

1. The Project will deliver a range of social and environmental benefits associated with shifting to a circular economy from a linear economy such as:
 - ? Reduced materials, energy and water usage.
 - ? Decreased demand for new landfills resulting in improvement of land management practices, due to diversion of waste from landfills. Reduced leakages of plastics waste into the water bodies due to reduced landfilling of plastics.

- ? Diversion of waste (especially plastics and chemicals) from landfills will indirectly contribute to increasing the area of landscapes under improved practices.
 - ? Reduced costs for companies due to improved production process and circular business models resulting in less dependence on virgin materials.
 - ? Improved reputation of the participating companies, which can result in their better positioning in the market.
 - ? Capacity building in the participating countries in terms of local know-how and implementation of international best practices resulting from the technical assistance provided under *Component 2: Technical assistance for identification of circular economy technologies and processes, and strategy development*.
 - ? Improved resilience concerning the economic crisis response to the COVID19 outbreak. Some economic effects of the outbreak include significantly disrupted value chains and logistics operations. Shifting to circular economy reduces overreliance on extraction of raw materials and mitigates exposure to supply chain risks to some extent.
2. The Project is anticipated to produce, where possible, other co-benefits consistent with the EBRD's mandate to support transition. This includes acknowledging gender differences and improvements starting with tracking Project participation by gender. Collection of this type of social data provides input for transition towards equal opportunity.
 3. The Project is anticipated to produce, where possible, other co-benefits consistent with the EBRD's mandate to support transition. This includes acknowledging gender differences and improvements starting with tracking Project participation by gender. Collection of this type of social data provides input for transition towards equal opportunity.

11. Environmental and Social Safeguard (ESS) Risks

Provide information on the identified environmental and social risks and potential impacts associated with the project/program based on your organization's ESS systems and procedures

Overall Project/Program Risk Classification *

PIF	CEO Endorsement/Approval	MTR	TE
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Medium/Moderate

Measures to address identified risks and impacts

Elaborate on the types and risk classifications/ratings of any identified environmental and social risks and impacts (considering the GEF ESS Minimum Standards) and any measures undertaken as well as planned management measures to address these risks during implementation.

1.1 Environmental and Social Safeguards (ESS) Risks	
<i>Provide information on the identified environmental and social risks and potential impacts associated with the project/program based on your organization's ESS systems and procedures</i>	
Overall Project/Program Risk Classification	Medium / Moderate
Measures to address & Identify risks and Impacts	
<i>Elaborate on the types and risk classifications/ratings of any identified environmental and social risks and impacts (considering the GEF ESS Minimum Standards) and any measures undertaken as well as planned management measures to address these risks during implementation.</i>	

Introduction:

Following initial desktop assessment and review of the indicative pipeline, the EBRD has rated the Project as 'Medium/Moderate' risk overall. The sub-projects to be financed under the Project are expected to be Categorized as 'B' in accordance with EBRD's Environmental and Social Policy. Each of the sub-projects will result in significant environmental benefits, including reduction of waste, promotion of the waste hierarchy and support for the phase-out of harmful pollutants.

EBRD has extensive experience in assessing and managing the environmental and social impacts of waste management projects as well as sustainable production investments in the corporate sector.

Each sub-project will be subject to due diligence, which will typically involve an environmental and social audit of the project and an assessment of the capacity of the project developers to implement it. These assessments are normally carried out by independent experts and include consultation with local affected communities.

Where risks or impacts are identified, EBRD will agree on a specific time-bound Environmental and Social Action Plan (ESAP) actions with the beneficiary companies to ensure that the investment meets the requirements of EBRD Environmental and Social Policy and Performance Requirements.

All sub-projects will need to comply with applicable EU standards and good international practice for waste management. EBRD will monitor implementation throughout the life of the investment. These actions could include, for example, the development of management plans for the safe handling and storage of hazardous wastes. Investments that involve significant social impacts may require the development of specific action plans, such as resettlement.

Assessment of Types of Risks Across the GEF Project

Below are the key potential risks that could arise throughout the lifetime of the Project. This assessment has been carried out by the EBRD's Environment and Sustainability Department (ESD) in collaboration with the implementing team.

Please note:

- This is a high-level portfolio and initial desk based assessment based on the types of sub-projects that are expected to be financed under this Non-Grant Instrument (NGI). These risks will be reviewed at the time of annual reviews and the Mid Term review.
- As the sub-NGI investments are progressed through internal review, the EBRD will, where applicable, undertake environmental and social assessment in line with its 2019 Environment and Social Policy. Depending on the project technology choice, location and environmental characteristics the risk rating of each individual sub project may differ.
- EBRD categorises each project to determine the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required. This will be commensurate with the nature, location, sensitivity and scale of the project, and the significance of its potential environmental and social impacts which are new and additional.
- At this stage, we cannot share any additional documentation.

Type of ESS Risk	Risk Classification	Example Measures to Address Impacts
Company E&S management capacity	Medium / Moderate	Company capacity to manage environmental and social risks is assessed during due diligence. Companies are expected to develop and implement environmental, HR, social and safety management systems in line with EBRD's Performance Requirements.
Occupational health and safety	High or Substantial (potentially, depending on the context)	Due diligence will assess risks to employees and local communities, including normal operations and potential accident scenarios. Health and

Supporting Documents

Upload available ESS supporting documents.

Title

Module

Submitted

ANNEX A: PROJECT RESULTS FRAMEWORK (either copy and paste here the framework from the Agency document, or provide reference to the page in the project document where the framework could be found).

