

# Funding Proposal

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## **FP038: GEEREF NeXt**

Bahamas, Barbados, Belize, Brazil, Chile, Comoros, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Equatorial Guinea, Georgia, Grenada, Guatemala, Guyana, Haiti, Jordan, Kenya, Madagascar, Mauritius, Mexico, Papua New Guinea, Saint Kitts and Nevis, Saint Vincent and the Grenadines, South Africa, Suriname, Togo and Uganda| European Investment Bank (EIB) | Decision B.16/02

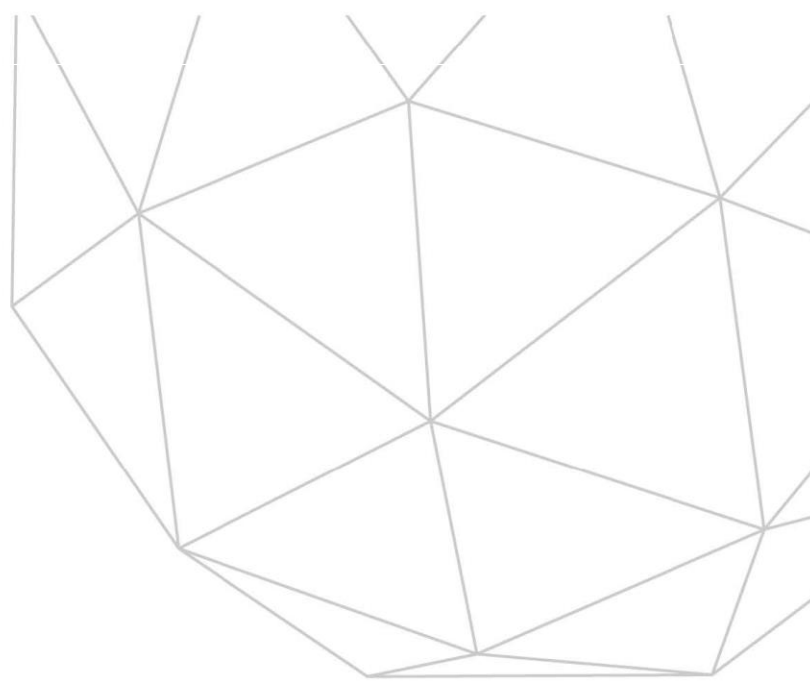
April 3, 2017



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# Funding Proposal

Version 1.1

**The Green Climate Fund (GCF) is seeking high-quality funding proposals.**

Accredited entities are expected to develop their funding proposals, in close consultation with the relevant national designated authority, with due consideration of the GCF's Investment Framework and Results Management Framework. The funding proposals should demonstrate how the proposed projects or programmes will perform against the investment criteria and achieve part or all of the strategic impact results.

Project/Programme Title: GEEREF NeXt

Country/Region: Global emerging markets programme (focused on the GCF eligible countries)

Accredited Entity: European Investment Bank

Date of Submission: 15 April 2016 – 31 March 2017

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### *Note to accredited entities on the use of the funding proposal template*

- Sections **A, B, D, E** and **H** of the funding proposal require detailed inputs from the accredited entity. For all other sections, including the Appraisal Summary in section F, accredited entities have discretion in how they wish to present the information. Accredited entities can either directly incorporate information into this proposal, or provide summary information in the proposal with cross-reference to other project documents such as project appraisal document.
- The total number of pages for the funding proposal (excluding annexes) is expected not to exceed 50.

**Please submit the completed form to:**

[fundingproposal@gcfund.org](mailto:fundingproposal@gcfund.org)

Please use the following name convention for the file name:

“[FP]-[Agency Short Name]-[Date]-[Serial Number]”

## GLOSSARY

<b>ACP</b>	Africa, Caribbean and Pacific
<b>AE</b>	Accredited Entity
<b>BNEF</b>	Bloomberg New Energy Finance
<b>CAPEX</b>	Capital Expenditure
<b>CO2</b>	Carbon Dioxide
<b>DAC</b>	Development Assistance Committee
<b>DAC List</b>	The Organization for Economic Cooperation and Development DAC List of Official Development Assistance eligible countries
<b>DD</b>	Due Diligence
<b>DFI</b>	Development Finance Institution
<b>EC</b>	European Commission
<b>EE</b>	Energy Efficiency
<b>EIB</b>	European Investment Bank
<b>EIB Group</b>	The European Investment Bank Group, comprised of the European Investment Bank and the European Investment Fund
<b>EIF</b>	European Investment Fund
<b>EMPEA</b>	Emerging Markets Private Equity Association
<b>EPC</b>	Engineering, Procurement and Construction
<b>E&amp;S</b>	Environmental and Social
<b>ESG</b>	Environment, Social and Governance
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>ESCO</b>	Energy Service Company
<b>ESMS</b>	Environmental and Social Management System
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>FIT</b>	Feed-in tariff
<b>FoF</b>	Fund-of-Funds
<b>GCF</b>	Green Climate Fund
<b>GEEREF</b>	Global Energy Efficiency and Renewable Energy Fund
<b>GFO</b>	GEEREF or GEEREF NeXt Front Office, as applicable
<b>GHG</b>	Green House Gas
<b>GW</b>	Gigawatt
<b>IC</b>	Investment Committee
<b>IFC</b>	International Finance Corporation
<b>IFI</b>	International Financing Institution
<b>IRR</b>	Internal Rate of Return

<b>MM</b>	Mandate Management
<b>MW</b>	Megawatt
<b>NDA</b>	National Designated Authority
<b>NDC</b>	Nationally Determined Contribution
<b>NOL</b>	Non-Objection Letter
<b>O&amp;M</b>	Operation and Maintenance
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PPA</b>	Power Purchase Agreement
<b>PV</b>	Photovoltaic
<b>RE</b>	Renewable Energy
<b>SIDS</b>	Small Island Developing States
<b>SME</b>	Small and Medium-sized Enterprise
<b>TA</b>	Technical Assistance
<b>TAF</b>	Technical Assistance Facility
<b>TSO</b>	Transmission System Operator
<b>UNDP</b>	United Nations Development Programme
<b>USD</b>	United States Dollar

A.1. Brief Project / Programme Information	
<b>A.1.1. Project / programme title</b>	GEEREF NeXt
<b>A.1.2. Project or programme</b>	Programme
<b>A.1.3. Country (ies) / region</b>	<p>At the time of publication of this funding proposal, a Non Objection Letter (“NOL”) to GEEREF NeXt has been issued by the following countries:</p> <ul style="list-style-type: none"> <li>• <b>Africa:</b> Comoros, Democratic Republic of the Congo, Equatorial Guinea, Ivory Coast, Kenya, Madagascar, Mauritius, South Africa, Togo, Uganda;</li> <li>• <b>Latin America and the Caribbean:</b> Bahamas, Barbados, Belize, Brazil, Chile, Costa Rica, Dominica, Dominican Republic, Grenada, Guatemala, Guyana, Haiti, Mexico, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname;</li> <li>• <b>Middle East and North Africa:</b> Jordan;</li> <li>• <b>Non-European Union (“EU”) Eastern Europe / Central Asia:</b> Georgia; and</li> <li>• <b>Pacific:</b> Papua New Guinea.</li> </ul>
<b>A.1.4. National designated authority (ies)</b>	<p><b>Africa:</b></p> <ul style="list-style-type: none"> <li>• Comoros: Ministry of Production, Environment, Energy, Industry and Handicrafts;</li> <li>• Democratic Republic of the Congo: National Coordination of the Green Climate Fund;</li> <li>• Equatorial Guinea: Ministry of Fisheries and Environment;</li> <li>• Ivory Coast: Bureau of Climate Change (BCC), Ministry of Environment and Sustainable Development;</li> <li>• Kenya: The National Treasury;</li> <li>• Madagascar: Ministry of Environment, Ecology, Sea and Forests;</li> <li>• Mauritius: Ministry of Finance and Economic Development;</li> <li>• South Africa: Department of Environmental Affairs;</li> <li>• Togo: Directorate of Environment, Ministry of Environment; and</li> <li>• Uganda: Ministry of Finance, Planning and Economic Development.</li> </ul> <p><b>Latin America and the Caribbean:</b></p> <ul style="list-style-type: none"> <li>• Bahamas: Ministry of the Environment, Housing;</li> <li>• Barbados: Ministry of Finance and Economic Affairs;</li> <li>• Belize: Ministry of Finance and Economic Development;</li> <li>• Brazil: Secretariat for International Affairs, Ministry of Finance;</li> <li>• Chile: Ministry of Finance;</li> <li>• Costa Rica: Ministry of Environment and Energy;</li> <li>• Dominica: Ministry of Finance;</li> <li>• Dominican Republic: Ministry of Environment and Natural Resources;</li> <li>• Grenada: Ministry of Finance and Energy/Ministry of Economic Development;</li> </ul>

	<ul style="list-style-type: none"> <li>• Guatemala: Ministry of Environment and Natural Resources;</li> <li>• Guyana: Ministry of the Presidency;</li> <li>• Haiti: Ministry of Environment;</li> <li>• Mexico: Ministry of Finance;</li> <li>• Saint Kitts and Nevis: Department of Economic Affairs and Public Sector Investment Planning;</li> <li>• Saint Vincent and the Grenadines: Government of St. Vincent and the Grenadines; and</li> <li>• Suriname: Ministry of Finance.</li> </ul> <p><b>Middle East and North Africa:</b></p> <ul style="list-style-type: none"> <li>• Jordan: Ministry of Environment.</li> </ul> <p><b>Non-EU Eastern Europe / Central Asia:</b></p> <ul style="list-style-type: none"> <li>• Georgia: Ministry of Environment and Natural Resources Protection.</li> </ul> <p><b>Pacific:</b></p> <ul style="list-style-type: none"> <li>• Papua New Guinea: Office of Climate Change and Development.</li> </ul>
<b>A.1.5. Accredited entity</b>	European Investment Bank (“EIB”)
A.1.5.a. Access modality	<input type="checkbox"/> Direct <input checked="" type="checkbox"/> International
<b>A.1.6. Executing entity / beneficiary</b>	<p><b>FINAL BENEFICIARIES OF THE PROGRAMME</b></p> <p>GEEREF NeXt will target the financing of renewable energy (“RE”) infrastructure and energy efficiency (“EE”) beneficiary projects in the Green Climate Fund (“GCF”) eligible countries.</p> <p>In addition, GEEREF NeXt beneficiary projects may include small and medium-sized enterprises (“SMEs”) manufacturing and assembling RE/EE project components, energy services companies (“ESCOs”) and other corporates directly contributing to the development of the RE/EE landscape in the GCF eligible countries.</p> <p><b>EXECUTING ENTITIES</b></p> <p>The financing of these RE/EE beneficiary projects by GEEREF NeXt is to be done either directly by GEEREF NeXt, or indirectly via specialised funds.</p> <p>In this context, the executing entities will be:</p> <ol style="list-style-type: none"> <li>GEEREF NeXt, for direct investments into beneficiary projects; and</li> <li>Specialised funds selected, appraised and monitored by the EIB Group, for indirect investments into beneficiary projects.</li> </ol>
<b>A.1.7. Project size category (Total investment, million USD)</b>	<input type="checkbox"/> Micro ( $\leq 10$ ) <input type="checkbox"/> Small ( $10 < x \leq 50$ ) <input type="checkbox"/> Medium ( $50 < x \leq 250$ ) <input checked="" type="checkbox"/> Large ( $> 250$ ) <p>The target fund size for GEEREF NeXt, including the GCF commitment, is USD 750 m.</p>
<b>A.1.8. Mitigation / adaptation focus</b>	<input checked="" type="checkbox"/> Mitigation <input type="checkbox"/> Adaptation <input type="checkbox"/> Cross-cutting
<b>A.1.9. Date of submission</b>	15 April 2016 – 31 March 2017
<b>A.1.10.</b>	Contact person, position Mr Cyrille Arnould, Head of the GEEREF Front Office (“GFO”)

<b>Project contact details</b>		Ms Kristina Eisele, Mandate Management department ("MM")
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	Telephone number	+352 43 79 86 664 +352 43 79 82387
	Mailing address	98-100 Boulevard Konrad Adenauer L-2950 Luxembourg Luxembourg

#### A.1.11. Results areas (mark all that apply)

##### Reduced emissions from:

- Energy access and power generation  
(E.g. on-grid, micro-grid or off-grid solar, wind, geothermal, etc.)
- Low emission transport  
(E.g. high-speed rail, rapid bus system, etc.)
- Buildings, cities and industries and appliances  
(E.g. new and retrofitted energy-efficient buildings, energy-efficient equipment for companies and supply chain management, etc.)
- Forestry and land use  
(E.g. forest conservation and management, agroforestry, agricultural irrigation, water treatment and management, etc.)

##### Increased resilience of:

- Most vulnerable people and communities  
(E.g. mitigation of operational risk associated with climate change – diversification of supply sources and supply chain management, relocation of manufacturing facilities and warehouses, etc.)
- Health and well-being, and food and water security  
(E.g. climate-resilient crops, efficient irrigation systems, etc.)
- Infrastructure and built environment  
(E.g. sea walls, resilient road networks, etc.)
- Ecosystem and ecosystem services  
(E.g. ecosystem conservation and management, ecotourism, etc.)

#### A.2. Project / Programme Executive Summary (max 300 words)

Public sector resources are scarce and insufficient to cover the renewable energy and energy efficiency project financing needs of developing countries. Therefore, the participation of the private sector is required to bridge the gap.

Against this context, the EIB has designed GEEREF NeXt to catalyse private sector capital at scale for the development of RE/EE projects across the GCF eligible countries, as well as to build capacity at the local level and contribute to the necessary transfer of knowledge and technology, to support the evolution of the commercial environments and enabling ecosystems for clean energy in these countries.

The EIB is requesting a USD 265 m contribution from the GCF to the GEEREF NeXt programme: USD 250 m for the GEEREF NeXt investment vehicle and USD 15 m for a technical assistance ("TA") facility ("TAF").

The key features of the investment programme are:

- GEEREF NeXt is an innovative financing vehicle, structured as a fund-of funds ("FoF"), which will finance the development, construction and operation of RE/EE beneficiary projects across the GCF eligible countries, either indirectly via specialised funds or directly via investments into the beneficiary projects themselves;
- It is expected that, over its lifetime, GEEREF NeXt will finance more than 200 RE/EE beneficiary projects;
- GEEREF NeXt's *modus operandi* will be to take an anchor investor position in the beneficiary projects or specialised funds, via equity commitments, in order to catalyse additional resources at the investee fund level (additional equity) and beneficiary project level (additional equity and debt) that are needed for the construction of RE/EE assets. A significant multiplier of 50x is expected at the level of GEEREF NeXt, whereby for every USD 1 invested by



GEEREF NeXt, USD 50 would be deployed into beneficiary projects across the GCF eligible countries;

- The reason underpinning the choice of instrument is that equity plays a key role in the development of infrastructure assets. It has the risk-bearing and long-term, patient capital features which are essential to bringing RE/EE projects from an early development stage to operations;
- GEEREF NeXt will blend catalytic public finance and private finance at ratio of 1:2, with a target size of USD 750 m, out of which the GCF will contribute USD 250 m as public sector seed-in capital.

The TAF will have the double aim of:

1. Capacity building at the level of the specialised funds that GEEREF NeXt chooses to invest into; and
2. Incubation of specialised funds or beneficiary projects in specially challenging environments (e.g. small island developing states (“SIDS”)).

GEEREF NeXt’s investments will be monitored by the EIB Group. Investee funds will contractually be required to provide quarterly financial and operation reports, as well as annual financial audited reports. They will also be required to report annually on a set of development indicators and on environmental, social and governance (“ESG”) matters. Finally, each investee fund will have an advisory committee, to which GEEREF NeXt will appoint a representative.

GEEREF NeXt will build on the success and experience of its predecessor fund, the Global Energy Efficiency and Renewable Energy Fund (“GEEREF”). GEEREF NeXt will be advised by the EIB Group, combining the EIB institutional expertise in global climate finance with the European Investment Fund (“EIF”) fund management expertise.

### A.3. Project/Programme Milestone

Expected approval from accredited entity’s Board (if applicable)	Q3 2017 (final approval by the EIB Board after the GCF Board approval).
Expected financial close (if applicable)	Final close, including private sector capital, within 18 months from the first close with the GCF (with possible extension if considered appropriate and agreed by the GEEREF NeXt investors, including the GCF).
Estimated implementation start and end date	Start: Q3 2017. End: Q4 2033.
Project/programme lifespan	<p>GEEREF NeXt’s term: 15 years from the final close (with possible extension if considered appropriate and agreed by the GEEREF NeXt investors, including the GCF).</p> <p>GEEREF NeXt’s investment period: 5 years from the final close (with possible extension if considered appropriate and agreed by the GEEREF NeXt investors, including the GCF).</p> <p>Underlying funds will typically benefit from a 5-year investment period and a 5-year divestment period. Since GEEREF NeXt will commit to funds up to the fifth year of its investment period, a 15-year term is required for the programme.</p>

## B.1. Description of Financial Elements of the Project / Programme

GEEREF NeXt is a USD 750 m target investment pooling mechanism aiming to develop, build and operate RE/EE beneficiary projects across the GCF eligible countries.

GEEREF NeXt will be structured as a fund of funds in order to mobilise additional capital and build local capacity. It will provide high efficiency to the scarce resources of the public sector (in terms of mobilisation effect as well as project and country outreach), whilst offering risk-averse private investors a broad diversification of their capital across projects, technologies and countries. It is expected that the GEEREF and GEEREF NeXt model and track record serve as a template for the long-term financing of RE infrastructure assets by the private sector in developing countries.

A FoF principally invests through other specialised investment funds or investment vehicles. In GEEREF NeXt's case, following on the precedent of GEEREF, the aim is to be among the first investors in such investee funds (i.e. an anchor investor), hence playing a catalytic role for all other future investors.

GEEREF NeXt is proposed to be a Luxembourg-based entity. All investors will contribute capital in the form of shares in the collective investment vehicle.

### GEEREF NeXt Capital Structure

In order to mobilise private sector capital, GEEREF NeXt will have a two-tier capital structure that will include USD 250 m of A-tier capital ("A shares"), as public sector seed-in capital from the GCF, and up to USD 500 m of B-tier capital ("B shares") from private sector investors to be fundraised by the EIB Group. The aim of this two-tier capital structure is to catalyse private sector capital towards beneficiary projects in sectors and countries that may otherwise not be attractive to commercially-minded investors.

To overcome the **risk aversion** and **regulatory constraints** of private investors concerning these type of investments (i.e. risk capital investments for the early-stage development, construction and operation of RE/EE beneficiary projects in emerging markets), the investment return structure needs to offer private investors the following features:

1. Partial mitigation of risk: the return structure (also referred to as "waterfall"<sup>1</sup>) will partially reduce the risk of losses for the private sector, given that B shares will receive their capital back prior to the A shares. Based on GEEREF's experience, this is critical to overcome prudential regulatory restrictions that either prohibit many institutional investors (e.g. pension funds) from committing to investment asset classes which are unrated or considered too "high risk" by supervisory authorities, or make such investments prohibitively expensive for investors because of the high provisions mandated by these same authorities to cover the risk of losses.
2. Preferred return: GEEREF NeXt is expected to provide returns to its private investors which are commensurate with the perceived risk of the asset class, while delivering capital protection to its public investors.

In order to mobilise private capital at scale, the GCF full commitment will be in place unconditionally as from the first close of GEEREF NeXt. The GCF commitment will be disbursed in several tranches.

Therefore, GEEREF NeXt will be allowed to commit and call on the GCF commitment as of its first close, in order to speed-up the deployment of capital into beneficiary projects as well as enable the EIB to fundraise from the private sector.

### GEEREF NeXt Investment Activity

As an investment vehicle, GEEREF NeXt will provide financing to develop, build and operate RE/EE beneficiary projects across the GCF eligible countries during its envisaged five-year investment period.

GEEREF NeXt's *modus operandi* will be demand-driven. Therefore, the beneficiary countries (i.e. those where beneficiary RE/EE projects will be financed), and the split of GEEREF NeXt financing per country, will be determined by: (i) the flow of eligible direct project or fund investment proposals received by the GFO; (ii) the GFO assessment of these investment opportunities; (iii) the approval of such opportunities by the GEEREF NeXt IC; and (iv) portfolio considerations such as country diversification for appropriate risk mitigation at the GEEREF NeXt level.

It can be expected that, among the GEEREF NeXt investable list of countries, it will be most active in those that offer:

- i. a minimum enabling regulatory environment;
- ii. suitable fund manager / project proposals; and
- iii. an investable political/economic context.

GEEREF NeXt will make commitments both to funds managed by first-time fund managers ("Pioneer Funds") as well as to

<sup>1</sup> The term waterfall refers to the description of how the sources of revenue of GEEREF NeXt will be distributed amongst investors. It is a standard private equity concept.

those managed by established fund managers, especially follow-on funds of the GEEREF portfolio (“Successor Funds”). GEEREF NeXt will also make a number of direct co-investments alongside its investee funds and, opportunistically, provide direct funding to RE/EE beneficiary projects where no GEEREF or GEEREF NeXt funds are invested.

GEEREF NeXt is expected to invest:

- i. Tickets of up to USD 30 m in any given beneficiary project where it invests directly;
- ii. Tickets in the range of USD 20 m – USD 50 m in any given fund;
- iii. In funds with an average target size of USD 250 m and an expected maximum size of USD 750 m, where GEEREF NeXt would make a sizeable catalytic first close commitment; and
- iv. In funds that in turn invest in RE/EE beneficiary projects with total capital expenditure (“CAPEX”) requirements in the range of USD 20 m to USD 250 m.

While GEEREF NeXt is focused on climate change mitigation beneficiary projects (both in the RE and EE sectors), the EIB Group is committed to best practices in adaptation, which include early stage climate risk screening to enhance the climate resilience of its beneficiary projects. Climate adaptation considerations are therefore fully integrated into GEEREF NeXt’s E&S risk management approach from the earliest stages of project implementation.

The assumptions underlying the GEEREF NeXt financial model portray the expectation that GEEREF NeXt will, over a 5-year investment period, make each year two to three annual commitments to Pioneer Funds, with an average commitment of USD 25 m per fund, one to two commitments for five years to Successor Funds per year, with an average commitment of USD 45 m per fund. Lastly, GEEREF NeXt intends to make one direct investment or/co-investment per year in the first three years with an average commitment of USD 17 m per project.

As per above, GEEREF NeXt will seek to have the majority of its investments in Pioneer Funds.

*Table 1: GEEREF NeXt Indicative Commitments*

COMMITMENT	Year 1	Year 2	Year 3	Year 4	Year 5
USD 25m	Pioneer 1	Pioneer 4	Pioneer 7	Pioneer 9	Pioneer 11
USD 25m	Pioneer 2	Pioneer 5	Pioneer 8	Pioneer 10	Pioneer 12
USD 25m	Pioneer 3	Pioneer 6			
USD 45m	Successor 1	Successor 2	Successor 3	Successor 4	Successor 6
USD 45m				Successor 5	Successor 7
USD 17m	Co-invest 1	Co-invest 2	Co-invest 3		

To address potential risk of regional concentration the following caps will be set:

- i. Maximum of 20% of GEEREF NeXt total fund commitments to be invested in any single country;
- ii. Maximum of 10% of GEEREF NeXt total fund commitments to be invested in any single fund; and
- iii. Maximum of 20% of GEEREF NeXt total fund commitments to be invested in any single fund manager, managing several funds in GEEREF NeXt’s portfolio.

**Structure of the Investee Funds**

GEEREF NeXt investee funds are expected to be structured as limited partnerships, owned by investors (among which GEEREF NeXt) and managed by an experienced fund manager which also invests in the fund. The latter feature is standard private equity practice in order to ensure the alignment of interest between the fund manager and the fund investors.

Each of the funds is likely to have a ten-year lifetime, including a five-year investment period. Following GEEREF NeXt’s commitment and as per the GEEREF precedent, it is expected that GEEREF NeXt’s investee funds will continue to raise up to seven times as much capital from other investors, diluting GEEREF NeXt’s share in each of the funds to an average of 15 percent ownership.

*Table 2: Sample Ownership/Structure of an Investee Fund*

Investor	GEEREF NeXt	Other Investors	Fund Manager
Share in Vehicle	15%	84%	1%

### Capital Structure of Final Beneficiary Projects

Each of the GEEREF NeXt investee funds will, on average, build a portfolio of 11 beneficiary projects. With an envisaged 19 investee funds in its portfolio and 3 direct project investments, it is expected that GEEREF NeXt contributes to more than 200 RE/EE beneficiary projects in total across the GCF eligible countries.

Based on GEEREF’s precedent, each investee fund should attract up to seven times the additional capital in equity co-investments and debt at the financial close, when the asset is fully permitted and, as such, highly de-risked.

