Meeting of the Board
21 – 24 October 2024
Songdo, Incheon, Republic of Korea
Provisional agenda item 10

GCF/B.40/02/Add.15

30 September 2024

Consideration of funding proposals – Addendum XV

Funding proposal package for FP253

Summary

This addendum contains the following six parts:

a) A funding proposal summary titled "Greening Financial Systems: Delivering Climate Finance for All" by the European Bank for Reconstruction and Development;
b) No-objection letter(s) issued by the national designated authority(ies) or focal point(s);
c) Environmental and Social report(s) disclosure;
d) Independent Technical Advisory Panel's assessment;
e) Response from the accredited entity to the independent Technical Advisory Panel's assessment; and
f) Gender documentation of the funding proposal.

These documents are presented as submitted by the accredited entity and the national designated authority(ies) or focal point(s), respectively. Pursuant to the Comprehensive Information Disclosure Policy of the Fund, the funding proposal titled "Greening financial Systems: Delivering Climate Finance for All" submitted by the European Bank for Reconstruction and Development is being circulated on a limited distribution basis only to Board Members and Alternate Board Members to ensure confidentiality of certain proprietary, legally privileged or commercially sensitive information of the entity.

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Funding Proposal

Project/Programme title:	**Greening Financial Systems: Delivering Climate Finance for All**
Country(ies):	Armenia, Egypt, Jordan, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Morocco, North Macedonia, Serbia, Tajikistan, Uzbekistan
Accredited Entity:	European Bank for Reconstruction and Development (EBRD)
Date of first submission:	2023/08/21
Date of current submission	2024/09/27
Version number	V.15 Final Public

GREEN CLIMATE FUND

Contents

NOTE TO ACCREDITED ENTITIES ON THE USE OF THE FUNDING PROPOSAL TEMPLATE

- Accredited Entities should provide summary information in the proposal with cross-reference to annexes such as feasibility studies, gender action plan, term sheet, etc.
- Accredited Entities should ensure that annexes provided are consistent with the details provided in the funding proposal. Updates to the funding proposal and/or annexes must be reflected in all relevant documents.
- The total number of pages for the funding proposal (excluding annexes) should not exceed 60. Proposals exceeding the prescribed length will not be assessed within the usual service standard time.
- The recommended font is Arial, size 11.
- Under the GCF Information Disclosure Policy, project

and programme funding proposals will be disclosed on the GCF website, simultaneous with the submission to the Board, subject to the redaction of any information that may not be disclosed pursuant to the IDP. Accredited Entities are asked to fill out information on disclosure in section G.4.

Please submit the completed proposal to:
fundingproposal@gcfund.org
Please use the following name convention for the file name:
“FP-Accredited Entity Short Name]-[Country/Region]-[YYYY/MM/DD]”

A. PROJECT/PROGRAMME SUMMARY

A.1. Project or programme	Programme	**A.2. Public or private sector**	Private
A.3. Request for Proposals (RFP)	Not applicable		

A.4. Result area(s)

Check the applicable GCF result area(s) *that the overall proposed project/programme targets below. For each checked result area(s), indicate the estimated percentage of GCF and Co-financers' contribution devoted to it. The total of the percentages when summed should be 100% for GCF and Co-financers' contribution respectively.*

	GCF contribution	Co-financers' contribution
Mitigation total	**85%**[i]	**85%**
☒ Energy generation and access	20%	20%
☒ Low-emission transport	5%	5%
☒ Buildings, cities, industries and appliances	60%	60%
☐ Forestry and land use		
Adaptation total	**15%**[ii]	**15%**
☐ Most vulnerable people and communities		
☒ Health and well-being, and food and water security	10%iii	10%
☐ Infrastructure and built environment		
☒ Ecosystems and ecosystem services	5%	5%

A.5. Expected mitigation outcome *(Core indicator 1: GHG emissions reduced, avoided or removed / sequestered)*	3,3 billion tCO2eq indirect emission reductions 12,8 million tCO2eq direct emission reductions	**A.6. Expected adaptation outcome** *(Core indicator 2: direct and indirect beneficiaries reached)*	