Impact / outcome / output	Objectively Verifiable Indicators	Baseline (Start of Project)	Target (End of Project)	Means of Verification	Assumptions
Impact					
<p><i>Project Objective:</i> The Project's objective is to catalyze the scale up of circular economy initiatives by addressing barriers to investments in circular economy technologies and processes, and adoption of circular economy strategies and business practices.</p>	Amount of Marine Litter Avoided	0 ? all impact indicators are incremental	50,000 metric tons	EBRD project / investment reports and feasibility studies;	<p>Investments take place and practices are put in place to deliver expected results</p> <p>Investments deliver expected (designed) results</p>
	Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector	0	Metric tons of CO ₂ e (direct + direct secondary) = 6,250,000 Metric tons of CO ₂ e (indirect) = 15,625,000		
	Solid and liquid Persistent Organic Pollutants (POPs) removed or disposed	0	2,000 metric tons		
	Reduction, avoidance of emissions of POPs to air from point and non-point sources(grams of toxic equivalent gTEQ)	0	75 grams of TEQ		
	Number of low-chemical/non-chemical systems implemented, particularly in food production ,manufacturing, and cities	0	5		
	Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment	0	160 Female 640 Male;		

Impact / outcome / output	Objectively Verifiable Indicators	Baseline (Start of Project)	Target (End of Project)	Means of Verification	Assumptions
Component 1: Implementation of Circular Economy Performance-based Financing					
Outcome 1: Increased Investment in Circular Economy Initiatives	Number of circular economy investments	0 ? incremental	10	Project monitoring reports (semi-annual and annual)	Private sector is interested in investments in circular technologies and practices
Output 1.1: Investment in 10+ Circular Economy projects with a total investment of c. US\$ 153m	Volume of total investments under Circular Economy Project	0- incremental	USD 153 m	Project monitoring reports (semi-annual and annual)	
Component 2: Implementation support					
Outcome 2: Circular economy technologies and strategies mainstreamed in corporate processes and business models	Number of private sector entities benefited from technical assistance	0	10	Project monitoring reports (semi-annual and annual)	Relevant private market players are interested in technical assistance support to identify circular technologies, products and processes
Output 2.1: Technical assistance to identify technologies and processes	Number of private entities developing circular economy strategy and action plan	0	5	Project monitoring reports (semi-annual and annual)	Private sector is interested in developing circular road maps/action plans and strategies
Output 2.2: Circular economy strategies developed					
Component 3: Monitoring and Evaluation					
Outcome 3: Project monitoring and evaluation and ensuring effective achievement of intended results	Project Impact, Outcome and Output data collected, Mid-term and Terminal Evaluation completed	Not carried out	Mid-term review and final evaluation carried out	Mid-term review report and final evaluation report	MRV is effectively undertaken
Output 3.1: Monitoring and Evaluation					

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).

1. STAP Comments (Saleem H. Ali / Sunday Leonard)

STAP Comment	EBRD Response
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STAP Comment	EBRD Response
<p>STAP welcomes the EBRD's Circular Economy Regional Programme Initiative (Near Zero Waste) project which aims to catalyze the scale-up of circular economy initiatives by addressing barriers to investments in circular economy technologies and processes, and adoption of circular economy strategies and business practices in Albania, Bosnia-Herzegovina, Montenegro, North Macedonia, Serbia, and Turkey.</p> <p>This is a well prepared PIF that provides relevant descriptions of the problems, barriers, and alternative scenarios backed with useful regional data and references, including the leading publications on circular economy as well as STAP recent paper on plastics and the circular economy.</p> <p>Although the implementation of circular economy projects is relatively new, STAP thinks this project has a reasonable likelihood of success given EBRD experience in implementing the circular economy in the region and because the project will build on important lessons learned from an earlier project implemented in Turkey. The fact that the project focuses on the full scope of the circular economy including redesign, life extension, reuse, recycling and value recovery, also provides some assurance on the possibility of project success. If well implemented, the project could be an excellent demonstration of how to move from the theory of circular economy to the practical implementation of its principles in GEF type projects.</p> <p>Overall, this project promised to be innovative, given that it seeks to create a relatively new way of doing business (circular economy) in the target countries and, if successful, could lead to transformative change in the targeted sectors. The focus on SMEs is also commendable, given that many of the existing implementations of the circular economy have been mainly by large corporations. Furthermore, the planned engagement of the private sector and proposed finance mechanism may also help facilitate project durability and scale-up.</p> <p>However, STAP wishes to bring to the issue of 'circular rebound' to the attention of the project proponent. Circular rebound occurs when the implementation of circular economy activities leads to an overall production increase due to the savings and efficiency created by the success of the circular economy. This can partially or fully offset circular economy benefits. STAP, therefore, recommends that the proponent review relevant literature on this topic and build in knowledge from this into this project. Examples of relevant literature include Zink and Geyer, 2017. Circular Economy Rebound, Journal of Industrial Ecology. https://www.researchgate.net/publication/313371834_Circular_Economy_Rebound; Figge and Thorpe, 2019. The symbiotic rebound effect in the circular economy, Ecological Economics, 163. https://doi.org/10.1016/j.ecolecon.2019.04.028; Hovarth et al. 2019. The Ecological Criteria of Circular Growth and the Rebound Risk of Closed Loops, Sustainability. https://www.mdpi.com/2071-1050/11/10/2961/pdf. We also wish to bring the work of the International Resource Panel on Resource Efficiency (https://www.resourcepanel.org/reports/resource-efficiency) to the attention of the project proponent, which could provide guidance on maximizing the impact of the project.</p> <p>Although the problem statement, barriers, planned interventions, and expected outcomes were provided in the PIF, no theory of change was presented and it is difficult to appreciate the underlying assumptions and how the project will address issues if the expected result does not turn out as planned. STAP recommends that the proponent review its recent publication on theory of change for further guidance on developing theory of change for GEF type projects: http://stapgef.org/theory-change-primer</p>	<p>The EBRD welcomes and takes note of the review.</p> <p>The circular rebound effect seems to be a particular question concerning the use of secondary raw materials in production. Secondary goods may be insufficient substitutes for primary goods because they are of inferior quality or are otherwise less desirable to users. Hence, products or materials that are poor substitutes attributable to differences in quality, price, or target market may not be able to compete with primary alternatives may result in rebound - more consumption of materials/products.</p> <p>Accounting for concerns over circular rebound effect, it is important to note that the Project's approach to improved materials management is fully in line with the EU Waste Framework Directive (2008/98/EC) as amended in 2018. The EU's approach to waste management is based on the waste hierarchy which sets the following priority order when shaping waste policy and managing waste at the operational level: prevention.</p>

