

Circular Economy Regional Programme Initiative (Near Zero Waste)

Review CEO Endorsement and Make a recommendation

Basic project information

GEF ID

10328

Countries

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

Project Name

Circular Economy Regional Programme Initiative (Near Zero Waste)

Agencies

EBRD

Date received by PM

11/26/2020

Review completed by PM

6/18/2021

Program Manager

Avril Benchimol Dominguez

Focal Area

Multi Focal Area

Project Type

FSP

PIF ☐
CEO Endorsement ☐**Part I ? Project Information****Focal area elements**

1. Does the project remain aligned with the relevant GEF focal area elements as presented in PIF (as indicated in table A)?

Secretariat Comment at CEO Endorsement Request

ES, 1/29/2021: Yes, this project is aligned with the CW focal area. The elements on CW are consistent with the PIF and when they have changed justification has been provided.

FB, 1/29/2021: Yes, this project is aligned with the CCM focal area. The project design is consistent with the approved PIF.

Agency Response**Project description summary**

2. Is the project structure/design appropriate to achieve the expected outcomes and outputs as in Table B and described in the project document?

Secretariat Comment at CEO Endorsement Request

ES, 1/29/2021: The design of this project took into consideration the entire value chain and included in the criteria for investment projects up stream options, such as design and production and life extension, in addition to some downstream end-of-life options. However, in looking at the list of potential investment projects for each country the majority focus on end-of-life waste management type investments. It would be good to see more investment going towards upstream activities.

The project in Turkey on HCBD in XPS and EPS foam is not eligible and should be removed. Turkey has a standalone project for this funded by the GEF through UNIDO that is current being reviewed for CEO Endorsement.

The selection criteria for potential investment projects includes waste to energy projects. From the CW focal area the GEF does not typically fund this type of project.

FB, 1/29/2021: Yes, in terms of GHG impacts.

LK 1/30/2021: Please consider the concern regarding the biodegradable wipes project noted below (question #7).

AB 1/31/2021: Project Objective has changed from PiF's; the project also has changed its focus from financing SMEs and the corporate sector (at PIF) to include public sector entities.

This is a significant change since the goal of the NGI is to mobilize private investment. All previous analysis on interest rates incentives provided by EBRD in a separate document **EBRD Responses to Queries from the Global Environment Facility NGI PIFs: Circular Economy (10328) and Agribusiness (10331)- 18 November 2019? were related to private sector companies.** Please explain the change in recipient/borrowers and provide background for that change. If public sector recipients are selected: (i) please provide how these investments will mobilize private sector financing/resources; (ii) please explain the financial additionality for public sector recipients. LOEs are therefore required if recipients are Public Sector entities in these countries.

06/07/2021

All comments addressed.

Agency Response

**GEF Comments
Response**

EBRD

<p>1) The design of this project took into consideration the entire value chain and included in the criteria for investment projects up stream options, such as design and production life extension, in addition to some downstream end-of-life options. However, in looking at the list of potential investment projects for each country the majority focus on end-of-life waste management type investments. It would be good to see more investment going towards upstream activities.</p>	<p>1) Further explanation about the pipeline investments is provided in Section 6, as well as in Section 6.2 relating to the secondary aluminium investment and in Section 6.3 about the investment in the packaging sector.</p> <p>The indicative pipeline includes investments which address the entire value chain of products</p> <p>? Some include both downstream and upstream interventions in product life cycle.</p> <p>? Others focus on interventions in the upstream (product design, alternative material use, secondary material inputs, circular production etc.), while some others focus on downstream end-of-life waste management. Another consideration that is taken into account on selection of indicative pipeline was achieving higher global environmental benefits to meet the project objectives. In particular for the POPs indicator, the project requires including sub-projects which address POPs in waste streams.</p> <p>During the implementation period, the project will seek to balance the number of sub-projects between upstream and downstream measures and have broader intervention with a prioritisation of sub-projects with higher global environmental benefit.</p>
<p>2) The project in Turkey on HBCD in XPS and EPS foam is not eligible and should be removed. Turkey has a standalone project by the GEF through UNIDO that is currently being reviewed for CEO endorsement.</p>	<p>2) We noted this, and decided to remove such investments from the pipeline.</p> <p>After discussions with experts, the project will seek to target phase out and removal of PFOS instead of HBCDs in Turkey. This will avoid overlap.</p>
<p>3) The selection criteria for potential investment projects includes waste to energy projects. From the CW focal area, the GEF does not typically fund this type of project.</p>	<p>3) We have two focal areas for the Project: CW and CCM.</p> <p>Waste to energy project's bioenergy part fits into the objectives of CCM and organic fertiliser production from the by-product of digestors fit CCM.</p> <p>To respond to the concern, the eligibility criteria has been updated to include waste to energy investments only if they are 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.^[1] Additionally, Section 6.2 is updated to confirm that the bioenergy plant investment in the pipeline is in line with the above mentioned criteria.</p>