Table 3: Sample Structure of an Investee Project at Financial Close

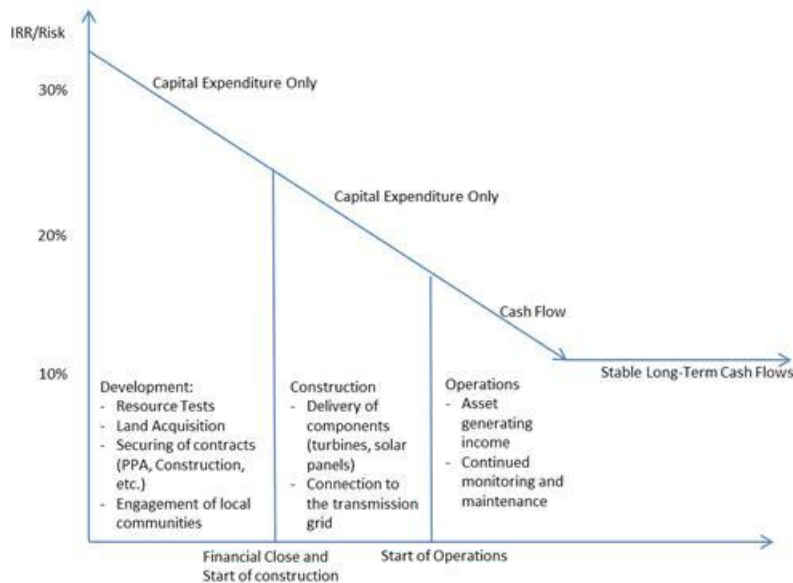
Type of Capital	Investor	Share
Equity	Investee Fund	15%
Equity co-investment	Local or International Financial Institutions or GEEREF NeXt	15%
Debt	Local or International Financial Institutions	70%

### Role of Equity Infrastructure Financing

Equity plays a key role in the development of infrastructure assets. It has the risk-bearing and long-term, patient capital features which are essential to bringing RE/EE projects from an early development stage to operations.

A typical RE infrastructure asset requires five-ten years of development and construction, depending on the technology used. The figure below illustrates the life-cycle of a typical RE asset that the investee funds will have in their portfolios. Typically, the investee fund will get involved in the riskiest stage of the life of the asset – the development stage – and will take it through construction to the operations stage, gradually adding debt as the project is de-risked.

Figure 1: Renewable Energy Asset Life-Cycle



### Public Capital Leverage

As outlined above, it is anticipated that each GEEREF NeXt investee fund continues to raise up to seven times as much total fund commitments from other investors as from GEEREF NeXt’s initial commitment and invest this capital into an average of 11 beneficiary projects, drawing in co-investor equity and debt finance to deploy as much as seven times the capital again.

This feature, derived from the structuring of the investment pooling vehicle and extrapolated from the successful implementation of GEEREF, will let the GCF mobilise private sector capital at scale, with an expected multiplier factor of 50x<sup>2</sup> (i.e. for each USD invested by GEEREF NeXt, USD 50 will be mobilized for financial beneficiary projects).

<sup>2</sup> The multiplier of GEEREF NeXt is based on the multiplier realised by GEEREF on its full underlying portfolio. It will be affected, up or down, by the proportion of EE-focused funds. Typically, EE funds only mobilize capital only at the level of the fund (i.e. 7x). While

### Technical Assistance Facility

The EIB Group will also establish a USD 15 m TAF, to be funded through a grant contribution from the GCF. The TAF will support GEEREF NeXt's investment strategy aimed at creating a sustainable RE/EE landscape in the target countries, by focusing on 2 key areas:

#### 1. Investee Fund Capacity Building

With its seven years of experience, GEEREF understands that additional financial resources may be required to secure the necessary capacity of investee funds, especially Pioneer funds, as well as to ensure the use of environmental and social ("E&S") best practices in the execution of their investment strategy. The TAF will address the needs and skills gaps of the investee funds identified during GEEREF NeXt's due diligence ("DD"), when they cannot be funded out of the fund managers' budgets.

Activities covered by the TAF funding with respect to capacity-building of the investee funds could include:

- Support the development of a proposal to be on par with industry standards;
- Support the project development and employee trainings to ensure, among others, the fund manager's ability to assess and measure the climate and social impacts of the beneficiary projects;
- Support to build up an investee fund team whenever the investee fund, either at first close or final close, does not reach a size sufficient to generate enough management fees to cover the cost of the complete skill set required, as per due-diligence finding, to ensure successful implementation of the fund's investments;
- Support local authorities to develop appropriate regulatory framework for contracts in which risks and returns are distributed such as public-private partnerships or power purchase agreements ("PPAs"); and
- Support gender-specific interventions to ensure female participation in beneficiary projects including technical training to enable them to be active in the RE/EE sector. Awareness-building programs during project development stage (e.g. on land compensation rights) and other.

This model has already been successfully used by GEEREF, which counted on a EUR 5 m TAF from the European Commission ("EC"). GEEREF has extended 10 TA grants to its investee or prospective investee funds. For example, in 2010, GEEREF committed to DI Frontier Fund, sub-Saharan Africa's first renewable energy dedicated fund. The size of the fund was too small to generate sufficient management fees to cover the expenses of the full skill sets deemed necessary as a result of GEEREF's due diligence. GEEREF used its TAF to cover the cost for a senior engineer-project manager for the duration of the investment period of the fund.

#### 2. Incubation Fund for Challenging Environments

In addition, GEEREF NeXt will use TA funds to support investment activities in smaller, fragmented markets where economies of scale cannot be achieved through market mechanisms. For instance, SIDS in general would require a dedicated approach that is likely to be more labour- and capital-intensive, requiring higher levels of concessionality. Such an approach would be informed by the experience of GEEREF's fund managers that currently carry out investment activities in small islands in the Philippines and Indonesia, plus that of the EIB investing in SIDS' public and private sectors.

Activities covered by the TAF funding with respect to developing investee fund proposals for more challenging environments may include:

- Development of a proposal to be on par with industry standards;
- Financial support to cover early-stage development costs to create bankable RE/EE beneficiary projects. This would apply for projects in challenging geographies, where remoteness of sites (e.g. certain SIDS) or fragmentation of markets (lower cost of projects in high population density areas vs. remote areas), lead developers/fund managers to not prioritize, or exclude, such projects; and
- Ongoing financial assistance to support costs associated with increased labour-intensity required for project in challenging geographies described above.

Examples of activities to be carried out in the context of the TAF, and the entities responsible for such activities, are described below.

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the EIB will strive to invest in as many energy efficiency funds as possible, the experience under GEEREF has demonstrated that finding appropriate EE investment-focused funds is challenging.

*Table 4: Examples of activities that may be funded under the TAF*

OUTPUT	ACTIVITIES	ENTITY(IES) IN CHARGE
An investable fund or investment project for GEEREF NeXt and other investors	1. Support the development of a proposal to be on par with industry standards.	Fund / Investment manager with specialised consultants
	2. Support gender-specific interventions to ensure female participation in beneficiary projects including technical training to enable them to be active in the RE/EE sector, . awareness-building programmes during project development stage (e.g. on land compensation rights) and other impact assessments, etc.	Specialised consultants
	3. Support to build up an investee fund team whenever the investee fund, either at first close or final close, does not reach a size sufficient to generate enough management fees to cover the cost of the complete skill set required, as per due-diligence finding, to ensure successful implementation of the fund's investments.	Fund / Investment manager
	4. Support the project development and employee trainings to ensure the fund manager's ability to assess and measure the climate and social impacts, and develop, implement, monitor and report the environmental and social management systems.	Specialised consultants
	5. Support to local authorities to develop appropriate regulatory framework for contracts in which risks and returns are distributed such as public-private partnerships or PPAs.	Fund / Investment manager with specialised consultants
Incubation fund for challenging environments such as SIDS	6. Development of a proposal to be on par with industry standards.	Fund / Investment manager with specialised consultants
	7. Financial support to cover early-stage development costs to create bankable RE/EE beneficiary projects.	Fund / Investment manager
	8. Ongoing financial assistance to support costs associated with increased labour-intensity required for such proposals.	Ongoing financial assistance to support costs associated with increased labour-intensity required for such proposals



B.2. Project Financing Information							
	Financial Instrument	Amount	Currency	Tenor	Pricing		
<b>(a) Total project financing</b>	<b>(a) = (b) + (c)</b>	765	<u>USD</u>				
<b>(b) GCF financing to recipient</b>	(i) Senior Loans	.....		15 years	Market price		
	(ii) Subordinated Loans	.....					
	(iii) Equity (junior)	250					
	(iv) Guarantees	.....					
	(v) Reimbursable grants *	.....					
	(vi) Grants *	15					
<p>* Please provide economic and financial justification in <a href="#">section F.1</a> for the concessionality that the GCF is expected to provide, particularly in the case of grants. Please specify difference in tenor and price between the GCF financing and that of accredited entities. Please note that the level of concessionality should correspond to the level of the project/programme's expected performance against the investment criteria indicated in <a href="#">section E</a>.</p>							
	Total requested (i+ii+iii+iv+v+vi)	265					
<b>(c) Co-financing to recipient</b>	Financial Instrument	Amount	Currency	Name of Institution	Tenor	Pricing	Seniority
	<u>Equity</u>	500		Private Sector Investors, incl. expected USD 30 m from the EIB	15 years	Market price	<u>senior</u>
	<p>Lead financial institution: the EIB Group will provide fundraising, investment origination, execution, monitoring and administration services to GEEREF NeXt, as per the GEEREF precedent. It is foreseen that the EIB commits USD 30 m in B shares at the GEEREF NeXt first closing, at the time of the GCF A shares contribution.</p>						
<p>* Please provide a confirmation letter or a letter of commitment in section I issued by the co-financing institution.</p>							
B.3. Financial Markets Overview (if applicable)							
<b>Review of GEEREF NeXt's Fundraising Market</b>							
<p>GEEREF NeXt aims to raise USD 500 m of private sector finance from a combination of institutional investors (e.g. pension funds, insurance companies or foundations) and individuals (e.g. family offices and high net worth individuals). Typically, these investors would diversify their portfolios, to manage risk exposure, allocating over half of their investments to fixed income (e.g. bonds), one third to listed equities (e.g. shares in a stock change) and the remainder, approximately 10-15%, to alternative investments (e.g. private equity funds), amongst which GEEREF NeXt could count as frontier case.</p>							
<p>Market information available to EIB indicates that within the alternative investment, approximately 10% could be allocated to the infrastructure sector. Assuming that the total size of global investable assets by commercially-minded private sector investors is around USD 100 tn, GEEREF NeXt could tap into between USD 100 bn and USD 150 bn that private investors may look to allocate to infrastructure-focused alternative investments.</p>							
<p>However, based on GEEREF's fundraising experience from private sector investors, unlocking even a small fraction of this capital requires the provision of an adequate return structure and a first-loss type mechanism to mitigate the perceived downside risk.</p>							
<p>Indeed, private investors perceive a much higher level of risk in a GEEREF NeXt-type vehicle than in a standard OECD infrastructure fund due to:</p>							

- a. The sector: RE/EE projects in general;
- b. The instrument: Equity (riskier than debt);
- c. The structure: Fund-of-funds with a defined long term lifetime (implies reduced liquidity);
- d. The stage of development: early stage development, construction and commissioning; and
- e. The geography: emerging countries.

Investors into new markets and sectors that are perceived as unproven and high-risk such as GEEREF NeXt are often required to receive regulatory approval from their respective supervisory authorities to be allowed to proceed with such an investment. For these investors, there is no shortage of more traditional investment opportunities which would fit more comfortably within their asset allocation strategies.

The perception of risk in emerging markets is usually significantly higher than that actually experienced by established emerging market investors. The notion of risk is not merely one of perception. Over the last 20 years, regulatory guidelines (e.g. Basel II, and now Basel III regulations) have imposed higher capital requirements, or risk-weighted reserves, for institutional investors.

Investment policy statements and regulatory frameworks of pension funds and other institutions require that the risk of an opportunity be assessed retrospectively by regression analysis of past realised returns, based upon its correlation against a risk-free benchmark. For example, in many plans, the only quantitative measure of risk is the “historic tracking error of the fund against the policy benchmark over a sample period of N months.” This means that investing in a new asset class, such as emerging market RE infrastructure, is clearly impossible until a time series of returns data (‘track record’) has become available. Another side of the positive impact that GEEREF and GEEREF NeXt have is building the “track-record” which will eventually turn RE/EE investments in emerging markets into mainstream ones.

### **Adequacy of Returns**

A traditional FoF investing in infrastructure assets in developed markets would target an annual internal rate of return (“IRR”) of 10%. However, such vehicles invest mostly in highly stable ‘core’ infrastructure (such as regulated utilities, toll roads or public private initiative assets) and seek a heavy weighting of ‘brownfield’ infrastructure (i.e. operating assets without development risk), all within OECD countries.

The GEEREF NeXt financial model shows a net portfolio return consistent with the above. Accordingly, without the preferred return mechanism, GEEREF NeXt would be offering private investors the higher risk profile of emerging markets and RE early-stage project development with a level of return only commensurate to the lowest risk infrastructure assets.

Given the relatively early state of the GEEREF NeXt’s product (equity capital for development of RE/EE projects in emerging markets); there are limited available comparable data for expected financial returns. In fact, it is one of GEEREF NeXt’s objectives to establish such performance benchmarks in the market. GEEREF NeXt’s expected financial return was calculated based on GEEREF’s history of operating in the market, GEEREF’s expected return, and the understanding of the returns private sector investors expect for this type of investment based on the successful private sector GEEREF fundraising campaign, which finished in 2015.

In its due diligence, GEEREF Front Office will assess the risk-return profile of each investment it reviews. Investments under review will be benchmarked against each other and against projects bearing significant similarities in investment strategy. The GEEREF NeXt investment committee will validate the due diligence conclusion that the expected risk-return of a proposed investment fits the GEEREF NeXt strategy. Each investment will have its own expected risk-return; the IC will have the responsibility to manage the portfolio risk-return profile of GEEREF NeXt.

### **Review of the RE/EE Market in Developing Countries**

For the second year in a row, clean energy investment in non-OECD countries surpassed that of OECD countries. Investment in RE generation in 2015 reached USD 154.1 bn, with China, Brazil, India, South Africa and Mexico accounting for the majority of this amount. While there has been significant annual growth in RE investment across markets, there are still significant barriers impeding progress in the developing countries. The main one is the lack of capital devoted, both domestically and internationally, to the financing of early stage development of RE/EE projects across the GCF eligible countries.

As a scaled-up and improved version of GEEREF, GEEREF NeXt will keep playing a transformative role in unlocking private capital for this nascent asset class and continue building the track record needed to enhance confidence in such



investments. GEEREF NeXt will achieve this by investing capital in investee funds that will operate on a fully commercial basis to create sustainable local markets and thus, in the longer term, GEEREF NeXt-type vehicles will not be required.

The importance of involving the private sector in the development of RE infrastructure goes beyond a simple provision of finance. Private investors ensure that beneficiary projects are run efficiently and contracts are designed properly, as they have incentives to keep their investments as safe and profitable as possible.

## C.1. Strategic Context

GEEREF NeXt has been designed to respond to:

### 1. Growing Demand for RE and EE across the GCF eligible countries:

The need to develop RE projects in developing economies is driven by three principal factors:

- population and economic growth;
- energy demand growth; and
- the governments' willingness to have a growing share of clean power in their countries' energy mix.

The latter reflects not only the obligation for the countries' to meet their unconditional nationally determined contributions ("NDC") goals, but also an emphasis on energy security and independence, concerns about their balance of payments, improving economics relative to fossil fuels costs and carbon pricing in some regions. Section C.5 provides further analysis of trends in the RE/EE market across the different markets targeted by GEEREF NeXt.

EE is now widely recognised as one of the most economical ways of addressing climate change and many countries have established energy efficiency targets. The range of policies being adopted by governments is wide and includes regulations, market based instruments, financial instruments and awareness measures, often brought together in an overarching strategy or framework.

### 2. Improvements in the regulatory framework for the RE/EE sectors in developing countries:

An increasing number of GCF eligible countries have adopted clean energy-friendly policies. These include: tax incentives, renewable energy targets, electricity purchase frameworks (auctions/tenders), feed-in tariffs and other. The 2016 Climatescope Survey published by Bloomberg New Energy Finance ("BNEF") found that 84% of the developing countries analysed (46 out of 55) improved their enabling framework for private sector investment in the RE sector.

### 3. Shortage of domestic and international equity capital to meet the investment needs necessary to satisfy the growing demand for sectors which are capital intensive:

In order to stay within the goal of a 2°C limit in global temperatures increase, BNEF forecasts an investment requirement of USD 7.7 tn for new renewable energy generating capacity over the next 25 years, of which USD 5.4 tn is needed for non-OECD countries. The scale of capital needed to meet these targets would have to come from international private investors, as public capital is increasingly scarce and has to cater for many different spending priorities. However, private sector investors still view clean energy markets in developing countries as nascent and highly risky.

**By leveraging the GCF capital, GEEREF NeXt will be able to mobilise private capital at scale and, by demonstrating the viability of its beneficiary projects, build capacity, expertise and track records within local fund managers across the GCF eligible countries. This is essential to establish the long term involvement of private investors in these markets, develop local capacity and, ultimately, for individual country NDC targets to be met.**

## C.2. Project / Programme Objective against Baseline

Assuming USD 750 m of commitments into the investment pooling vehicle, GEEREF NeXt expects to catalyse up to USD 30 bn of private and public sector capital, to develop up to 18 gigawatts ("GW") of new clean energy capacity across GCF eligible countries.

GEEREF NeXt's predecessor fund, GEEREF, was launched in 2008, when the baseline was zero in the sense that clean energy fund managers focusing on developing markets were unable to raise capital. GEEREF was amongst the first commercial investors to provide this patient capital. From available information, GEEREF has supported the vast majority of successful fundraisings for such fund managers and, as a result, can claim a share of the credit for the majority of clean energy projects financed in this way by funds.

GEEREF NeXt will build on those outcomes to deliver against the baseline at an even greater scale, at all levels of the impacts targeted. Please see section E.1 for more details on the expected impact of GEEREF NeXt across the climate and sustainable development dimensions.

**Given the level of investment required to meet NDC targets and the limited appetite of the private sector to invest in RE/EE projects across emerging markets to-date, the question is not *whether* GEEREF NeXt is necessary to improve the baseline scenario, but *how many* GEEREF NeXt-type investment vehicles are necessary.**

### C.3. Project / Programme Description

**GEEREF NeXt is an innovative investment vehicle, bringing together public and private investors to finance renewable energy and energy efficiency projects in frontier markets, where private investors are unwilling to go alone.**

**GEEREF NeXt depends upon the contribution of concessional, catalytic capital, in order to maximise private sector capital flows into RE/EE beneficiary projects in emerging markets. Hence, the GCF's involvement is considered critical for the establishment and success of GEEREF NeXt.**

**Because of its strong catalytic effect, GEEREF NeXt will provide a highly efficient use of the GCF's resources.**

#### 1. GEEREF NeXt OBJECTIVES

GEEREF NeXt's objectives are to:

- i. Help developing countries achieve NDC targets;
- ii. Develop local capacity;
- iii. Contribute to the reduction of carbon dioxide ("CO<sub>2</sub>") emissions by replacing fossil fuel-based generation with renewable energy generation, increasing energy supply and access to clean energy in developing countries globally;
- iv. Contribute to the expansion of RE, primarily on-grid, and EE projects, markets and services contributing to the development of sustainable RE/EE landscape in developing countries by scaling up investments;
- v. Address barriers and risks that hold back private investment in RE and EE and scale up these investments by providing scarce equity capital;
- vi. Contribute to the reduction of costs and risks, both real and perceived, of investments in such markets, strengthen the knowledge and capacity of local public and private sector involved in the clean energy market, build track record and enhance confidence in such investments.;
- vii. Crowd in private investors into the sector;
- viii. Multiply the amount of initial public capital three times at the GEEREF NeXt level, 7 times on the portfolio fund level and 7 times at the investee project level - a 50x multiplier at the level of GEEREF NeXt and up to three times that for the public capital; and
- ix. Contribute to the achievement of sustainable development goals by generating social and economic benefits, including job creation, involvement of SMEs, local tax contribution and gender equality.

To achieve the above objectives, GEEREF NeXt will use the catalytic seed in capital provided by the GCF as a risk mitigation mechanism to mobilise international private sector investors to invest in new clean energy capacity across its target markets.

#### 2. OVERVIEW OF INVESTMENT STRATEGY

GEEREF NeXt will be an innovative financing vehicle structured as a fund-of funds primarily backing new clean energy fund managers and developers in the GCF eligible countries. It will blend catalytic public finance and private finance at ratio of 1:2, with a target size of USD 750 m. GEEREF NeXt will build on the success and experience of its predecessor fund, GEEREF. GEEREF NeXt will be advised by the EIB Group, combining the EIB institutional expertise in global climate finance with the European Investment Fund ("EIF") fund management expertise.

GEEREF NeXt will primarily invest in specialised private equity funds, managed locally by fund managers, to develop RE/EE beneficiary projects in the GCF eligible countries as well as support the evolution of the commercial environments and enabling ecosystems for clean energy.

GEEREF NeXt's *modus operandi* will be to take an anchor investor position in the beneficiary projects or funds, in order to catalyse additional resources at the investee fund level (additional equity) and project level (additional equity and debt) that are needed for the construction of RE/EE assets.

GEEREF NeXt will have a triple bottom line approach: People, Planet, Profit. Underpinning GEEREF NeXt's investment strategy, there will be a fundamental commitment to financial, environmental and social sustainability principles which are mutually reinforcing. All funds in GEEREF NeXt's portfolio will adhere to best-in-class ESG standards and principles.

The reasons underpinning the GEEREF NeXt structure are primarily the following: i) the ability to catalyse financial resources across multiple layers (GEEREF NeXt, the investee funds and the beneficiary projects); ii) the ability to implement a large number of beneficiary projects across many different countries through the use of qualified intermediaries (the investee funds); and iii) the ability to create capacity and have a positive social, developmental and environmental impact at the local level across many different countries.

**a. Characteristics of Investee Funds**

GEEREF NeXt will mostly support first time fund managers. It will engage with them early in the development of their fund and will seek to enhance strategy, team capability and structure. GEEREF NeXt portfolio fund managers will typically have:

- Strong technical and private equity transaction skills;
- Regional focus;
- Established local presence and networks to generate deal-flow; and
- Strong commitment to promotion of local community engagement in all investee projects.

**b. Characteristics of Investee Projects:**

GEEREF NeXt will invest in:

1. Development, construction, commissioning and operation of RE/EE assets:
  - RE generation beneficiary projects across various technologies: solar, wind, (small) hydro, geothermal, biomass and biofuel;
  - EE assets: waste heat recovery, energy management in buildings, co-generation of heat and power, energy storage and smart grids.
2. Firms operating along the full RE/EE supply chain:
  - SMEs manufacturing and assembling RE/EE project components;
  - ESCOs; and
  - Other corporates directly contributing to the development of the RE/EE landscape in their countries.

The preferred project size will be small and medium, as applicable per type of technology and investment.

**c. Geography**

- **Africa:** Comoros, Democratic Republic of the Congo, Equatorial Guinea, Ivory Coast, Kenya, Madagascar, Mauritius, South Africa, Togo, Uganda;
- **Latin America and the Caribbean:** Bahamas, Barbados, Belize, Brazil, Chile, Costa Rica, Dominica, Dominican Republic, Grenada, Guatemala, Guyana, Haiti, Mexico, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname;
- **Middle East and North Africa:** Jordan;
- **Non-EU Eastern Europe / Central Asia:** Georgia; and
- **Pacific and other Island States:** Papua New Guinea.

While GEEREF NeXt will give preference to regional funds, GEEREF has demonstrated that in some situations single-country funds are the best or indeed only option to invest in a country.

**3. GEEREF NeXt RATIONALE**

**i) Shortage of domestic delivery capacity**

In 2008, GEEREF was launched in recognition that the majority of CO2 emissions in the future would come from developing countries, driven by growth in populations, economic activity and energy demand. In order to maintain a maximum 2°C goal in global temperatures rise, Bloomberg New Energy Finance forecasts an investment requirement of USD 7.7 tn for new renewable energy generating capacity over the next 25 years, of which USD 5.4 tn is needed for non-OECD countries. GEEREF was designed with the awareness that most of these developing countries do not yet have the domestic financial capacity, the investment environment and the ecosystems for RE/EE projects development at the

required scale.

**ii) Shortage of international private capital**

Given the scale of investment needed for renewable energy in non-OECD countries and the scarcity of available public finance, the majority of capital would therefore have to come from private investors, who view such markets as nascent and highly risky (cf. section B.3).

**iii) Catalysing private capital**

As a result, GEEREF was structured as a fund-of-funds vehicle to support new fund managers with capital and expertise that would otherwise be unavailable; and to achieve a multiplier effect by leveraging public money to catalyse private capital that would otherwise not be forthcoming.