STAP Comment	EBRD Response
<p data-bbox="272 235 1175 537">It is encouraging that this project will generate global environmental benefits across 3 GEF focal areas ?Climate Change Mitigation, Chemicals and Waste, and International Waters; and still have other environmental and social benefits. STAP also thinks that the project could also contribute to the GEF land degradation focal area given its focus on agriculture and plastics. Plastics are now being recognized as a source of land pollution, including in Europe. See the following publications for more details: IEEP, 2018. Plastic Pollution in Soils, https://ec.europa.eu/eip/agriculture/en/find-connect/project-ideas/plasticpollute-soil; Machado et al. 2018. Microplastics as an emerging threat to terrestrial ecosystems. Global Change Biology, 2018; DOI: 10.1111/gcb.14020.</p> <p data-bbox="272 575 1166 726">STAP recommends that a detailed analysis of the expected global environmental benefits from the project be carried out at the project preparation stage. The current estimates of GEBs are mainly based on assumption given that the specific sectors, businesses, or products that the project will focus on have not been concretely identified.</p>	<p data-bbox="1203 235 1432 1449">EBRD welcomes STAP comment on programme?s potential contribution to the GEF land degradation focal area given its focus on agriculture and plastics. The project will work with Companies in plastic supply chain including agricultural processing companies to reduce and phase out plastic inputs in products and packaging materials. During project implementation phase, two potential sub-projects have been identified with expected global environmental benefit as reduction of plastics entering into ocean systems. The indicative sub-projects are not expected to provide any measurable direct global environmental benefit related to land degradation indicators.</p> <p data-bbox="1203 1491 1432 2091">During project preparation phase, the EBRD has engaged with various stakeholders including private sector companies and public institutions in target Countries. As a result of these engagements, an indicative pipeline of eligible sub-projects have been identified. A detailed analysis of expected global environmental benefits from each</p>

2. Council Comments: Germany

Council Comments:	EBRD Response:
<p>Germany requests that the following requirements are taken into account during the design of the final project proposal:</p> <ol style="list-style-type: none"> 1) Germany requests alignment of the full proposal with the waste hierarchy as set out in the EU Waste Framework Directive. In that sense, the expected outputs under component 1 should specify a minimum/maximum number of investments in technologies/business models that predominantly ?reduce?, ?reuse?, ?recycle? or ?recover? material waste. 2) Germany recommends giving more importance to promoting gender equality by including a quantitative target for gender involvement (such as adhering to a gender quota for technical assistance measures or implementing a set amount of trainings for women in the sector). 3) Germany recommends further defining the definition of ?truly biodegradable? under output 2.2. 4) Germany recommends refining the assessment of potential synergies and identification of suitable coordination options for the full proposal to avoid duplication and maximise complementarity of efforts. Among others, EBRD should coordinate with the German bilateral project ?Integrated waste management and marine litter prevention in the Western Balkans?. 	<ol style="list-style-type: none"> 1) The Project?s approach to improved materials management will be fully in line with the EU Waste Framework Directive (2008/98/EC) as amended in 2018. The European Union's approach to waste management is based on the waste hierarchy which sets the following priority order when shaping waste policy and managing waste at the operational level: prevention, (preparing for) reuse, recycling, recovery and, as the least preferred option, disposal (which includes landfilling and incineration without energy recovery). Under Output 1.1, approximately 10 circular economy projects are expected to be supported, all of which will implement technologies/business models that predominantly ?reduce?, ?reuse?, ?recycle? or ?recover? material waste. This is reflected in the Project?s financial structure as ?Milestone 1: technology implementation?. 2) Gender responsive activities will be integrated into technical assistance projects on a case by case basis. Please refer to Gender Action Plan for details. 3) Output 2.2 is regarding providing technical assistance to Project beneficiaries in order to develop a roadmap for the companies to implement/introduce circularity in their business strategy. From a circular design perspective, the technical assistance will also assess the potential of switching to alternative feedstock which may be biodegradable, especially for plastics producers. When the opportunity for supporting such investments arise, the Bank will seek to understand if such materials conform to the current standards for industrially compostable materials (such as EN13432, ASTM D6400 and D6868). 4) Integrated Waste Management and Marine Litter Prevention in the Western Balkans project is being implemented by the GIZ in Albania, Bosnia and Herzegovina, and Montenegro. The focus of implementation is on regional cooperation and knowledge sharing between national institutions, communities and companies. At the local level, partner communities and organisations in Albania, Bosnia and Herzegovina and Montenegro receive support in the form of the requisite equipment (such as containers for collecting recycling materials separately), which helps to improve the collection of recycling materials and waste. The Circular Economy Regional Initiative will be complementary to the GIZ project as it can support municipalities, municipal companies and private companies for implementing larger integrated waste management projects. The EBRD will actively engage and inform the GIZ regarding its Project activities in the Western Balkans to maximize the complementarity of efforts.

