

## 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:**

<i>Name</i>	<i>Functional Title</i>	<i>Contacts</i>
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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 2012 (extension of the Project Documents until 31 December 2012 were signed with FFEM and UN Foundation, the Project Document with UNEP/GEF is valid until 2014)

**Reporting period:** 1 January – 31 December 2011

*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 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/ UN Foundation for International Partnership	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
Participating countries (in-kind)	1,200,000
UNECE Secretariat (in-kind)	2,000,000
<b>Total budget:</b>	<b>10,950,000</b>

The following table summarizes the situation of funding as of the beginning of 2012. Project funds are allocated to two project accounts:

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

<b>Cash Advances (in USD)</b>			
<b>Supporting institution</b>	<b>QGA project account</b>	<b>ECE project account</b>	<b>TOTAL</b>
<b>Funds received in 2007-2008</b>			
UNEP		750,000.00	750,000.00
FFEM	705,250.00		705,250.00
UNF	608,375.00		608,375.00
EBC	261,500.00		261,500.00
<b>Sub total:</b>	<b>1,575,125.00</b>	<b>750,000.00</b>	<b>2,325,125.00</b>
<b>Funds received in 2009</b>			
UNEP		750,000.00	750,000.00
FFEM	708,073.00		708,073.00
UNF	479,037.00		479,037.00
<b>Sub total:</b>	<b>1,187,110.00</b>	<b>750,000.00</b>	<b>1,937,110.00</b>
<b>Funds received in 2010</b>			
UNEP		0.00	0.00
FFEM	647,664.00		647,664.00
UNF	323,832.00		323,832.00
<b>Sub total:</b>	<b>971,496.00</b>	<b>0.00</b>	<b>971,496.00</b>
<b>Funds received in 2011</b>			
UNEP		0.00	0.00
FFEM	0.00		0.00
UNF	0.00		0.00
<b>Sub total:</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total contribution</b>	<b>3,733,731.00</b>	<b>1,500,000.00</b>	<b>5,233,731.00</b>
Interest income and foreign exchange gain (for the period 2007-2011)	0.00	76,873.75	76,873.75
<b>TOTAL</b>	<b>3,733,731.00</b>	<b>1,576,873.75</b>	<b>5,310,604.75</b>

<b>Expenditures (in USD)</b>			
<b>Period</b>	<b>QGA account</b>	<b>ECE account</b>	<b>TOTAL</b>
01/01/2008 to 30/06/2009	1,248,354.79	665,637.78	1,913,992.57
01/07/2009 to 31/03/2010	1,094,455.59	492,651.18	1,587,106.77
01/04/2010 to 31/12/2011	1,008,504.05	352,968.80	1,361,472.85
<b>TOTAL</b>	<b>3,351,314.43</b>	<b>1,511,257.76</b>	<b>4,862,572.19</b>

Available funds (as of 1 January 2012)	<b>382,416.57</b>	<b>65,615.98</b>	<b>448,032.55</b>
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## Results:

*The progress in project implementation in 2011*

<i>Description of work undertaken</i>	<i>Major challenges encountered and findings/recommendations</i>
<b>OBJECTIVE ONE: Identifying, developing investment projects and strengthening capacities of a network for the development of energy efficiency</b>	
(a) In accordance with the Contract and the Project Implementation Plan, within the reporting period the contractor EnEffect submitted twelve monthly reports.	(a) Among the deliverables included in these reports are the maintenance of the project regional website, placing news, updating national web pages, reprinting of project flyers, etc.
(b) In accordance with the Contract and the Project Implementation Plan, within the reporting period the contractor EnEffect submitted one status report.	(b) The sixth status report covered a period from January to November 2011 and indicated major milestones reached within this period. The status report indicated developments of the FEEI and EE21 websites, reported on the video training materials processed and published on the project website as well as a capacity for online training on communication platforms for project participants.
(c) The fourth issue of the project newsletter is prepared and	(c) The fourth issue of the newsletter concentrated on