This was achieved by using concessionary, catalysing capital from the public sector, to offer private sector investors in GEEREF a ‘preferred return’ and to limit downside risk via a first-loss type mechanism. This made GEEREF investable on a risk-adjusted basis, for those private investors who participated in its 2013-2015 fundraising.

1. GEEREF has demonstrated so far a “multiplier/leverage effect” of over 50 times; i.e. with EUR 222 m of funds under management, it is estimated that up to EUR 9.5 bn will be mobilised through the beneficiary projects developed by the funds in which GEEREF has invested or to which it will commit to.
2. GEEREF NeXt will offer private investors a similar structure and preferred return, enabling it to attract many times as much capital as would otherwise be available for presumed high risk investments into new countries, new teams and new beneficiary projects.

**4. HOW IT WORKS? – THE GEEREF MULTIPLIER**

GEEREF NeXt’s assumptions as to capital mobilised at both the fund and project level are based on the results achieved to date under GEEREF.

*Table 5: The GEEREF Multiplier*

	GEEREF (EUR)	GEEREF NeXt (USD)
<b>COMMITMENTS at FOF LEVEL</b> <i>Public and private commitments</i>	ODA: <b>112m</b> Private: <b>110m</b> <i>(actual)</i>	GCF: <b>250m</b> Private: <b>500m</b> <i>(expected)</i>
<b>FUND MULTIPLIER</b> <i>Total commitments secured by beneficiary funds</i>	<b>1.3bn*</b>	<b>4.5bn**</b>
<b>PROJECT MULTIPLIER</b> <i>Total capital deployed into clean electricity capacity</i>	<b>9.5bn*</b>	<b>30bn**</b>

\* Based on actual figures of total capital raised by GEEREF funds and total capital deployed (debt + equity) in the beneficiary projects in which these funds have invested, extrapolated for a full allocation of GEEREF and its funds. Please note that the calculation is based on deployable capital (after management and other fees).

\*\* Extrapolation based on the multiplier achieved by GEEREF based on latest available data (Dec. 2015). Please note the calculation is based on deployable capital. Please note the multiplier will be affected based on the proportion of EE-focused funds downwards. Typically, EE funds mobilise capital only at the level of a fund (i.e. 7x). While the EIB will strive to do as many energy efficiency funds as possible, the experience under GEEREF has demonstrated that finding appropriate EE investments is challenging.

The public capital multiplier effect works as follows: GEEREF has EUR 112 m of public capital commitments which was doubled with capital from private sector investors. This EUR 222 m will be deployed in up to 15 new funds<sup>3</sup> where GEEREF’s cornerstone commitment of circa EUR 15 m per fund enables those managers to raise an average of EUR 100 m per fund (i.e. a seven times catalytic effect). Each one of GEEREF’s fund managers invests its own EUR 100 m of capital into a pipeline of beneficiary projects, bringing in co-investors’ equity capital and then debt financing, forming some EUR 700 m of capital on average in total (i.e. a further seven times multiplier effect).

Hence, the investors in GEEREF, who have committed EUR 222 m, are expected to mobilise as much as EUR 9.5 bn<sup>4</sup> in total capital, all to be invested in new clean energy generating capacity and EE measures in developing countries. GEEREF’s multiplier effect is seven times seven – nearly fifty times its investors’ capital commitments. This figure is based on existing data from each of the GEEREF portfolio funds and is expected to remain in full once both GEEREF itself, and its

<sup>3</sup> GEEREF’s current portfolio is composed of 13 funds. Given the advanced stage of pipeline development and fund investments already approved by its IC, it is envisaged that GEEREF be fully allocated in the course of 2017.

<sup>4</sup> The calculation is made on the basis of investable capital by GEEREF – appx. EUR 190 m.

portfolio funds, are fully deployed.

Furthermore, for GEEREF's anchor public investors, which have in turn catalysed the private sector investors, the multiplier effect is actually double this - one hundred times leverage - making GEEREF one of the most efficient uses of public funding of its kind in the world. This is before taking into account the full reimbursement of the public sector commitments, with a modest return, prior to the end of GEEREF's life.

The key driver to this outcome was attracting the private investors into GEEREF. This was achieved by offering them a preferred return and mitigating their downside risk.

#### C.4. Background Information on Project / Programme Sponsor (Executing Entity)

- **GEEREF NeXt is sponsored by the EIB Group, one of the world's largest climate financiers.**
- **GEEREF NeXt will leverage nine years of direct GEEREF operating experience:**
  - **GEEREF has so far committed USD 191 m to 13 vehicles which have catalysed over USD 1.7 b;**
  - **Given the advanced stage of its pipeline, GEEREF expects to be fully committed in 2017, with commitments to 15 funds;**
  - **694 megawatts ("MW") of already operating assets and 1,553 MW portfolio projects in development or under construction so far;**
  - **World class ESG standards established across entire portfolio; and**
  - **Ongoing impact reporting at both GEEREF and funds level.**
- **GEEREF's experience in fund-of-fund administration and structuring, transaction sourcing and execution, as well as private capital fundraising will facilitate the success of GEEREF NeXt.**
- **GEEREF NeXt will invest directly into RE/EE beneficiary projects as executing entity itself, applying the EIB's stringent technical, economic and ESG eligibility criteria; and**
- **GEEREF NeXt will invest in specialised RE/EE private equity funds, which will become its executing entities for indirect RE/EE investments.**

#### 1. GEEREF NEXT AS EXECUTING ENTITY

##### i) The EIB Group

GEEREF NeXt will be advised by the EIB Group, combining the EIB's expertise in global climate finance with the EIF fund management expertise.

##### *The European Investment Bank*

The EIB is the bank of the European Union EU and is owned by the EU-28 Member States. As the largest multilateral development bank borrower and lender world-wide, with over EUR 345 bn of lending for the 2011-2015 period, the EIB has provided finance and expertise for sustainable investment projects since 1958. The EIB supports projects that implement EU policy objectives. Support to low-carbon and climate resilient growth globally is a key priority. Between 2011 and 2015, the EIB invested over EUR 90 bn in climate change mitigation and adaptation projects.

The EIB has been supporting EU development policies in the Africa, the Caribbean and Pacific ("ACP") regions since 1963. In its 56 years of history, it has lent nearly EUR 16 bn for some 1,300 projects providing sustainable economic, social and environmental benefits to 92 ACP countries/regional groupings. For example, in 2014, the EIB signed 27 projects in Africa for a total value of EUR 859 m, of which nearly 80 % were private sector. The largest of these was the 310 MW Lake Turkana Wind Farm project in Kenya, where the EIB was the largest single lender providing a total of EUR 200 m. The GFO, which sits within the EIB's climate action and infrastructure funds practice, will be able to draw upon the full resources of the EIB Group as needed, throughout the lifetime of GEEREF NeXt's investment activities.

##### *The European Investment Fund*

EIF is the stand-out fund-of-funds investor in the European venture and growth capital market, with total net commitments amounting to EUR 9.9 bn in over 600 funds as of the end of 2015. EIF is a leading player in the venture industry due to the scale and the scope of its SME-focused fund investments across a wide range of sectors, although with



a particular focus on high-tech and early-stage segments. In addition, at the end of 2015, EIF's guarantees loan portfolio totalled EUR 9.3 bn in over 350 operations, positioning it as a major European SME guarantees actor and a leading micro-finance guarantor. Beyond its own investment programme, EIF advises several regional fund-of-funds structures that are supporting European venture capital and private equity teams.

**ii) GEEREF: Overview and Track Record**

GEEREF NeXt is scaling up based on the experience acquired by the team through nine years of successful operations of GEEREF. This track record testifies to the team's strong capabilities in fund structuring (and administration), private sector fundraising, and investment sourcing and execution. All of these are crucial to GEEREF NeXt's success.

**Background**

GEEREF was initiated by the EC in 2006 and launched at the end of 2008, with funding from the European Union, Germany and Norway, totalling EUR 112 m. By May 2015, 24 private investors had committed an additional EUR 110 m (including EUR 10 m from the EIB), bringing the total size of GEEREF to EUR 222 m,

These investors comprised a diversified group of asset managers, family offices and pension funds from around the world (Australia, Canada, Europe and USA). Fundraising has brought into reality the concept of GEEREF as a full public/private partnership and, furthermore, demonstrated the success of the model to catalyse private capital.

**GEEREF Set-Up and Front Office Team**

GEEREF's operations are led by the GEEREF Front Office with support from key services provided by the EIB, leveraging its global clean energy investment expertise and by the EIF, which lends its experience in fund-of-funds management and in fund investment. GFO leads all investee fund screening, diligence and monitoring activities and is supported in this by the EIB's Projects Directorate which houses the EIB's engineers, economists and financial analysts. GFO is also supported by the EIF Legal, Risk and Compliance Departments in its transactions and by the Middle Office services in administration and portfolio monitoring. Both the EIB and the EIF services are consulted throughout the investment approval process and they produce independent reports which are submitted to the GEEREF investment committee ("IC") as part of this.

The GFO team began working together in 2008 and since then has seen some 200 fund pitches and signed 13 fund commitments. The professionals involved in GEEREF's operations possess a very significant amount of experience between them across developing countries, private equity investment, clean energy, legal and engineering. In total, the team has over 100 years of emerging markets and clean energy experience. Two members of the team, including the head of GEEREF, have experience in direct investments from previous pre-GEEREF positions.

*Table 6: Select GEEREF Team Experience, years*

NAME	DEVELOPING COUNTRIES	FUNDS	PRIVATE EQUITY INVESTMENT	DIRECT INVESTMENT	CLEAN ENERGY	LEGAL	ENGINEERING
Head of GEEREF	24	16	16	4	10	4	-
Investment Officer 1, GFO	9	16	16	-	9	-	-
Investment Officer 2, GFO	12	4	4	-	12	-	-
Investment Officer 3, GFO	11	11	11	6	9	-	-
Lawyer 1, EIF's Legal Department	9	10	10	-	7	10	-
Lawyer 2, EIF's Legal Department	6	7	12	-	12	12	-
Engineer 1, EIB's Projects Directorate	7	7	7	-	25	-	25
Engineer 2, EIB's Projects Directorate	28	7	7	-	28	-	28
Head of Institutional Relations, EIF	1	11	16	-	1	-	-
<b>TOTAL</b>	<b>101</b>	<b>86</b>	<b>93</b>	<b>8</b>	<b>108</b>	<b>25</b>	<b>53</b>

**GEEREF Deployment and Track-record**

Since 2009, GEEREF has signed 13 fund commitments to managers investing in clean energy in Central and Latin America, Sub-Saharan Africa, the Middle East, Central and South East Asia. GEEREF has capacity for two further fund commitments and a direct investment. Given the quality of additional fund and beneficiary projects in the pipeline, it is expected that GEEREF will be fully allocated in 2017, leaving a pipeline of follow-on funds and beneficiary projects that GEEREF NeXt will be able to benefit from directly.

Figure 2: GEEREF Commitments 2008 to 2017, by Commitment and Geography

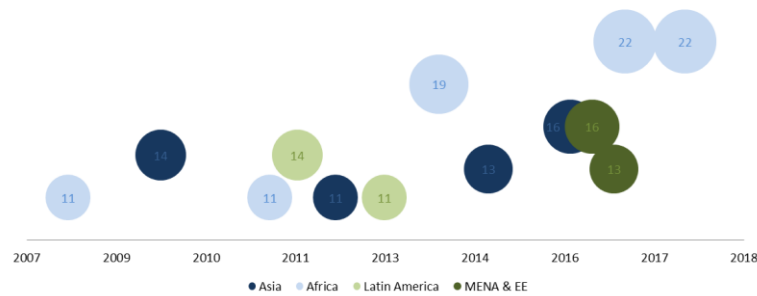


Table 7: Summary of Funds Portfolio as at Q1 2017

FUND	REGIONS	GEEREF COMMITMENT (USD M)	FINAL CLOSE AMOUNT (USD M)
Evolution One	Southern Africa	11	77
Renewable Energy Asia Fund (REAF)	India, Philippines	14	95
DI Frontier Market & Carbon Fund	East Africa	11	66
Emerging Energy Latin America Fund II	Latin America	14	39
Armstrong South East Asia Clean Energy Fund	Southeast Asia	11	163
MGM Sustainable Energy Fund	Central America	11	63
Africa Renewable Energy Fund (AREF)	Sub-Saharan Africa	19	200
SolarArise India Projects Private Limited	India	13	100*
Renewable Energy Asia Fund II (REAF II)	India, Philippines	16	250*
Catalyst MENA Clean Energy Fund	MENA	16	100*
Caucasus Clean Energy Fund	Georgia	13	100*
Evolution II Fund	Sub-Saharan Africa	21	250*
Frontier Energy II	Sub-Saharan Africa	21	220*
<b>TOTAL</b>		<b>191</b>	<b>1,723</b>

\* Envisaged.

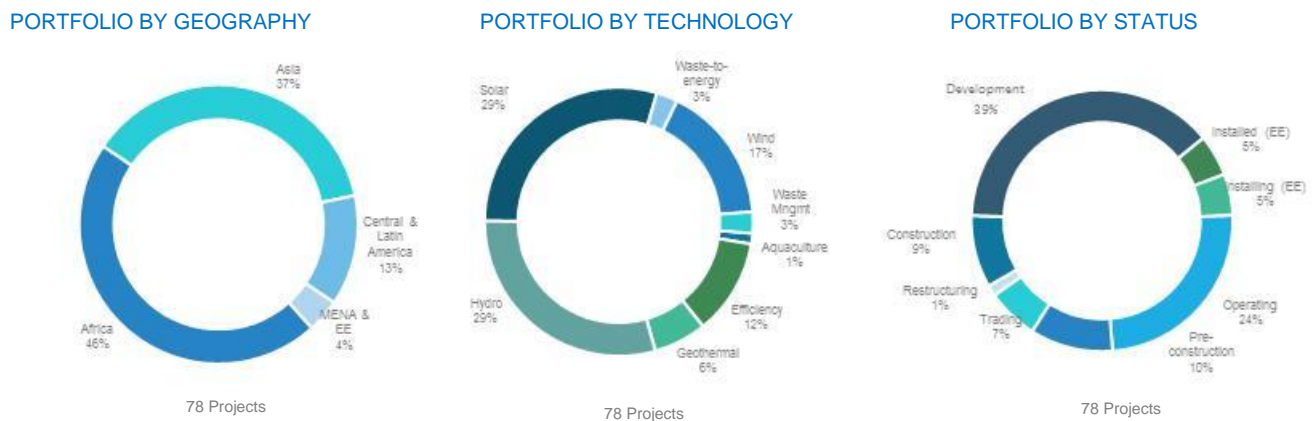
### Key GEEREF Portfolio Features

**High quality portfolio of funds that have attracted substantial additional commitments:** GEEREF has built a strong, well-diversified portfolio of fund commitments in Africa, South Asia, Central Asia and Latin America since 2009. Currently GEEREF has signed commitments to 13 funds that have held first closes, of which seven have held final closes and completed their fundraising. GEEREF has residual capacity for either one large, two medium or up to three smaller final commitments during 2017. The seven funds that had reached final close (as of Q4 2016) had raised a total of USD 701 m from USD 91 m of GEEREF commitments, a 7.7x fund multiplier. Including those that are still raising capital, GEEREF's 13 funds are targeting total commitments of USD 1,723 m from USD 191 m of GEEREF commitments, implying an 9.0 times fund multiplier if fundraising targets are met.

**Strong deployment of capital into beneficiary projects and successful mobilisation of project finance for these:** GEEREF funds have so far committed capital to 78 beneficiary projects globally, of which 28, or 694 MW are already operational. Fund equity investments to these beneficiary projects are USD 330 m. Given GEEREF's historical multiplier of 6.8 times, this would translate into 2,230 of project finance associated with those beneficiary projects. Please see figure below for a breakdown of the GEEREF's portfolio by region, sector and status.



*Figure 3: GEEREF Portfolio Allocation by Region, Sector and Status of Development (as of September 2016)*



**Demonstrable value creation:** GEEREF’s funds have so far invested USD 330 m into beneficiary projects. One of GEEREF’s first funds, Evolution I, has agreed the sale of combined 300 MW of operating its renewable energy assets to a preferred bidder at a price significantly above the cost of investments. The exit is expected to repay a substantial portion of the invested capital and this at a price significantly above the cost of investments. This substantial exit and partial exits achieved by other funds have enabled GEEREF to make its first distributions to investors in December 2016 and January 2017.

**Catalysing successful investment platforms:** One of GEEREF’s first fund managers, Berkeley Energy, has fully invested the Renewable Energy Asia Fund (REAF, final close in April 2011 at USD 95 m), is midway through investing the Africa Renewable Energy Fund (AREF, final close in September 2015 at USD 200 m), and is now raising the Renewable Energy Asia Fund II (REAF II, final close target USD 250 m). Both Inspired Evolution and Frontier are currently raising their second Sub-Saharan Africa funds. Evolution II achieved the first closing of USD 75 m and targets USD 250 m for final closing. Frontier II targets up to USD 220 m for final closing.

**Highest standards for environmental and social standards:** All of GEEREF’s fund commitments and beneficiary project investments have been made in accordance with the highest international environmental and social standards. GEEREF is now in its third year of publishing an impact report, which sets out in clear detail the positive environmental, social and financial impact that its activities are having around the world.

**Measurable impact:** GEEREF’s 2015 run-rate<sup>5</sup> (i.e. expected annual figures for portfolio as of the end of 2015) installed capacity is 1,969 MW, which translates into 6 GWh of electricity generated annually. This would reduce carbon emissions by 4 m tonnes annually and provide equivalent electricity to five million households each year. GEEREF also brings significant co-benefits to local populations in terms of local job creation, trainings (transfer of knowledge), and other. Please see section E.1 on further details GEEREF’s impact.

### iii) GEEREF NeXt

GEEREF’s operational experience is crucial to the success of GEEREF NeXt’s investment sourcing and execution, private sector fundraising as well as overall Fund-of-Funds administration. The ramp up in investment activities (as outlined in section B.1 ‘Investment Activity’) will be facilitated by an increase in the number of staff dedicated to GEEREF NeXt.

#### **Investment Sourcing and Execution**

GEEREF NeXt will substantially benefit from GEEREF’s activities in the market and the EIB’s global presence. As in the case of GEEREF, GEEREF NeXt’s investments will be sourced through various channels, including:

- a. Relationships with key international and regional stakeholders in the market developed during the life of GEEREF;
- b. Relationships with other financial investors that operate in the same sector (e.g. development finance institutions (“DFIs”));

<sup>5</sup> Run-rate figures represent extrapolated performance based on the existing portfolio of GEEREF (as of end of 2015) and assume that all existing investments in the portfolio are fully operational for a full year at full capacity (i.e. all projects, regardless if they are currently under development, in construction or pre-commissioning, are assumed to be operational for the full year at their full capacity).

- c. The EIB’s network of contacts and local offices; and
- d. Direct approaches.

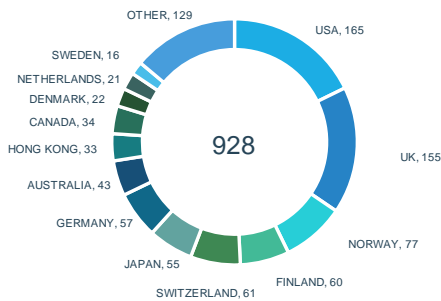
GFO constantly screens the market for promising investment opportunities and manages a database/pipeline of funds that are in the fundraising mode to this effect. Thanks to this, GEEREF NeXt, although not officially in place yet, has a developed pipeline which would, in aggregate, account for over the USD 750 m of GEEREF NeXt commitments.

**Private Sector Fundraising**

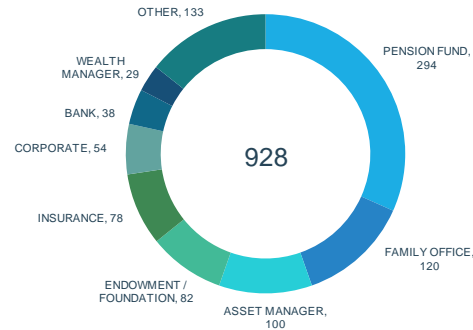
GEEREF NeXt aims to multiply the GCF’s invested capital of USD 250 m by 3x by attracting private sector investors to the B-tier capital. In its fundraising efforts, GEEREF NeXt will use the network of investors that was approached by GEEREF in its fundraising efforts between 2013 and 2015 as well as lessons learnt from the exercise. The charts below give a more detailed breakdown of the type and location of investors approached in GEEREF’s fundraising and the breakdown of actual investors by type and country.

*Figure 4: Investors Approached by GEEREF, 2013 to 2015*

**INVESTORS BY GEOGRAPHY**

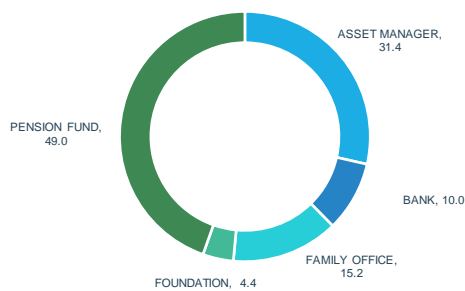


**INVESTORS BY TYPE**

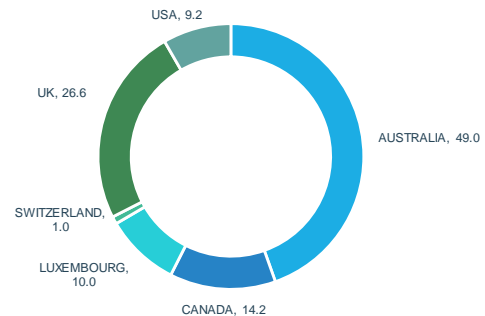


*Figure 5: GEEREF Private Investors by Type and Country, in USD million*

**TYPE OF INSTITUTION**



**COUNTRY**



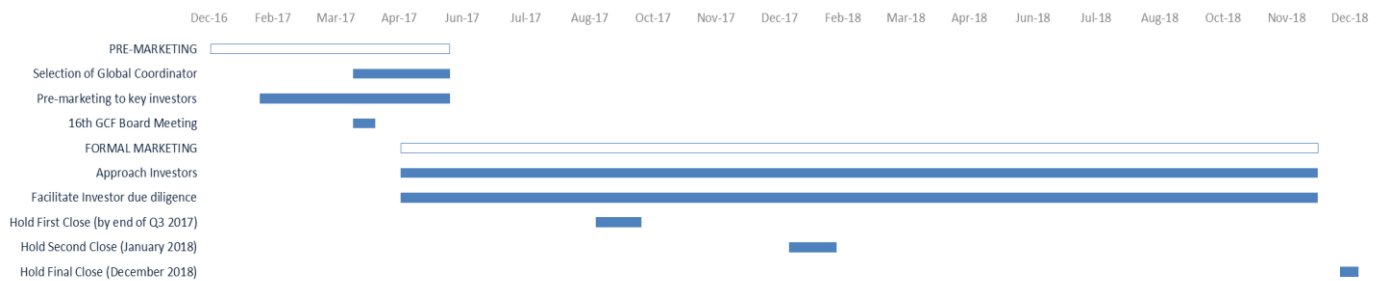
At this stage, it is impossible to say how commitments will break down between geography and type of investor. However, the larger institutions such as pension funds and insurers are typically able to commit larger amounts, while most family offices and endowments would tend to be at the other end of the spectrum. In fact, institutional investors that are able to provide large amounts of finance require high commitment amounts, a minimum of around USD 50 m, for their investment. While North America, Australia and the UK are expected to provide the majority of capital, as in the case of GEEREF, it is envisaged that investors from other European and Asian countries will also participate.

*Table 8: Potential Investor Commitments, USD million*

SIZE OF COMMITMENT	TYPE OF INVESTOR	LIKELY RANGE (USD M)
Large	Pension fund, insurer	50 – 100
Medium	Asset manager, impact investors	5 – 50
Small	Family offices, endowments	0.5 – 5

Based on both experience with GEEREF and general market practice, it is expected that the capital raising process for GEEREF NeXt will take up to 18 months from first closing, as outlined in the chart below.

*Figure 6: GEEREF NeXt's Fundraising Timeline*



## 2. SPECIALISED RE/EE PRIVATE EQUITY FUNDS AS EXECUTING ENTITIES

### *Characteristics of the GEEREF NeXt Investee Funds*

For the part of its investment activities which is to be undertaken via fund investments rather than via direct investments, GEEREF NeXt will select only the fund managers that focus exclusively on the combination of:

- the development of small and medium-sized RE infrastructure and EE projects; and
- the GCF eligible countries.

As has been the case with GEEREF, only teams that demonstrate all the relevant internal capacity to develop RE/EE projects will be selected. This capacity is assessed across multiple areas including legal, financial, technical, project development and ESG or commercial capabilities, amongst others. These capacities should always be further complemented by a thorough understanding of the specific geography and country situation, as well as relevant networks within all the different applicable spheres, both public and private.