3. Council Comments: USA

Council Comments:	EBRD Response:
<p>1) We are very supportive of this effort to scale-up circular economy initiatives in Serbia. The United States Environmental Protection Agency (U.S. EPA) has recently supported the creation of the Serbian Center for Excellence for Circular Economy and Climate Change and visited Serbia on behalf of the Municipal Solid Waste Initiative of the Climate and Clean Air Coalition (CCAC), which supported the formation of the Center for Excellence to promote best practices for waste reduction.</p> <p>2) We encourage the GEF and EBRD to remain sensitive to the evolving political and economic landscape around circular economy projects in Serbia. These include the ongoing policy debate around a proposed bottle deposit system, and the new waste management strategy for 2019 to 2024 drafted by the Serbian Ministry of Environmental Protection (MEP).</p> <p>3) Efforts to support capacity within the Group for Circular and Green Economy recently formed by the MEP may be helpful. We would also suggest greater involvement by CSOs and local communities in the process of targeting industries for funding or provide assistance in identifying the greatest opportunity for source reduction and waste minimization, and specifically advocate that their involvement go beyond receiving information resulting from the project. Finally, is there the opportunity to invest in existing infrastructure and industry to increase efficiency and reduce inputs into production? It could help add emphasis to the concept of re-using what exists instead of having to use significant natural resources to build new infrastructure and industrial facilities.</p>	<p>1) Center of Excellence for Circular Economy and Climate Change has been founded by Serbian Solid Waste Association (SeSWA) with the support of United States Environmental Protection Agency (USEPA) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), with the base in Novi Sad, Serbia. The EBRD will actively engage and seek potential cooperation with the Center for Excellence in order to maximize the knowledge management outreach of the Project.</p> <p>2) Due to nature of the Project, the Serbian Ministry of Environmental Protection is one of the primary stakeholders. The EBRD would welcome any enhancements in Serbia's new national waste management strategy and would be interested in exploring the opportunities for supporting the relevant investments to implement the new strategy.</p> <p>3) The Project focuses on transitioning to Circular Economy, where waste management is only one of the components. The Project aims to support investments, which address the full life cycle of products. This also includes brownfield investments, which improve the operational or resource efficiency of the existing infrastructure, and/or production processes of businesses.</p>

4. Council Comments: UK

Council Comments:

4.1 UK colleagues feel that using loans with a results-based interest rate mechanism would not achieve the outcomes projected in the policy paper.

4.2 Albania has regularly drafted and passed environmental protection laws and is partially aligned with the EU acquis (body of common rights and obligations that are binding on all EU countries), but then the government has not made provision within its budget and so implementation/infrastructure and oversight is poor. There is little evidence that transgressing these environmental standards results in prosecution or sanctions. So, enforcement is a major issue that needs to be addressed.

4.3 There seems to be an assumption that there is a network of eco-businesses/eco-infrastructure in existence that simply needs investment. There are some eco-businesses in Albania, which need support but whether this project would be attractive or act as an incentive is unlikely. We understand that the German government has used loans and even grants in the past in support of waste management projects in Albania and although the projects were agreed in principle, the funds were never drawn, and the projects never initiated. This suggests that the problem is not funds, but other factors.

4.4 There are over 199 non-compliant landfills and dumpsites in Albania, which is a major problem particularly those near water sources. It is noted that only 65% of waste is collected and there is no recycling of demolition waste. Economic instruments to promote recycling and prevent waste generation remain limited. There is little political or economic incentive for the local municipalities to close these sites in favour of properly constructed, properly maintained sites, which are perceived to be expensive and adding to the burden of a population already struggling economically, so even where properly organised waste management (whether publicly or privately owned) is in place it is not being used.

4.5 It is noteworthy that municipalities cannot borrow funds to deal with waste

EBRD Response:

1) The Circular Economy Regional Initiative (Project) has been designed to be consistent with the GEF's Programming Directions and Guidelines on the use the Project and Programme Cycle Policy and the NGI Policy. Fundamentally, Non-Grant Instruments (NGIs) can be used in a GEF project that allows the use of funds in a form that has the potential to generate financial returns ? in this Project the GEF funds flow back to the GEF Trust Fund.

The above Policy and NGI Annex note that the GEF encourages the use of NGIs to foster higher leverage and, often, greater private sector engagement. The Project will pilot a new innovative result-based interest rate mechanism to create higher environmental benefits building on the experience and outcomes of the EBRD's programmes. To achieve the Project's key outcomes of (1) Increased investment in circular economy initiatives and (2) Circular economy technologies and strategies mainstreamed in processes and business models, the Project's theory of change is to use GEF concessional funds to blend with and lever other finance (at a x10 ratio) thereby triggering Circular Economy projects that will act as demonstrations that facilitate scale-up and replication of circular economy business models.

The EBRD as a GEF Agency and a Multilateral Development Bank meets all of the GEF's criteria as detailed in ?NGI Annex C: Partner Agency Eligibility to administer Concessional Finance? (reproduced at end of this document).