			306,870 **direct beneficiaries** (0.12% of total population 253 million)	17+ million **indirect beneficiaries** (6.7% of total population 253 million)
A.7. Total financing (GCF + co-finance[1])	669,000,000 USD	**A.9. Project size**	Large (Over USD 250 million)	
A.8. Total GCF funding requested	200,000,000 USD			
A.10. Financial instrument(s) requested for the GCF funding	*Mark all that apply and provide total amounts. The sum of all total amounts should be consistent with A.8.* ☒ Grant 14,000,000 ☒ Loan 186,000,000 ☐ Guarantee 0 ☐ Equity 0 ☐ Results-based payment 0			
A.11. Implementation period	13 years	**A.12. Total lifespan**	30 years (n.b. the estimated lifespan is different for each technology, 30 years being the maximum, all details per technology type are available in Annex 22)	
A.13. Expected date of AE internal approval	By 2/18/2025	**A.14. ESS category**	I-2	
A.15. Has this FP been submitted as a CN before?	Yes ☐ No ☒	**A.16. Has Readiness or PPF support been used to prepare this FP?**	Yes ☐ No ☒	

[1] Refer to the Policy of Co-financing of the GCF.

<table>
<tr><td>A.17. Is this FP included in the entity work programme?</td><td>Yes ☒ No ☐</td><td>A.18. Is this FP included in the country programme?</td><td>Yes ☒ No ☐</td></tr>
<tr><td>A.19. Complementarity and coherence</td><td colspan="3">Yes ☒ No ☐</td></tr>
<tr><td>A.20. Executing Entity information</td><td colspan="3">EBRD for Component 1
Partner Financial Institutions (PFIs) for Component 2</td></tr>
<tr><td colspan="4">A.21. Executive summary</td></tr>
</table>

1. The programme "Greening Financial Systems: Delivering Climate Finance for All" (the "GFS Programme" or the "Programme"), in its first Phase, will directly support 307 thousand end beneficiaries to reduce vulnerabilities to the impacts of climate change and accelerate mitigation actions across 13 emerging economies (the "target countries"): Armenia, Egypt, Jordan, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Morocco, North Macedonia, Serbia, Tajikistan, and Uzbekistan.

2. The Programme targets financial institutions (FIs) and financial market stakeholders as its main beneficiaries, as intermediaries to reach the ultimate targeted end beneficiaries of this programme which include especially underserved groups, including the micro, small and medium-sized enterprises (MSMEs) that are the backbone of emerging economies, households, farmers and hard to reach segments such as those in rural areas and women alongside midcaps that are drivers of employment and climate impact in emerging markets.

3. In addition to delivering USD 620 million in green finance and 12.8 million tonnes in reduced CO2 equivalent emissions directly, the Programme represents a significant step up in ambition and enhancing the financial sector's resilience: it puts forward a unique catalytic platform of transition planning to enable a paradigm shift of the financial sector towards Paris-aligned pathways, ultimately catalysing the target countries' financial sectors' US$ 1.2+ trillion of assets[2], while strengthening the sector's ability to address climate shocks. This will unlock tens of billions of dollars in climate finance to benefit millions of businesses and households, and initiate a shift in thinking in the financial sector that will impact whole economies and preserve the future integrity of the financial system against the imminent impact of physical and transition climate-related risks.

4. Partnership with the GCF on this Programme offers a vital opportunity to impact and leverage the financial sector's financial flows at scale, in line with the GCF's Strategic Plan 2024-2027 and Private Sector Strategy, as well as partnering with target countries currently under-represented in climate finance support programming.

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5. Without systemic transformation of the financial sector, the world will not meet the objectives of the Paris Agreement. Although currently available technologies and solutions are adequate to see the world get back on track to 1.5°c pathways, the changes required can only be realised for beneficiaries on the ground if the private sector is willing and able to substantially accelerate and scale up climate investment. On the other hand, climate-related risks present additional challenges for the financial sector, and financial market regulators need to guide FIs on how to mitigate the impact of these risks on their assets. In light of the nascent state of climate regulations imposed by financial market regulators in the target countries, the Programme will support partner FIs (''PFIs'') to proactively become first-movers to adopt Paris-aligned transitions and enhance their resilience against vulnerabilities resulting from climate-related risks.

6. Aligning banking practices with climate transition goals necessitates banks acquiring the necessary knowledge and governance policies to better manage climate-related risks. Banks have numerous business and regulatory priorities, and most do not have the capacity to also plan how to smoothly transition their portfolios towards the acceleration of low greenhouse gas emissions and climate-resilient development.