As per the GEEREF precedent, GEEREF NeXt will build a portfolio of fund managers sharing its fundamental commitment to the highest standards of ESG, including to community development and engagement, gender equality and other vital social issues. GEEREF NeXt will ensure that these values are embraced across the portfolio of beneficiary projects and by all participants in the development, construction and operating phases of the different beneficiary projects and will continue to monitor this over the life of each investment.

As per the GEEREF precedent, fund managers will be evaluated through an extensive multi-phase due-diligence process, which will include full on-site DD (15 to 30 person days of average on site DD per fund).

In addition to technical competence and investment management experience, fund managers will be assessed against GEEREF NeXt's four pillars for impact measuring: Clean Energy, Sustainable Development, Environment and Financial Leverage. These pillars are equally important and funds must meet minimum thresholds across all four in order to receive funding. The depth and breadth of GEEREF's DD process to-date is highly recognised by other public and private investors and has played a significant role in attracting investors. Indeed, GEEREF's capital mobilization and catalytic effect to-date is second to none in the sector.

Ultimately, GEEREF NeXt's fund portfolio will be composed of the best fund proposals received and assessed by the GFO and approved by its IC, with due consideration to appropriate technology and geographical diversification measures.

Fund managers will only be able to invest according to a contractually pre-agreed investment strategy, which will be part of the investment agreement signed by and with GEEREF NeXt and the other investors in the fund. This investment strategy, at the fund level, will mirror GEEREF NeXt's eligibility criteria in terms of geographical scope, sector and technology, as adapted to the characteristics of the specific market opportunity. As a result of the contractual obligations agreed with the fund's managers:

1. Any proposed deviation by the fund managers from these investment guidelines must be brought to all investors, including GEEREF NeXt, and explicitly approved by all of them; and
2. A non-authorized deviation from the guidelines by the fund manager would constitute a breach and a material fault, which, as a consequence, could result in the removal of the fund manager.

### Capacity Building

GEEREF NeXt will continue to back first time fund managers, thereby supporting the proliferation of competent players in the industry. GEEREF NeXt will engage with funds early in their development and will seek to enhance strategy, team capability and structure, being often the first cornerstone investor in a fund. While GEEREF NeXt would only engage with fund managers which have the majority of required competencies in place, it may be that a specific competence is missing. In such cases, the teams would be required to cure any identified skill gap before GEEREF NeXt would proceed to an investment. The TA Facility would fund the bridging of this gap in GEEREF NeXt, as was the case with a number of GEEREF's funds with the EC TA envelope.

In fact, all initial funds in the GEEREF portfolio were first-time managers that have been supported by GEEREF as they have built up their capabilities to the necessary level. GEEREF has been described as the 'midwife' of new teams and its experience is that both hard and soft support is required. This is exemplified by GFO's systematic participation in the investor boards of its funds. Often GFO members chair these boards. The GFO DD process is essential to fleshing out the gaps in a team's capabilities. While it is expected that the fund teams to grow with GEEREF NeXt, capacity buildings activities will be provided further by GFO on an as-needed basis. Ultimately, GFO sees the capacity building efforts as an integral part of deal sourcing and deal making.

### C.5. Market Overview (if applicable)

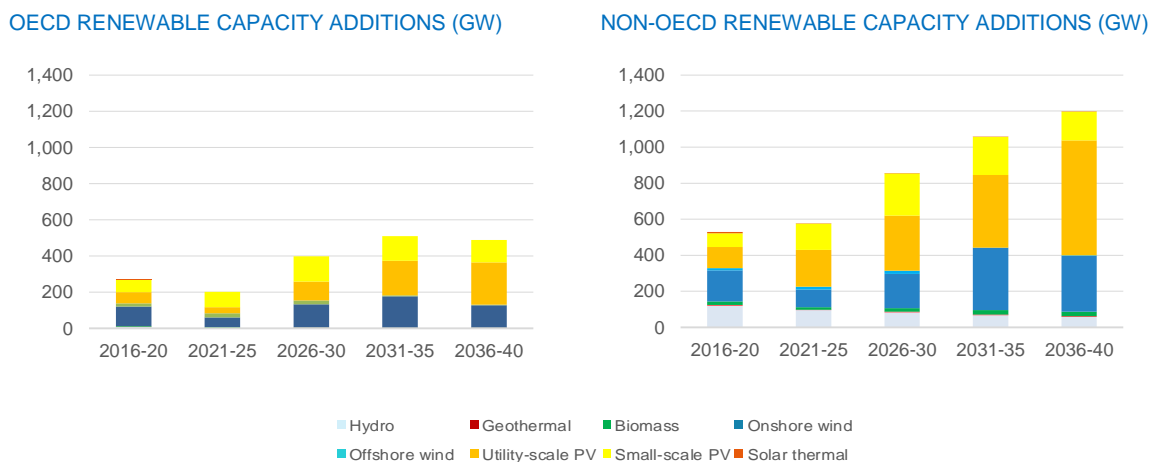
- **Developing countries are outstripping the OECD for new clean energy.**
- **Excellent resources, supporting regulatory environments and declining costs are fuelling growth.**
- **For international investors perceived risks are still much higher than those experienced on the ground.**

#### Market Review

Renewable power is set to grow globally in short- as well as long-term on the back of significant power demand growth, recent trends in cost-competitiveness with fossil fuels as well as public policy developments encouraging their deployment.

It is expected that over the next 25 years non-OECD countries will continue to outpace OECD investment in new energy capacity. Over this period, Bloomberg New Energy Finance projects new RE capacity additions in non-OECD countries of 4,219 GW, reaching total installed capacity of 5,009 GW by 2040. This is more than double the 1,872 GW of new RE capacity additions projected for OECD countries in the same period (to reach 5,205 GW total installed capacity). The corresponding investment in renewable energy capacity in non-OECD countries to 2040 will be USD 5,385 bn while OECD investment will be USD 2,388 bn.

Figure 7: OECD vs. non-OECD Gross Renewable Capacity Additions, 2015-2020



Source: Bloomberg New Energy Finance, New Energy Outlook 2016

In December 2016, BNEF published its third annual Climatescope report analysing clean energy investment trends in 58

developing countries in Africa, Asia, Caribbean and Latin America. The report covers all principal clean energy technologies (wind, solar, biomass, geothermal and small hydro but excludes large hydro and nuclear) and assesses the level of clean energy investment, new capacity additions and policy developments. The report clearly shows that 2015 was a successful year across all its geographies. It confirmed that the global centre of gravity for clean energy has shifted from OECD to developing countries. Clean energy investment in these 58 countries increased by USD 24.8 bn to an annual high of USD 154.1 bn (16% year-on-year), meaning that for the first time over half of all global clean energy investment went into emerging markets. This level of investment translated to 70 GW built in 2015, showing that developing country clean energy capacity additions are growing faster than those of OECD.

The main trends highlighted in the Report support the investment case for GEEREF NeXt. These trends include: improved investment environment in developing countries, strong economics of clean energy as well as strong demand for external capital to meet ambitious clean energy expansion targets put forward by the countries.

#### *Investment environment continues to improve*

Important progress was made on the policy-making front, not only in larger markets such as China, India and Mexico but also in smaller countries such as Jordan, Rwanda and Indonesia. In fact, the number of countries with no active legislation to support clean energy dropped to only four (Sierra Leone, Suriname, Trinidad and Tobago and Venezuela). The types and the level of sophistication of the policies markedly improved. 75 percent of countries now have incentives in place to attract capital and thereby help them achieve their renewable energy targets. Further improvements on the policy front are expected to enable countries to meet the emissions reduction targets put forward in their NDCs.

#### *Further improvement in clean energy economics*

A key market development that has been driving the level of capacity installation is the improving economics for clean energy. Most notably, solar photovoltaic ("PV") costs are now on par with wind and, as the results of recent tenders for power contracts have demonstrated, solar PV is now cheaper than fossil-fuel based projects. Wind prices stayed roughly level in 2014 but are already price-competitive in many emerging markets. While costs fell between 10 percent and 15 percent in most countries, the prices paid by consumers for energy remain high and will only go down with increasing power supply. One of the issues identified that could affect the positive trend in clean energy economics in some countries is the appreciation of the dollar. It could affect the economics in countries that are dependent on imports of equipment and services to develop clean energy projects. To offset this risk, many countries have started to put in place measures to insure developers of projects against currency fluctuations (e.g. long-term dollar-denominated or indexed contracts).

#### *Investors are crowding into a small number of markets while other markets are being left behind*

While collectively the countries saw impressive clean investment levels, a more detailed analysis reveals that there continues to be a large variation between countries, with investors crowding into a limited number of jurisdictions: China, Brazil, India, South Africa, Mexico, Chile, Indonesia, Uruguay, Peru and Kenya. In the past 5 years these countries have seen clean energy investment exceed USD 4 bn. On the other end of the spectrum, 10 countries failed to attract any investments since 2010. Majority saw investments of less than USD 600 m in the same period. It is part of GEEREF NeXt's mission to mobilise investment to help the latter group of the countries meet their clean energy targets.

#### *Local markets remain to be the largest source of funding but will have to be supported by foreign investment to achieve the targeted growth*

With respect to the sources of funding, the majority of the USD 154.1 bn (i.e. USD 79 bn) came from in-country sources. However there is significant inter-country variance between the sources of funding. Countries with strong local development banks, such as the BNDES in Brazil, saw these play a crucial role in jump-starting clean energy activity locally, managing to crowd in other local investors, both public and private. Other countries, such as Chile or Mexico, had their clean energy expansion funded almost entirely from external resources, both public and private. Going forward, to meet the ambitious targets put forward by the countries, foreign investment will be required in all countries.

#### **Competitive Landscape**

While the financial flows into the RE/EE sector in developing countries have been steadily growing, they are not sufficient to enable the countries to meet the targeted capacity growth and to comply with their NDCs in the set time frame. So far, the majority of clean energy investment in emerging markets has come from the public/quasi-public sector and where private sector investment does come in, it is typically domestic in nature. Foreign capital is necessary to meet the targets.

International DFIs as well as few climate infrastructure funds with private investor participation are active in the early-stage project financing market that GEEREF NeXt targets (see below). However, without higher levels of international



private sector participation, it will be impossible to close the investment gap. GEEREF's unique structure, which includes enhanced returns for private investors and downside protection, has been able to draw private investors into this investment universe.

Figure 8: Clean Energy Investor Landscape – Funds Active in GEEREF's Investment Category



GEEREF's unique structure, which includes enhanced returns for private investors and downside protection, has been able to draw private investors into this investment universe.

## C.6. Regulation, Taxation and Insurance (if applicable)

- **Stable investment environments underpinned by ambitious NDC targets and contractual frameworks.**
- **Vigorous tax compliance monitoring.**
- **Insurance is widely available as required.**

### Regulation

All of the countries that GEEREF NeXt will invest in have published NDC targets and provide varying levels of support for clean energy investment.

### The Beneficiary Projects

All of the beneficiary projects that GEEREF NeXt's will invest in, directly and indirectly, are implemented through a standard project development cycle which includes ESIA's, securing relevant permits and licences from local and national authorities. Some of the beneficiary projects may obtain a feed-in tariff from the local utility or contract with it through a power purchase agreement. These contractual arrangements vary by country and by technology.

All beneficiary projects will be subject to applicable local taxation but are not usually subject to foreign exchange regulations.

GFO and the EIB Group pay very close attention to tax compliance matters. All transactions are vetted for tax avoidance or aggressive tax structuring prior to approval. GEEREF NeXt will monitor the amount of tax paid locally and will track this as an impact metric.

All beneficiary projects and project contractors are covered by standard insurance policies covering project liabilities including completion and performance guarantees. No political insurance coverage is usually required although could be obtained.

### GEEREF NeXt

GEEREF is a Luxembourg domiciled SICAV-SIF and is regulated by the country's *Commission de Surveillance du Secteur*

*Financier* (CSSF, <https://www.cssf.lu/>) as well as being covered by European Union rules.

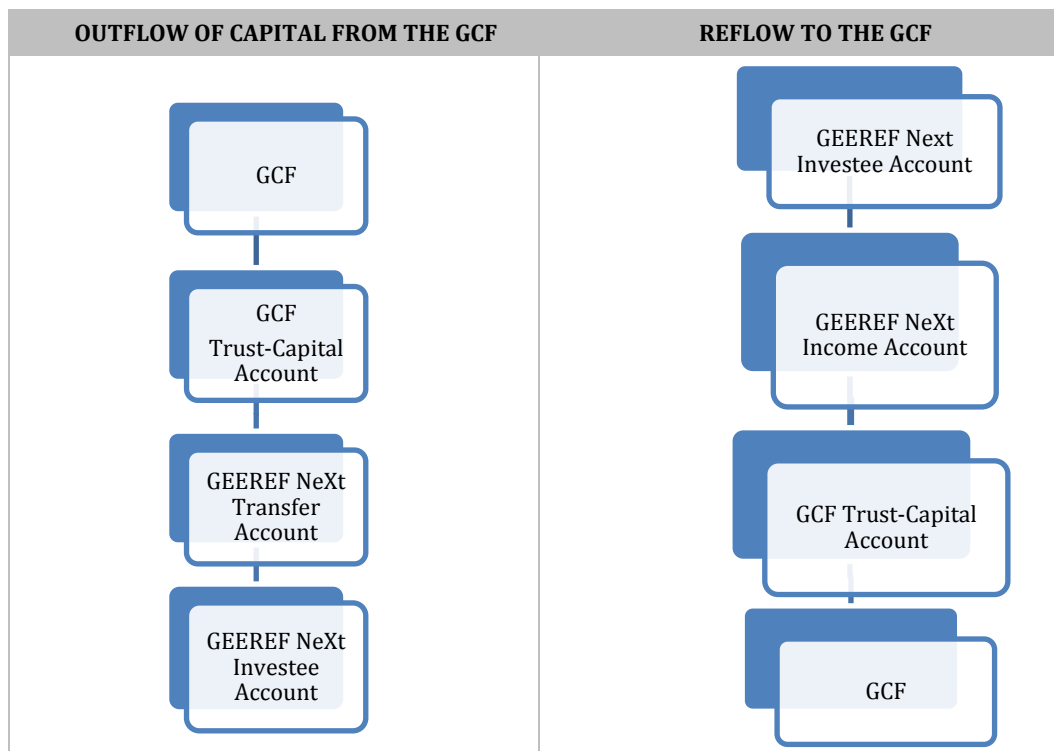
GEEREF NeXt will be a transparent vehicle and taxation on income generated by GEEREF NeXt will be payable by its investors in whichever jurisdiction they are resident for tax purposes. Therefore, GEEREF NeXt will bear no income tax itself but will pay stamp duties and annual regulatory fees among others. GEEREF NeXt will also be structured as a tax transparent investment pooling vehicle, in line with standard private equity market practice.

## C.7. Institutional / Implementation Arrangements

### *The GCF Commitment into GEEREF NeXt*

In line with standard private equity practice, the GCF will need to sign an unconditional commitment agreement to GEEREF NeXt – through a trusteeship agreement with the EIB Group if required, which will include GEEREF NeXt’s investment guidelines amongst others. These detailed investment guidelines, as well as a prospectus, limited partnership agreement and/or private placement memorandum and relevant operational manuals, will need to be agreed with the GCF in a funded activity agreement. These documents will subsequently constitute the basis of the legal documentation through which private sector investors will commit into GEEREF NeXt.

*Figure 9: Basic Flows Between the GCF, GEEREF NeXt and the Beneficiary Projects*



In general, capital would flow from the GCF to a final beneficiary in this manner:

- 1) GCF (USD =>) to GCF Trust-Capital account (held with EIB);
- 2) GCF Trust-Capital account (USD =>) to GEEREF NeXt transfer account, where funds from all GEEREF NeXt investors are collated for each call made on GEEREF NeXt; and
- 3) GEEREF NeXt transfer account (USD =>) to investee fund’s account (USD or currency).

In general, capital would flow back from the final beneficiary to the GCF in this manner:

- 1) Investee fund’s project account (USD or currency =>) to GEEREF NeXt Income account;
- 2) GEEREF NeXt Income account (USD =>) to GCF Trust-Capital account (held with EIB);
- 3) GCF Trust-Capital account (USD =>) to GCF.

**GEEREF NeXt Governance and Structure**

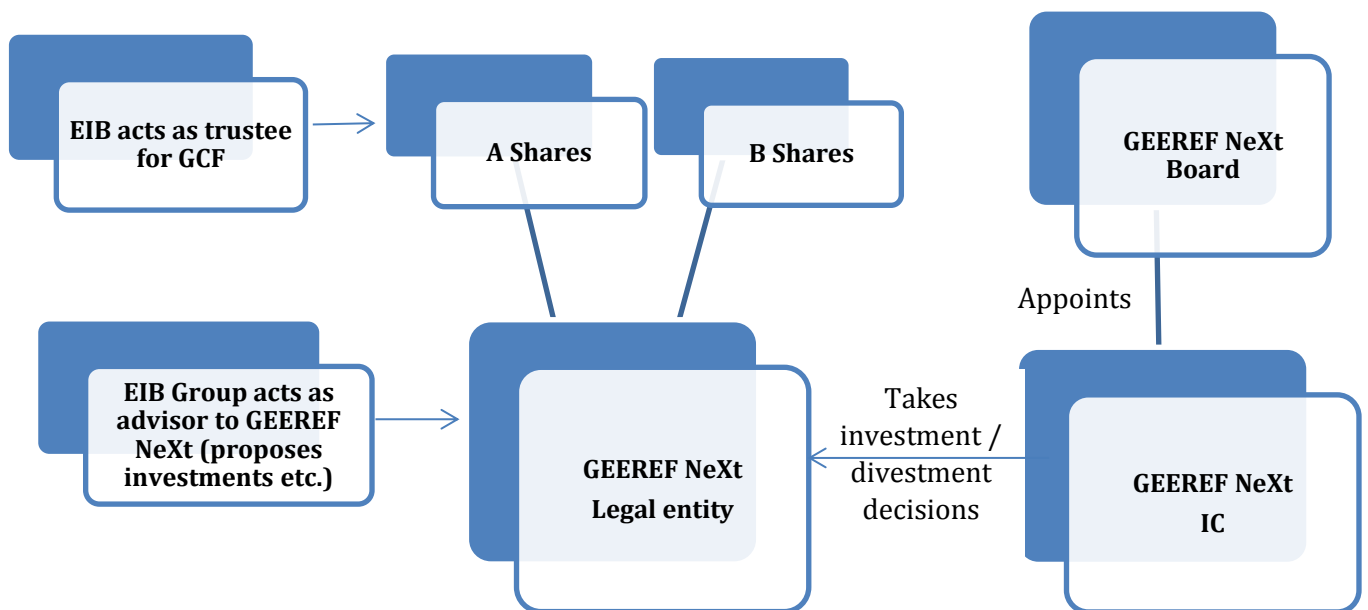
The EIB Group will have overall responsibility for the set-up, coordination and implementation of GEEREF NeXt.

GEEREF NeXt is expected to follow a market based governance model that is acceptable to both public and private investors. The governance structure must comply with fiduciary responsibilities to all stake holders. It will therefore have an Investment Committee in charge of portfolio strategy and selection, as well as a supervisory board in charge of overall governance. It is foreseen that investor representation will be limited to an oversight function, and that the members of the IC will be recruited from the GEEREF NeXt and the EIB management teams alongside with independent external experts in the field.

Table 9: Key GEEREF NeXt stakeholder roles

TERMS	DESCRIPTION
A Shares	<ul style="list-style-type: none"> <li>Concessional, catalytic capital (the GCF)</li> </ul>
B Shares	<ul style="list-style-type: none"> <li>Private investors, including the EIB</li> </ul>
Investment Committee	<ul style="list-style-type: none"> <li>Permanent internal (the EIB Group) members and independent expert members</li> </ul>
Supervisory Board	<ul style="list-style-type: none"> <li>Permanent members appointed by A Shareholders and B Shareholders, including the GCF or its Trustee</li> </ul>
EIB / EIF	<ul style="list-style-type: none"> <li>Provides advisory services to GEEREF NeXt, through an advisory agreement</li> </ul>
GFO	<ul style="list-style-type: none"> <li>Identification and recommendation of investment opportunities</li> <li>Ongoing management and reporting on investments</li> </ul>

Figure 10: Summary Governance Structure



GEEREF NeXt' structure will be similar to the GEEREF structure. As per above, GEEREF is a Luxembourg domiciled SICAV-SIF, regulated by CSSF.

**Institutional support from the EIB Group**

The GEEREF investment team currently includes five investment professionals fully dedicated to GEEREF activities. The EIB expects to add investment professionals to the GFO in 2017, as GEEREF NeXt gets underway. GFO is part of the Infrastructure and Climate Change Division of the EIB, where it has ready access to the teams developing and implementing traditional and innovative climate action financing instruments and equity infrastructure activities. The equity infrastructure team has, since 2005, been active in building up a portfolio of over 37 infrastructure funds for total commitments of over EUR 1.3 bn, primarily in Europe and across different sectors, including renewable energy and energy



efficiency.

Furthermore, GFO has ready access to the Clean Energy team within the EIB's Projects Directorate, which includes 50+ engineers and economists specialising in renewable energy, energy efficiency and infrastructure projects worldwide. The GEEREF investment team is further supported across all its activities by the EIF in-house legal team. These teams provide an integral resource for GEEREF Front Office's fund DD processes, providing separate independent Risk, Technical and Legal review reports for each opportunity assessed. GEEREF further benefits from access to a comprehensive set of middle and back office resources within the EIB Group, of a breadth and depth appropriate to a multi-billion Euro asset management platform.

**Investment Process to be Implemented by GEEREF NeXt**

An EIB Group standard investment processes will be replicated into the GEEREF NeXt processes. Relevant EIB services will independently review and sign-off on all operations in during the life of a project That is that services involved in the approval of projects, disbursement to funds and any other operational matter are independently tasked to confirm that any proposed decision conforms to legal obligations born by the EIB Group.

To illustrate the investment process to be followed by GEEREF NeXt, a summary table is presented below with the current process followed for GEEREF:

*Table 10: GEEREF Summary Investment Process*

	Deal sourcing	Due diligence	Investment decision
GFO	<ul style="list-style-type: none"> <li>• GEEREF Front Office originates pipeline investments</li> <li>• Pipeline fund investments are fed into pipeline database</li> <li>• GFO screens pipeline investments based on GEEREF investment criteria</li> <li>• Several exchanges of information, phone calls and an in-person meeting in Luxembourg take place with the most promising prospective investee funds</li> <li>• Investments are selected to proceed to DD</li> </ul>	<ul style="list-style-type: none"> <li>• GFO prepares Appraisal Authorisation note, which is reviewed by the EIF services and the EIB's Projects Directorate</li> <li>• AA note sent to the GEEREF IC for non-objection</li> <li>• GFO conducts DD through meetings and project site visits (20 to 30 person days, including the EIB technical experts)</li> <li>• GFO DD report is prepared summarising the findings of the project, as well as the identified risks and corresponding mitigating measures</li> <li>• GFO prepares Request for Approval, including all the input from the EIB and the EIF services</li> </ul>	<ul style="list-style-type: none"> <li>• Request for Approval is submitted to the IC for approval</li> <li>• IC meeting held for discussion and decision on RA</li> <li>• Key terms are agreed upon at this point</li> <li>• Legal details are specified and completed during the negotiation of legal documentation and investment agreements</li> </ul>
EIB and EIF	<ul style="list-style-type: none"> <li>• Technical review of the proposals and participation in meetings with investee fund managers</li> <li>• Preliminary risk, compliance and legal reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Independent risk, compliance and legal reviews are prepared</li> </ul>	<ul style="list-style-type: none"> <li>• Risk, compliance, legal and technical inputs are integrated into legal documentation.</li> </ul>

Fund managers will commit, via the fund contractual arrangements, to comply with the EIB's ESG policies, anti-money laundering / counter terrorism financing and procurement standards among others. Any deviation by the fund managers to these standards is to be brought to the investors, including GEEREF NeXt. A non-authorized deviation by the fund manager would constitute a breach and a material fault, which as a consequence, could result in the removal of the fund manager. EIB's policies on all these aspects are consistent with the GCF policies.

Although GEEREF NeXt will seek to invest in funds where the investors do not participate in investment decisions, GEEREF NeXt will be represented as an active investor on the funds' corporate governance bodies such as investors' advisory committees or similar investor representation bodies addressing issues such as conflicts of interest, investment valuation, changes in the composition of management teams, etc.