<p>printed before the 17<sup>th</sup> session of the Group of Experts in April 2011.</p> <p>(d) The fifth issue of the project newsletter is prepared and printed in November 2011.</p> <p>(e) The Evaluation Questionnaire on project website and online communication activities is prepared.</p> <p>(f) The Training Seminar on Business Planning of Energy Efficiency and Renewable Energy Projects was organized in Kiev (Ukraine), 27 April 2011. The main focus of the event was on providing opportunity for synergy of existing experiences and knowledge in preparation of bankable energy efficiency and renewable energy project proposals.</p>	<p>results of the second Seminar on Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments held in October 2010 in Geneva, preparations for the Second International Energy Efficiency Forum, information on the cash flow based lending as well as other activities implemented in the framework of the project.</p> <p>(d) The fifth issue of newsletter presented conclusions of the Second International Energy Efficiency Forum in Dushanbe (12-14 September 2011), indicated the conduct of mid-term evaluation of the project, presented results of project capacity building activities – training seminars on Business Planning of EE and RE projects, as well as organization of a side event on Investments in EE and RE: Ways to make Them Business-As-Usual (22 September, Astana) and other news of the FEEI project.</p> <p>(e) The results of evaluation questionnaire showed that project participants see the regional website as a source of information on the FEEI project, possibility for e-learning modules on preparation of business plans and financial models for bankable projects as well as a source of information for submission of project proposals for potential financing.</p> <p>(f) The training was organized for participants from the following countries of the project: Belarus, Republic of Moldova, Russian Federation and Ukraine. The training seminar on business planning targeted primarily at project developers and owners, where participants got an opportunity to improve their project development skills, meet representatives of financial institutions and acquire knowledge on international standards for market-standard project documentation. The event was jointly</p>
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<p>(g) The second Training Seminar on Business Planning of Energy Efficiency and Renewable Energy project was organized in Skopje (the former Yugoslav Republic of Macedonia), 29 June 2011.</p> <p>(h) Individual consultations were provided for project developers and owners during the training seminars in Kiev and Skopje.</p> <p>(i) Complementary to capacity building activities taking place in the framework of the project, the training seminars were filmed and video materials, including the related documentation for project preparation, are placed on the FEEI regional project website (<a href="http://www.feei.info/eng/Training/Capacity/Video_Training">http://www.feei.info/eng/Training/Capacity/Video_Training</a>)</p> <p>(j) The set of new Memoranda of Understanding (MOUs) were signed with all NPIs (except Bosnia and Herzegovina).</p>	<p>organized by UNECE and Norsk Energi (programme “Business Planning of Climate Projects” in Ukraine).</p> <p>(g) The second training seminar had similar objectives as the first one in Kiev. This training was organized for project developers and owners from the following project countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Serbia and the former Yugoslav Republic of Macedonia. This event was jointly organized by UNECE and Norsk Energi (project “Cleaner and more cost effective industry in Macedonia”).</p> <p>(h) Project developers and owners had an opportunity to present their project proposals and receive direct feedback from experts and local and international financiers on bankability of their project proposals and potential for further financing.</p> <p>(i) The topics covered by the video materials include business planning of energy efficiency and renewable energy projects, preparing project documentation, assessment of loan applications, culture of energy management and others.</p> <p>(j) The tasks of the NPIs under these MOUs are to: (i) update and maintain national project website; (ii) prepare project pipeline summary consisting of at least 20 projects and prepare at least five investment project proposals; and (iii) make necessary arrangements for organization of trainings on development of the bankable EE and RE project proposals.</p>
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<p>(k) The second set of MOUs (mentioned above) was fully implemented by NPIs in Belarus, the former Yugoslav Republic of Macedonia, Russian Federation and Ukraine.</p> <p>(l) The preliminary criteria for selection of investment project proposals were elaborated and the information on potential project proposals received from 10 participating countries (in the framework of the MOU mentioned above) had been analyzed.</p>	<p>(k) The MOUs with NPIs in Albania, Bulgaria, Croatia, and Republic of Moldova were finalized in early January 2012. The MOU with NPI in Kazakhstan had been extended until the end of April 2012. MOU with NPI in Serbia is being cancelled due to governmental restructuring in Serbia (Ministry of Mining and Energy has been abolished, and energy issues are now the responsibility of the Ministry of Infrastructure and Energy), which didn't allow timely implementation of MOU.</p> <p>(l) Based on the selection criteria for investment project proposals a consultant identified and examined sector in which project is going to be implemented, share of EE vs. RES projects per country, size of the proposed project and actual project borrowing requirements/needs in particular sector and technologies to be used in the project. A consultant made a preliminary selection of the projects potentially suitable for submission to the planned investment fund.</p>
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**OBJECTIVE TWO: Institutional strengthening and strengthening energy efficiency and renewable energy policies**