4) Please consider the concern regarding the biodegradable wipes project noted below.	4) Noted. Further explanation about the biodegradable wipes project provided in the RCE document and our response to comment no. 8.
5) Project objective has changed from PIFs; the project also has changed its focus from financing SMEs and the corporate sector (at PIF) to include public sector entities. This is a significant change since the goal of the NGI is to mobilize private investment. All previous analysis on interest rates incentives provided by EBRD in a separate document "EBRD Responses to Queries from the GEF NGI PIFs: CE -(10328) and Agribusiness (10331)-18 November 2019" were related to private sector companies. Please explain the change in recipient/borrowers and provide background for that change. If public sector recipients are selected : (i) please provide how these investments will mobilize private sector financing/resources; (ii) please explain the financial additionality for public sector recipients. LOEs are therefore required if recipients are Public Sector entities in these countries.	5) Noted. This comment is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to the public sector has now been removed and <i>Table 3 - Circular Economy Regional Initiative eligibility criteria</i> - has been revised. The eligibility criteria now indicates private sector and public-private partnerships (only if the investment is carried out by a private entity)

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

3. If this is a non-grant instrument, has a reflow calendar been presented in Annex D?

Secretariat Comment at CEO Endorsement Request

No: there was an excel sheet the reflow calendar need to be submitted in the format required by the NGI policy; The termsheet was reviewed in the ProDoc and GEF Sec specialist provided comments to that version.

The reflows and termsheet were approved for a 10-year period and should be kept consistent with Council approval.

The reflow calendar should follow the template provided in the NGI policy.

Furthermore, If any recipient is expected to be public sector (i) we need LOEs of each of the countries and (ii) need to align with GEF financing conditions for public sector entities as described in the NGI Policy: GEF/C.47/06 Paragraph 16:

GEF concessional loans under the Pilot	Maturity (Years)	Grace Period (Years)	Annual Principal Repayment Years 11-20 (% of initial principal)	Annual Principal Repayment Years 21-40 (% of initial principal)	Interest
To LDC and SIDS	40	10	2%	4%	0.25%
To Other Recipient Countries	20	10	10%	NA	0.75%

Note: The grant element for concessional loans to LDCs/SIDS is approximately 75%, while it is approximately 45% for other recipient countries. Grant element is calculated using the IDA methodology assuming semi-annual repayments, and 8-year disbursement period, and 6.43% and 6.33% discount rate for softer and harder concessional loans, respectively.

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06/07/2021

All comments addressed.