In addition, this Project meets all of the NGI selection criteria outlined in Annex V attached to the Policy:

Box 1. Summary of the Project's suitability for the GEF NGI

NGI Selection Criteria	Summary of Project's suitability
1. Scalability	The Project is expected to have a demonstration effect in the target countries where circular economy investments are currently undeveloped. The Project will catalyse a market-level transformation towards circular economy in the private sector by promoting the companies to re-consider their production processes, technologies, products and business model. Scale-up will be further supported by targeted knowledge and awareness raising, and linking the Project's beneficiaries and learnings with existing platforms such as the Materials marketplace.
2. Appropriate and enhanced co-financing	Investment co-financing provided by the EBRD and other co-financiers will be USD 140 million. Additional co-financing for technical assistance will be: USD 1.5 million grant and USD

**ANNEX C: Status of Utilization of Project Preparation Grant (PPG).
(Provide detailed funding amount of the PPG activities financing status
in the table below:**

NA

ANNEX D: Project Map(s) and Coordinates

Please attach the geographical location of the project area, if possible.



Country	Geo-Coordinates
Albania	N 41° 19' 39"/ E 19° 49' 8"
Bosnia and Herzegovina	N 43° 50' 55"/ E 18° 21' 23"
Montenegro	N 42° 26' 28"/ E 19° 15' 49"
North Macedonia	N 41° 59' 47"/ E 21° 25' 53"
Serbia	N 44° 48' 14"/ E 20° 27' 54"
Turkey	N 41° 0' 49"/ E 28° 56' 58"

ANNEX E: Project Budget Table

Please attach a project budget table.

Project Budget

Notes

- Please note the below provides a high level budget as developed at the RCE stage.
- The co-financing figures and break down of TA costs, whilst firm estimates remain indicative and subject to change

Expenditure Category	Detailed Description	Component (USD)					Sub-total	M&E	PMC	Total by Type (USD)	Responsible Entity
		Component 1: Implementation of Circular Economy Performance-based Financing	Component 2: Technical Assistance for adopting Circular Economy Technologies and Processes, and Strategies	Component 3: Monitoring and evaluation	Outcome 1: Increased Investment in Circular Economy Initiatives	Outcome 2: Circular economy technologies and strategies mainstreamed in corporate processes and business models					
1. Revolving funds/Seed Funds/Equity	Concessional finance to eligible sub-projects	13,711,468		50,000			13,761,468	See component 3		13,761,468	EBRD
2. Investment mobilised	Co-finance to eligible sub-projects	140,000,000					140,000,000			140,000,000	EBRD
3. Grants	Technical assistance grants to sub-project owners		1,500,000				1,500,000			1,500,000	EBRD
	Circular Economy Assessments		750,000				750,000				
	Circular Economy Strategy and Roadmap Development		672,500				672,500				
	Knowledge management (Outreach events, stakeholder workshops, website, leaflets, etc.)		77,500				77,500				
4. Recurrent expenditures	In-kind contributions			30,000			30,000	See component 3	350,000	380,000	EBRD
Total by Component / Area (USD)		153,711,468	1,500,000	80,000	155,291,468	See component 3			350,000	155,641,468	

ANNEX F: (For NGI only) Termsheet

Instructions. Please submit an finalized termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A of the Call for Proposals that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A of the Call for proposals. Termsheets submitted at CEO endorsement stage should include final terms and conditions of the financing.

GEF ? INDICATIVE TERMSHEET

Project/Program Title	Circular Economy Regional Initiative
Project/Program Number	10328
Project/Program Objective	The Circular Economy Regional Initiative project will address specific barriers to transitioning to circular economy in the Western Balkans and Turkey by catalysing the scale up of circular economy technologies and processes, as well as adoption of circular strategies and business practices.
Countries	Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia, Turkey

Agency presenting the Project	EBRD
Project Financing	Investments in 10+ circular economy projects with a total investment of USD 153.7 million GEF: USD 13,761,468 EBRD Financing ; USD 140,000,000
Currency of the Financing	All local currencies provided by the EBRD [EUR, USD, TRY, RSD, ALL, MKD, and BAM]
Currency Risk	Loans will be made in a currency, where available, which matches the currencies of the Borrowers' cash flows and debt service. If requested by the clients, providing concessional loans in local currency can be considered. In that case, a currency risk would arise. In the last 10 years all local currencies depreciated against USD. The EBRD provides mostly hard currency loans in the Western Balkans and Turkey. In principle, the proposal aims to finance in hard currency.
Co-financing ratio	1:10 (at portfolio level) The co-financing ratio refers to the amount of Non-GEF financing (EBRD and other financiers) to GEF financing dedicated for the circular economy investments. Therefore, any financing for working capital, refinancing or other capex would be out of the ratio calculation definition. Accordingly, in the Project targets a co-financing ratio of 10:1 at the portfolio level. The portfolio level co-financing ration means the total co-financing ration across all the projects. Some smaller projects may require higher levels of concessionality than larger ones. Hence the level of co-financing at the subproject level will vary based on need, risk, technology etc., but we are seeking 1:10 ratio across the combined sub-projects.
Financial additionality of GEF resources	An instrument that targets and incentivizes technology implementation through lower interest rate is very innovative and is otherwise not available to the beneficiaries. A 10-year tenor is not available in the participating countries for the private sector.
Use of proceeds	Development of at least 10 projects (investments) in the private sector focused on innovative resource efficiency technologies and circular models in the Western Balkans, which will be able to create examples across industrial sectors; and at least 2 projects (investments) technologies/circular models in Turkey that have not been demonstrated to date.
Financing instruments	Loans

Terms and conditions for the financing instruments

a) Amount of the loan :

GEF: USD 13,761,468

EBRD: USD 140,000,000

b) Expected Maturity;

GEF : up to 10 years

EBRD : 5-8 years

c) Interest Rate

? GEF pricing will be initially aligned with the EBRD terms, which would be parallel to commercial terms on the market and at fair market price. The interest rate will step down once the milestones are achieved (M1: technology installation, and M2: transformational change to circular economy). The maximum interest rate will depend on the market conditions. Overall, the average interest margin would depend on the achievement and timing of the milestones.