<p>(a) The Second International Energy Efficiency Forum was organized on 12-14 September 2011 in Dushanbe, Tajikistan. The Forum's objective was to contribute to sharing progress made in enhancing countries' policies and legislation for facilitating market formation in energy efficiency and renewable energy, which resulted in implementation of EE and RE projects, and in preparing commercially viable project proposals.</p>	<p>(a) The first day of the Forum was dedicated to the plenary sessions with presentations of high-level officials from the Government of Tajikistan, governments of other countries of the UNECE and ESCAP regions, representatives of the United Nations and other international organizations, financial institutions, business sector and energy efficiency experts. The second day comprised of the two parallel workshops: Development of EE Policy Frameworks and Investments in EE and RE Projects, Attracting Foreign Direct Investments (FDI) in Advanced Fossil Technologies. On the third day a roundtable discussion on Market Opportunities for Promotion of EE and RE Projects in</p>
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<p>(b) The Workshop on Development of EE Policy Frameworks and Investments in EE and RE Projects was conducted in the framework of the Second International Forum on 13 September 2011.</p> <p>(c) The side event (to the Ministerial Conference) on Investments in EE and RE: ways to make them business-as-usual was organized in Astana on 22 September 2011.</p>	<p>Central Asia was held.</p> <p>(b) The delegates of the workshop reported on the progress made in the policy frameworks to promote EE and RE investments. In various countries the measure of progress includes increasing direct investment in EE and RE projects, economic incentives for energy saving, creation of frameworks for infrastructure renewal, creation of institutional capacity for promotion of financing and implementation of EE and RE projects.</p> <p>(c) This event gave an opportunity for the delegates of the 7<sup>th</sup> "Environment for Europe" Ministerial Conference to hear the views of the UNECE, business sector and UNDP on the role of energy efficiency and renewable energy in the transition to the green economy.</p>
<p><b>OBJECTIVE THREE: Promoting opportunities for banks and commercial companies to invest and support for the initiative to create an investment fund</b></p>	
<p>(a) Two International Conferences on Business Planning of Energy Efficiency and Renewable Energy Projects were organized in Kiev (28 April 2011) and in Skopje (30 June 2011). Representatives from the Government, industry, consulting companies, business sector, banking and financing community and media attended these events.</p> <p>(a) Conning Asset Management Limited continues limited work on the Investment Fund Design.</p>	<p>(a) The conferences provided an opportunity for representatives of financial institutions to share information on various available financing schemes and technical assistance programmes. Representatives of international and local banks used this opportunity to explain conditions and eligibility criteria, which they use in making investments and loan decisions.</p> <p>(b) The work on draft Financing Cooperation Agreement between UNECE and Conning Asset Management Limited continues in coordination with the United Nations Office of Legal Affairs in New York.</p>



### *Evaluation of the current status of project implementation*

A mid-term review of the project was conducted by an independent, outside consultant. The report will be available soon. The main conclusions of the review regarding project achievements and performance follows:

