

Annual Progress Report

Project title: Financing Energy Efficiency and Renewable Energy Investments for Climate Change Mitigation

Project number: IMIS: GFL-2328-2721-4961 PMS: GF/4040-07-02

Project documents: UNECE had concluded agreements with each donor organization on funding and implementation of the project. The table below indicates dates of signature of the project documents with donor organizations.

United Nations Foundation/ UN Fund for International Partnership	22 September 2006
United Nations Environment Programme/Global Environment Facility	1 March 2007
Fonds Français pour l'Environnement Mondial (FFEM)	27 April 2007

Project manager/s:

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Project starting date: 1 January 2008

The project starting date remains 1 January 2008 due to later signature of the project documents (see above) and disbursement of funds from the respective donors for the first year of project implementation.

Project completion date: 31 December 2011

Reporting period: 1 January – 31 December 2008

Purpose:

Summary of main objectives and expected outcomes as per approved project document

This project is to assist the participating countries to enhance their energy efficiency, diminish fuel poverty arising from economic transition and meet international environmental treaty obligations under the UN Framework Convention on the Climate Change (UNFCCC) and the UNECE. It will provide a pipeline of new and existing projects dedicated to public private partnership investment funds. The project will establish an expanded and enhanced network of selected municipalities linked by advanced Internet communications with international partners for value added information transfers on policy reforms, financing and energy management. It will provide case study investment projects in renewable energy technologies, electric power and clean coal technologies. The project is intended to (i) identify and develop investment projects and strengthen capacities of a network for the development of energy efficiency; (ii) institutional strengthening and provision of assistance to municipal authorities and national administrations to introduce economic, institutional and regulatory reforms needed to support these investments projects; and (iii) provide opportunities and support banks and commercial companies to invest in these projects through professionally managed investment funds. This project is to promote a self-sustaining investment environment for cost-effective efficiency projects for carbon emissions trading under the UNFCCC Kyoto Protocol.

Project budget:

The total project budget comprises of US\$ 10,950,000 where US\$ 3,200,000 is the UNECE in-kind contribution and the rest of amount is the funds provided by respective donors. The expected contributions from donors are listed in the table below:

<i>Source of funding</i>	<i>Amount (US dollars)</i>
United Nations Foundation	2,000,000
Fonds Français pour l'Environnement Mondial (FFEM)	2,500,000
UN Environment Programme/ Global Environment Facility	3,000,000
European Business Congress	250,000
UN Economic Commission for Europe "in-kind" funding*	3,200,000
Total budget:	10,950,000

* The funding includes "in-kind" contribution of UNECE Secretariat in the amount of US\$ 2,000,000 and contribution of participating countries in the amount of US\$ 1,200,000.

Project operations:

The receipt of funding from donors allowed the beginning of project implementation. In particular, each donor organization made the first disbursement of funds in the following amount:

<i>Donor organization</i>	<i>Date of receipt</i>	<i>Amount (US dollars)</i>
European Business Congress	December 2006	261,500.00
UN Environment Programme/ Global Environment Facility	September 2007	750,000.00
Fonds Français pour l'Environnement Mondial (FFEM)	October 2007	705,250.00
United Nations Foundation	In 3 installments	608,375.00
TOTAL:		2,325,125.00

The table with more detailed information on funds provided by each donor is presented below. It also reflects the scheme for the provision of funds by UN Foundation where the total amount of US\$ 608,375.00 consisted of the following funds: US\$ 352,625.00 (½ match of funds provided by the FFEM), US\$ 130,750.00 (½ match of funds provided by EBC) and US\$ 125,000.00 (¼ match from US\$ 500,000.00 as contribution to the parallel funding provided by UNEP/GEF based on Grant Modification/Technical Adjustment with UNF dated 16 January 2007).

<i>Project implementation</i>	<i>Sources of Funding (US dollars)</i>				
	UNF	FFEM	EBC	UNEP/ GEF	TOTAL
First year of project implementation	125,000.00	---	---	750,000.00	875,000.00
	352,625.00	705,250.00	---	---	1,057,875.00
	130,750.00	---	261,500.00	---	392,250.00
TOTAL	608,375.00	705,250.00	261,500.00	750,000.00	2,325,125.00

The project funds are allocated to two project accounts:

1. 2008-ECE-0870-E146-2155 (ECE account) for the funds provided by UNEP/GEF; and
2. 2007-QGA-0870-A144-0019 (QGA account) for the funds provided by EBC, FFEM and UNF and received from UNFIP.

In the ECE account, the funds were received in September 2007. The funds in the QGA account were received in three installments: the first installment of US\$ 392,250.00 was received in January 2007, the second installment of US\$ 818,610.00 was received in November 2007 and the third installment of US\$ 364,265.00 was received in March 2008.