? The margin reduction mechanism would be attractive enough to incentivize the companies to implement the circular economy projects. On the other hand, if a company does not achieve any milestone, the interest margin would stay at market level, which prevents crowding out other private sector financiers at the initial phase.

? The approach for observing/monitoring milestone achievements is different for each milestone and is additional to the regular EBRD portfolio monitoring, which takes place in six month intervals after financial closure.

Milestone 1 ? Technology Installation: The borrower is to notify EBRD after technology installation by submitting satisfactory documentation as evidence; such as technical description, commissioning and start-up protocol, invoices and photos etc.

Milestone 2 ? Transformational change to circular economy: EBRD will provide post-signing technical assistance to the borrower in order to assess the company's current operations and business model (base case) and develop a roadmap for introducing/enhancing circular economy aspects into the Company's business strategy in line with the European Commission's Categorisation System for the Circular Economy. Since each company's base case is different, the monitoring and verification will be conducted on a case by case basis.

The agreed milestones have to be completed during the tenor of the EBRD loan.

In general, Milestone 1 is expected to be achieved before Milestone 2. However, entailing Capex installation, the Milestone 1 achievement would depend on the sector and the project scope and can take longer. In cases where Milestone 2 is achieved before Milestone 1, the interest rate discount mechanism would be adjusted, such that the Milestone 2 achievement would trigger the first discount on the interest rate, and the Milestone 1 achievement would trigger the second discount.

(d) Frequency of reflow repayments:

- o If amortizing - Semi-annual repayments (interest and principal);
- o If bullet ? one repayment (for principal) / Semi-annual repayments

ANNEX G: (For NGI only) Reflows

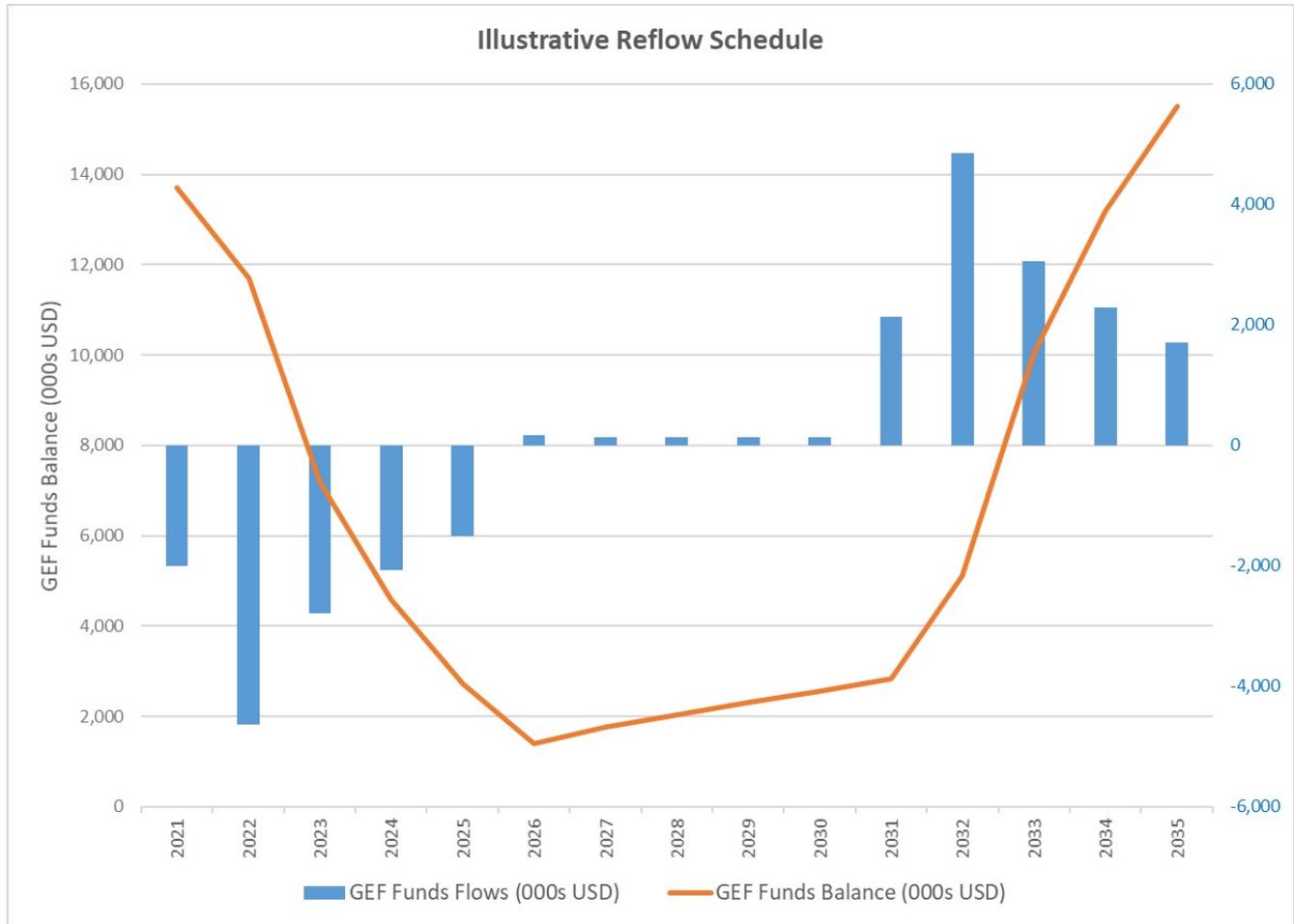
Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals and the Trustee excel sheet for reflows (as provided by the Secretariat or the Trustee) in the Document Section of the CEO endorsement. The Agency is required to quantify any expected financial return/gains/interests earned on non-grant instruments that will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee. Agencies are welcomed to provide assumptions that explain expected financial reflow schedules.