Agency Response

GEF Comments	EBRD Response
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GEF Comments	EBRD Response
<p>6) The reflow calendar need to be submitted in the format required by the NGI policy; The termsheet was reviewed in the ProDoc and GEF Sec specialist provided comments to that version.</p> <p>The reflows and termsheet were approved for a 10-year period and should be kept consistent with Council approval.</p> <p>The reflow calendar should follow the template provided in the NGI policy.</p> <p>Furthermore, if any recipient is expected to be public sector (i) we need LOEs of each of the Countries and (ii) need to align with financing conditions for public sector entities in the NGI policy; GEF/C.47/06 Paragraph 16.</p>	<p>6) The reflow calendar has been revised in line with the NGI Policy. Please refer to Annex D for updated reflow calendar. The termsheet Annex 4 has been revised and Sec. specialist's comments have been addressed.</p> <p>The reflows and the termsheet has been revised for 10-year tenor and grace in line with Council approval.</p> <p>The reflow table has been revised in line with NGI policy.</p> <p>The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only.</p>

Co-financing

4. Are the confirmed expected amounts, sources and types of co-financing adequately documented, with supporting evidence and a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized, and a description of any major changes from PIF, consistent with the requirements of the Co-Financing Policy and Guidelines?

Secretariat Comment at CEO Endorsement Request

Yes; however if the recipients are public sector entities, EBRD may need to add private sector investment in that section to maintain the goals of the NGI

06/07/2021

All comments addressed.

Agency Response

GEF Comments	EBRD Response
<p>7) Yes; however if the recipients are public sector entities, EBRD may need to add private sector investment in that section to maintain the goals of the NGI</p>	<p>7) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only.</p>

GEF Resource Availability

5. Is the financing presented in Table D adequate and does the project demonstrate a cost-effective approach to meet the project objectives?

Secretariat Comment at CEO Endorsement Request Yes

Agency Response
Project Preparation Grant

6. Is the status and utilization of the PPG reported in Annex C in the document?

Secretariat Comment at CEO Endorsement Request N/A

Agency Response
Core indicators

**7. Are there changes/adjustments made in the core indicator targets indicated in Table E?
Do they remain realistic?**

Secretariat Comment at CEO Endorsement Request

ES, 1/29/2021: The core indicators for CW have been adjusted slightly for which POPs it will address, however the overall number of GEBs has remained the same and is still realistic.

LK, 1/30/2021: The explanation of the marine litter core indicator (50,000 tonnes reduced marine litter) indicates that the reduction will be due in part to a company switching from wet wipes made from polyester and spunlace to wood pulp and biodegradable viscose. As noted in the CER (para 11-13), biodegradable materials are not reliably circular and, therefore, problematic for the environment. Therefore, unless they have proven that the material will reliably and quickly degrade, they will still be creating products that can result in marine litter just of a different material as well as extracting resources for disposable items. The better, circular alternative is to switch to a reusable wipe system in which the wipes are washed and reused thereby reducing production and waste. Also the Annex table indicates the reduction will be 108,000 tonnes reduced marine litter; whereas the table in the CER indicates it will be 50,000 reduced marine litter.

06/07/2021

All comments addressed.

Agency Response

GEF Comments	EBRD Response
8) The explanation of the marine litter core indicator (50,000 tonnes reduced marine litter) indicates that the reduction will be due in part to a company switching from wet wipes made from polyester and spunlace to wood pulp and biodegradable viscose. As noted in the CER (para 11-13), biodegradable materials are not reliably circular and, therefore, problematic for the environment. Therefore, unless they have proven that the material will reliably and quickly degrade, they will be still creating products that can result in marine litter just of a different material as well as extracting sources for disposable items. The better, circular alternative is to switch to a reusable wipe system in which the wipes are washed and reused thereby reducing production and waste. Also the Annex table indicates the reduction will be 108,000 tonnes reduced marine litter; whereas the table in the CER indicates it will be 50,000 reduced marine litter.	<p>8) Further explanation on biodegradability is added to eligibility criteria and Section 6.3 Marine Litter.</p> <p>If the envisaged two investments related to the marine litter indicator are completed, the Project will achieve / go beyond its target for avoiding 50,000 tonnes of marine litter.</p> <p>In line with circular economy principles and waste hierarchy, the EBRD will support investments in biodegradable materials/products only if the 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 safe 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 ensure 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.</p>

Part II ? Project Justification

1. Is there a sufficient elaboration on how the global environmental/adaptation problems, including the root causes and barriers, are going to be addressed?