7. Without transition planning, banks will be unprepared to manage climate-related risks within their portfolios. This could lead to a more risk-adverse approach where banks reduce their exposure to sectors deemed high-risk in terms of climate impact, potentially leaving those sectors without the crucial financial support needed for the climate transition.

8. Unfortunately, these high-risk sectors are often the ones most in need of investment to adopt more sustainable technologies and practices. This highlights the critical role of banks to help avoid a disorderly transition that could disproportionately affect vital sectors of the economy and established livelihoods.

9. Given that transition planning is not expected to become mandatory any time soon, incentivising the prioritisation of transition planning can help banks acquire the necessary knowledge and tools to facilitate a climate transition that is not only orderly but also accelerates the shift towards low greenhouse gas emissions and climate-resilient development.

10. The Programme adopts a multi-pronged approach which aims to considerably scale climate finance across the thirteen countries and promote FI transition planning as well as ambitious climate target setting. The Programme is expected to build on the foundational work with PFIs established by the GCF-EBRD Green Economy Financing Facilities[3] ("GCF GEFFs") in the nine overlapping countries[4], identifying complementarities with existing PFIs' to scale their climate finance ambitions and support them in undertaking transition plans building on the successful momentum under the GEFF engagements, while also establishing opportunities with new PFIs in the five additional countries under this Programme. Engagements with new PFIs, that are nascent in their climate financing journeys, will entail some overlapping activities with the GCF GEFF, as the existing programme is envisaged to shortly expire[5] and the Programme presents opportunities to replicate the GCF GEFF success with new PFIs and across the new five additional countries, as well as ensuring continuity and maintaining the momentum with existing PFIs.

11. These overlapping activities are considered to be staple building blocks for climate finance and will remain relevant to support early stage PFIs as they embark on the initial steps of their climate finance journey and will require identifying sub-loan opportunities for PFIs, reducing their perceived risk and establishing their commercial viability, supporting PFIs to see the climate finance opportunities available in their markets i.e. 'seeing the trees'. Additional activities of the Programme that will build on the GCF GEFF will target existing and or more advanced PFIs within their climate finance journey which will entail supporting them in developing transition plans to assess the impact of climate risks on their assets and shift their financing flows towards Paris-aligned pathways thus supporting PFIs to identify opportunities within the larger realm of climate finance opportunities i.e. 'seeing the forest'.

12. The Programme recognises the multifaceted challenges that FIs in the target countries face as the primary intermediaries for channelling the required financing and focuses on addressing two main inter-linked barriers:

1) Limited enabling environment for climate-compatible financial systems, particularly for segments like MSMEs, farmers, women, and households; and
2) Low access to affordable climate mitigation and adaptation finance from financial institutions.

[2] Total banking sector assets in the proposed countries in 2022
[3] GCF FP025.
[4] Armenia, Egypt, Georgia, Jordan, Moldova, Mongolia, Morocco, Serbia, Tajikistan
[5] End date for the signature of loans on 2 February 2026

13. Relevantly, for the target countries, these challenges have been only exacerbated in recent years, as the spillover effects of the war on Ukraine have played out in energy prices, energy security concerns and access to technologies, which has severely impacted momentum on the climate transition. The Programme further recognizes, and has been developed, to cater for the varying stages of the Target Countries' regulations (as further illustrated in the next section B.1) in their climate finance and transition journeys. While some of the most advanced Target Countries have already issued regulations to FIs on sustainable finance, a few of which are binding, these guidelines remain very distant from addressing the adoption of climate transition plans and focus largely on introductory steps to environmental, social and corporate governance requirements and broad requirements for the establishment and designation of sustainable finance departments and their segregation of duties from existing divisions.

14. When it comes to financial regulators, there is, indeed, a widespread perception that the risks associated with climate change can affect the stability of the financial system and the macroeconomy. This leads to the conclusion that central banks / financial regulators may increasingly expect banks to adopt transition plans.

15. However, financial supervisors that have investigated the relationship between climate-related risks and financial stability, recognise that the supply of finance is relatively short-term compared to the timelines of most climate risk scenarios. They identified a trend of over-collateralisation in emerging markets, and the ability of the financial sector to respond to increased risk, if necessary, by reducing tenors and increasing collateral requirements, among other responses.

