



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

☐ NGI

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)

Executing Partner Type

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

Rio Markers**Climate Change Mitigation**

Climate Change Mitigation 2

Climate Change Adaptation

Climate Change Adaptation 1

Duration

60 In Months

Agency Fee(\$)

1,238,532

Submission Date

8/15/2019

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
CW-1-1	GET	10,321,100	106,410,000
CW-1-2	GET	2,064,220	21,282,000
CCM-1-3	GET	1,376,148	14,188,000
Total Project Cost (\$)		13,761,468	141,880,000

B. Indicative Project description summary

Project Objective

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.

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
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	140,000,000
Component 2: Technical Assistance for Adopting Circular Economy Technologies 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 and processes Output 2.2: Circular economy strategies developed	GET		1,500,000
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	30,000

Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
				Sub Total (\$)	13,761,468	141,530,000
Project Management Cost (PMC)						
				GET		350,000
				Sub Total(\$)	0	350,000
				Total Project Cost(\$)	13,761,468	141,880,000

C. Indicative 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
GEF Agency	EBRD	Grant	Investment mobilized	1,500,000
GEF Agency	EBRD	In-kind	Recurrent expenditures	380,000
Total Project Cost(\$)				141,880,000

Describe how any "Investment Mobilized" was identified

EBRD loans related to circular economy investments will be mobilized. For grants, the EBRD will mobilize funding through Austria and the EU. In-kind contributions from the EBRD will be confirmed during full project preparation.

D. Indicative 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(\$)	Total(\$)
EBRD	GET	Regional	Chemicals and Waste	NGI	12,385,320	1,114,679	13,499,999
EBRD	GET	Regional	Climate Change	NGI	1,376,148	123,853	1,500,001
Total GEF Resources(\$)					13,761,468	1,238,532	15,000,000

E. Project Preparation Grant (PPG)

PPG Amount (\$)

PPG Agency Fee (\$)

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
Total Project Costs(\$)					0	0	0

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)
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0	0	0	0
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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)
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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	0	0	0
Expected metric tons of CO ₂ e (indirect)	15625000	0	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			
Expected metric tons of CO ₂ e (indirect)	15,625,000			
Anticipated start year of accounting	2021			
Duration of accounting	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)
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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	0.00	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 Hexabromocyclododecane (HBCDD)	1,632.00			<input type="checkbox"/>
Select Perfluorooctane sulfonic acid, its salts and perfluorooctane sulfonyl fluoride	333.00			<input type="checkbox"/>
Select Polychlorinated biphenyls (PCB)	35.00			<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			

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			

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			

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			
Male	640			
Total	800	0	0	0

Provide additional explanation on targets, other methodologies used, and other focal area specifics (i.e., Aichi targets in BD) including justification where core indicator targets are not provided

Details are provided in Part II, section 6 “Global Environmental Benefits”.

Part II. Project Justification

1a. Project Description

1b. Project Map and Coordinates

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

2. Stakeholders

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

Indigenous Peoples and Local Communities

Civil Society Organizations

Private Sector Entities

If none of the above, please explain why:

In addition, provide indicative information on how stakeholders, including civil society and indigenous peoples, will be engaged in the project preparation, and their respective roles and means of engagement.

3. Gender Equality and Women's Empowerment

Briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis).

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

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

improving women's participation and decision-making; and/or

generating socio-economic benefits or services for women.

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

4. Private sector engagement

Will there be private sector engagement in the project?

Please briefly explain the rationale behind your answer.

5. Risks

Indicate risks, including climate change, potential social and environmental risks that might prevent the Project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the Project design (table format acceptable)

6. Coordination

Outline the institutional structure of the project including monitoring and evaluation coordination at the project level. Describe possible coordination with other relevant GEF-financed projects and other initiatives.

7. Consistency with National Priorities

Is the Project consistent with the National Strategies and plans or reports and assessments under relevant conventions

If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc

8. Knowledge Management

Outline the Knowledge management approach for the Project, including, if any, plans for the Project to learn from other relevant Projects and initiatives, to assess and document in a user-friendly form, and share these experiences and expertise with relevant stakeholders.

Part III: Approval/Endorsement By GEF Operational Focal Point(S) And Gef Agency(ies)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter with this template).

Name	Position	Ministry	Date
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ANNEX A:

Instructions. Please submit an indicative termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A 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. Termsheets submitted should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. Please ensure that by copying the termsheet in the section of the PIF/PFD, the format allows reviewers to read the content.