Secretariat Comment at CEO Endorsement Request

Since the wording in the objective section of the project has changed from PIF stage please be consistent and update it in the termsheet. The new wording suggests that the project primarily focuses on addressing barriers to invest in CE and not to ?catalyze investment?. However, the link between the project and section 1.2 needs to be clearer. Furthermore, the behavioral aspect is not part of the barrier analysis- hence weakening the argument for reduction of interest rate to work.

AB 01/31/2021 How the proposed financial mechanism (reducing interest rates against milestones) will address barriers of investment and cause behavioral change for private companies and public companies?

Since the recipients of the financing now include public sector (PIF version focused on private companies) please explain barrier to invest in CE of these recipients and how the concessional terms of EBRD financing are insufficient to address barriers and why our GEF financing is needed. The financial additionality of GEF resources is key to justify financing.

The NGI was designed with the primary goal to mobilize private sector investment; please provide justification on how financing public sector entities will unleash private sector investment.

06/07/2021

All comments addressed.

Agency Response

GEF Comments	EBRD Response
<p>9) Since the wording in the objective of the project has changed from PIF stage, please be consistent and update it in the term sheet. The new wording suggestion that the project primarily focuses on addressing barriers to invest in CE and not to "catalyze investment". However, the link between the project and section 1.2 needs to be clearer. Furthermore, the behavioural aspects is not part of the barrier analysis-hence weakening the argument for reduction of interest rate to work.</p>	<p>9) Noted. The Project Objective indicated in the term sheet is updated and is now the same as the main document.</p> <p>Behavioural barrier is now added to the barrier analysis Section 1.2. (Table 1 and Table 2).</p>
<p>10) How the proposed financial mechanism will address barriers of investment and cause behavioral change for private companies and public companies?</p>	<p>10) This is now elaborated on ?Section 3 The proposed alternative scenario? with a description of the expected outcomes and components of the project.</p> <p>Concessional support from the GEF will incentivise companies to implement GHG mitigation, POPs avoidance along with other interventions in their environmental practices. The performance financial instrument aims not only to promote implementation of such investments but also incentivise behaviour change (i.e. adopting a corporate circular economy strategy) by offering additional interest rate reductions. Such 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.</p>

GEF Comments	EBRD Response
11) Since the recipients of the financing now include public sector (PIF version focused on private companies) please explain barriers to invest in CE of these recipients and how the concessional terms of EBRD financing are sufficient to address barriers and why our GEF financing is needed. The financial additionally of GEF resources is key to justify financing.	11) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to public sector recipients in the document were removed.
12) The NGI was designed with the primary goal to mobilise private sector investment; please provide justification on how financing public sector entities will unleash private sector investment.	12) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to public sector recipients in the document were removed.

2. Is there an elaboration on how the baseline scenario or any associated baseline projects were derived?

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

3. Is the proposed alternative scenario as described in PIF/PFD sound and adequate? Is there sufficient clarity on the expected outcomes and components of the project and a description on the project is aiming to achieve them?

Secretariat Comment at PIF/Work Program Inclusion

AB: Yes; however there has been significant change in the borrowers, since now public sector could be the recipient of this financing.

Since the goal of the NGI is to mobilize private investment, please elaborate how this public sector recipients will unleash financing/investments from private sector actors.

06/07/2021

All comments addressed.

Agency Response

GEF Comments	EBRD Response
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GEF Comments	EBRD Response
<p>13) Yes; However, there has been significant change in the borrowers, since now public sector could be the recipient of this financing.</p> <p>Since the goal of the NGI is to mobilise private investment, please elaborate how this public sector recipients will unleash financing/investments from private sector actors</p>	<p>13) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to public sector recipients in the document were removed.</p>

4. Is there further elaboration on how the project is aligned with focal area/impact program strategies?

Secretariat Comment at CEO Endorsement Request

ES, 1/29/2021: There is elaboration of how this project aligns with the CW focal area. In general, it is well aligned, see above comments for more details.