**Project Development and Construction Process Implemented by Fund Managers**

Project construction processes vary considerably in duration according to technology and project complexity. A solar PV plant could be built in 6 to 9 months, whereas a geothermal project development could easily exceed five years. Despite

the fact that each individual project will have its own specific characteristics and, in simplified terms, the key phases of a power project construction process are as follows:

- i) *Project preparation (12-24 months average)*: Including environmental and social impact assessment (“ESIA”), feed in tariffs (“FIT”), PPA agreements, licensing.
- ii) *Design & Procurement (3-6 months average)*: Including final project design, equipment supply, and equipment delivery to site.
- iii) *Financial close*: Bringing together the remaining equity investor(s) and debt provider(s) required for project construction (3 to 18 months).
- iv) *Construction Works (6-24 months average)*: Including general site civil engineering works, site electrical engineering works, plant civil engineering works, installation of equipment mounting structures, installation of equipment and cabling, mounting of other components, testing and commissioning of equipment, installation of inverters and sub-stations.
- v) *Commissioning (1 month average)*: Plant commissioning off-grid or on-grid.
- vi) *Commercial Operations / Project Exit*

During the project development and construction process, the key parties involved and their respective roles and responsibilities are as follows:

- i) *Local engineers*: Typically, local engineers are part of the local developer team or may be hired separately by the fund manager. Local engineers are on-site throughout the whole construction process and will provide weekly updates to the fund manager.
- ii) *Fund manager engineers*: GEEREF’s fund managers ensure that members of their engineering teams are dedicated to individual beneficiary projects throughout the construction period and are typically on-site every two weeks to monitor progress, providing weekly updates to the fund manager.
- iii) *Engineering, procurement and construction (“EPC”) contractor*: GEEREF’s fund managers hire an EPC contractor who is responsible for all aspects of project implementation according to project specifications and delivery guarantees agreed with the project owner. The EPC contract is thus the key contractual agreement within the project construction process. The EPC contractor is on-site daily throughout the construction process. A significant number of EPC contractors come from local countries, providing an excellent opportunity to boost local employment, share best practice and build competencies. They may also come from third developing countries. For example, a hydro EPC from Sri-Lanka is developing beneficiary projects for one of GEEREF’s African fund.
- iv) *Transmission System Operator (“TSO”)*: The TSO will usually be required to provide early input into the project design, before Notice to Proceed is given, to ensure that the project complies with the requirements of the relevant grid system. The TSO will then be present for the commissioning to the grid prior to the effective commencement of commercial operations.
- v) *Lender’s Technical Consultants*: In some cases, the banks providing the project finance hire a technical consultant to approve the project design specifications and to confirm the project milestones are appropriately met. The consultant also certifies the commissioning procedures.

The key contractual agreements post-commissioning are:

- i) *Operation and maintenance (“O&M”)*: O&M activities may be conducted by in-house teams or outsourced to contractors and will focus on technical corrective and preventive maintenance. Real-time monitoring systems bring timely information to the plant manager and the GEEREF fund manager.
- ii) *Plant Manager*: Daily plant management activities are usually undertaken by the local developer partner or other local partner with on-site presence. Additional oversight is provided by the fund manager’s engineering team. Periodical performance reviews are carried out directly by the fund manager’s engineering team, who are also on site when needed.
- iii) *Asset & Corporate Management*: Accounting, tax and compliance are carried out by the fund manager’s administrative team and/or a local service provider. Treasury, budgeting, control and finance are managed directly by the fund manager’s administrative team to ensure they are fully consistent with investors’ reporting needs and overall fund management guidelines.
- iv) *Impact Monitoring*: Impact of beneficiary projects construction and operations is monitored and subject to annual reporting.

**C.8. Timetable of Project/Programme Implementation**

YEAR	2017				2018				2019 (YEAR 1 OF INVESTMENT PERIOD)				2020 (YEAR 2 OF INVESTMENT PERIOD)				2021 (YEAR 3 OF INVESTMENT PERIOD)				2022 (YEAR 4 OF INVESTMENT PERIOD)				2023 (YEAR 5 OF INVESTMENT PERIOD)			
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22	Q23	Q24	Q25	Q26	Q27	Q28
<b>FUNDRAISING</b>																												
<i>Concessional, catalysing capital</i>	x	x	x	x																								
<i>Private capital</i>			x	x	x	x	x	x																				
<b>INCORPORATION</b>			x																									
<b>INVESTMENT PERIOD</b>			x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
<b>TA FACILITY DEPLOYMENT</b>			x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

(Continued 1)

YEAR	2024 (YEAR 1 OF DIVESTMENT PERIOD)				2025 (YEAR 2 OF DIVESTMENT PERIOD)				2026 (YEAR 3 OF DIVESTMENT PERIOD)				2027 (YEAR 4 OF DIVESTMENT PERIOD)				2028 (YEAR 5 OF DIVESTMENT PERIOD)				2029 (YEAR 6 OF DIVESTMENT PERIOD)				2030 (YEAR 7 OF DIVESTMENT PERIOD)			
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q21	Q22	Q23	Q24	Q25	Q26	Q27	Q28
<b>DIVESTMENT PERIOD</b>	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
<b>TA FACILITY DEPLOYMENT</b>			x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

(Continued 2)

YEAR	2031 (YEAR 8 OF DIVESTMENT PERIOD)				2032 (YEAR 9 OF DIVESTMENT PERIOD)				2033 (YEAR 10 OF DIVESTMENT PERIOD)			
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
<b>DIVESTMENT PERIOD</b>	x	x	x	x	x	x	x	x	x	x	x	x
<b>TA FACILITY DEPLOYMENT</b>			x	x	x	x	x	x	x	x	x	x

NB: This is the expected timetable for the execution of the GEEREF NeXt programme at the time of presentation of this proposal. However, please note that the 5-year investment period limitation (even if investments have started beforehand), will only run as from the time when the private sector fundraising is concluded (envisaged within 18 months of 1<sup>st</sup> closing with GCF). Additionally, please note that both the GEEREF NeXt investment period and the total investment vehicle term may be extended, further to the agreement of the GEEREF NeXt investors including the GCF.

## D.1. Value Added for GCF Involvement

**With over USD 10 bn of capital commitments secured from 38 States as of November 2015, the GCF has a unique and critical role to play as the anchor public sector partner for GEEREF NeXt.**

GEEREF NeXt is seeking USD 250 m of equity financing from the GCF to begin a private sector fundraising process in 2017, with a USD 500 m private sector capital target. The GCF has the opportunity to be the linchpin to catalysing private capital to a proposed ratio of up to 1:2 public to private: for every dollar of the GCF's funding, the EIB will seek to raise up to two dollars of private capital.

The GCF's participation in GEEREF NeXt is key to:

- a. *Facilitate increased involvement of international private sector investors in the asset class by offering appropriate risk-return for their investment:* A public-private partnership is necessary to provide private sector investors with support and comfort needed to enter into the asset class. From the perspective of private investors the risks associated with investment in development and construction of RE/EE projects in the GCF eligible countries are too high. Without a risk mitigation mechanism such as the one proposed by GEEREF NeXt, they will not participate at scale. This assessment is made on the basis of GEEREF's fundraising experience and extensive market engagement by the EIB with the private sector globally.
- b. *Provide concessional capital at sufficient scale:* GEEREF has approached a number of public donors for investment in the A Shares tranche who have indicated that the GCF is their principal conduit to finance climate change action in developing countries. As such, the GCF represents the largest addressable pool of public capital that is allocated for climate finance. Other public institutions (such as the EIB) are unable to invest in subordinated positions such as GEEREF NeXt A shares, as their risk guidelines do not allow them to do so. As a result, the GCF is currently the only entity that can provide concessional capital at sufficient scale to a programme like GEEREF NeXt.

Thanks to this investment into GEEREF NeXt, the GCF will support an innovative financing platform for renewable energy investment in developing countries that will crowd in private sector at ratio of 1:2 (public to private) and contribute to climate change mitigation across the developing world. This financial vehicle showcases one of the GCF's core missions: to unlock large scale private capital for climate mitigation in developing countries.

**USD 250 m of GCF capital would be able to catalyse up to USD 1.6 bn of capital annually that will contribute to meet the Paris Accord commitments.**

## D.2. Exit Strategy

### *Exits by the Funds from the RE/EE Beneficiary Projects*

GEEREF NeXt's funds will normally have a lifetime of ten years, which can be extended by an additional 1-2 years subject to investors' consent. Within this timeframe they will provide financing over a much longer period of time than a traditional bank, the length of time that is also required to establish themselves in their market(s) of investment and develop, construct and operate renewable energy and energy efficiency assets. The investments are designed in a way to ensure profit for the ultimate beneficiaries (the RE/EE beneficiary projects) and create a situation in which they will be able to access traditional finance for further operation.

It is expected that investee fund managers will achieve exits (sales) for some of their beneficiary projects after three to five years and may be fully exited before year ten. The exits will typically be to local parties, including utilities and institutional investors that will continue to operate them for the rest of the asset life, typically in excess of 25 years. Infrastructure assets provide attractive stable long-term cash flows to these investors. Some of GEEREF's funds have already successfully exited some of their beneficiary projects.

These exits constitute the fund managers' track records, which in turn enable their survival and continued investment as fund managers and project developers.

### **Exits for GEEREF Investors**

GEEREF NeXt will also have a limited lifetime and the exit of investors will primarily be via the distribution of proceeds received from the investee funds and beneficiary projects. In first discussions, some investors requested to include an option to exit GEEREF NeXt after 10 years. This will be further discussed with public and private investors and potentially be included in the legal documentation.

GEEREF NeXt's income will be distributed to its investors based on the waterfall outlined in detail in section E.6.3 of this proposal. This waterfall is essential to guarantee GEEREF NeXt's ability to attract private investors.

**GEEREF NeXt's financial model illustrates private investors' fully repaid their principal investment within eleven years and the GCF fully repaid its investment within the GEEREF NeXt's life.**

## E.1. Impact Potential

Potential of the project/programme to contribute to the achievement of the Fund's objectives and result areas

### E.1.1. Mitigation / adaptation impact potential

- **At a size of USD 750 m, GEEREF NeXt expects to catalyse up to 18 GW of new clean energy capacity, generate more than 56,600 GWh of electricity annually and create energy savings of 1,300 GWh per annum.**
- **This would be expected to:**
  - **Reduce over 38 m tonnes of CO<sub>2</sub> emissions per annum;**
  - **Benefit up to 41 m households with access to clean electricity per annum;**
- **And it will be conducted with specific considerations for gender equality.**

The impact potential of GEEREF NeXt with regards to capacity installed, electricity generated, CO<sub>2</sub> saved and households impacted has been derived from the following iterations:

1. Quantification of the cost of impact: calculation of unit costs of each of the indicators listed above as realised under GEEREF;
2. Calculation of the expected capital to be mobilised by GEEREF NeXt (i.e. total final cost of delivering beneficiary projects);
3. Calculation of the level of impact for each of the indicators by dividing the total expected capital to be deployed as a result of GEEREF investment activity (i.e. result of step 2) by the unit cost of impact for each of the indicators.

Table 11 below summarizes the results of this exercise.

As per the GEEREF precedent, a USD 750 m FoF would be expected to trigger a 50x multiplier at the level of GEEREF NeXt, mobilising up to USD 30 bn over its lifetime for new clean energy investment in developing countries. Using actual cost figures<sup>6</sup> reported by GEEREF investee funds, GEEREF NeXt could be expected to generate the below impact:

- i. *Clean energy*: new build clean energy capacity of up to 18 GW;
- ii. *Electricity generation*: annual electricity output of c. 56,600 GW hours per annum;
- iii. *Electricity savings*: annual electricity savings of c. 13,000 GW hours per annum;
- iv. *Emissions reduction*: annual avoided carbon dioxide emissions of 39 m tonnes; and
- v. *Beneficiary households*: equivalent to the average annual consumption of 41 m households.

Table 11: Key Impact Indicators

	GEEREF 2015 figures (10 funds, ) (A)	GEEREF Unit cost analysis (as of the end of 2015) (B)	GEEREF NeXt Full deployment (C)
TOTAL CAPITAL MOBILISED (USD m )	3,038	(50x multiplier)	30 bn
INSTALLED CAPACITY (GWs)	1.97	1,700,000 USD/MW	18
ELECTRICITY OUTPUT (GWHs PER ANNUM)	6,221	26 USD/MWh	56,500
ELECTRICITY SAVINGS (GWHs PER ANNUM)	66.2	26 USD/MWh	1,300
EMISSIONS REDUCED (MILLION TONNES PER ANNUM)	4.2	39 USD/tCO <sub>2</sub> (RE) 67 USD/tCO <sub>2</sub> (EE)	39
BENEFICIARY HOUSEHOLDS (MILLION PER ANNUM)	4.5	735.92 USD/household	41

Assumes full capital deployment at fund and project levels, over 20 years of asset lifetimes for RE and 10 years for EE.

<sup>6</sup> 1,673,031 USD/MW installed; 26USD/MWh generated; 26 USD/MWh saved; 39 USD/tCo<sub>2</sub> eq (RE projects); 68 USD/tCO<sub>2</sub> eq (EE projects); 733 USD/household impacted (RE); 2,459 USD/household impacted (EE) per GEEREF's 2015 results.



Assuming that GEEREF NeXt commits to 19 funds and makes 3 direct investments, 200 beneficiary projects would be realised. GEEREF NeXt would be expected to deliver the below results against the GCF's impact targets:

Table 12: GEEREF NeXt Impact Targets for the GCF

IMPACT TARGET	Comment
<b>Impact Potential (Mitigation)</b>	<ul style="list-style-type: none"> <li>• Reduce 39 m tonnes of CO2 equivalent;</li> <li>• Add up 18 GW of new clean electricity capacity;</li> <li>• Provide electricity to up to 41 m households annually;</li> <li>• Install energy efficiency measures that will generate savings of 1,300 GW hours annually.</li> </ul>
<b>Paradigm Shift Potential</b>	<ul style="list-style-type: none"> <li>• Establish the role of an asset class for international investors – development, construction and commissioning of renewable energy infrastructure in developing countries – using private equity funds as a conduit for the finance;</li> <li>• Demonstrate that these beneficiary projects are bankable, creating track records and educating the market;</li> <li>• Alter risk perception of private sector investors for RE and EE investments.</li> <li>• Scale up 3.4 times from existing model (EUR 220 m);</li> <li>• Mobilise up to USD 30 bn in project financing for RE and EE (both equity and debt) from local and international financial institutions;</li> <li>• Potential to replicate the investment model in other sectors.</li> </ul>
<b>Sustainable Development Potential</b>	<p><b>Social:</b></p> <ul style="list-style-type: none"> <li>• Improve national enabling environments for private investment in RE and EE sector;</li> <li>• Ameliorate living conditions of millions of households through improved access to electricity;</li> <li>• Enhance participation of both men and women in decision-making.</li> </ul> <p><b>Economic:</b></p> <ul style="list-style-type: none"> <li>• Create permanent and temporary jobs during construction and operation period of the assets;</li> <li>• Expand involvement of local businesses by contracting local SMEs during sub-project construction and operation period;</li> <li>• Contribute to local public budget through tax payments;</li> <li>• Expand SMEs sustainability through increased access to energy;</li> <li>• Increase in energy security of the country/region of asset operation.</li> </ul> <p><b>Gender:</b></p> <ul style="list-style-type: none"> <li>• Encourage creation of female employment and encourage active participation in the decision-making process.</li> </ul>
<b>Needs of the Recipient</b>	<ul style="list-style-type: none"> <li>• Target the GCF eligible countries, which are often disproportionately affected by climate risks.</li> <li>• Provide resources for long-term financing of RE and EE where they currently do not exist or are insufficient.</li> <li>• Alter risk perception of investments in RE and EE and crowd in private investments to address the financing gap.</li> <li>• Contribute to economic development of target countries through increased employment, tax base and gender inclusion.</li> </ul>
<b>Country Ownership</b>	<ul style="list-style-type: none"> <li>• Contribute to the recipient countries' meeting their NDC targets, as virtually every GCF eligible country has climate mitigation targets.</li> <li>• Help countries close up the energy demand – supply gap with clean energy.</li> </ul>
<b>Efficiency and Effectiveness</b>	<ul style="list-style-type: none"> <li>• Each dollar contributed by the GCF to GEEREF NeXt to unlock up to USD two dollars of private finance at the GEEREF NeXt level.</li> <li>• Each dollar invested by GEEREF NeXt into a fund to unlock up to seven dollars from a combination of public and private sources.</li> <li>• Each dollar invested by a GEEREF NeXt investee fund into a project to mobilise up to seven dollars in project finance from a combination of public and private sources.</li> <li>• Given the above, in total, each USD 1 invested by GEEREF NeXt is expected to catalyse up to USD 50 of investment into beneficiary projects on the ground, i.e. leverage factor of 50x.</li> <li>• Expected cost of abatement is USD 39/ tCO2eq for RE and USD 68/tCO2eq for EE projects<sup>7</sup>.</li> </ul>

<sup>7</sup>Based on actual data under GEEREF.

### Reporting

One of GEEREF NeXt's key reporting instruments will be its annual impact report which will draw on its existing impact reporting programme under GEEREF. GEEREF publishes its annual impact report, which includes all impact-related metrics that are tracked by both GEEREF and its investee funds on all of their beneficiary projects.

In 2015, the GEEREF impact report included data for the ten funds in the GEEREF portfolio at the time and presented the actual outcomes achieved for both the financial year of 2015 and projections for the lifetime outcomes expected to be achieved by the beneficiary projects in the portfolio (and to be added to the portfolio) once they are operational.

All impact data are collected annually from GEEREF's fund managers and are analysed by the GFO. Data is collected for the entire set of beneficiary projects, rather than a pro rata share of them, with the underlying assumption that the beneficiary projects would not have been financed without GEEREF's initial support. Should GEEREF NeXt be requested to provide exclusively the share attributable to GEEREF NeXt, this could be done although it would be dependent on the final size of GEEREF NeXt and its relative participation in each of the funds and beneficiary projects.

At the end of 2015, GEEREF's active funds had invested in 48 beneficiary projects. Out of these, 14 beneficiary projects with capacity of 525 MW were operational. Actual output by these beneficiary projects in 2015 was 1,087,089 MWh. In addition, the amount of electricity saved over 2015 by energy efficiency beneficiary projects was more than 13,430 MWh.<sup>8</sup> This electricity generation amount translates into more 1,083,476 tons of CO2 emissions avoided. On the social side the beneficiary projects represent 1,017 (276 female) permanent jobs created and 2,247 (271 female) temporary jobs. The number of beneficiary households potentially gaining electricity access or improved electricity access from the amount of electricity produced by GEEREF's beneficiary projects was more than 419,857. 341 SMEs were involved in the beneficiary projects executed by GEEREF's funds. GEEREF's 2016 impact report will be published during Q3 2017.

GEEREF's 2016 impact report will be published in the third quarter of 2017. The latest quarterly financial reports provided by investee funds (for the fourth quarter of 2016) indicate that GEEREF currently has c. 80 beneficiary projects in its portfolio, with 694 MW of operating assets.

### Explanation of indicators

- **Total Capital Mobilised:** Refers to the total fund equity, co-investment and project finance expected to be deployed into portfolio projects that are in the portfolio and expected to be in the portfolio by the time the funds are fully deployed. The data is collected annually as part of impact reporting.
- **Installed Capacity:** Refers to the total installed capacity reached by beneficiary projects that are in the portfolio at the end of the reported financial year and expected to be in the portfolio by the time the funds are fully deployed. The number of megawatts in development, construction or operation is also reported quarterly and can be independently verified for confirmation of commissioning.
- **Electricity Output:** Refers to the total annual electricity output estimated to be delivered by beneficiary projects that are in the portfolio at the end of the reported financial year or are expected to be in the portfolio by the time the funds are fully deployed. Actual electricity sales are monitored daily or weekly by the investee funds and published by the fund managers in their quarterly, annual and impact reports. Electricity generation forecasts are made on the basis of the installed capacity of a project and an appropriate capacity factor, which will vary from technology and project (typically from circa 20% for solar to as much as 96% for geothermal).
- **Electricity Savings:** Refers to the total annual electricity savings estimated to be delivered by beneficiary projects that are in the portfolio at the end of the reported financial year or are expected to be in the portfolio by the time the funds are fully deployed. Actual electricity savings are monitored regularly investee funds and published by the fund managers in their quarterly, annual and impact reports.
- **Emissions Reduced:** Refers to the total annual carbon emissions estimated to be reduced by beneficiary projects that are in the portfolio at the end of the reported financial year and expected to be in the portfolio by the time the funds are fully deployed =. Emissions reductions are calculated by each fund manager on an individual project basis, assessing the appropriate grid displacement factor for the particular technology and country. Should a more detailed explanation of this approach be required, it is provided in the EIB Green House Gas ("GHG") Footprint Methodologies Report.

<sup>8</sup> Please note that some of these projects came online late in 2015. As such, their output or savings only represent a small fraction of the year's activity.



- **Beneficiary Households:** This refers to the total number of households annually benefitting from improved access to electricity from beneficiary projects that are in the portfolio at the end of the reported financial year or are expected to be in the portfolio by the time the funds are fully deployed. Beneficiary households are calculated by dividing annual electricity output per project by the average annual household electricity consumption in the host country (based on data provided by the World Bank).

**E.1.2. Key impact potential indicator**

Provide specific numerical values for the indicators below.

GCF core indicators	Expected tonnes of carbon dioxide equivalent (t CO <sub>2</sub> eq) to be reduced or avoided (Mitigation only)	Annual	38,700,000 tonnes of carbon dioxide
		Lifetime	769,000,000 tonnes of CO <sub>2</sub>
	<ul style="list-style-type: none"> <li>• Expected total number of direct and indirect beneficiaries, disaggregated by gender (reduced vulnerability or increased resilience);</li> <li>• Number of beneficiaries relative to total population, disaggregated by gender (adaptation only)</li> </ul>	Total	41,000,000 households annually (direct beneficiaries)
		Percentage (%)	100% of population is expected to benefit to varying degrees from the programme
Other relevant indicators	See table 11 above.		

GEEREF conducts a rigorous impact assessment each year across its entire portfolio of funds and beneficiary projects. GEEREF collects indicator data at the individual project level for three periods: i) Actual, for the reported year; and ii) Run-rate, where all beneficiary projects commenced in the portfolio are assumed to be fully constructed and operational, iii) Estimates for beneficiary projects that are expected to be added to the investee fund portfolio.

In Column A in table 11, referred to above, indicators are shown on the basis of run-rate numbers, i.e. the outcomes from the current portfolio of beneficiary projects assuming a full year of operation and estimates of the outcomes of beneficiary projects to be added to the portfolio. In order to extrapolate for what GEEREF NeXt (C) will deliver once fully deployed and over their lifetimes, for each indicator a number is derived per dollar of capital deployed using the run-rate figures. These numbers are then multiplied by the total capital deployment projections for both funds. So, given that GEEREF NeXt is expected to mobilise up to USD 30 bn in financing for the beneficiary projects and given the per unit cost estimates of generation capacity (GW), electricity production (GWh), emission reduction (tCO<sub>2</sub> eq) and number of beneficiary households laid out in column B in table 11, GEEREF NeXt will contribute to a build-up of 18 GW in energy capacity, generation of 56,655 GWh annually, energy savings of 1,300 GWh annually and savings of 38,700,000 tCO<sub>2</sub> eq annually.

These projections built upon a bottom-up, empirical assessment of actual beneficiary projects in the GEEREF fund portfolios and extrapolated for a standard economic lifetime (20 years for RE and 10 years for EE), which in many cases is conservative.

