GREEN ECONOMY TRANSITION AT THE EBRD: Supporting SMEs in Adaptation to Climate Change

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What is the EBRD

- Multilateral financing institution established in 1991 to support transition to market economies
- Owned by 66 countries, the EU and the EIB

- €30 billion capital base
- €41 billion portfolio
- €9.7 billion of financing signed in 2017

3 key operational principles
- Sound banking
- Transition impact
- Environmental sustainability
The EBRD mandate and the Green Economy

How projects are assessed at the EBRD

Credit, financial and market risks

Environmental and social risks
  Civil society engagement
  Integrity

Market transition impact
  Additionality

Potential for Green Economy Transition
The GET is EBRD’s strategy to mainstream across the activities of the Bank, and to increase the share of Bank business represented by projects which have beneficial impacts on the environment or in terms of climate change. Green projects can be from the following areas:

- Energy efficiency
- Renewable energy
- Water efficiency
- Resilience to climate change
- Waste minimisation and material efficiency
- Pollution control and environmental compliance
The EBRD GET Adaptation

€1,496 million since 2011 invested in dedicated GET adaptation finance.

205 projects signed with €5.3 billion of total ABI made more climate resilient

By region (€ in million)

<table>
<thead>
<tr>
<th>Region</th>
<th>Amount (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Asia</td>
<td>337</td>
</tr>
<tr>
<td>Central Europe and the Baltic states</td>
<td>44</td>
</tr>
<tr>
<td>Eastern Europe and the Caucasus</td>
<td>81</td>
</tr>
<tr>
<td>Russia</td>
<td>32</td>
</tr>
<tr>
<td>South and Eastern Mediterranean (SEMED)</td>
<td>343</td>
</tr>
<tr>
<td>South-Eastern Europe</td>
<td>399</td>
</tr>
<tr>
<td>Turkey</td>
<td>237</td>
</tr>
<tr>
<td>Cyprus and Greece</td>
<td>18</td>
</tr>
<tr>
<td>Regional</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>1,496</td>
</tr>
</tbody>
</table>

By sectors (€ in million)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial institutions</td>
<td>77</td>
</tr>
<tr>
<td>Municipal &amp; Environmental Infrastructure</td>
<td>935</td>
</tr>
<tr>
<td>Power and Energy</td>
<td>192</td>
</tr>
<tr>
<td>Transport</td>
<td>128</td>
</tr>
<tr>
<td>Agribusiness</td>
<td>62</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>51</td>
</tr>
<tr>
<td>Property and Tourism</td>
<td>23</td>
</tr>
<tr>
<td>Manufacturing and Services</td>
<td>14</td>
</tr>
<tr>
<td>ICT</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>1,496</td>
</tr>
</tbody>
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The EBRD business model &
Examples of green financing instruments

EBRD
(+OTHER)
COMMERCIAL
FINANCING

POLICY
DIALOGUE

TECHNICAL
ASSISTANCE

CONCESSIONAL
CO-FINANCING

FINTECC
Advance climate
technology transfer in
the corporate sector.

Green
Economy
Financing
Facilities
Green financing via local
partner banks and other
financial institutions

Sustainable
Value
Chains
Planned approach to
foster sustainability
along the value chains
of large corporates.
The Finance and Technology Transfer Centre for Climate Change (FINTECC) facilitates technology transfer to private companies in countries where advanced solutions have low market penetration rates.

FINTECC grants cover up to 25% of the costs of eligible technologies. Examples include:

- Tri-generation, high-grade thermal insulation, heat pumps, energy efficient cooling systems,
- Water recycling systems and advanced irrigation
- Carbon dioxide recovery systems, by-pass dust recycling, other material saving technologies in manufacturing.

FINTECC is supported with technical assistance assignments such as:

- Energy and resource audits to enhance companies’ green investment plans
- Ascertaining that financed technologies are eligible for FINTECC grants
- Assessments of local technology markets and building of knowledge sharing networks.

Currently active in the Caucasus countries and Central Asia, Egypt, Jordan, Lebanon, Morocco, Tunisia and Ukraine.

- **36 projects** supported since 2013
- **€9 million** grants and EBRD green lending of €147 million
- **130,000 tonnes CO₂** in estimated annual emission reductions
- **1.6 million m³** of estimated annual water savings.
FINTECC example: Morocco
Producing sustainable agricultural products

CLIENT AND PROJECT
Elephant Vert is a Morocco-based producer of innovative bio-fertilisers, bio-pesticides and bio-stimulants. The EBRD is supporting the company to boost research and development and to quadruple production capacity, marketing and distribution of these climate-friendly agricultural inputs.

FINANCING PLAN
EBRD loan € 24 million
Other financing sources € 27 million
FINTECC grant support € 0.4 million

A new bio-fertiliser production site benefits from partial grant support from EBRD’s Finance and Technology Transfer Centre for Climate Change programme. FINTECC aims to accelerate the uptake of advanced resources efficiency technologies in countries with low market penetration rates.

GREEN ECONOMY IMPACT
Bio-fertilisers are produced by recycling organic agricultural and municipal wastes. This reduces landfill volumes and contributes to a low-carbon circular economy.