FB, 1/29/2021: Yes, this project is aligned with the CCM focal area and the elaboration of activities that will be carried out remains aligned to what described in the PIF. The project allows for the application of a broad approach to mitigation relevant circular economy approaches, based on a list of Best Available Technologies in a number of emission intensive sectors. This is consistent with the CCM-1, Promote innovation and technology transfer for sustainable energy breakthroughs.

Agency Response

5. Is the incremental reasoning, contribution from the baseline, and co-financing clearly elaborated?

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

6. Is there further and better elaboration on the project's expected contribution to global environmental benefits or adaptation benefits?

Secretariat Comment at CEO Endorsement Request

FB: 1/29/2021: Yes, additional details were provided in an annex uploaded in the portal with estimates of emission reductions contributing to the overall expected results under GEF indicator 6.2, which are based on a subset of potential investments. The estimates look reasonable and are accompanied by adequate references.

Agency Response

7. Is there further and better elaboration to show that the project is innovative and sustainable including the potential for scaling up?

Secretariat Comment at CEO Endorsement Request

AB 01/31/2021 Since recipients can now be public sector entities, it is unclear to me how this can be scaled up with private sector.

06/07/2021

All comments addressed.

Agency Response

GEF Comments	EBRD Response
14) Since recipients can now be public sector entities, it is unclear to me how this can be scaled up with private sector.	14) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to public sector recipients in the document were removed.

Project Map and Coordinates

Is there an accurate and confirmed geo-referenced information where the project intervention will take place?

Secretariat Comment at CEO Endorsement Request

AB 01/31/2021 Yes, as accurate as it can be

Agency Response

Child Project

If this is a child project, is there an adequate reflection of how it contributes to the overall program impact?

Secretariat Comment at CEO Endorsement Request

N/A

Agency Response

Stakeholders

**Does the project include detailed report on stakeholders engaged during the design phase?
Is there an adequate stakeholder engagement plan or equivalent documentation for the implementation phase, with information on Stakeholders who will be engaged, the means of engagement, and dissemination of information?**

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

Gender Equality and Women's Empowerment

Has the gender analysis been completed? Did the gender analysis identify any gender differences, gaps or opportunities linked to project/program objectives and activities? If so, does the project/program include gender-responsive activities, gender-sensitive indicators and expected results?

Secretariat Comment at CEO Endorsement Request

Yes.

New Comment 06/02/2021

There is an elaborate gender analysis completed, however the #of female beneficiaries seems extremely low when compared to males and in light of the information shared in this section. Please review number or justify the low number for female beneficiaries vs. male.

Agency Response

As part of the gender activities suggested in the Gender annex, equal opportunity action plans which will be implemented in Companies that benefit from EBRD's investments, will help to promote women's participation and career advancement in the sectors targeted by the project (metals industry, waste recycling, chemicals, etc.).

The figures indicated for indicator 11 draw on the country gender analysis presented in the Gender annex, and reveal the low representation of women in these sectors in the countries targeted by the project. The gender baseline assessments that will also be conducted as part of the gender activities should inform about the situation at the client level, and should enable to revise these figures, when relevant.

Private Sector Engagement

If there is a private sector engagement, is there an elaboration of its role as a financier and/or as a stakeholder?

Secretariat Comment at CEO Endorsement Request

Yes

Agency Response

Risks to Achieving Project Objectives

Has the project elaborated on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved? Were there proposed measures that address these risks at the time of project implementation?

Secretariat Comment at CEO Endorsement Request

Please include currency risk in this section. Since the project has been identified with moderate risk in ESS how does that affect project implementation? Any measure that address that moderate risk?

Please provide the Climate Screening completed.

06/07/2021

All comments addressed.