Based on the availability of funds the following expenditures were done in the course of 2007 (from QGA account only):

<i>Description</i>	<i>Expenditures (US\$)</i>
General temporary assistance	53,971
Consultants fees and travel	22,571
Travel of experts	47,140
Travel of staff	19,766
Other external printing	0
Other contractual services	0
Hospitality	1,613
General operating expenses	40
Acquisition of IT equipment	0
Participants in seminars and other group training and other grants	0
Sub-total	145,102
Support Costs	7,255
Total	152,357

However, taking into consideration that the latest funds were received in March 2008 the major project activities started in 2008. During the course of 2008 the following expenditures and obligations to spend funds were carried out:

<i>Project line</i>	<i>ECE account[†]</i>		<i>QGA account[‡]</i>	
	<i>Expenditure</i>	<i>Obligation</i>	<i>Expenditure</i>	<i>Obligation</i>
Project personnel	31,379.39	0.00	0.00	0.00
General temporary assistance	0.00	0.00	0.00	0.00
Consultants fees and travel	0.00	0.00	0.00	0.00
Travel of expert groups	12,259.91	13,763.00	127,977.23	50,972.00
Travel of staff	4,996.86	762.00	45,963.57	12,030.23
Contractual services	0.00	250,000.00	68,000.00	451,106.00 [§]
Grants	0.00	0.00	26,250.00	148,750.00
Hospitality	2,070.47	0.00	4,524.43	0.00
Translation costs	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Sub-total	50,706.63	264,525.00	272,715.23	662,858.23
Support Costs	5,218.5		29,526.86	
Total from ECE account	320,450.13			
Total from QGA account			965,100.32	
TOTAL	1,285,550.45			

[†] Account 2008-ECE-0870-E146-2155 for the funds provided by UNEP/GEF;

[‡] Account 2007-QGA-0870-A144-0019 for the funds provided by FFEM, EBC and UNF;

[§] The obligation amounted to US\$ 106,000 was made in 2008, while the obligation of US\$ 345,106 was made in early 2009 for the payment of contractual services.

Results:

The progress in project implementation in 2008

<i>Description of work undertaken</i>	<i>Major challenges encountered and findings/recommendations</i>
First half –year of project implementation (1 January – 31 June 2008)	
OBJECTIVE ONE: Identifying, developing investment projects and strengthening capacities of a network for the development of energy efficiency	
<p>(a) Consultative mission in the Russian Federation (17-19 January 2008) to follow up on the mission of 25-27 September 2007 and further explore possibilities of a Russian contribution to the Investment Fund (Project manager, consultant).</p> <p>(b) Organization of a seminar Financing Energy Efficiency and Renewable Energy Investments with the European Clean Energy Fund (ECEP) during the Ad Hoc Group of Experts meeting (21-22 February 2008). The seminar aimed at describing how participating countries can work with ECEF and at appraising project development capacities in participating countries. Created under the Energy Efficiency 21 mandate, ECEF can finance energy efficiency projects in two participating countries: Bulgaria and Romania</p> <p>(c) Special Working Session on Energy Efficiency Market Formation in Eastern Europe during the Steering Committee meeting (28-30 May 2008). The session examined institutional barriers to financing energy efficiency, capacity building and financing of energy efficiency investments.</p>	<p>(a) New potential fund investors were identified: Russian Vneshtorgbank and the Ministry of Economic Development and Trade pledged their support to the project.</p> <p>(b) Main conclusions were that existing projects in Bulgaria and Romania are of a smaller scale that the ECEF can finance (less than \$ 1 million). Further negotiations have been engaged between the ECEF and Bulgaria in order to see how small size projects can be regrouped in order to be financed by the ECEF.</p> <p>(c) Several presentations have been made, allowing participants to benefit from experiences of various backgrounds: governments, international organizations, private investment funds, consulting companies.</p>