Given that the investments under the Programme have not yet been identified, we provide an illustrative calendar of reflows for a set of hypothetical projects in line with the Programme's design. Some of these projects are at various stages at the EBRD's internal approval process. Information presented here is indicative, as precise reflows are dependent on the project signing date, transaction structure, agreed terms with the client, and successful implementation of specific investments. This is subject to change depending on the development of the pipeline. The GEF Secretariat will be informed of any changes as part of the monitoring arrangements.

Item Data	Item Data
GEF Project Number	10328
Estimated Agency Board approval date	TBD
Investment type description	Loan
Expected date for start of investment	July 2021
Amount of investment (USD GEF funds)	GEF: USD 13,761,468
Amount of investment (USD co-financing)	USD 140 million from EBRD and wider private sector participation.
Estimated interest rate/return	0.5% - 6.0% annually depending on the market conditions. Initial interest rate will be parallel to EBRD loan; discount subject to achievement of two milestones (technology installation and transformational change to circular economy)
Maturity	10 years

Estimated reflow schedule	Principal repayments can take place between January 2022 and July 2035 depending on the repayment method of the sub-projects. Interest payments are expected as of January 2022.
Repayment method description	Amortizing or bullet
Frequency of reflow payments	-If amortizing: Semi-annual repayments (interest and principal) -If bullet: one repayment (for principal) / Semi-annual repayments (for interest)
First repayment date	Depending on the repayment schedule of the first loan structured; however, not earlier than January 2022
First repayment amount	Depending on the size of the first loan structured
Final repayment date	Depending on the repayment schedule of the last loan structured; however, not expected later than July 2035
Final repayment amount	Maximum payment would be USD 13,761,468 + accrued interest
Total principal amount to be paid- reflowed to the GEF Trust Fund	USD 13,761,468
Total interest/earnings amount to be paid-reflowed to the GEF Trust Fund	Depends on the average interest rate; however, not lower than USD 375,000 (assuming minimum interest rate of 0.5% and amortizing loans)

The equivalent grant value of the GEF concessional funding will depend on the EBRD interest rate and ranges between USD 2.0 and 2.5 million for the whole Programme. In the below reflow schedule, the GEF funds balance starts at USD 13.7 million at the beginning of 2021 and finishes at USD 15.5 million at the end of 2040. The increase is due to the addition of interest payments to the principal payments. All sub-projects are assumed to have bullet repayments.



ANNEX H: (For NGI only) Agency Capacity to generate reflows

Instructions. The GEF Agency submitting the CEO endorsement request is required to respond to any questions raised as part of the PIF review process that required clarifications on the Agency Capacity to manage reflows. This Annex seeks to demonstrate Agencies' capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).

Overview: EBRD & Concessional Finance

The EBRD has worked with donors since its start and currently manages relations with a broad and varied donor community of some 50 different partners, primarily governments and multi-lateral organisations. In aggregate terms since 1991, the cumulative amount of extended support stands at about EUR 6.6 billion[1] (EUR 7.6 billion when including allocated net income).

Access to grant funds and concessional finance has proven critical for enabling business operations and to achieve the Bank's transition aims, especially in areas and regions with higher risks and deeper challenges. Not only do they unlock investment opportunities that would not be financed on purely commercial terms, they also make it possible to overcome market and institutional failures where they persist, and address externalities. To safeguard against market distortions, the use of co-investment grants is subject to similar discipline as the use of the Bank's ordinary resources, i.e. promoting the transition to market economies while observing the requirement of additionality.

The Bank's donor-funded portfolio has continued to grow in recent years and grants have become a vital tool to support many of the Bank's operations with many business lines making active use of such resources.

EBRD's work with donors and their funds is guided by a number of Board approved documents[2], notably the "Future Directions for Grant Co-financing" paper (BDS15-079/F), which outlines how the Bank should use grants selectively and strategically, operate as a modern development partner acting in line with best international practice, and be an efficient manager of a sustainable grant business.