Agency Response

GEF Comments	EBRD Response
15) Please include the currency risk.	15) Noted. Currency risk has now been added to the risk section.
16) Since the project has been identified with moderate risk in ESS how does that affect project implementation? Any measure that address that moderate risk?	16) Please see the updated ESS Risk annex which elaborates how the moderate risk identified will affect project implementation and measures to address that moderate risk.
17) Please provide the climate screening completed.	17) ESS risk analysis has been expanded. The Climate Risk Screening section was already provided in the document, but has been updated and improved to align with our understanding of STAPs expectations and recent presentations.

Coordination

Is the institutional arrangement for project implementation fully described? Is there an elaboration on possible coordination with relevant GEF-financed projects and other bilateral/multilateral initiatives in the project area?

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

Consistency with National Priorities

Has the project described the alignment of the project with identified national strategies and plans or reports and assessments under the relevant conventions?

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

Knowledge Management

Is the proposed ?Knowledge Management Approach? for the project adequately elaborated with a timeline and a set of deliverables?

Secretariat Comment at CEO Endorsement Request

Yes

Agency Response

Environmental and Social Safeguard (ESS)

Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

Monitoring and Evaluation

Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

Benefits

Are the socioeconomic benefits at the national and local levels sufficiently described resulting from the project? Is there an elaboration on how these benefits translate in supporting the achievement of GEBs or adaptation benefits?

Secretariat Comment at CEO Endorsement Request

Yes.

Agency Response

Annexes

Are all the required annexes attached and adequately responded to?

Secretariat Comment at CEO Endorsement Request

With the exception of the termsheet; the portal does not provide a space to submit it; the review team took the ProDoc team version for the purpose of the CER .

06/07/2021

All comments addressed.

Agency Response Please note, this has since been added to the RCE input fields (which has since been made available in the portal since our last submission.

Project Results Framework

Secretariat Comment at CEO Endorsement Request None.

Agency Response
GEF Secretariat comments

Secretariat Comment at CEO Endorsement Request

Agency Response
Council comments

Secretariat Comment at CEO Endorsement Request Please Include UK comments and EBRD responses that were sent on the day of the GEF Council. Gef Sec can forward you the email received that day from you.

Agency Response

GEF Comments	EBRD Response
18) Please include UK comments and EBRD responses that were sent on the day of the GEF council. GEF Sec can forward you the email received that day from you.	18) Noted. The UK comments have now been added to the Annex

STAP comments

Secretariat Comment at CEO Endorsement Request Agency Responded satisfactorily.

Agency Response
Convention Secretariat comments

Secretariat Comment at CEO Endorsement Request

Agency Response
Other Agencies comments

Secretariat Comment at CEO Endorsement Request N/A

Agency Response
CSOs comments

Secretariat Comment at CEO Endorsement Request N/A

Agency Response
Status of PPG utilization

Secretariat Comment at CEO Endorsement Request N/A

Agency Response
Project maps and coordinates

Secretariat Comment at CEO Endorsement Request

Agency Response
Does the termsheet in Annex F provide finalized financial terms and conditions? Does the termsheet and financial structure address concerns raised at PIF stage and that were pending to be resolved ahead of CEO endorsement? (For NGI Only)

Secretariat Comment at CEO Endorsement Request
Termsheet provided in the ProDoc:

Indicative termsheet from PIF stage should be updated with the latest wording, figures and project details as described in the CER (namely in description of Output 1.1 and Reflow table; Project/Program objective should be the same in the termsheet as in the CER objective section.

Please explain what you mean by Co-financing 1:10 at portfolio level vs. project level since you include the following paragraph: *?In case the co-financing ratio of an individual project is higher than 10:1, the interest rate reduction mechanism could be adjusted (higher interest margin reduction to 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.?*

- Currency Risk section should be in the Risk Section of the CER

- Tenor approved at PIF level is 10 years and should be the same for all recipients. The sentence: *?up to 10 years for the private sector, while for the public sector, tenor/grace period will be aligned with the EBRD loan?s terms?* deviates significantly from what was approved by Council. Please note that terms and conditions for public sector follow NGI Policy: GEF/C.47/06 Paragraph 16.