• 2.5 tonnes of waste are recycled to produce 1 tonne of bio-fertiliser. The project will enable the recycling of 3% of Morocco’s annual municipal waste.
• Unlike chemical fertilisers which lead to loss in soil fertility and leaching, bio-fertilisers enhance soil fertility and reduce irrigation water use by 50%.
• Greenhouse gas emission reductions of over 150,000 tonnes of CO₂ are estimated from avoided landfilling and the replacement of chemical fertilisers.

Photo credit: www.elephant-vert.com
Through GEFFs, the EBRD offers credit lines to local partner financial institutions (PFIs) to finance small and mid-sized green projects.

Working via Partner Financial Institutions:
- Enables outreach to many small and medium-sized green opportunities
- Develops durable local financing markets by raising the capacity of PFIs to recognise green opportunities in the long-term.

GEFFs bring together:
- Credit lines to PFIs to be channelled to end-borrowers
- PFI capacity raising: training staff to recognise green opportunities, enhanced marketing outreach, targeted green financing products
- Project development support: direct assessment of larger-scale projects; online databases of pre-approved technologies for small-scale projects
- Incentive payments to end-borrowers or blended soft loans, aimed at addressing first-mover and affordability barriers (grant intensity is relatively low).

Find out more at: www.ebrdgeff.com
CLIMATE ADAPTATION FOCUS
Tajikistan is highly water stressed and vulnerable to future changes in river runoff and glacier melt via impacts on soil erosion and its hydro-based electricity system.
Launched in 2016, ClimAdapt provides financing to enterprises and households via local banks and microfinance institutions.
The programme targets energy efficiency, water use efficiency in agriculture and sustainable land management practices.

BLENDED CLIMATE FINANCING
- EBRD credit lines to local financial institutions: US$ 5 million
- Concessional blended financing from the Pilot Programme for Climate Resilience: US$ 5 million
- Technical assistance support from UK DFID and the EBRD Early Transition Countries Fund: €2.25 million

RESULTS TO DATE (2016-H1 2018)
- 5 participating local banks and microfinance institutions
- 3,000+ sub-projects financed
- 50 GWh/year primary energy savings
- 13 million m³ of water/year in avoided water consumption.

PROJECT EXAMPLE
- US$19,000 ClimAdapt loan in local currency to a family-owned agribusiness in the south of the country.
- The construction of a new greenhouse with drip irrigation system, for growing vegetables in winter.
- 950 m³ in estimated annual water savings and an increase in vegetable yield of 35%
- Payback period of 3 years.

Find out more at: www.climadapt.tj
Sustainable value chains

Approaches to enhancing sustainability along the value chains of large companies, leveraging the EBRD expertise in working directly with large corporates as well as providing support to SMEs.

Sustainable value chain programme includes:

- Large corporate client acts as an “aggregator”
- Mid-caps and SMEs along the value chain
- Lower value-added SMEs in the supply chain

Examples of financing arrangements:

- Direct financing of the aggregator, to be channelled to suppliers.
- Direct financing or intermediated financing of suppliers.
- Dedicated fund structure to provide blended finance along the supply chain.

Examples of areas of intervention:

- Investment in energy and water efficiency technologies.
- Introduction of more advanced agribusiness management practices such as conservation agriculture.
- Innovation of packaging solutions for elimination / minimization of plastic packaging use.
- Improved logistics management.

Value Chain ▲ Direct EBRD Financing ➔ Technical Assistance ➔ Concessional financing ➔ Intermediated financing

Green investment plans

- Technical assistance for mitigation of environmental, sustainability and health and safety risks, green investments.
- Potential to selectively deploy concessional financing for innovative technologies.
GLOBAL CHALLENGE

Plastic waste has become one of the most challenging issues in terms of far-reaching adverse effects on ecosystems, food chains and health.

Plastic packaging in retail is ubiquitous due to advantages of impermeability, hygiene and ease of transportation.

Given changes in public perception and emerging regulation, packaging know-how is an emerging area of competitive advantage. Innovation to tackle the issue of plastic packaging is required along the entire packaging value chain.

EBRD ACTIVITIES

• Planned study of best practice packaging solutions and specification by aggregators (like retailers) and work to identify infrastructure and policy gaps;

• Promotion of preventive measures that tackle plastic packaging in the food and beverage industry in the Western Balkans coastal countries; in partnership with the United National Environment Programme Mediterranean Action Plan.
THANK YOU

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The EBRD business model

**EBRD (†OTHER) COMMERCIAL FINANCING**
- EBRD direct finance: loans, equity investments or guarantees
- Mobilising additional commercial sources
- Indirectly via local partner financial institutions: lending, leasing

**POLICY DIALOGUE**
- Working with governments on optimum legislation for green investments
- Supporting the development of legal instruments and best practice guidelines

**CONCESSIONAL CO-FINANCING**
- For eligible investments which face particular barriers:
  - Targeted facilities priced below market terms
  - Selective partial investment grants or incentive payments
  - First-loss cover, guarantees

**TECHNICAL ASSISTANCE**
- Resource efficiency audits
- Climate vulnerability assessment
- Capacity building for local financial institutions (staff training, marketing, green retail lending products)

**For eligible investments which face particular barriers:**
- Project structuring support (e.g. tendering, monitoring)
- Support to adopt operational or CSR-type standards (energy management, buildings certification, reporting)