16. Furthermore, the assumption that financial supervisors need to ensure that their activities are in step with government policy on net-zero, neglects the fact that independence from government policy is still seen as a cornerstone for the effective economic policymaking of financial supervisors. At the same time, climate policy frameworks, which are necessary for effective transition planning by the final sector, are still lacking in many emerging markets, including in those countries targeted by the funding proposal.

17. Therefore, by taking a transformational approach, the Programme will harness FIs in their capacity as effective intermediaries to efficiently channel the required financing to end beneficiaries at scale, reinforced by work at the regulatory and market level to further promote transition of the financial sector to sustainable climate pathways.

18. The Programme is built around mutually reinforcing components that together enable these paradigm-shifting pathways.

- **Component 1. Greening Financial Systems: Enabling financial institutions, regulators and financial actors adopting and implementing ambitious and sustainable climate finance portfolios and practices -** technical assistance and financial incentive grants enabling climate-compatible financial systems and mainstreaming climate finance
- **Component 2**. **Delivering Climate Finance for All: Investments to unlock and scale up climate capital** – investment mechanisms for unlocking climate capital

19. The dedicated technical assistance component will allow to achieve systemic change in helping financial institutions across participating countries build their climate capacities and develop transition plans to shift their financing flows towards Paris-aligned pathways, including developing financial institutions' non-financial-service (NFS) capacity, as well as extensive knowledge sharing among FIs, financial regulators and other relevant stakeholders. Component 1 will offer a full suite of technical assistance and capacity building that caters to the varying

maturity levels of PFIs within their climate transition journeys, as well as the necessary policy and regulatory support to establish a conducive and enabling market that will be integral in achieving the paradigm shifting impacts of the Programme. In addition to technical assistance, this will include financial incentives to be disbursed to partner FIs to further incentivise commitment to the development and implementation of transition plans[6], that would enable institutional transformation throughout governance, climate risk management, strategies, targets and disclosure, and compensate them for the costs associated with undertaking such transformation. These costs are comprised of fixed costs incurred in setting up and staffing new dedicated departments, hiring of climate specialist, auditing, reporting, disclosures, etc which cannot be directly linked to increased profitability in the short-term, thus financial incentive grants will offer front-loaded fixed and quantifiable incentive payments to the PFIs that are tied to milestones for developing and implementing transition plans. While climate financing presents clear opportunities for FIs to generate additional business and profits from financing and cross selling activities to a new target of clients, FIs struggle with the cost-benefit analysis of how adopting transition plans, climate risk management and disclosures can contribute to increasing their bottom lines in the short to medium term. This issue is exacerbated by the absence of mandatory guidelines and incentives provided by the regulators. Currently, transition planning and climate risk management in general are at nascent stages in emerging economies, including the EBRD region. The EBRD conducted a survey on the Readiness of the Financial Sector for the Impacts of Climate Change in 2021 – more than 20% of respondents in the selected 13 countries (52 FIs) stated there was no specific department in charge of climate risk management in their organisation. The survey also revealed that 44% of respondents in these countries did not anyhow take into account the impacts of climate change in their operations and investment decisions. Furthermore, less than 4% of participating FIs said they considered their approach to climate risk management robust enough to not require improvements within the coming 2 years. And when asked what the main obstacles to improving climate risk management were, 65% mentioned the lack of regulatory guidance or in-house resources. Finally, when it comes to the public disclosure of climate-related risks and management practices, only 10% of respondents already do at least some disclosure in the Central Asian region and less than 17% across the selected regions.

20. Through financing agreements (linked to Component 2), the EBRD will create legally binding mechanisms with partner FIs, extending finance to an estimated 307 thousand direct female and male beneficiaries for climate adaptation and mitigation investments across priority sectors and also committing FIs to gradually align their resources with a low greenhouse gas emissions and climate-resilient development pathway. A **special emphasis is placed on adaptation**, through systemic climate risk assessment and opportunity identification, capacity building and awareness-raising to promote adaptation investments by end beneficiaries. Additionally, as a side effect of the capacity building component, the Programme will also enable interested partner FIs by increasing their capabilities to prepare for GCF accreditation, as evidenced by the FIs participating to the GCF GEFF programme that have already become Accredited Entities in their own right.