No justification in project background has been provided: i.e. how public sector recipients face same barriers and how having public sector recipients will mobilize private sector investment, since the goal of NGI is mobilize PS resources.

- Terms and conditions of the loans should describe terms and conditions both for private sector and public sector recipients-if you were to maintain public sector borrowers-. As is, the whole section of Terms and Conditions of the financing instruments seem to be for private sector recipients. Please update.
- Use of proceeds section should include wording on the borrowers: i.e. private sector companies and public sector.
- Please explain the change between B-lenders and ?other Financiers?
- The concessional component cap (US\$ 2 million or 30% of the circular economy investment size) should maintain co-financing ration of 1:10 as described in the termsheet
- The reflow repayment schedule should be provided in the format asked in the NGI policy ?which was already used for PIF submission. The same format is required here.
- i.e.

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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Agency Response

GEF Comments	EBRD Response
19) Indicative termsheet from PIF stage should be updated with the latest wording, figures and project details as described in the CER (namely) in description of Output 1.1 and Reflow table; Project/Program objective should be the same in termsheet as in the CER objective section.	19) The term sheet has been updated, including with the latest wording from the Project Objective. The project financing in terms sheet is updated in line with Output 1.
20) Please explain what you mean 1:10 at portfolio level vs. project level since you include the following paragraph: "In case the co-financing ratio of an individual project is higher than 10:1; the interest rate reduction mechanism could be adjusted (higher interest margin reduction to 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 diluted from a higher co-financing ratio"	20) <i>"In case the co-financing ratio of an individual project is higher than 10:1; the interest rate reduction mechanism could be adjusted (higher interest margin reduction to be applied) so that the total benefits of the project would be equivalent to that of a co-financing ratio of 10:1?"</i> The co-financing ratio will be 1:10 at portfolio level. The level of concessional loan in each sub-project will be determined according to the rules in Annex 5: Concessional Loan Calibration provides details on how the concessional loan will be determined per sub-project. By portfolio we mean the total co-financing ratio across all the projects. Some smaller projects may require higher levels of concessional loan 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. Due to this sentence being confusing we have removed it (we had done this previously in the term sheet but forgot to remove it in the main body of the RCE.)
21) Currency risk section should be in the risk section of the CER.	21) Noted. Currency risk was moved to risk section of the CER.

GEF Comments	EBRD Response
22) Tenor approved at PIF level is 10 years and should be the same for all recipients. The sentence: "up to 10 years for the private sector, while for the public sector, tenor/grace period will be aligned with the EBRD loan's terms" deviates significantly from what was approved by Council. Please note that terms and conditions for public sector follow NGI Policy: GEF/C.47/06 Paragraph 16.	22) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to public sector recipients in the document were removed.
23) No justification in project background has been provided. How public sector recipients face same barriers and how having public sector recipients will mobilize private sector investment, since the goal of NGI is mobilize PS resources.	23) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to public sector recipients in the document were removed.
24) Terms and conditions of the loans should describe terms and conditions both for private and public sector recipients-if you were to maintain public sector borrowers. As is, the whole section of Terms and Conditions of the financing instruments seem to be for private sector recipients. Please update.	24) The comment regarding public sector recipients is no longer applicable as EBRD decided to proceed with targeting the private sector only. All references to public sector recipients in the document were removed.
25) Use of proceeds section should include wording on the borrowers: i.e private sector and public sector	25) Noted. The use of proceeds section in the term sheet now explicitly mentions private sector.
26) Please explain the change between the B-lenders and "other Financiers".	26) B-lenders is an EBRD terminology to define other financiers in syndicated loan facilities. Other financiers refer to other financial institutions such as private banks, IFIs, etc.
27) The concessional component cap (USD 2 m or % 30 of CE investment size) should maintain co-financing ratio of 1:10 as described in the termsheet.	27) Co-financing ratio will be kept 1:10 at portfolio level alongside cap of USD 2m and maximum 30% of the circular economy investment size at sub-project level. Please note, as mentioned some projects are larger than others, and some require greater levels of concessionality to incentivize action. We are targeting a 1:10 ratio at the overall project level, and will report against this in the annual reports, MTR and Terminal Evaluation. Please refer to the indicative pipeline in "GEF CE Reflow Final Review" file.
28) The reflow payment schedule should be provided in the format asked in the NGI policy-which was already used for PIF submission. The same format is required here.	28) The reflow payment schedule table has been revised in line with the policy and PIF submission.