GEF – INDICATIVE TERMSHEET

Project/Program Title	Circular Economy Regional Initiative
Project/Program Number	TBD
Project/Program Objective	Catalysing transformational change in the target countries' waste management framework under the circular economy concept. The Project takes a full cycle approach, from minimisation at the source to waste valorisation, reduction and elimination. The Regional Project also aims to scale up the market for waste minimisation investments by addressing existing market barriers as well as mobilising funds for investments with high potential for replicability and minimal market penetration where markets will be defined on a project-by-project basis.
Countries	Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia, Turkey
Agency presenting the Project	EBRD
Project Financing	GEF: USD 13,761,468
Currency of the Financing	All local currencies provided by the EBRD [EUR, USD, TRY, RSD, ALL, MKD, and BAM]

Currency risk	<p>The EBRD provides mostly hard currency loans in the Western Balkans and Turkey. In principle, the proposal aims to finance in hard currency.</p> <p>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 with the following approximate ratios; TRY 78%, RSD 40%, ALL 15%, MKD 27%, and BAM 25%.</p>
Co-financing ratio	<p>1:10</p> <p>The co-financing ratio refers to the amount of Non-GEF financing (EBRD and any B-lender) 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 our proposal we target a co-financing ratio of 10:1.</p> <p>In case the co-financing ratio of an individual project is higher than 10:1, the interest rate reduction mechanism would be adjusted (higher interest margin reduction would be applied) so that the total benefits of the project would be equivalent to that of a co-financing ratio of 10:1. Thus, the benefits of GEF funding would not be diluted from a higher co-financing ratio.</p>
Financial additionality of GEF resources	<p>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.</p>
Use of proceeds	<p>Development of at least 8 projects (investments) 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.</p>
Financing instruments	<p>Loans</p>

Terms and conditions for the financing instruments

- GEF pricing will be initially aligned with EBRD terms, which would be parallel to commercial terms on the market and at fair market price. The interest rate will step down once two (2) milestones (technology installation and transformational change to circular economy) are achieved; however, it will not be less than 0.5% (floor). 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. Please see attached Annex 3 for an example on indicative interest rate discounts on the GEF concessional loan.

- 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 the milestones, the interest margin would stay at market level, which prevents crowding out other private sector financiers at the initial phase. Different amortization schemes would not change the result, since bullet repayment would also interpolate interest margins depending on the date of achieved milestones.

- 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 EBRD's Guidance Note on Circular Economy. Since each company's base case is different, the monitoring will be conducted on a case by case basis.

- Security: secured or unsecured

- Tenor: 10 years

Financial Barriers Addressed	1. Limited access to commercial funding: 2. Early movers disadvantage: 3. Limited access to commercial funding that is structured in a way to incentivise sustainability and green investments: 4. Risk Perceptions
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ANNEX B:

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals. Any financial returns/gains/interests earned on non-grant instruments, 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.

Item Data	Item Data
GEF Project Number	TBD
Estimated Agency Board approval date	TBD
Investment type description	Loan
Expected date for start of investment	1 January 2021
Amount of investment (USD GEF funds)	GEF: USD 13,761,468
Amount of investment (USD co-financing)	USD 140m from EBRD

Estimated interest rate/return	<p>0.5% - 6.0% annually depending on the market conditions.</p> <p>Initial interest rate will be parallel to EBRD loan; discount subject to achievement of two milestones (technology installation and transformational change to circular economy)</p> <p>In case co-financing ratio of a project is higher than 10, the interest rate reduction mechanism will be adjusted (higher interest margin reduction would be applied) so that the total benefits of the project would be equivalent to that of a co-financing ratio of 10. Thus, the benefits of GEF funding would not be diluted from a higher co-financing ratio.</p>
Maturity	10 years
Estimated reflow schedule	From 30 June 2021
Repayment method description	Amortizing or bullet
Frequency of reflow payments	<p>Semi-annual repayments if amortizing;</p> <p>1 repayment if bullet</p>
First repayment date	Depending on the repayment schedule of the first loan structured; however, not earlier than 30 June 2021
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 later than 31 December 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)
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Reflows Schedule

Reflows schedule for amortizing and bullet loans according to the following assumptions;