For an Overview of our Financial Processes and other relevant information, please see the following documents:

? EBRD Disbursement Handbook for Public Sector Loans

<https://www.ebrd.com/documents/operation-administration/disbursement-handbook.pdf?blobnocache=true>

? Guidelines to Loan Disbursement for Non-Sovereign Operations

<http://www.ebrd.com/downloads/research/guides/guidelines.pdf>

? Please see the following Webpage "EBRD projects: the financing process" and associated links:

<https://www.ebrd.com/work-with-us/project-finance/funding-process.html%20>

? EBRD Project Finance: <https://www.ebrd.com/work-with-us/project-finance.html>

? EBRD Loans Overview: <https://www.ebrd.com/work-with-us/project-finance/loans.html>

? EBRD Basic Documents: <https://www.ebrd.Com/News/Publications/Institutional-Documents/Basic-Documents-Of-The-Ebrd.Html>

? Investor Information webpage with Relevant Links Related To Credit Ratings (Moody's, Fitch, Standard & Poor's), Local Currency; Investor Presentations; And Financial Statements:

<https://www.ebrd.com/work-with-us/capital-markets/investor-information.html>

[GEF Queries and EBRD Response]

(a) Ability to accept financial returns and transfer from the GEF Agency to the GEF Trust Fund;

The EBRD has a long and demonstrable track record to accept financial returns and transfer these to donors, including climate funds such as the GEF, GCF and CTF, amongst others.

The EBRD currently reflows principal, interest and other related fees to the GEF Trust Fund on a quarterly basis per Section 7.1 and Section 12.2 (e) of the FPA.

As required, we can provide examples of these reflow statements from the EBRD to the GEF Trust Fund.

Please see below an overview of the EBRD organisation, including relevant Banking, Donor-Co Financing, Finance & Operations, and Risk & Compliance departments that are involved in the operational use of GEF NGI Funds.

b) Ability to monitor compliance with non-grant instrument repayment terms;

The EBRD is obliged to manage donor funds as prudently as its own funds. In practice, this means that the same broad principles to donor fund risk management as those applied to EBRD's Treasury funds.

Where GEF NGI funds are utilised, these are placed within our loan agreements. Controls are in place to ensure this is the case, whereby both the Donor Co-Financing Team and the Operational Banking Team check these during our review process before these are issued.

The core responsibility for monitoring compliance lies with the Operational Banking Team who oversee repayment terms. The Donor Co-Financing Team also has the capacity to view the status of payments via our DTM banking software. In addition, the Operations Administrations Department oversee the compliance with covenant and conditions precedent, which are specified in the loan agreement. In the eventuality of non-compliance, there are controls and systems in place to escalate the compliance of repayment terms with appropriate teams (i.e. Risk and Corporate Recovery).

Please see below an overview of our investment decisions. GEF NGI terms will be reviewed at project conceptualisation, and will pass through a number of control processes prior to first disbursement. From an operational perspective:

? The monitoring phase begins immediately after Board Approval and continues until repayment or, for equity, divestment

? The monitoring focuses not only on credit elements, but also development milestones agreed with the client (related to e.g. business or environmental targets, changes in corporate governance)

? The additional monitoring elements ensure in-depth understanding of the client's business and increase the probability of identifying problems early.

c) Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds;

The EBRD provides project finance, mainly to the private sector. In 2018 EUR 9.8 billion was invested across 395 projects. Of this 75% was in the private sector and 83% was debt financing. The EBRD has 1,962 active investments. The average loan is EUR 16m. The average equity investment is EUR 15m

with a holding period of seven years. Key sectors include: energy, infrastructure, financial institutions, manufacturing and services, agribusiness, equity funds, ICT and property & tourism.

The EBRD has very strong credit strengths, namely: strong support from diversified global shareholder base; conservative risk management and financial policies; and AAA/Aaa/AAA rating with stable outlook. As a result, the EBRD has the capacity to track financial returns. This is performed by the Banking Operations team. The Summit and DTM software tools help to track expected cashflows and the project status across all funds. The Donor Co-Financing Team may also view the status of the returns via the DTM Banking Software and raise queries in periodic meetings related to the use of GEF Funds, where required.

d) Commitment to transfer reflows twice a year to the GEF Trust Fund:

The EBRD has the systems in place to transfer reflows to the GEF Trust Fund. We currently reflow principal, interest and other related fees to the GEF Trust Fund on a quarterly basis, as per Section 7.1 and Section 12.2 (e) of the FPA.

e) And, in case of NGI for private sector beneficiaries: Track-record of repaid principal and financial returns from private sector beneficiaries to the GEF Agency

The EBRD has a very strong track record in repaid principal and financial returns from the private Sector. Again this would be tracked and overseen by the banking teams who would follow set processes and controls. As the GEF is aware, this is Business as Usual for the EBRD, so please advise if you require further information. Please see the links provided within the document, including the investor presentation.

f) And, in case of concessional finance for public sector recipients: Track-record of lending or financing arrangements with public sector recipients

The EBRD also lends for public sector recipient. The same processes and controls are applied to all EBRD operations and clients.

g) And, in case of concessional finance for public sector recipients: Established relationship with the beneficiary countries? Ministry of Finance or equivalent.

The EBRD has Resident Offices in every country where we lend. It is the responsibility of these offices to maintain strong and constant relationships with the Governments of these countries, including the Ministry of Finance or equivalent. Given the nature of public sector operations, intensive dialogue takes place before any loan is signed to ensure that sovereign or sub-sovereign loans can be guaranteed.

[1] Including contributions to the EBRD managed funds

[2] This includes the Strategic and Capital Framework 2016-2020 (BDS15-013/F), Strategy Implementation Plan: 2017-2019 (BDS16-190/F), Future Direction for Grant Co-Financing (BDS15-079/F), Arrangements for Cost Sharing between Donors and Clients ? Policy Review (BDS14-024/F), Staff Guidelines for the Use of Co-Investment Funds in EBRD operations (2015), Fees for Donor Funds Policy Review (BDS16-014, BDS16-014/Rev 1), the Bank's Operational Manual as well as Country and Sector strategies.