- *The project implemented the planned activities, produced the planned outputs in two of its three components, and most of the planned outputs of the third component.*
- *The “energy policy and regulatory framework component” has produced an excellent policy overview over the Renewable Energy and Energy Efficiency (RE&EE) situation in the 12 FEEI countries and gives policy recommendations for each country. The Astana International Energy Efficiency Forum of 2010 was a success and is now a regular annual event. In addition, visits of policy experts giving individual policy advice were undertaken in several countries. Their work is of good quality.*
- *The “capacity building and project pipeline component” has created a FEEI website with links to national FEEI websites. ... The list of projects submitted by the NPIs/NCs to the project management unit includes 200 project proposals. However, uncertainty about whether and when the Fund will be created has partly undermined the impact of the capacity building and project preparation efforts. Some of the best finance and business consultants are keeping a low wait-and-see profile.*
- *The activities and outputs of the “Equity and Mezzanine Fund component” were expected to have been completed within a year after the start of the Fund Designer contract. A number of details need clarification, including how UNECE will manage its financial support to project preparation. A Lead Investor/Fund Manager willing to put up 10 percent of the total €250 million finance has been identified: NBGI Private Equity (NBGI PE). The Fund Designer has not yet begun the placement agent activity of soliciting investor interest for the Fund based on an Investment Prospect.*

The key recommendations of the reviewer are as follow:

*Recommendation 1: Donors to continue their support to the project and release committed funds*

*Recommendation 2: Bring in a replacement for EBRD-expertise*

*Recommendation 3: Improve Governance*

*Recommendation 4: Clarify the status concerning likely projects and investor interest in the Fund*

*Recommendation 5: Clarify details concerning the structuring of the Fund*

*Recommendation 6: Agree on a timetable for completing the soliciting of investor interest*

*Recommendation 7: Establish a road map of next steps*

*Recommendation 8: Find a solution to the legal problems surrounding the use of TA funds for project preparation*

*Recommendation 9: Continue the awareness efforts concerning basic features of the Fund*

*Recommendation 10: To increase investor confidence, change the payment formula for the compensation of the Fund Manager towards outcome-based performance*

## Communicating results:

During the course of 2011 the project has been presented at several international seminars, workshops and conferences, including:

- Multi-year Expert Meeting on Investment for Development, UNCTAD, Geneva, 2-4 February 2011;
- First Preparatory Meeting of the 19th OSCE Economic and Environmental Forum, session (II) on Energy efficiency and sustainable use of traditional and new energy sources, Vienna, 7-8 February 2011;
- UN-Energy retreat, Vienna, 10-11 February 2011;
- Workshop on the "Facilitation of Energy Services and the ESCO market in Europe", organized by the European Commission (DG Joint Research Centre) under its policy support to DG ENER, Florence, 7-8 April 2011;
- European Council for an Energy Efficient Economy Summer Study, Belambra Presqu'île de Giens, 6-11 June 2011;
- European Commission JRC Workshop on Energy Efficiency Policies and Financing, Kyiv, 5-7 July 2011;
- 19th OSCE Economic and Environmental Forum, "Promotion of common actions and co-operation in the OSCE areas in the fields of development of sustainable energy and transport", Prague, 14-16 September 2011;
- Second International Conference "Energy Efficiency and Energy Savings in Russia and CIS countries, Moscow, 22 - 23 September 2011;
- International Investment Business Forum on Energy Efficiency and Alternative Energy, Kyiv, 8-11 November 2011;
- OSCE Bishkek Academy Energy Seminar: Regional/Transboundary Cooperation in Energy, Bishkek, 19 December 2011.

Valuable contacts have been established during these events and led to continuous cooperation with other international organizations.

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

- Group of Experts on Energy Efficiency Investments for Climate Change Mitigation at its 17<sup>th</sup> session, 19-20 April 2011;
- Steering Committee of the Energy Efficiency 21 Project at its 22<sup>nd</sup> session, 21 April 2011;
- Committee on Environmental Policy, 24-27 May 2011;
- Committee on Trade, 15 June 2011;
- Committee on Housing and Land Management, 4 October 2011;
- Committee on Sustainable Energy at its 20<sup>th</sup> session, 14-18 November 2011.

### Project Manager

Name: Oleg Dzioubinski

Date: 30 April 2012

Signature: \_\_\_\_\_



### Deputy Director, SED UNECE

Name: Alexandre Chachine

Date: 30 April 2012

Signature: \_\_\_\_\_