## E.2. Paradigm Shift Potential

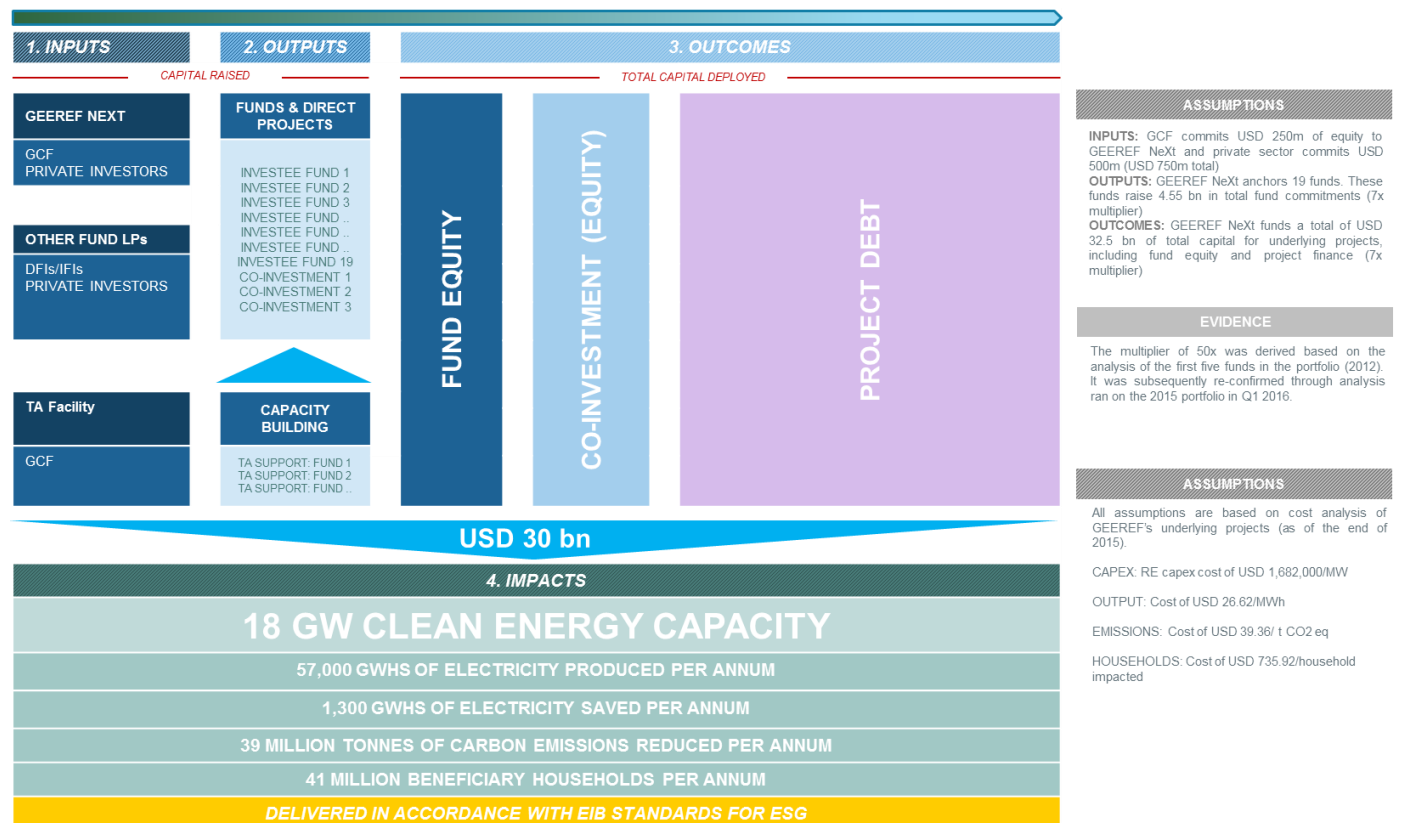
Degree to which the proposed activity can catalyse impact beyond a one-off project/programme investment

### E.2.1. Potential for scaling up and replication (Provide a numerical multiple and supporting rationale)

- **GEEREF is expanding the asset class of equity investments in the development, construction and commissioning of renewable energy infrastructure in developing countries.**
- **GEEREF is demonstrating that renewable energy projects in developing countries are bankable, creating track records and educating the market.**
- **GEEREF NeXt will scale up GEEREF activities more than threefold, with the potential to unlock up to USD 30 bn of climate finance for climate mitigation efforts across emerging markets.**
- **GEEREF NeXt will continue to foster the widespread implementation of the highest ESG standards and positive impact outcomes.**

A diagram illustrating the Theory of Change, which can be derived from GEEREF NeXt, can be found below.

Figure 11: GEEREF NeXt Theory of Change



### Expanding and Mainstreaming of the Asset Class

One of GEEREF NeXt's strategic aims is to turn investment in the development, construction and commissioning of renewable energy infrastructure into a commodity asset class, so that eventually private capital can flow into it without the need for public financial support.

GEEREF NeXt's premise is that renewable energy projects in developing countries are financially sustainable and that they are contributing to the progressive decrease in energy prices. However, currently key categories of private investors are restricted from investing in this sector due to a lack of historical track records on the part of project developers (often a

regulatory requirement) and a lack of experience on the part of investment managers.

The pension funds that have invested in GEEREF had to seek regulatory authorization which was only granted in view of the downside risk mitigation provided by the public investors.

There is a risk-weighted approach to investments which has made it extremely expensive for investors to back alternative or non-standard investments. GEEREF NeXt will lower this cost for investors by reducing downside risk. GEEREF and GEEREF NeXt are building this track record and are playing an educational role, both for the fund managers developing the projects and for the investment managers selecting the investment opportunities.

GEEREF NeXt will significantly contribute to a paradigm shift similar to the one that drove mobile phone take-up in emerging markets, breaking open the gates that hold back private capital investment in developing countries.

### ***Scaling Up***

GEEREF embodies the very idea of paradigm shift potential, whereby both private and public sector investors are able to identify clearly very significant final multiplier effects (50 times and over 100 times respectively).

At USD 750 m, GEEREF NeXt would be more than 3 times larger than its predecessor, assuming both one-third as many more funds in the portfolio and a larger ticket size for each new fund commitment. GEEREF NeXt has the potential for scaling up further beyond this, as well as the potential for replication in other climate finance sectors such as transport, waste, water, forestry and agriculture.

### ***Impact Potential***

As GEEREF NeXt evaluates, selects and supports its investee portfolio funds, it has a profound impact on the investment environment for clean energy in developing countries. GEEREF NeXt's fund managers are typically first time teams that would not have been viable without GEEREF NeXt's early support. GEEREF NeXt makes a very considerable contribution towards capacity building by helping assemble and enhance these local teams. Their success, through GEEREF NeXt, in raising first and then second funds also has a very positive impact on the market, encouraging other fund managers to enter and demonstrating to other investors that renewables in emerging countries form a bankable asset class.

GEEREF NeXt backs emerging investment teams who share its values for impact and ESG and who implement the highest international standards for responsible investment through their businesses and projects. By catalysing nascent managers, GEEREF NeXt is able to have a profound bearing upon its funds' strategies and, particularly, their approaches to impact investing. Thus, through the success of GEEREF NeXt's activities, a positive contribution is also made to the promotion of responsible clean energy investment globally.

## **E.2.2. Potential for knowledge and learning**

GEEREF NeXt funds will be pioneer funds – often the first regional, private sector funds focused on clean energy and they are typically undertaking some of the very first projects in their chosen markets. By making these investments, they are demonstrating to the market that these beneficiary projects are viable, building up local capacity and competence – whether technical or financial, structuring some of the first project finance deals and ultimately proving the commercial investment case.

GEEREF NeXt's funds and beneficiary projects will also embody the expertise of the EIB accumulated over many decades in both energy project development, emerging market investment and ESG standards, disseminating best practice across all the markets where it supports development activity. These standards are consistent with the GCF's.

GFO is an active and regular participant in industry events around the world where it shares the lessons learnt so far. These events include annual marquee conferences such as the Emerging Markets Private Equity Association ("EMPEA") meetings in London and Washington DC, Bloomberg in New York and Skoll Foundation in Oxford, as well as smaller and more targeted forums. It is the intention for GEEREF NeXt to continue with its participation in these forums.

As per the GEEREF precedent, GEEREF NeXt will organise an annual GEEREF Day to which all of its fund managers and investors are invited, to share best practice and experiences.

GEEREF NeXt will also publish an annual impact report which will seek to provide a useful guide to the many ways GEEREF NeXt and its funds have a positive impact and how this may best be measured.

For the past months, the EIB has engaged with NDAs across a large number of GCF eligible countries, not only to present the GEEREF NeXt programme but also to support them in their readiness programmes and in their search to promote

meaningful private sector engagement. Following initial meetings in East and Southern Africa where this was discussed with members of the GCF Board and Secretariat, the first such workshop was held at the EIB's office in December 2016, co-hosted with the United Nations Development Programme ("UNDP"). It gathered 12 NDAs from the Former Soviet Union and the Balkans region.

#### E.2.3. Contribution to the creation of an enabling environment

In Africa, for example, a very mixed picture of investment environments prevails, with each market developing in different ways and at a different pace. Countries such as South Africa have been phenomenally successful in using auctions to attract investment for clean energy and to drive down prices in each round. South Africa has attracted USD 12.6 bn of investment in four rounds and has installed over 2,400 MWs of wind, solar and hydro in the last three years. Kenya is another example of a country whose regulatory systems and power market structure has enabled it to attract external investment and is a key market for GEEREF NeXt.

However, in many other African countries the enabling environments for energy and clean energy investment to flourish are still developing. The investment regimes in many countries are still inchoate, risks have not been adequately addressed and electricity prices may not be attractive enough to offset this. Investors must be able to verify that they can develop and construct beneficiary projects, sell their electricity and get paid for it and to then exit the project investment at the appropriate time for a reasonable return. As has been the case in, for example South Africa or Morocco, when investment increases in a country's renewable energy sector, prices required to attract investors drop significantly. This reflects, on the one hand, the higher cost of being first in a new market and, on the other, the decrease of risk perception brought pioneer investors who lead the way for more risk-adverse and lower yield-seeking investors.

Funds such as GEEREF NeXt are designed to play a transformative role in fostering these environments and demonstrating the investment case through its portfolio of beneficiary projects. GEEREF's funds are now starting to have exits and showing returns which have a strong signalling effect to private investors. However, with five- to seven-year lead times, much more needs to be done by all market participants (and particularly governments) in order to accelerate private sector investment to the necessary levels.

GEEREF NeXt will therefore build up on the experience of GEEREF and continue supporting the creation of enabling environments across emerging markets.

#### E.2.4. Contribution to regulatory framework and policies

As per the GEEREF precedent, GEEREF NeXt funds will work closely and continuously with local authorities and in many cases make a significant contribution to the development of the enabling environment.

One of GEEREF's first funds is DI Frontier, which launched in 2010 with offices in Nairobi. Frontier is a fund investing primarily in geothermal and small hydro beneficiary projects in East Africa, with eight beneficiary projects currently in development and construction in Kenya and Uganda – some of the first beneficiary projects of their kind. Frontier has been very much a pioneer developer in the region and has had to play an educational as well as developmental role over the last few years as the local clean energy markets take shape.

For example, in the case of its Ugandan beneficiary projects, no standard PPA existed. Frontier assisted in accessing technical assistance facilities in order to hire a British law firm to advise the Ugandan government on the design of a market-standard PPA. With this in place, Frontier and all the other project developers in Uganda, are now able to benefit from this positive development.

## E.3. Sustainable Development Potential

### Wider benefits and priorities

#### E.3.1. Environmental, social and economic co-benefits, including gender-sensitive development impact

- **GEEREF NeXt expects to reduce carbon emissions in developing countries by almost 800 billion tonnes over twenty years.**
- **Clean electricity is a key enabler of sustainable development, particularly for improved access to healthcare and education, and for promoting local economic activity.**
- **GEEREF NeXt will bring considerable economic benefits to host countries, through affordable electrification which boosts economic activity, local job creation, skills and capacity building, reduced energy imports and direct financial participation.**
- **GEEREF NeXt will promote gender equality across its portfolio while its beneficiary projects bring electricity that yield substantial benefits for women.**

As noted previously, GEEREF NeXt will generate a vast number of direct and indirect positive benefits. Direct positive impacts will be produced by the addition of new clean electricity generating capacity and installation of energy efficiency measures and associated GHG savings. Beyond those, GEEREF NeXt will have strong social, economic and environmental co-benefits.

#### ***Overarching Principles***

GEEREF NeXt will exist to catalyse investment into clean electricity capacity and promote energy savings in the GCF eligible countries and to maximise the positive impact of those beneficiary projects in environmental, social and developmental areas. GEEREF NeXt will back fund managers which share its values and commitment to achieve high direct and indirect impacts as well as who implement the highest international standards for responsible investment through their businesses and beneficiary projects. The impacts generated by investee projects will be monitored by full-time ESG officers appointed by fund managers on the fund level and local community liaison officers assigned to each of the investee projects.

#### ***Environmental Co-Benefits***

All of GEEREF NeXt's beneficiary projects will embody the EIB standards<sup>9</sup> relating to the environment, health & safety and cultural heritage and ensure that all of their project partners do the same. These EIB standards, which are consistent with those of the GCF, cover the following areas and are fully incorporated by the fund managers in all of their beneficiary projects throughout their lifecycles:

1. *Environmental and Social Impacts and Risks*
2. *Pollution Prevention and Abatement*
3. *Biodiversity and Ecosystems*
4. *Climate-Related*
5. *Cultural Heritage*
6. *Involuntary Resettlement*
7. *Rights and Interests of Vulnerable Groups*
8. *Labour Standards*
9. *Occupational and Public Health, Safety and Security*
10. *Stakeholder Engagement*

#### ***Economic Co-Benefits***

In developing countries new electricity capacity additions foster economic growth and job creation. GEEREF NeXt funds will bring significant benefits to their host countries throughout the project life cycle. Taking the GEEREF example,

<sup>9</sup> Please refer to the EIB Environmental and Social Handbook for more details on the referenced standards: <http://www.eib.org/infocentre/publications/all/environmental-and-social-practices-handbook.htm>.



considerable economic co-benefits to local economies have been realised as a result of the beneficiary projects financed by its funds (as of December 2015). With regard to job creation, 1,017 (276 female) permanent jobs and 2,247 (271 female) temporary jobs were created. 341 SMEs were involved in the beneficiary projects executed by GEEREF's funds.

Many of GEEREF's beneficiary projects make direct financial provisions for local communities, allocating part of the investment capital to community development programmes and also endowing vulnerable groups with lifetime project revenues. For example, Evolution One expects to grant a total of over USD 200 m over twenty years to ten local community trusts.

Nearly all developing countries run current account deficits so the impact of more renewable energy in the generation mix is very positive for government balances, reducing the need for hard currency fossil fuel imports. Domestic production of renewable energy makes countries less vulnerable to import price volatility and provides them with a measure of energy independence.

It can therefore be expected that GEEREF NeXt beneficiary projects contribute to improved socio-economic conditions in local economies at least by:

- i. Job creation through direct employment on investee projects;
- ii. Closing of the energy supply-demand gap in investee project host countries, spurring economic activity and productivity of industries, thereby contributing to further creation of job opportunities;
- iii. Contribution to local tax base;
- iv. Spurring of local business activity by contracting local SMEs;
- v. Improvement in local working conditions by applying international standards (social, environmental, labour and other);
- vi. Improvement in energy security, alleviating host countries' dependence on fossil fuels and diversifying their energy mix;
- vii. Freeing up of government finances by decreasing demand for fossil fuel imports and, where applicable, any public subsidies provided for these; and
- viii. Strengthening of the local economies' productive sectors by reducing the energy and maintenance costs through installing EE measures, eventually improving their competitiveness, among others.

#### ***Additional Social Co-Benefits***

Social benefits are often harder to quantify but no less real. Improved availability of clean and affordable electricity is highly positively correlated with better education, whether in classrooms, in rural health dispensaries or studying at home. GEEREF NeXt will also bring these additional social co-benefits:

- i. Poverty reduction through improved energy access and economic activity;
- ii. Improvement in health conditions created by displacing air pollution associated with unclean energy sources; and
- iii. Empowerment of vulnerable groups, including women, through their enhanced participation in community consultations as well as promotion of their employment on investee projects.

All of GEEREF NeXt's funds will monitor the gender-sensitive impact of their activities and seek to have positive direct and indirect female employment benefits plus preferential local content/procurement where applicable. The funds will also take care to ensure gender-equal treatment, for example in any land compensation matters. GEEREF intends to lead further gender-sensitive impact work in 2016, which will inform its approach in GEEREF NeXt, and instil best practices across all of its funds. In developing countries, often females are most disadvantaged, whether through lack of access to clean stoves, clean water, education or healthcare. Clean electricity significantly improves women's lives in each of these areas.

**Fundamentally, clean electricity is a key enabler of sustainable development; it reduces poverty and increases social stability. Clean energy is not a panacea for the world's problems today, but it is a key contributor to achieving the Sustainable Development Goals.**



#### E.4. Needs of the Recipient

Vulnerability and financing needs of the beneficiary country and population

##### E.4.1. Vulnerability of country and beneficiary groups (Adaptation only)

N/A – Adaptation only.

##### E.4.2. Financial, economic, social and institutional needs

- **GEEREF NeXt targets the GCF eligible countries.**
- **GEEREF NeXt's target countries are often disproportionately affected by climate risks.**
- **The poorest countries among those which are GCF eligible tend to lack resources and the cost of energy therefore is much higher.**

There is a very strong correlation between the poorest countries and those most at risk from climate change. In geographical terms, many of the world's poorest countries are in areas of high flood risk or water scarcity. Loss of life and personal hardship are much more widespread in low-income countries and monetary losses hit harder on a relative basis. According to the *Global Climate Risk Index 2015*, over the period 1994 to 2013, 18 of the 20 most affected countries belonged to the DAC List. Of these, 15 were low income countries. Conversely, only 10 of the 34 OECD countries were in the top 50 most affected by climate risk.

The vast majority of developing countries run current account deficits. And with the notable exception of Thailand, which is ramping up solar PV investment to 7 GW by 2017, the 12 developing countries with positive current account balances produce all, or a significant portion, of their own energy needs.

**As such, energy-poor developing countries lack resources (usually due to both limited availability of public funding and very thin capital markets) to invest in their own clean energy industries while at the same time struggling to pay for fossil fuel imports. GEEREF NeXt's impact in these most vulnerable countries will therefore be particularly profound, bringing scarce capital and capacity building to where it is needed most.**

#### E.5. Country Ownership

Beneficiary country (ies) ownership of, and capacity to implement, a funded project or programme

##### E.5.1. Existence of a national climate strategy and coherence with existing plans and policies, including NAMAs, NAPAs and NAPs

- **GEEREF NeXt will play an important role in helping the GCF eligible countries meet their NDC targets for emissions reduction.**
- **GEEREF NeXt's fund managers will work closely with all relevant local authorities throughout the project development cycle.**
- **GEEREF NeXt will maintain robust stakeholder and community engagement across its project portfolio.**

All the investments that GEEREF NeXt and its portfolio funds will make shall be done in close cooperation with, and support from, local and national authorities of the respective GCF eligible country. These authorities will be involved with each project throughout the development cycle, if only through the licensing and permitting processes of each project.

All of the countries that GEEREF NeXt funds will invest in have committed to NDC targets. These countries will look to attract international private capital into their markets to invest in clean energy projects that meet these targets. Indeed, for the majority of these countries, it will be impossible to meet NDC targets without significant foreign direct investment flows.

The GEEREF precedent demonstrates that the fund managers selected, as a matter of policy, seek to maximise local development impact. They work both will local developers and SMEs and often establish local community development plans financed by a set percentage of projects capital expenditure then revenue.

For example, one of GEEREF's portfolio projects – the Kouga Wind Farm from Evolution One, comprises 26 % black economic empowerment ownership and will channel over USD 100 m of revenues to such groups over the project lifetime. A second good example of this is another of Evolution One's project, the Karusa Wind project in South Africa. Karusa will create seven 119 person-months of employment during the construction phase and twenty-five 200 person-months during the operating phase. The value of local content in the project is USD 95 m, over 40 % of the total value of the project during construction.

GEEREF NeXt's fund managers will be expected to engage widely with all stakeholders throughout the project development, construction and ownership cycle. GEEREF NeXt, as per the GEEREF precedent, will adopt some of the highest stakeholder engagement standards in the world and its fund managers will adopt these fully as a matter of course. In summary, stakeholder engagement is viewed by GEEREF's fund managers as a critical component of value creation through the investment period and indeed beyond, and it is the EIB's intention to replicate and further enhance this achievement with GEEREF NeXt.

*Please refer to the GEEREF Impact Report 2015 for more details.*

#### E.5.2. Capacity of accredited entities and executing entities to deliver

##### ***The EIB Group***

The EIB Group capacity to deliver is extensively presented under Section C.4. As also noted in that section, GEEREF has been making commitments to funds since 2009 and now has USD 191 m of commitments to 13 clean energy funds in Latin America, Africa, South East Asia and the Caucasus region. GEEREF expect to be fully committed to funds in 2017 and poised to start new commitments through GEEREF NeXt thereafter.

##### ***The Fund Managers***

The fund managers' capacity to deliver, as ensured by the GEEREF NeXt DD process, has been extensively presented under C.4 above. The presence of a professional and dedicated fund manager is one of the most important factors in the success of a fund and its professional skills, reputation and track record must be of high standing. Nevertheless, it is not always easy to identify objective quantitative and qualitative assessment criteria for fund management teams. The most straightforward test is the fund manager team's track record managing funds (preferably targeting the same industry, geography and/or lifecycle stage of the fund presented to GEEREF NeXt).

GEEREF NeXt's DD will therefore focus on the team members who will work on the proposed fund. The DD also needs to ensure that the fund manager is adequately staffed in terms of responsibility for compliance with GEEREF NeXt's eligibility criteria and in terms of number of personnel in comparison with the fund's target size, as well as that the key persons should be contractually obliged to dedicate enough time to the fund.

The fund manager team should be well rounded and work cohesively to cover all aspects of the fund management; from deal sourcing and selection, due diligence and negotiation, management of the investee assets and value creation post-investment, to ultimately managing the exit.

In view of the wide spectrum of expertise needed in a fund, the different team members may have their own areas of expertise and DD verifies the presence, overall, of the "right mix and balance" of expertise. The appraisal of the fund manager's capabilities to fulfil and comply with GEEREF NeXt's requirements on techno-economic, procurement and environmental and social issues will aim to assess whether the management team is adequately resourced in order to justify by GEEREF NeXt a full delegation of the DD obligations for the beneficiary projects, with limited residual risk. This may result in the definition of particular requirements that the fund's management team be reinforced, either by requiring additional specialised staff, external support of a competent and reputable technical advisor or a combination of both. The definition of such requirements will be contractually done on a case by case basis.

The size of the management team should be commensurate (in both directions, i.e. not too many, not too few) with the fund size and the length of the investment period. There will be a minimum level of staffing required irrespective of how small the fund size.

First time fund management teams are those teams without previous experience in private equity funds and/or private equity investments or who have private equity experience, but have not had the opportunity to work together as an investment team. This is partially compensated by their experience as a fundraising team, a process which is very demanding and tests their commitment to the cause. As a general rule, "first time fund managers" should be supported

if DD confirms that the individual members of the management team have, combined, the adequate professional skills.

### E.5.3. Engagement with NDAs, civil society organizations and other relevant stakeholders

#### ENGAGEMENT WITH NDAs

**The EIB has been actively engaging with NDAs to procure non-objection letters in support of this proposal. It has already received NOLs from 29 countries (see A.1.4).**

GEEREF NeXt will be a global emerging market fund, targeting all the GCF eligible countries for investment. Rather than approaching all of these countries at this stage of the application, the EIB divided the GCF eligible countries into two groups: Group A, where GEEREF has already made investments, and where it is highly likely that GEEREF NeXt will invest as well; and Group B, the remaining countries.

The EIB is currently in contact with the relevant NDAs for the Group A to request NOLs and is following up on these requests to schedule meetings in situ if and when required. In the requests, the EIB often sets out an account of its activities in that country to date, including a summary of project investments embarked upon through GEEREF, detailing these by type, capacity, electricity output, carbon emissions and total project financing.

#### ENGAGEMENT WITH CIVIL SOCIETY ORGANIZATIONS AND OTHER RELEVANT STAKEHOLDERS

It is the EIB's intention that GEEREF NeXt builds on the norms for stakeholder engagement established by GEEREF. While GEEREF does engage with local communities at the programme level, it prioritises working with its fund managers at project level to implement comprehensive community engagement practices and mechanisms that meet or exceed best-in-class standards required by the EIB. Community engagement issues arise across the project life, through pre-construction, construction and operating phases. Issues include land acquisition and compensation (resettlement - physical and economic displacement, impact on assets and livelihoods and compensation), water resources (degradation of water resources, unsustainable uptake of water resources by the beneficiary projects, biodiversity (e.g. loss of habitat that is high in biodiversity value), and waste (health and ecological impacts from waste disposal and transportation).

##### *Grievance mechanisms*

A key aspect of effective community engagement is feedback loops that provide the fund manager with information for timely action and/or correction. These feedback systems enable fund managers to control project risk more effectively throughout the project lifecycle. As per the GEEREF precedent, GEEREF NeXt will require its fund managers to set up such a feedback system, known as a grievance mechanism. This is a system designed to receive, evaluate and address grievances from affected communities. It should be culturally appropriate, accessible, transparent, accountable, safeguarded and scaled to the potential risks involved, both social and environmental.

The grievances most commonly anticipated, and the issues that require close involvement with the local community during the project lifecycle, concern land acquisition and the impact the project may have on the environment, including water resources and biodiversity. The design of grievance mechanisms is project-specific but broadly follows these steps: i) publication of the mechanism, ii) collection of grievances, iii) review and investigation of grievances, iv) development of resolution matrix, v) response and, finally, vi) ongoing monitoring of the situation.

An example of a grievance mechanism is provided below by the fund manager of Armstrong, one of GEEREF's South East Asian funds, with respect to its Symbior 30 MW solar PV project in Thailand:

**Pre-construction:** Symbior organised a public hearing process with the local community to provide information on the planned project and identify any issues or concerns. These concerns were then addressed and integrated into the planning process.

**During construction:** Symbior appointed a Direct Site Contact, at each site, who was available for any issues arising as a result of Symbior's or its contractors' operations. Since the impact on the community is greatest during the construction phase, Symbior's direct site contact invited local community members for regular face-to-face meetings to maintain an open line of communication and address any grievances in a timely manner. All community grievances were brought to the attention of a member of Symbior's senior management team and followed up expeditiously.