21. The GFS Programme aims to be scaled over the course of two phases, recognising the multiplied impact realised if the Programme can operate at scale to mobilise a variety of PFIs in each country. The Programme will be delivered in a manner fully responsive to the specific needs and aligned with the strategic climate priorities of the different target countries. EBRD's network of Resident Offices across each of the thirteen countries will ensure close presence and coordination with local stakeholders. EBRD anticipates delivering the Programme in all 13 countries; actual levels of funding will depend on market demand and pace of implementation in each country (up to 100% of GCF funding allocation under the Programme).

[2] Total banking sector assets in the proposed countries in 2022.

B. PROJECT/PROGRAMME INFORMATION

B.1. Climate context (max. 1000 words, approximately 2 pages)

Global climate context

22. The world is set to get hotter by 2.9 °C even if countries deliver their **current, unconditional nationally determined contributions** (UNEP Emissions Gap Report, "NDC" scenario in NGFS climate scenarios). Continued emissions of greenhouse gases have already led to about 1.1 °C of global temperature rise since the industrial revolution. Climate change already poses threats to human health and livelihood in various types of physical climate risks, and those in the emerging economies like the target countries are particularly vulnerable in the absence of adequate access to technologies and finance and knowledge, most notably acutely underserved groups like micro, small and medium-sized enterprises (SMEs), women, households, farmers and those that are based outside of main cities.

23. The world can get back on track to 1.5°C pathways with currently available technologies and solutions only if the private sector globally accelerates and scales up climate investment, adding to limited public finance funds. Financial institutions are the key providers of financing to the private sector, particularly SMEs, and hence financial sectors play a key role to enable the urgent and system-wide transformation required to achieve a Paris Aligned climate scenario. Aligning economies with the objectives of the Paris Agreement will require an ambitious transition across all sectors of the economy, with substantial financing needs for such transition – for example, decarbonising the electricity supply, replacing fossil fuels with clean renewable energy, increasing energy efficiency, and introduction of technology solutions to tackle hard-to-abate emissions. Changes in policy, business and consumer preferences and higher emission costs locally can pose significant transition risks to those in developing economies, particularly to SMEs and the wider economy, and in turn to the financial sector in the absence of commensurate local regulatory requirements, policies and guidance.

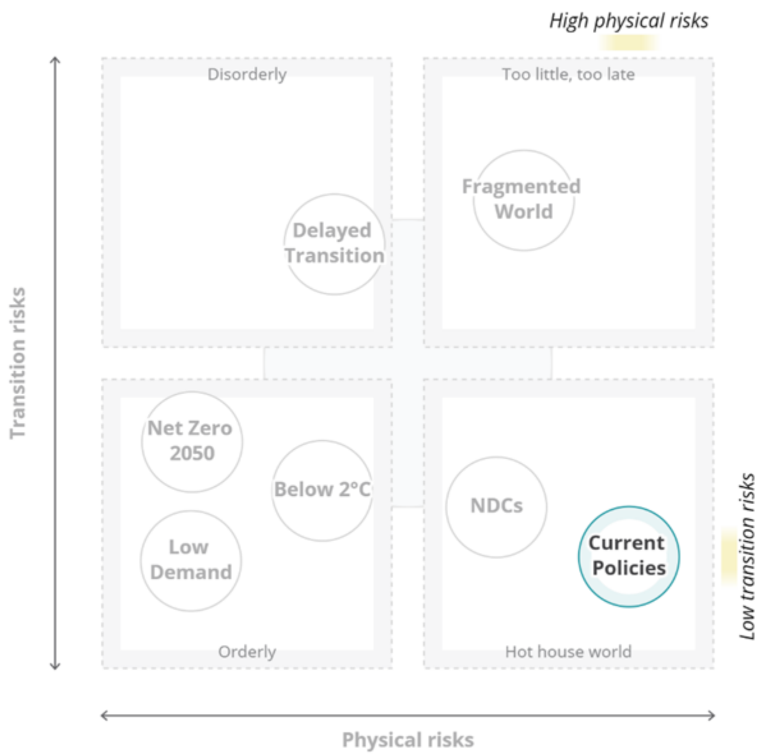

Figure 1. Climate Scenarios – Current Policies, NDCs, Net Zero 2050 (Source: NGFS)

24. Despite a relatively sophisticated financial system and reasonable availability of credit, green financing has remained in short supply within the selected countries, and especially for the underserved and vulnerable individuals and MSMEs who often face difficulties in accessing financing due to lack of sufficient collateral as well as restrictive financing terms mainly due to high interest rates resulting from higher credit spreads due to their perceived risks. Moreover, financial institutions often do not have dedicated products, and lack the capacity to identify, tag and monitor green assets within their existing portfolios to measure their climate mitigation impact, while on adaptation they possess limited capacity and awareness to assess and manage the projected impact of climate-related risks.