<p>(d) Development of partnerships based on transfer of experience with other international financial institutions, such as the European Investment Bank, the World Bank or the European Bank for Reconstruction and Development.</p> <p>(e) Preparation of assessment missions that will evaluate potential commitment of public and private sector companies, banks or financial institutions of the participating countries to participate in the investment fund for use by the Investment Fund Designer.</p> <p>(f) A procurement process to recruit a Fund Designer (initiated in December 2007, 12 replies) has been continued. Technical evaluation has been implemented (5-6 June 2008) and final financial evaluation is currently followed. Fund Manager will be selected by the Lead Investor in due course.</p>	<p>(d) Further contacts with the international financial institutions will be developed during the project.</p> <p>(e) Assessment missions are expected to take place in the fall of 2008 in each of the 12 participating countries. The following counterparts will participate into the missions:</p> <ul style="list-style-type: none"> - One or more staff members of the UNECE secretariat; - A senior energy policy adviser; - A UNEP Resource Person; - Other experts designated by the UNECE secretariat. <p>(f) United Nations Procurement Process to recruit a Fund Designer is expected to be achieved by the end of fall 2008.</p>
<p>OBJECTIVE TWO: Institutional strengthening and strengthening energy efficiency and renewable energy policies</p>	
<p>(a) A Project Identification Form has been developed and circulated to the participating countries (February 2008). This form will help to evaluate projects' eligibility to the financial instruments.</p> <p>(b) Assessment missions mentioned previously will also appraise which countries require additional capacity building and which countries can from now be supported to develop an indicative pipeline of energy efficiency and renewable energy project proposals for use by the Investment Fund Designer in soliciting investors for the fund.</p>	<p>(a) This form will be actively used for assessment missions and case studies completed within the framework of the regional study.</p> <p>(b) Based on the results of the assessment missions, an energy efficiency business course programme will be developed to provide for the capacity building and training needs of participating countries.</p>

<p>(c) The network of National Coordinators has been strengthened through regular meetings and will further develop with the establishment of website and internet communications for which a bid tender is under process (started in December 2007)</p>	<p>(c) A United Nations Procurement Process for the website and internet communications is expected to be completed by the end of fall 2008.</p>
<p>OBJECTIVE THREE: Promoting opportunities for banks and commercial companies to invest and support for the initiative to create an investment fund</p>	
<p>(a) A procurement process for a Regional Policy Analysis is ongoing. Requests for Expressions of Interest in December 2007, 15 replies, Terms of Reference and Criteria for the Requests for Proposals under preparation in consultation with representatives of main donors.</p> <p>(b) As the Regional Analysis will be advanced or available, senior decision makers from participating countries will be able to examine needed policy reforms and promote an appropriate business environment through specific seminars.</p> <p>(c) Ad hoc advisory services by experts to local and national authorities on reforms to support EE investment projects</p>	<p>(a) A United Nations Procurement Process for the Regional Analysis is expected to be achieved by the end of fall 2008.</p> <p>(b) Main activities will be implemented as the Regional Analysis will be available.</p> <p>(c) Main activities will be implemented as the Regional Analysis will be available.</p>
<p>Second half –year of project implementation (1 July – 31 December 2008)</p>	
<p>OBJECTIVE ONE: Identifying, developing investment projects and strengthening capacities of a network for the development of energy efficiency</p>	
<p>(a) Conning Asset Management Ltd has been selected in November 2008 as the Investment Fund Designer and awarded with contract through an international competitive bid tender process carried out by the UN Office at Geneva procurements services.</p>	<p>(a) Conning Asset Management Ltd, the Project Fund Designer, will prepare draft detailed work plan for contract implementation by 20 February 2009 and present it at the 13th session of the Ad Hoc Group of Experts (AHGE).</p>

<p>(b) Assessment missions to evaluate potential commitment of public and private sector companies, banks or financial institutions of the participating countries to participate in the investment fund for use by the Investment Fund Designer were conducted in the following countries:</p> <ul style="list-style-type: none"> - Albania (29-31 October 2008) - Belarus (14-17 October 2008) - Bosnia and Herzegovina (21-24 October 2008) - Bulgaria (21-23 October 2008) - Croatia (27-28 October 2008) - The former Yugoslav Republic of Macedonia (27-28 October 2008) - Kazakhstan (17-21 November 2008) - Republic of Moldova (4-6 November 2008) - Russian Federation (27-30 October 2008) - Serbia (29 September-2 October 2008) - Ukraine (30 September-3 October 2008) <p>(c) In the framework of the assessment missions the specific analysis has been carried out on the investment interest and financial environment of the participating countries.</p>	<p>(b) Consulting companies constituting Business Development Advisory Team (Econoler International, Energy Saving International AS, ICE International Consultants on Energy, Renaissance Finance International Ltd) jointly with representatives of UNECE secretariat, Monitoring and Evaluation Officer (UNF) and Senior Energy Policy Advisor conducted the assessment missions. The mission to Romania was not conducted because the country has suspended its participation in the Project, however, the assessment was done based on the existing data and research.</p> <p>(c) The results of this analysis will be reflected in the assessment missions report.</p>
<p>OBJECTIVE TWO: Institutional strengthening and strengthening energy efficiency and renewable energy policies</p>	
<p>(a) Center for Energy Efficiency EnEffect has been selected in November 2008 through an international competitive bid tender process carried out by the UN Office at Geneva procurements services to undertake the Development of a Website and Internet Communications Network of Energy Efficiency Managers in Eastern Europe.</p> <p>(b) Memoranda of Understanding (MoUs) have been</p>	<p>(a) Center for Energy Efficiency EnEffect will prepare draft detailed work plan for contract implementation and present it at the 13th session of the Ad Hoc Group of Experts (AHGE).</p> <p>(b) In the framework of these MoUs the NPIs will provide</p>