Do the Reflow Table Annex G and the Trustee Excel Sheet for reflows provide accurate reflow expectations of the project submitted? Assumptions for Reflows can be submitted to explain expected reflows. (For NGI Only)

Secretariat Comment at CEO Endorsement Request

AB 01/31/2021 Please provide the calendar in the format described in the NGI policy.

Additional comments 06/07/2021

Please clarify language on the reflow schedule on the timing for interest rate payments to GEF TF: as described in the termsheet interest rates are paid semi-annually, however in the section " Frequency of reflow payment" we mention only repayments of principal if amortizing; please include the timing for interests repayment to the GEF TF.

Agency Response

Additional comments 06/07/2021

We have clarified this in Annex D (Calendar of Expected Reflows) and the Term Sheet as follows;

?Frequency of reflow payments:

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

29) Please provide the reflows calendar in the format described in the NGI policy.	29) The reflows calendar has been revised in line with NGI po
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Did the agency Annex H provided with information to assess the Agency Capacity to generate and manage reflows? (For NGI Only)

Secretariat Comment at CEO Endorsement Request

Agency Response

GEFSEC DECISION

RECOMMENDATION

Is CEO endorsement recommended? (applies only to projects and child projects)

Secretariat Comment at CEO Endorsement Request

Review Dates

	Secretariat Comment at CEO Endorsement	Response to Secretariat comments
First Review	1/31/2021	
Additional Review (as necessary)	6/7/2021	
Additional Review (as necessary)	6/18/2021	
Additional Review (as necessary)		
Additional Review (as necessary)		

CEO Recommendation

Brief reasoning for CEO Recommendations

The Circular Economy Regional Initiative project will provide concessional funding that seeks to scale up circular economy initiatives for private sector entities (mostly SMEs) in the Western Balkans and Turkey. The project's innovative financial mechanism will focus on addressing barriers to investments in circular economy technologies and processes by rewarding behavior change with interest rates reduction and technical assistance.

The project seeks to replace the "end-of-life" concept for a circular approach, eliminating the use of toxic chemicals that impair reuse, and aiming at the elimination of waste through the superior design of materials, products, systems and business models. The financing structure includes a concessional loan from the GEF, for an amount of \$13.7 million and EBRD co financing for \$140 million, which results in a co-financing ratio of 10 to 1. The GEF financing is instrumental to create a results-based financing mechanism whereby interest rates will be reduced when companies achieve pre-defined

milestones to achieve circular economy. The loan will be provided in coordination with EBRD technical assistance aimed at identifying circular economy processes and practices that can deliver transformational change. The project expects to deliver 50,000 MT of marine litter avoided, 6.3 million tCO₂eq in direct emission reductions and over 15.0 million tCO₂eq in indirect emission reductions, and disposal/avoidance of 10,000 MT of POPs contaminated material which has an estimated POPs content of 2,000 MT. The interventions will also reduce 75 gTEQ of unintentionally produced persistent organic pollutant.

COVID-19 risks have been addressed, given the role of the EBRD through its investment, policy advice to local governments, can play a systemic role in supporting the 'building back better' agenda and provide policy advice will aim to ensure an inclusive and gender sensitive crisis response, strengthen good governance and safeguard the shift to the green economy.