**During operation:** the impact on communities is expected to be lower. A phone number and email are made available publicly to provide easy access to Symbior. In addition, regular face-to-face visits by the project manager continue to ensure that any potential grievances are dealt with promptly.

More information and examples of stakeholder and community engagement are available on request. In summary,

stakeholder engagement is one of the ten themes of the EIB ESG Guidelines and it is widely considered that the Stakeholder Engagement Standard set out therein is the most rigorous in use worldwide (a comparison with the International Finance Corporation (“IFC”) Performance Standard for Stakeholder Engagement is set out in the Appendix of the GEEREF 2014 impact report).

## E.6. Efficiency and Effectiveness

Economic and, if appropriate, financial soundness of the project/programme

### E.6.1. Cost-effectiveness and efficiency

- **Each USD 1 invested by GEEREF NeXt is expected to unlock up to USD 50 of capital investment into clean energy.**
- **Each USD 1 m of the GCF investment in GEEREF NeXt will lead to up to 72 MW of capacity.**
- **Each USD 1m of the GCF investment in GEEREF NeXt will lead to 5,300 MWh of electricity saved.**
- **Each USD 1m of the GCF investment in GEEREF NeXt will lead to 226,700 MWh of electricity produced.**
- **Each USD 1 m of the GCF investment in GEEREF NeXt will reduce over 3 m tonnes of CO2 emissions over the life of the beneficiary projects.**
- **The GCF’s financing is expected to be fully repaid within eleven years.**

The efficiency of GEEREF NeXt is measured based primarily on the amount of funds mobilised for investment in beneficiary projects and tonnes of CO2 mitigated (i.e. the GCF core indicators).

#### **Capital Mobilised**

A GCF commitment of USD 250 m would comprise 1/3 of the USD 750 m overall target for GEEREF NeXt, with the 2/3 coming from private sector investors. As such the catalytic effect of the GCF financing into the vehicle is 3x (USD 750m / USD 250 m). The GCF’s support is critical to secure private sector investors - the downside protection coupled with a modest preferred return is key to the mobilisation of significant amounts of private capital, as it was the case for GEEREF.

As explained in previous sections (E.2.1 and C.3), based GEEREF’s actual results and with the USD 750 m fundraising target reached, GEEREF NeXt aims to unlock as much as fifty times again of final capital at the beneficiary project-level (fund equity, plus co-investment equity and project finance debt), i.e. over USD 30 bn.

#### **CO2 mitigation**

GEEREF NeXt will collect data from the fund managers for each of the beneficiary projects to track the amount of tCO2 mitigated. The calculation of the tCO2 mitigated will be based on the EIB’s methodology.<sup>10</sup>

The forecast of mitigation potential of GEEREF NeXt is based on the analysis of GEEREF results to date (as of the end of 2015). Given the cost of 39 USD/tCO2 (RE) and 67 USD/tCO2 (EE) mitigated, beneficiary projects supported by GEEREF NeXt’s investee funds are expected to contribute to savings of almost 770,000,000 tCO2 over their life.

As a result, every million invested into GEEREF NeXt will mitigate over three million tCO2. For public investors in GEEREF NeXt which then catalyse at least the same amount again of private sector investment, these figures could be doubled or even tripled.

### E.6.2. Co-financing, leveraging and mobilized long-term investments (mitigation only)

As the cornerstone investor in its funds, GEEREF was designed to catalyse additional investor commitments into the funds and typically has been doing this at a multiple of 7 times.

GEEREF’s fund managers invest in beneficiary projects with their own capital, plus that of other investors that they bring in alongside, and then procure debt financing. These different types of capital are integral to financing renewable energy projects and should therefore be included fully in any calculation of impact.

As explained, the total capital catalysed at project level is also on average 7 times that of the fund manager and GEEREF

<sup>10</sup> [http://www.eib.org/attachments/strategies/eib\\_project\\_carbon\\_footprint\\_methodologies\\_en.pdf](http://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf)

believes that the overall multiplier of 50 times at the GEEREF level is therefore valid.

It can be expected that GEEREF NeXt replicates this same multiplier effect.

Should GEEREF NeXt be requested to provide the share exclusively attributable to GEEREF NeXt, this could be done as a function of: a) the final size of GEEREF NeXt; b) the size of its commitment to each fund; c) the final size of each of the investee funds; d) the size of each fund's commitment into each investee project; and e) the final size of each investee project.

However, given the anchor role of GEEREF NeXt to be had in its portfolio funds, and the anchor role of GEEREF NeXt's funds in their respective investee projects, it is recommended that the whole measured impact be attributed to GEEREF NeXt.

### E.6.3. Financial viability

#### ***Expected Returns***

The GEEREF NeXt financial model takes into account the current foreseen terms and is on three performance cases (Low, Medium and High).

The private sector returns presented in the model are higher than the returns that would be traditionally expected for infrastructure funds in the developed world, but still below the levels acceptable for the risk perceived by private sector investors to invest in emerging markets. Consequently, at those return levels, the private sector would not be willing to invest in this combination of sector + geography, given that it would not receive what it would perceive as appropriately risk-adjusted returns.

Based on the EIB's experience of fundraising for GEEREF, the return profile needs to be as attractive as possible to secure private investment at scale. In particular, pension funds, which are strictly supervised and regulated, need to demonstrate to their respective regulators that a commitment to GEEREF NeXt is within their risk approved policy. Finally, private investors will apply additional discounts to the expected returns, reflecting their own perceptions of market risk and illiquidity.

The GEEREF NeXt waterfall has been designed taking into account that:

- i. The development and construction of renewable energy projects in frontier markets still has insufficient performance track-record to be attractive for the private sector on its own, unless coupled with a risk-return profile such as the one currently offered by GEEREF and to be offered by GEEREF NeXt;
- ii. The combination of a preferred return and a first-loss type reimbursement mechanism is considered the most appropriate. Any waterfall/distribution cascade will therefore need to include:
  - a. A preferred upside/profit distribution to private investors, to be attractive to them and respond to their risk-adjusted expectations; and
  - b. A first-loss type return mechanism, where the private sector receives its commitments back prior to the public sector, which is subordinated to it.
- iii. Following on the example of GEEREF, the current GEEREF NeXt proposal is of an initial preferred return of + 4 % per annum for private sector investors to be received after their committed capital has been returned, followed by an additional +6% per annum to be received by the private investors after the GCF has been repaid its committed capital in full;
- iv. The GEEREF NeXt proposal has noticeably decreased the beneficial treatment of private investors given that, although the preferred return %s remain the same as compared to the GEEREF context, there is a considerably smaller first-loss "cushion", due to the relation between private and public investors moving from 1:1 to 2:1;
- v. In the case of GEEREF, EUR 110 m were raised over a two-year period from 24 private investors out of 964 that were approached, against a target of EUR 112 m, proving that the returns on offer were not higher than they needed to be to make it happen.
- vi. As an example, GEEREF's largest private sector investors confirmed that they would be unlikely to invest in GEEREF NeXt unless on substantively the same terms as GEEREF.



- vii. Eventually, by the 3rd or 4th iteration of GEEREF-type vehicles, it could be expected that public sector support would no longer be required for these types of RE/EE investments in emerging markets, because the business case would have been proven enough for the private sector to have got comfortable with the risk/return profile of these operations. Mobile telephony is a good precedent of the diminishing role of public investor in emerging markets as private investors become secure enough to replace them. The pioneer mobile phone company in Africa was heavily backed by international financing institutions (“IFIs”) (circa 2003). Today, the role of IFIs in this sector has been made redundant and the mobile phone industry is entirely financed by private capital.

**Long Run Viability**

By exiting the beneficiary projects of the sub-funds, the fund managers build a track record. This track record in turn enables their survival and continued investment as fund managers and project developers. With these exits, all investors, including the GCF, will be able to recycle their capital while social and economic goals are maintained.

The EIB expects both private investors and the GCF to be fully repaid their principal commitments within ten years, with additional upside during the following five years.

The EIB also believes that GEEREF NeXt fund managers will continue to be able to attract sufficient fund commitments on the back of GEEREF NeXt’s, and that the private sector will play a growing role as the market matures.

This positively reinforcing mechanics and impacts are already materialising under GEEREF and are expected to be considerably scaled up with GEEREF NeXt.

**E.6.4. Application of best practices**

GEEREF NeXt will continue to support fund managers in the development of best practices across the full spectrum of their operations, including specifically on ESG and technical aspects. It will be ensured that all funds’ investment and engineering teams select the optimal equipment, technologies and commercial partners for these beneficiary projects.

One constant across all teams and beneficiary projects is the complete avoidance of technological risk because GEEREF NeXt is not a clean-tech investment vehicle. All beneficiary projects deploy tier one components, contractors and suppliers and make use of proven technologies and systems.

**E.6.5. Key efficiency and effectiveness indicators**

<i>GCF core indicators</i>	Estimated cost per t CO <sub>2</sub> eq, defined as total investment cost / expected lifetime emission reductions (mitigation only)	
	(a) Total project financing	USD 750,000,000
	(b) Requested GCF amount	USD 250,000,000
	(c) Expected lifetime emission reductions overtime	769,018,519 tCO <sub>2</sub> eq
	<b>(d) Estimated cost per tCO<sub>2</sub>eq (d = a / c)</b>	<b>USD 0.96 / tCO<sub>2</sub>eq</b>
	<b>(e) Estimated GCF cost per tCO<sub>2</sub>eq removed (e = b / c)</b>	<b>USD 0.3 / tCO<sub>2</sub>eq</b>
<i>Describe the detailed methodology used for calculating the indicators (d) and (e) above.</i>		
<i>Please describe how the indicator values compare to the appropriate benchmarks established in a comparable context.</i>		
The EIB is seeking USD 250 m of reimbursable equity financing from the GCF for GEEREF NeXt and expects to be able to raise a further USD 500 m on top of this commitment from private sector investors, taking total commitments to USD 750 m.		
Based on the GEEREF multiplier described above, it is expected that a total of up to USD 30 bn be mobilised into clean energy portfolio projects.		



	<p>Using a figure of USD 1,700,000 CAPEX per MW, a total capacity figure of circa 18 GW is derived. Carbon dioxide emissions figures have been calculated at the individual project level as per current GEEREF's fund managers' calculations, by reference to the appropriate grid displacement factor for each specific technology and country. GEEREF derives from this cost for a tonne of carbon dioxide emissions mitigated (USD 39/tCO<sub>2</sub> for RE and USD 67/tCO<sub>2</sub> for EE), in order to yield a total of nearly one billion of tonnes of carbon dioxide saved over the life of the beneficiary projects<sup>11</sup>.</p> <p>It is difficult to judge what an appropriate benchmark in a comparable context might be. Certainly, no purely commercial investment portfolio could achieve lifetime CO<sub>2</sub> emissions at much less than USD 25 per tonne.</p> <p>In the worse-case and unlikely scenario, in which GEEREF NeXt is unable to reach a target USD 500 m of private capital, the impact delivered on the GCF core indicators will remain substantial thanks to the application of the GEEREF multiplier. With USD 250 m of GCF capital, GEEREF NeXt would mobilize up to USD 11 bn for final beneficiary projects. This would contribute to 6 GW of new capacity installed and over 250 million tCO<sub>2</sub>eq mitigated. For GCF, it would translate into cost of USD 1/ tCO<sub>2</sub>eq.</p>
	<p>Expected volume of finance to be leveraged by the proposed project/programme and as a result of the Fund's financing, disaggregated by public and private sources (mitigation only)</p>
	<p>As above, GEEREF NeXt anticipates unlocking up to USD 30 bn of total capital from the GCF's USD 250 m equity financing, as well as investee company-level co-investment and project finance.</p> <p>In GEEREF, the majority of fund commitments and co-investment has come from DFIs, alongside sizeable local investments.</p> <p>The debt required, with the exception of Africa, is mostly secured locally. For GEEREF NeXt, it is expected that the proportion of private sector participation continues to build and amount to as much as half of total capital mobilised through the programme.</p>
<p>Other relevant indicators (e.g. estimated cost per co-benefit generated as a result of the project/programme)</p>	<p>N/A</p>

<sup>11</sup> Please note that these estimated costs per tCO<sub>2</sub>eq have been calculated taking into account the total capital expected to be mobilised through the programme (i.e. up to USD 30 bn), coupled with the total emissions expected to be reduced by GEEREF NeXt (i.e. USD 30 bn / (c)). This is as opposed to the figures under (d) above, which present the estimated costs per tCO<sub>2</sub>eq reduced by comparing all the emissions reduced by GEEREF NeXt with only its USD 750 m target size (i.e. (a)/(c) as per the template requirement).

## F.1. Economic and Financial Analysis

The forecasted financial returns to investors in GEEREF NeXt accounts for the expectations of the ability of its investee funds to generate returns

The economics of GEEREF NeXt also accounts for expenses that will be incurred in its administration as well as executing investments and managing a portfolio of investee funds that operate in these challenging environments.

GEEREF was formed to respond to the limitations on clean energy markets in developing countries, particularly for capital, skills and experience, as well as to catalyse private sector investors who would otherwise see the markets as being too risky. Furthermore, as noted above, the volume of private capital available for emerging market clean energy is nowhere near sufficient for the multi-trillion investment challenge.

As a result, GEEREF and GEEREF NeXt are structured as fund-of-funds vehicles to support new fund managers with capital and expertise that would otherwise be unavailable; and to achieve a multiplier effect by leveraging public money to catalyse private capital that would otherwise not be forthcoming. This is achieved by using concessionary, catalysing ODA capital (for GEEREF) or the GCF capital (for GEEREF NeXt), to offer private sector investors a preferred return and mitigation on downside risk. This provides private investors with a higher return than what they might otherwise expect in a developed markets infrastructure fund-of-funds, and partially mitigates their perceived level of risk.

The benefit of this concessionary approach is that the GCF can expect to catalyse well over 50 times its USD 250 m equity financing over the lifetime of the fund. The GCF has therefore a unique additional role to play, channelling public sector funds into GEEREF NeXt and bridging the global climate finance gap.

## F.2. Technical Evaluation

As noted in E.6.4, GEEREF NeXt's fund managers will continue selecting technologies on a project by project basis, with a strong focus on levelised cost of electricity and risk-adjusted economics returns. Fund teams will include technical / engineering staff able to assess and monitor project development and construction.

## F.3. Environmental, Social Assessment, including Gender Considerations

An environmental and social management system ("ESMS") has been devised for GEEREF NeXt that is in full compliance with the Environmental and Social Performance Standards published by the EIB, as a GCF-accredited entity, which in turn comply with the Performance Standards of the GCF.

The objective of the ESMS is to avoid or minimise negative E&S impacts and to enhance positive aspects of the investee projects implemented by the fund managers supported by GEEREF NeXt as well as by GEEREF NeXt directly. The ESMS provides the framework and guidelines that ensure that GEEREF NeXt and its fund managers are committed and able to comply with applicable standards and national laws in their screening, approval and investment into as well as monitoring of investee projects.

GEEREF NeXt will institutionalise the guidelines and processes for each fund manager and enforce them through regular implementation monitoring, underpinned by the contractual provisions agreed with the fund managers. GEEREF NeXt's guidelines, procedures and mitigation requirements are in line with those of the EIB and the GCF. They will be supported and implemented by all fund managers on all their investee projects. This is safeguarded through the signature of a principal investment agreement between GEEREF NeXt and all investee funds. This agreement includes fully binding components that govern the relationship between GEEREF NeXt and the fund manager. As a result of the contractual obligations agreed with fund managers:

- a. Any proposed deviation by the fund managers from these guidelines must be brought to the investors, including GEEREF NeXt, for their explicit approval; and
- b. A non-authorized deviation from the guidelines by the fund manager would constitute a breach and a material fault, which, as a consequence would result in the removal of the fund manager.

GEEREF NeXt will support the development, construction and operation of early-stage small and medium-sized renewable energy beneficiary projects and installation of energy efficiency measures. Some of these beneficiary projects have potential for adverse impacts. Mitigating these is fundamental to the operations at fund manager and GEEREF NeXt level.

Each of the investee projects will be categorised prior to the fund managers' investment based on potential risks associated with it. All prospective beneficiary projects, irrespective of their categorisation, will be screened for their potential environmental and social impacts.

While at the time of the ESMS formulation none of the fund managers and, in turn, investee projects have been identified, based on experience of GEEREF it is expected that majority of the beneficiary projects might cause some level of environmental and social impacts that would fall under Category B for which fund managers and, in case of direct investment, GEEREF NeXt will carry out an Environmental and Social Impact Assessment.

It is also expected that some of the projects will not have environmental impacts and will fall under Category C.

For Category A projects, the fund managers and, in case of direct investment, GEEREF NeXt, will conduct a full ESIA and disclosure according to the EIB and GCF policies and procedures as detailed in this document. In line with the GCF classification criteria, it can be expected that the GEEREF NeXt portfolio exposure to Category A beneficiary projects be very limited.

It is expected that none of the beneficiary projects will be located in protected and/or critical habitats or culturally or socially sensitive areas. Beneficiary projects with potential significant negative impact on areas with high biodiversity value, nature conservation areas, bird or fish migration routes should be excluded. Other potential beneficiary projects and/or activities that may be excluded are provided in Appendix II of the ESMS (Excluded activities list).

Regional funds backed by GEEREF NeXt are expected to support only the beneficiary projects for which they have the appropriate mitigation measures and remediation plans and adequate management systems to implement these plans. GEEREF NeXt will ensure that fund managers have a strong institutional capacity in the management of environmental and social risks, with fully implemented ESMS for all their activities.

The potential adverse impacts might be summarised as follows: 1) *renewable energy projects development*: resettlement, degradation of water resources, loss of habitat, etc.; and 2) *energy efficiency measures*: health and safety risks from waste disposal, health and safety risks from equipment installation, among others. All these impacts are expected to be relatively easily mitigated through good project design and implementation practices.

In its ESMS GEEREF NeXt has established a set of guidelines and processes for managing environmental and social risk associated with the investee projects. These guidelines and procedures ensure that environmental and social risks on the investee projects are managed in accordance with both the EIB and the IFC principles and national laws. They are enforced on two levels: at the level of GEEREF NeXt and at the level of the fund manager and investee projects through set methodologies for:

1. screening, approval and investment into fund managers to ensure they are committed and able to comply with applicable standards and national laws in their preparation, approval and investment into investee projects; and
2. preparation, approval and investment into fund managers to enable identification of potential environmental and social impacts that may arise from project activities and implementation of the proposed measures.

For GEEREF NeXt's detailed Environmental and Social Risk Management process, please see the Environmental and Social Management System document, available online at the GEEREF's website.

All of GEEREF NeXt's fund managers will monitor the gender-sensitive impact of their activities and will aim to generate positive direct and indirect benefits for women. Due to the nature of the beneficiary projects, no negative impact on women is foreseen. On the project level GEEREF NeXt will require all fund managers to consider gender dimensions in the full project cycle (development, construction and operation) and take actions to:

- a. address gender inequalities by incorporating remedial and mitigation measures in the development, construction and operation of project;
- b. ensure women and men have equal access to project resources, services, capacity building;
- c. ensure equal voice among women and men in the engagement/consultation and decision making processes of the project;
- d. collect and analyse sex-disaggregated data and qualitative information to track the real gender impacts of the project on annual basis.

As part of its annual reporting on impact, GEEREF NeXt will use specific metrics to track and report on these aspects which are related to the gender impact of its investments. Indicators will be tracked across the full project cycle (project

design/development, construction and operations) and will include data on:

- a. Local employment generation (currently embedded into GEEREF's impact reporting); and
- b. Local Public participation and decision making.

The full list of indicators that GEEREF NeXt will collect from its fund managers is included in the GEEREF NeXt ESMS.

#### F.4. Financial Management and Procurement

##### *Financial Management*

At both the GEEREF NeXt level and funds level, dedicated teams are/will be established to handle all accounting, auditing and capital flows.

Both GEEREF NeXt and its funds will produce quarterly and annual reporting. Fund managers have strict reporting obligations which are legally binding and are enshrined in the legal documentation, including financial and qualitative information on investments on beneficiary projects, status of their pipeline and specific ESG reporting. GEEREF NeXt will ensure that all reporting and valuations done by the funds are in accordance with the guidelines of the European Venture Capital Association or other equivalent internationally recognised organisation.

Funds shall have their accounts audited at least once a year by a certified auditing firm which is member of a recognised body of association of auditing firms in accordance with Internal Standards on Auditing. When confidentiality provisions constraining the investors are included in the fund's legal documentation, GEEREF NeXt will ensure specific exclusions so that it is able to communicate any confidential information to its mandators and auditors.

Valuation, or Net Asset Value of GCF's commitment, will be done according to Luxembourg GAAPs and reported quarterly on an unaudited basis and on an audited basis once a year.

Currently, GEEREF's quarterly and annual reports are produced in full compliance with Luxembourg generally accepted accounting principles and international financial reporting standards. They are reviewed by the EIB Group middle and back office in-house team and by GEEREF's external custodian. GEEREF annual reports are currently audited by KMPG. Any additional GCF requirements will be incorporated into GEEREF NeXt's compliance and reporting regime.

The fund managers financial management and financial regulatory compliance capacity will be fully assessed by both the GEEREF NeXt's investment team and the EIB Group's independent risk department during the due diligence and investment approval processes. GEEREF NeXt will ensure that the funds are subject to financial regulation and public supervision and have adequate internal procedures in place to comply with applicable anti-money laundering and prevention of terrorist financing laws and regulations as well as to ensure protection against fraud, corruption and other prohibited practices (including illegal practices such as tax evasion) in accordance with, inter alia, national laws, best international standards, EU directives and the EIF Anti-Fraud Policy. These procedures will need to remain in place during as long as GEEREF NeXt is an investor.

In relation to investment structures established in offshore financial centres or cross border, EIF's Offshore Policy shall apply. In addition, GEEREF NeXt will ensure that the funds and the final beneficiary projects will conduct their business in compliance with the highest ethical standards at all times and will comply with the requirements and spirit of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions dated 21 November 1997. The funds and the beneficiary projects will also ensure compliance of any of its affiliates in which they exercise management control and shall use best efforts to ensure that all other affiliates comply with the same.

As per the GEEREF precedent, the GFO will fully assess risk during the DD and investment approval processes and will continue to monitor risk throughout the life of the investment. This assessment is supplemented by the EIB Group's independent risk department at the time of the investment and is maintained through an annual risk rating exercise. The risk assessment is based on the EIB Group's equity risk guidelines, as applied across the board for all the EIB Group equity investments.

Programme performance is managed closely by GEEREF and reported on quarterly and annually. GEEREF maintains a very close watch on individual fund and project performance, monitoring all reporting documents and visiting each fund manager in situ at least once annually.

In the event of an under-performing fund manager, GEEREF NeXt will seek remedies in cooperation with the fund manager. It may also terminate a fund manager "without cause", if a qualified majority of the fund's investors agree, or "for cause" if the fund manager is in breach of contractual obligation, if a qualified majority of the fund's investors agree.

### **GEEREF NeXt Budget**

The final GEEREF NeXt budget will be determined by the overall fund size. However, a detailed fund model has been prepared for GEEREF NeXt assuming a USD 750 m fundraising and this can be sensitised to different fundraising scenarios.

Capital calls by the funds are made either to pay management fees or make investments and the rules for these are set out in the relevant contractual agreements. These rules include all the underlying information which is needed in order to support the capital call request, including copies of the funds' IC papers approving the transaction and specific reference as to the exact use of the funds. The EIB Group middle and back office in-house teams undertake a full check of the capital call, ensuring compliance with the legal documentation and clearing any items which may have been unclear. Once validated by the EIB Group, the disbursements are outsourced to a custodian, which executes these on receipt of a certified request from the EIB Group. Each quarterly report provided by the investee funds discloses fully each of the drawdowns from each investor that have taken place up to the end of that quarter, with a breakdown as to the uses of the capital call.

The general principle for reflows will be that the fund manager must return to GEEREF NeXt within 15 business days all proceeds arising from dividend income or exit. During the investment period, the fund manager must distribute any gains from disposals but is credited with underlying investment capital which it is allowed to re-invest. After the investment period has expired, the fund manager must distribute both the gain and the initial invested amount on realizations.

Any losses incurred will be technically shared *pari passu* among all investors. However, the effect of the GCF commitment subordination as compared to the private sector in the GEEREF NeXt waterfall means that the GCF is effectively offering a first loss-type mechanism to the B shares.

### **Procurement**

The EIB procurement standards for the private sector will be adapted to GEEREF NeXt funds, as it has been the case for GEEREF, and in line with all other private equity investment undertaken by the EIB Group. Currently, GEEREF fund managers automatically apply competitive bidding processes for all project procurement in order to obtain best quality and pricing for services and equipment, as well as to satisfy the EIB procurement standards.