<p>signed between UNECE and National Participating Institutions (NPIs) of five countries (Bulgaria, Croatia, Republic of Moldova, Russian Federation and Ukraine) on the grant basis.</p> <p>(c) Seven other MoUs with NPIs have been approved by the UNECE Grants Committee.</p> <p>(d) Additional MoUs with NPIs in several participating countries will be signed for elaboration of the investment project pipeline.</p> <p>(e) Assessment missions (see 1(b)) appraised that most of the participating countries are in need of additional capacity building for preparation of project proposals for use by the Investment Fund Designer in soliciting investors for the fund. The Business Development Advisory Team has elaborated a draft training course program on the basis of capacity needs identified during the missions.</p> <p>(f) A Project Identification Form has been used in the framework of assessment mission for initial projects' identification.</p>	<p>assistance to the elaboration of project website.</p> <p>(c) These MoUs are now under final preparations by the NPIs.</p> <p>(d) These MoUs with NPIs will be signed when countries' capacities will allow implementation of this assignment.</p> <p>(e) The capacity building trainings in the participating countries will take place in 2009.</p> <p>(f) The interested participating countries submitted several potential projects through this form to the UNECE Secretariat. It provided the first assessment of existing project development capacities.</p>
<p>OBJECTIVE THREE: Promoting opportunities for banks and commercial companies to invest and support for the initiative to create an investment fund</p>	
<p>(a) Pöyry Energy Consulting AG has been selected in November 2008 to provide Regional Analysis of Policy Reforms and awarded with contract through an international competitive bid tender process carried out by the UN Office at Geneva procurements services.</p> <p>(b) The MoUs (see 2 (b)) have been signed between UNECE and the NPIs.</p>	<p>(a) Pöyry Energy Consulting AG will prepare a draft detailed work plan for contract implementation and present it at the 13th session of the Ad Hoc Group of Experts (AHGE).</p> <p>(b) In the framework of these MoUs the NPIs will collect information for the Regional Analysis of Policy Reforms</p>

<p>(c) Grant to the French Environment and Energy Management Agency (ADEME) was approved for ADEME to provide advisory services on energy policy to UNECE secretariat and the participating countries.</p> <p>(d) Specific seminars for decision makers from participating countries will be organized on the basis of the results of Regional Analysis for Policy Reforms.</p>	<p>and prepare a national case study on overcoming barriers to financing EE and RES projects in their countries.</p> <p>(c) ADEME was solicited by two participating countries for providing assistance in the improvement of their energy related legislation.</p> <p>(d) The first seminar on legal and policy framework for EE and RES in participating countries will take place in 2009.</p>
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Evaluation of current status of project implementation

The evaluation of the current status of project implementation in 2008 was made by Mr. Glen Skovholt, Monitoring and Evaluation Officer for the United Nations Foundation (UNF). This evaluation underlined the progress made in the course of 2008, emphasized the importance and usefulness of assessment missions to the participating countries, the potential of the investment fund and its role in attracting further investments to the countries in the area of energy efficiency and renewable energy sources.

Communicating results:

During the course of 2008 the project has been presented at several international seminars, conferences, including:

- The European Commission seminar on Energy Efficiency in Buildings: Policies and Financial Instruments (Ljubljana, June 2008);
- Seminar on Combating Climate Change at Regional and Local Levels: Sustainable Strategies, Renewable Energy (Salzburg, July 2008);
- Regional Expert Workshop on Improving Energy Efficiency in Central and Eastern Europe (Minsk, October 2008);
- International Conference on ESCOs in Europe (Brussels, November 2008).

Valuable contacts have been established during these events and led to continuous cooperation with other international organizations such as World Bank and Sustainable Energy Finance (SEF) Alliance.

The results of project implementation were also presented at the following UNECE meetings:

- Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation at its 10th (February 2008), 11th (May 2008) and 12th (December 2008) sessions;
- Steering Committee of the Energy Efficiency 21 Project at its 19th session (May 2008);
- Committee on Sustainable Energy at its 17th session (November 2008);
- Joint meeting of the Bureau of the UNECE Working Party on Gas and the Gas Centre (Lake of Baikal, Russian Federation, July 2008).

Forthcoming Annual Work Plan:

The Draft Work Plan for the second year of project operations (2009) is attached. It provides an overview of major objectives, planned activities and outputs, work methods, role of each project participant as well as budget and timing.