GEF loan amount: USD 2.0 million

First disbursement date: 1 January 2020

Initial interest margin: 3.0%

Euribor: nil

First milestone achievement date: 30 June 2021

Second milestone achievement date: 1 January 2023

		Amortizing Loan Structure (m USD)			Bullet Loan Structure (m USD)		
Date	Interest Rate	Outstanding Balance	Principal Repayment	Interest Repayment	Outstanding Balance	Principal Repayment	Interest Repayment
01-Jan-20	3.00%	2.00			2.00		
30-Jun-20	3.00%	1.90	0.1000	0.0298	2.00		0.0298
01-Jan-21	3.00%	1.80	0.1000	0.0289	2.00		0.0304
30-Jun-21	1.50%	1.70	0.1000	0.0266	2.00		0.0296
01-Jan-22	1.50%	1.60	0.1000	0.0129	2.00		0.0152
30-Jun-22	1.50%	1.50	0.1000	0.0118	2.00		0.0148
01-Jan-23	0.75%	1.40	0.1000	0.0114	2.00		0.0152
30-Jun-23	0.75%	1.30	0.1000	0.0052	2.00		0.0074
01-Jan-24	0.75%	1.20	0.1000	0.0049	2.00		0.0076
30-Jun-24	0.75%	1.10	0.1000	0.0045	2.00		0.0074
01-Jan-25	0.75%	1.00	0.1000	0.0042	2.00		0.0076
30-Jun-25	0.75%	0.90	0.1000	0.0037	2.00		0.0074
01-Jan-26	0.75%	0.80	0.1000	0.0034	2.00		0.0076
30-Jun-26	0.75%	0.70	0.1000	0.0030	2.00		0.0074
01-Jan-27	0.75%	0.60	0.1000	0.0027	2.00		0.0076
30-Jun-27	0.75%	0.50	0.1000	0.0022	2.00		0.0074
01-Jan-28	0.75%	0.40	0.1000	0.0019	2.00		0.0076
30-Jun-28	0.75%	0.30	0.1000	0.0015	2.00		0.0074
01-Jan-29	0.75%	0.20	0.1000	0.0011	2.00		0.0076
30-Jun-29	0.75%	0.10	0.1000	0.0007	2.00		0.0074
01-Jan-30		-	0.1000	0.0004	-	2.0000	0.0076
TOTAL			2.0000	0.1608		2.0000	0.2400

ANNEX C:

The GEF Agency submitting the PIF or PFD is required to respond to the questions in Annex C of the NGI Program Call for proposals in order to demonstrate its 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).

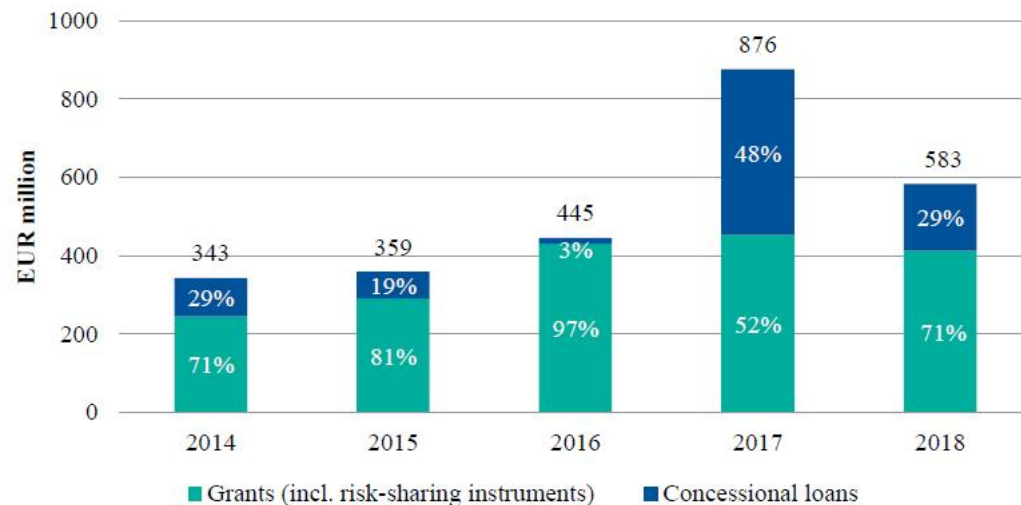
Overview: EBRD & Concessional Finance

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]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.

Chart 1: Inflows of Donor Funds, by type 2014-2018



The 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.