The EIB procurement standards can be summarised as follows:

- a. *Public Sector Projects:* For such beneficiary projects, the procurement of the related works, goods and services by the investee company should follow appropriate procedures in line with the principles of the EU Directives on public procurement. These principles may be summarised as open international competition, non-discrimination of bidders, fairness and transparency of the procedure, and selection of the economically most advantageous offer.
- b. *Private sector projects:* For private sector beneficiary projects, the procurement of the related works, goods and services by the investee company should follow fair and transparent procedures which satisfy the criteria of economy and efficiency. This can be achieved by following established commercial practices. Contracts awarded by the investee company must be negotiated impartially and be in the project's best interests.
- c. *Concession projects:* Where the fund is investing in a project developed under a Build, Operate, Transfer or similar concession scheme such as a public private partnership, or other state concession such as a recognised monopoly, the procurement of the concession by the relevant public contracting authority should meet the following criteria:
  - i. the concession is awarded through a transparent process in line with the principles of the EU Treaty, implying that there was adequate advertising to open up the concession to international competition, and that the procedure was fair and non-discriminatory and can be reviewed; and
  - ii. the concession agreement is economically reasonable in terms of price, quality and risk-sharing.

In such case, the concessionaire/investee company can procure the works, goods and services under the concession using appropriate procurement procedures for private sector beneficiary projects.

Preference to works or services originating in the beneficiary country is normally not allowed. Derogation to this rule may be sought if it can be demonstrated that the effect of the local preference clause had no significant impact, that is, that the outcome would have been similar in case such clauses were not there.

In their assessment, the fund managers will use as a reference the 'EIB Guide to Procurement', which describes the procurement policies of the EIB and is available from the EIB website at the following link: [http://www.eib.org/attachments/thematic/procurement\\_en.pdf](http://www.eib.org/attachments/thematic/procurement_en.pdf).



## G.1. Risk Assessment Summary

The main risk factors for GEEREF NeXt are as follows:

- Lack of viable fund proposals;
- Fund managers who abandon their strategy;
- Lack of co-investors for GEEREF NeXt;
- Lack of enabling environment; Immature local developer community; Limited access to capital; and High generation costs.

## G.2. Risk Factors and Mitigation Measures

Selected Risk Factor 1			
Description	Risk category	Level of impact	Probability of risk occurring
<b>Lack of viable fund proposals:</b> <ul style="list-style-type: none"> <li>• Insufficient number of viable funds for GEEREF NeXt to invest in.</li> </ul>	Other	Medium (5.1-20% of project value)	Low
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>• Existing relations and market knowledge as well as reputation of GEEREF and the EIB allow sufficient deal flow;</li> <li>• Return of unused capital in case insufficient deal flow or capital is not called upon.</li> </ul>			
Selected Risk Factor 2			
Description	Risk category	Level of impact	Probability of risk occurring
<b>Fund managers who abandon their strategy:</b> <ul style="list-style-type: none"> <li>• Selection of fund managers that not deploy; or</li> <li>• Do not deploy according to strategy; or</li> <li>• Deploy in inappropriate and risky beneficiary projects.</li> </ul>	Other	Medium (5.1-20% of project value)	Low
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>• Proven selection skills of GFO;</li> <li>• Ongoing monitoring by GFO; and</li> <li>• Contractual provisions (removal clauses) in relation with fund managers.</li> </ul>			
Selected Risk Factor 3			
Description	Risk category	Level of impact	Probability of risk occurring
<b>Lack of co-investors for GEEREF NeXt:</b> <ul style="list-style-type: none"> <li>• No sufficient number of investors alongside GEEREF NeXt to support funds in reaching their minimum fund size.</li> </ul>	Other	High (>20% of project value)	Low
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>• Existing relations and market knowledge as well as reputation of GEEREF and the EIB.</li> </ul>			



Selected Risk Factor 4			
Description	Risk category	Level of impact	Probability of risk occurring
<b>Lack of enabling environment:</b> <ul style="list-style-type: none"> <li>• Legal and regulatory frameworks which take time to mature;</li> <li>• Feed in tariffs which are inadequate;</li> <li>• Lack of government and institutional capacity; or</li> <li>• Inadequate enabling infrastructure.</li> </ul>	Other	High (>20% of project value)	High
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>• Local fund manager teams seek early engagement with regulatory bodies;</li> <li>• Frameworks have substantially improved;</li> <li>• Tariff revisions;</li> <li>• Catalyst mechanisms;</li> <li>• Better appreciation of renewable energy;</li> <li>• Enabling infrastructure improving.</li> </ul>			
Selected Risk Factor 5			
Description	Risk category	Level of impact	Probability of risk occurring
<b>Immature local developer community:</b> <ul style="list-style-type: none"> <li>• Small number of developers in the renewable energy market in chosen countries;</li> <li>• Insufficient expertise and capacity.</li> </ul>	Technical and operational	High (>20% of project value)	High
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>• Growth in number of developers;</li> <li>• Growth in quality and experience;</li> <li>• GEEREF funds support developers, where gap exists.</li> </ul>			
Selected Risk Factor 6			
Description	Risk category	Level of impact	Probability of risk occurring
<b>Limited access to capital:</b> <ul style="list-style-type: none"> <li>• Insufficient early-stage capital available (debt + equity);</li> <li>• Lack of equity investors with renewable energy experience and appetite for beneficiary projects below 50 MW;</li> <li>• Lack of bankable beneficiary projects.</li> </ul>	Financial	High (>20% of project value)	High
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>• GEEREF NeXt funds' financial strategy enables early-stage risk-taking;</li> <li>• Focused renewable energy investors are entering the market;</li> <li>• Combination of more experienced developers and credible bankable sponsors such as GEEREF NeXt funds.</li> </ul>			
Selected Risk Factor 7			
Description	Risk category	Level of impact	Probability of risk

			occurring
<b>High generation costs:</b> <ul style="list-style-type: none"> <li>Traditionally, power generation costs were higher for renewable energy than for conventional technologies.</li> </ul>	Financial	High (>20% of project value)	High
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>Decreasing equipment costs and better tailored engineering are bringing renewable energy power generation costs closer to grid parity in many emerging markets.</li> </ul>			
<b>Selected Risk Factor 8</b>			
Description	Risk category	Level of impact	Probability of risk occurring
<b>Foreign exchange risk:</b> <ul style="list-style-type: none"> <li>Some funds may be denominated in local currency</li> <li>Depreciation of local currency would reduce the return for GEEREF NeXt</li> </ul>	Financial	Medium (5.1-20% of project value)	Medium
Mitigation Measure(s)			
<ul style="list-style-type: none"> <li>GEEREF NeXt will have a well-diversified portfolio across multiple regions and currencies to mitigate the effect of such scenario on its portfolio.</li> </ul>			
<b>Other Potential Risks in the Horizon</b>			
<p>GEEREF is currently satisfied that the risk services provided to it by the EIB/EIF fully anticipate theoretical risks but continues to monitor this, through its investment approval and management processes.</p> <p>In addition to the risks and mitigants set out in this section, GEEREF guards itself against the risk of a fund manager failing to deploy capital in a timely manner. As an example, GEEREF has liquidated a fund that had not deployed sufficiently and was able to do so without prejudice to GEEREF's interest.</p> <p>In general, however, it is highly unlikely, given the nature of renewable energy infrastructure, that an individual project be fully written-off other than at the earliest stages of development where the costs incurred are low.</p> <p>At the portfolio level, project diversification means that any such risks can be absorbed. The ability to meet the quantitative impact targets largely stems from the installed project capacity and its resulting performance. The former is within the reach of the fund manager, bar a change of investment environment requiring a change of target country, and the latter is fully warranted by the project construction counterparties (EPC, equipment provider etc.) under contract.</p>			

## H.1. Logic Framework.

### H.1.1. Paradigm Shift Objectives and Impacts at the Fund level<sup>12</sup>

#### Paradigm shift objectives

*Shift to low-emission  
sustainable development  
pathways*

Thanks to its design, GEEREF NeXt will contribute to the shift to a low-emission sustainable development pathway on multiple-levels as per below:

At the program-level (GEEREF NeXt level), GEEREF NeXt contributes to a paradigm shift by:

- Mobilizing international private capital at scale for investment in development of RE capacity and installation of EE measures for the benefit of local households;
- Providing high efficiency of GCF's capital that is expected to be leveraged by a factor of 3x at the GEEREF NeXt-level and an additional 50x at the investee fund and beneficiary project level - for every USD 1 invested by GCF into GEEREF NeXt, USD 150 are expected to be mobilized for development of RE and EE in developing countries;
- Supporting the establishment of new financial entities (fund managers) who will continue to operate in the markets and grow their financing activities beyond the life of GEEREF NeXt;
- Creating track-record for RE and EE assets in developing countries that will serve as a basis for attracting long term risk capital for their further development to developing countries by international private sector;
- Demonstrating the power that FoF have in mobilising significant levels of financing for development outcomes and creating a model that could be replicated in other sectors (e.g. water, etc.); and
- Creating an incentive for the introduction of policies conducive to attracting private sector capital.

At the level of the final beneficiary projects, GEEREF NeXt contributes to a paradigm shift by:

- Combining climate change mitigation objectives with sustainable development objectives;
- Technology transfer to developing countries by financing expansion of proven technologies and thereby supporting a rapidly growing industry to gain scale;
- Providing long-term and risk-bearing capital (equity) to projects in countries where such financial product is scarce; and
- Capacity building of local people to support creation of local industrial expertise in clean energy.

<sup>12</sup> Information on the Fund's expected results and indicators can be found in its Performance Measurement Frameworks available at the following link (Please note that some indicators are under refinement):

[http://www.gcfund.org/fileadmin/00\\_customer/documents/Operations/5.3\\_Initial\\_PMF.pdf](http://www.gcfund.org/fileadmin/00_customer/documents/Operations/5.3_Initial_PMF.pdf)

Expected Result	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions
				Mid-term: Please see footnote <sup>13</sup>	Final	
<b>Fund-level impacts</b>						
<i>M1.0 Reduced emissions through increased low-emission energy access and power generation</i>	<i>1.1 Tons of carbon dioxide equivalent (t Co2 eq) reduced or avoided as a result of Fund-funded projects/program</i>	EIB's carbon mitigation calculation methodology (electricity generated*country grid factor) based on input data gathered from investee funds (collected as part of impact report data gathering)	BAU-level emissions as reported INDC of the countries of investment	7,740,000 tCO2 p.a.	38,200,000 tCO2 p.a.	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)  Beneficiary projects meet the projections for electricity generated  Assumed 20-year asset life
<i>M3.0 Reduced emissions from buildings, cities, industries and appliances</i>	<i>3.1 Tons of carbon dioxide equivalent (t Co2 eq) reduced or avoided as a result of Fund-funded projects/program</i>	Certified electricity savings reported by investee funds (collected as part of annual impact report data gathering)	0	259,000 tCO2 p.a.	518,053 tCO2 p.a.	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)  Beneficiary projects meet the projections for energy savings  Assumed 10-year asset life
<i>Private Sector Capital Mobilized (GEEREF NeXt)</i>	<i>Amount of USD mobilized by GCF funding</i>	Total amount of private finance in GEEREF NeXt at its final closing.	0		500m	GEEREF NeXt is able to attract sufficient capital from private investors
<i>Private Sector Capital Mobilized (Beneficiary Project)</i>	<i>Amount of USD mobilized by GEEREF NeXt Funding</i>	Total project CAPEX as recorded in GEEREF NeXt annual impact report based on data provided by investee funds	GEEREF is now mobilising 2.2bn of CAPEX	6bn	30bn	GEEREF NeXt's investee funds are able to continue to attract 50x of capital invested by GEEREF NeXt

<sup>13</sup> As a 15 year FoF (with potential extensions subject to investors' consent), GEEREF NeXt expects to be fully committed but have only deployed over 50% of its capital by year 8. This difference is due to the lag in time between commitment and deployment due to the envisaged early stage development nature of the majority of the projects to be invested in. With respect to all other targets, the expectation would be to have reached 20% of the respective targets by year 8, again due to the early stage development nature of the majority of the projects to be invested in.

H.1.2. Outcomes, Outputs, Activities and Inputs at Project/Programme level						
Expected Result	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions <sup>14</sup>
				Mid-term (if applicable)	Final	
<b>Project/programme outcomes</b>	<b>Outcomes that contribute to Fund-level impacts</b>					
M5.0 Strengthened institutional and regulatory systems	<i>5.1 Institutional and regulatory systems that improve incentives for low emission planning and development and their effective implementation</i>			Unable to give a specific figure but will be positive	Unable to give a specific figure but will be positive	
	<i>Number and level of effective coordination mechanisms</i>			Unable to give a specific figure but will be positive	Unable to give a specific figure but will be positive	
M6.0 Increased number of small, medium and large low-emission power suppliers	<i>6.2 Number of households and individuals with improved access to low-emission energy sources</i>	Divide certified project electricity output (per data provided by investee funds) by relevant average household consumption figures based on World Bank data (electricity consumption per household)	0	8.2 m households/year	41 m households/year	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
	<i>6.3 MWs of low emission energy capacity installed, generated and/or rehabilitated as result of GCF support</i>	Quarterly Report provided by investee funds on installed capacity	0	3.6 GW	18 GW	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)

<sup>14</sup> The assumptions stem fundamentally from the total commitments raised by GEEREF NeXt and the corresponding amount of capital it can commit to fund managers. The multiplier assumptions are derived from actual numbers generated currently by GEEREF. Assumptions for total capital thus catalysed provide a further estimate for installed capacity, using a currently conservative figure of USD 2 m per MW. As indicated earlier, electricity generation assumptions are derived from estimate capacity factors while emissions calculations are made using given grid displacement factors.

	<i>6.1 Proportion of low-emission power supply in a Jurisdiction or market.</i>	Quarterly Report provided by investee funds on installed capacity	Divide total installed capacity in a country by capacity installed by GEEREF NeXt projects plus other RE capacity installed in the country (excl. GEEREF NeXt projects)	Unable to give a specific figure but will be positive	Unable to give a specific figure but will be positive	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
Total Electricity Generated	Total Electricity Generated (GWh)	Quarterly Reports provided by investee funds	0	11,331 GWh p.a.	56,655 GWh p.a.	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
<b>Project/programme outputs</b>	<b>Outputs that contribute to outcomes</b>					
1. Number of Investee Funds in portfolio	Number of Investee Funds in portfolio	GEEREF NeXt Quarterly Report	0	9 Investee Funds, 2 co-investment half-way through investment period	19 Investee Funds, 3 co-investments	GEEREF NeXt reaches final size of USD 750 m
2. Number of Beneficiary Projects in Portfolio	Number of Beneficiary Projects in portfolio	GEEREF NeXt Quarterly Report	0	100	200	GEEREF NeXt invests into 19 Investee Funds and each of them develops 11 projects GEEREF NeXt invests directly into 3 beneficiary projects.
3. Total RE Capacity Installed	RE Capacity Installed	Quarterly Reports provided by investee funds	0	3.6 GW	18 GW	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
4. Total Electricity Generated	Total Electricity Generated (GWh)	Quarterly Reports provided by investee funds	0	11,331 GWh p.a.	56,655 GWh p.a.	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)



5. Total energy savings	Energy Savings (GWh)	Quarterly Reports Provided by investee funds	0	264 GWh p.a.	1,321 GWh p.a.	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
6. Households Impacted	Households impacted	Divide certified project electricity output (per data provided by investee funds) by relevant average household consumption figures based on World Bank data (electricity consumption per household)	0	8.2 m household p.a.	41 m households p.a.	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
7. Jobs Created	Number of direct jobs created	Reporting for GEEREF NeXt annual impact report	0	670	30,500	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
8. Number of permanent jobs created	Number of permanent employees	Reporting for GEEREF NeXt annual impact report	0	2,120	10,600	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised) Assuming that 35% of jobs created are permanent (assumption based on actual data under GEEREF)
9. Number of women employed	Number of women employed	Reporting for GEEREF NeXt annual impact report	0	671	3,355	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised) Assuming that 11% of all employees will be female (assumption based on actual data under GEEREF)
10. Number of permanent jobs for women created	Number of permanent positions occupied by women	Reporting for GEEREF NeXt annual impact report	0	530	2,650	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised) Assuming that 25% of permanent

						employees will be female (assumption based on actual data under GEEREF)
11. Taxes Paid	Amount of tax paid	Reporting for GEEREF NeXt Annual Impact Report	0	Unable to give a specific figure but will be positive	Unable to give a specific figure but will be positive	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)  Depends on taxation regime in country of investment
12. Beneficiary SMEs	Number of beneficiary SMEs	Reporting for GEEREF NeXt annual impact report	0	1,524	7,620	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)  Assuming 250 SMEs engaged per each billion of CAPEX (assumption based on actual data under GEEREF)
13. Women-led Beneficiary SMEs	Number of women-led beneficiary SMEs	Reporting for GEEREF NeXt annual impact report	0	Unable to give a specific figure but will be positive	Unable to give a specific figure but will be positive	GEEREF NeXt achieves its investment targets (i.e. 30bn mobilised)
14. Investable fund or investment project for GEEREF NeXt and other investors	Number of investee funds supported	TA facility monitoring report	0	5	10	GEEREF NeXt average investment size for a TAF transaction is as budgeted
15. Investable funds for challenging environments incubated	Number of investee funds Incubated	TA facility monitoring report	0	1	2	GEEREF NeXt average investment size for a TAF incubation transaction is as budgeted
<b>Activities</b>	<b>Description</b>	<b>Inputs</b>				
1.1. GEEREF NeXt reaches final closing with a total funding of USD 750m	GEEREF NeXt will be an investment vehicle (FoF)	<ul style="list-style-type: none"> <li>GCF invests USD 250m into A-shares of GEEREF NeXt</li> <li>EIB raises additional USD 500 m of private capital in B-shares</li> </ul>				
1.2. GEEREF NeXt carries out its investment activities	GEEREF NeXt invests into 19 investee funds and 3 beneficiary projects	<ul style="list-style-type: none"> <li>Screening of projects that meet GEEREF NeXt investment criteria</li> <li>Due diligence on investee funds/projects</li> <li>Approval of investment by IC</li> <li>Monitoring of investments</li> </ul>				
1.3. GEEREF NeXt deploys its technical assistance facility funding to support its investee funds. Activities may include:	For activities 1 and 2, based on conclusions of due diligence on investee funds, GFO develops strategy (where relevant) to bring investee fund proposals to be on par with industry standards	<ul style="list-style-type: none"> <li>Identification of weaknesses of an investee fund during due diligence</li> <li>Preparation of financing strategy/TOR for the support</li> <li>Approval and disbursement</li> </ul>				

<p>i) Development of a proposal to be on par with industry standards</p> <p>ii) Organisation of workshops with local authorities to develop appropriate regulatory framework for contracts in which risks and returns are distributed such as public-private partnerships or power purchase agreements</p> <p>iii) Gender-specific interventions to ensure female participation in beneficiary projects, including technical training to enable them to be active in the RE/EE sector, awareness-building programmes during project development stage and other.</p> <p>iv) Recruitment of additional staff needed to build up an investee fund team</p> <p>v) Project development support and employee training to ensure the fund manager’s ability to pursue a project, including: project feasibility studies, project impact assessments, etc.</p>	<p>GEEREF NeXT provides development support to a project and employee training to ensure the fund manager’s ability to pursue a project, including: project feasibility studies, project impact assessments, etc.</p> <p>GEEREF NeXt provides financial support to cover early-stage development costs to create bankable RE/EE beneficiary projects and provides ongoing financial assistance to support costs associated with increased labour-intensity required for such proposals</p> <p>GEEREF NeXt uses the TA Facility funding to promote gender-sensitive interventions to ensure female participation in beneficiary projects, including technical training to enable them to be active in the RE/EE sector, awareness-building programmes during project development stage (e.g. on land compensation rights) and other.</p>	<ul style="list-style-type: none"> <li>• Identification of weaknesses at Beneficiary Project-level</li> <li>• Preparation of financing strategy/TOR for the support</li> <li>• Approval and disbursement.</li> </ul> <ul style="list-style-type: none"> <li>• Identification of weaknesses at beneficiary project-level</li> <li>• Preparation of financing strategy/TOR for the support</li> <li>• Approval and disbursement</li> </ul> <ul style="list-style-type: none"> <li>• GEEREF NeXt provides funding to cover hiring of consultants/E&amp;S specialists to support: <ul style="list-style-type: none"> <li>○ Carrying out of Gender Assessment and Action Plan</li> <li>○ Provision of training and capacity building</li> </ul> </li> <li>• Provision of awareness-building training</li> </ul>
<p>1.4. GFO incubates funds for challenging environments. Activities include:</p> <p>i) Development of a proposal to be on par with industry standards</p> <p>ii) Financial support to cover early-stage development costs to create bankable RE/EE beneficiary projects</p> <p>iii) Ongoing financial assistance to support costs associated with increased labour-intensity required for such proposals</p>	<p>GFO develops strategy (where relevant) to bring investee fund proposals to be on par with industry standards</p> <p>GEEREF NeXt provides financial support to cover early-stage development costs to create bankable RE/EE beneficiary projects and provides ongoing financial assistance to support costs associated with increased labour-intensity required for such proposals</p>	<ul style="list-style-type: none"> <li>• Identification of weaknesses of an investee fund / project during due diligence</li> <li>• Preparation of financing strategy/TOR for the support</li> <li>• Approval and disbursement</li> </ul>

## H.2. Arrangements for Monitoring, Reporting and Evaluation

### ***GEEREF NeXt Reporting***

The investment agreement between the GCF and GEEREF NeXt will define reporting processes and requirements. GEEREF NeXt will have a dedicated website that will be maintained by the GFO. The website will contain non-confidential information on GEEREF's investment strategy, portfolio as well as impact to date.

In addition, GEEREF NeXt will prepare a set of reports for its investors include those published on quarterly and annual basis. These include:

- Quarterly report to investors that will provide non-audited financial data on GEEREF NeXt's performance, financial information on performance on each of the underlying investee funds as well as select impact data (capacity installed, electricity generated/saved). The GEEREF NeXt quarterly report will be based on the quarterly reports collected from each of the underlying funds;
- Annual report to investors that will provide audited financial statements and performance data, financial information on performance of each of the underlying investee funds;
- Annual impact report to investors that will provide aggregate impact data for each of the indicators outlined in sections above as well as impact data for each of the investee funds. The report will be based on data collected from each of the investee funds for each of the beneficiary projects;
- Annual impact report published online that will provide aggregate impact data for each of the indicators outlined in sections above.

GEEREF NeXt will also report to the GCF through processes defined in the accreditation master agreement to be signed with the EIB and the funded activity agreement.

### ***Investee Funds Reporting***

GEEREF NeXt is committed to the highest possible standards of monitoring and supervision and enforces these at the fund manager level through the principal investor agreements. GFO will work closely with all of the fund managers through a monitoring regime that includes formal reporting on a quarterly and annual basis, from which it produces its own reports, and regular visits to the fund managers' offices and portfolio companies and projects in situ. The formal reporting regime includes submission of:

- Quarterly fund financial report (unaudited);
- Annual fund financial report (audited);
- Annual fund impact and E&S performance report;
- Annual GEEREF NeXt fund impact data collection tool; and
- Written notification of any serious E&S incidents within 3 business days, among others.

### ***Impact Reporting***

One of GEEREF NeXt's key reporting instruments will be its annual impact report which will draw on its existing impact reporting programme under GEEREF. GEEREF publishes its annual impact report, which includes all impact-related metrics that are tracked by both GEEREF and its investee funds on all of their beneficiary projects.

In 2015, the GEEREF impact report included data for the ten funds in the GEEREF portfolio at the time and presented the actual outcomes achieved in the financial year of 2015 and projections for lifetime outcomes expected to be achieved by the beneficiary projects in the portfolio (and to be added to the portfolio) once they are operational.

All impact data are collected annually from GEEREF's fund managers and are analysed by the GFO. Data is collected for the entire set of beneficiary projects, rather than a pro rata share of them, with the underlying assumption that the beneficiary projects would not have been financed without GEEREF's initial support. Should GEEREF NeXt be requested to provide exclusively the share attributable to GEEREF NeXt, this could be done although it would be dependent upon the final size of GEEREF NeXt and its relative participation in each of the funds and beneficiary projects.

### ***Independent Evaluation Report***

GEEREF NeXt will provide a mid-term and final performance report to the GCF, to be conducted by an independent evaluator, at a time requested by the GCF.

## I. Supporting Documents for Funding Proposal

- NDA No-objection Letters
- Feasibility Study
- Integrated Financial Model that provides sensitivity analysis of critical elements (xls format, if applicable)
- Confirmation letter or letter of commitment for co-financing commitment (If applicable)
- Project/Programme Confirmation/Term Sheet (including cost/budget breakdown, disbursement schedule, etc.)
- Environmental and Social Impact Assessment (ESIA) or Environmental and Social Management Plan (If applicable)
- Appraisal Report or Due Diligence Report with recommendations (If applicable)
- Evaluation Report of the baseline project (If applicable)
- Map indicating the location of the project/programme
- Timetable of project/programme implementation (included further above)

*\* Please note that a funding proposal will be considered complete only upon receipt of all the applicable supporting documents.*