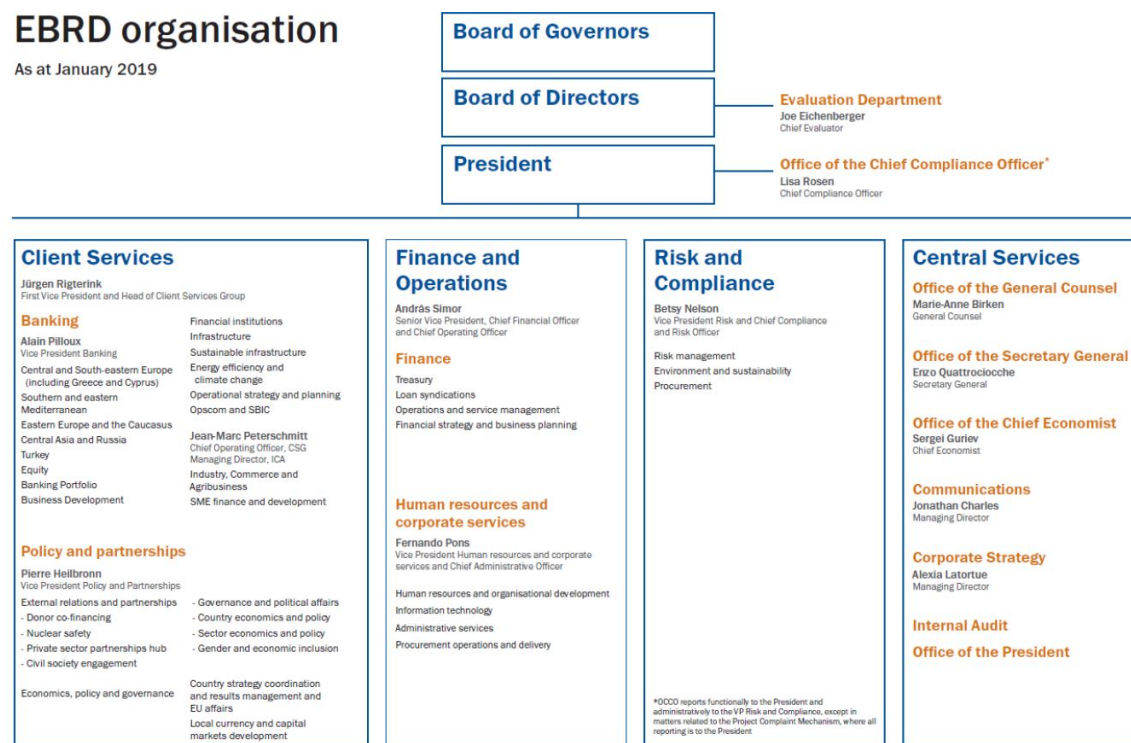
The EBRD currently reflows principal, interest and other related fees to the GEF Trust Fund on a quarterly basis per Section 7.1 and Section 12.2 (e) of the FPA.

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.

EBRD organisation

As at January 2019



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.

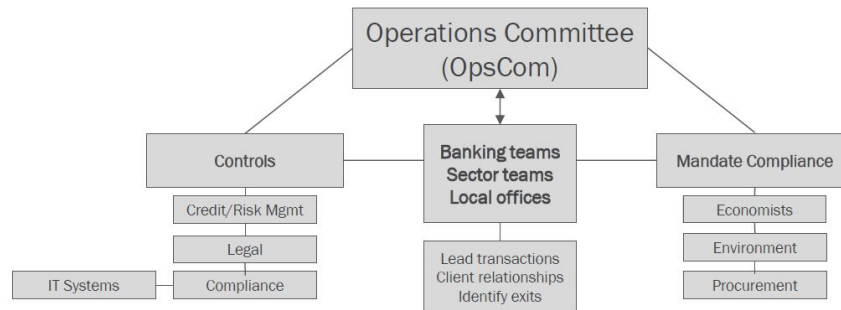
Where GEF NGI funds are utilised, these are placed within our loan agreements. Controls are in place to ensure this is the case, whereby both the Donor Co-Financing Team and the Operational Banking Team check these during our review process before these are issued.

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.

EBRD Investment Decision Operations Committee



- Key operational decision body; committee meetings on a weekly basis
- Comprised of members from Banking, Risk Management, Legal, Operations, Economists' Department and Finance
- Project based decisions on e.g. investments proposals and equity exits
- Decisions require consensus

EBRD Investment Decision Process steps



Documentation required for each stage of approval follows a prescribed format

Concept Review	Structure Review	Final Review	Board Approval	Signing
Initial clearance before allocating resources to a project.	Complex projects return to Ops Com for Structure Review. Norm for e.g. equity investments.	Once key terms have been negotiated and appropriate due diligence has been completed.	Unless approved in a framework, all projects need to be approved by the Board of Directors. Host country has veto right.	Before signing, a closing certificate is signed to record any significant changes since Final Review.

- Rigorous screening and approval process, with early involvement of support units (e.g. Risk Management, Legal, Treasury)
- Included in the process are requirements on e.g. anti money laundering and counter terrorism funding regulations as well as environmental policies

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.