25. Most leading financial institutions in advanced countries have set net zero targets and are publishing plans on how they aim to meet these targets. These plans, often referred to as **transition plans**, set out the steps through which they plan to meet their climate ambitions, grow resilient to climate risk, and capitalise on climate opportunities. For many banks, this includes setting near-term emissions targets for GHG-emitting sectors[7], setting climate finance targets, introducing fossil fuel policies, and engaging with clients on managing material climate-related risks in their sectors to enhance their resilience. On the other hand, financial regulators have a key role to play in ensuring the resilience of the financial sector against the impact of physical and transition climate-related risks associated with FIs portfolios, and ensuring the readiness of the financial sector in adopting sustainable finance practices through the development of guidelines, corporate governance, taxonomies and reporting requirements among others, as well as to ensure the financial sector's alignment with the countries' NDCs and LTSs.

26. **Transition planning** has gained the interest of regulators and is supported by leading international initiatives on climate change for financial institutions. Standards from the International Sustainability Standards Board (ISSB), set to become the global baseline for sustainability disclosures, and the European Sustainability Reporting Standards (ESRS) include provisions relating to transition planning. The Glasgow Financial Alliance for Net Zero (GFANZ), an alliance of global financial institutions, also put forward standards for transition planning .Financial institutions in emerging economies however show low adoption of climate target setting, transition planning and climate risk management practices due to less stringent regulatory requirements, limited access to knowledge, and constraints on extending finance to end beneficiaries on adequate terms that reflect market needs. For example, the EBRD's survey Readiness of the Financial Sector for the Impacts of Climate Change[1] – showed that FIs in EBRD regions have a low level of awareness of climate risk management and do not yet tap sufficiently into the knowledge offered by international best practice initiatives. 90% of FI respondents consider the impact of their financing on climate change relevant to their operations, but few have a clear view of how to operationalise climate risk management and disclosure and incorporate them into business operations. The survey also shows more than 20% of respondents in the selected 13 countries (52 FIs) stated there was no specific department in charge of climate risk management in their organisation, and also revealed that 44% of respondents in these countries did not anyhow take into account the impacts of climate change in their operations and investment decisions. Furthermore, less than 4% of participating FIs said they considered their approach to climate risk management robust enough to not require improvements within the coming two years. And when asked what the main obstacles to improving climate risk management were, 65% mentioned the lack of regulatory guidance or in-house resources. Finally, when it comes to the public disclosure of climate-related risks and management practices, only 10% of respondents already do at least some disclosure in the Central Asian region and less than 17% across the selected regions. As a result, any commitments by FIs to greening of finance or net zero, are voluntary and resource-consuming. The ability of an FI to embark on non-mandatory transition planning requires a significant amount of in-house resources to be prioritised above other business needs and regulatory requirements and current EBRD perception of the target markets is that motivation to embark on this process is low. Given this absence of regulatory guidance, coupled with lacking capacities and knowledge among FIs, transition planning is at nascent stages in emerging markets (including in the targeted 13 countries).

[7] Such as coal-fired power and thermal coal mining

27. Aligning banking practices with climate transition goals necessitates banks acquiring the necessary knowledge and governance policies to better manage climate-related risks. Banks have numerous business and regulatory priorities, and most do not have the capacity to also plan how to smoothly transition their portfolios towards the acceleration of low greenhouse gas emissions and climate-resilient development. Without transition planning to effectively understand and manage climate risk in their portfolios, FIs may instead take a more risk-averse approach to high-risk sectors, potentially leaving those sectors without the critical financial support needed for their climate transition and hence heightening their risk. FIs therefore can play a pivotal role in helping to avoid a disorderly transition that would be particularly harmful for vital sectors of the economy and vulnerable livelihoods, such as agriculture.
The spillover effects of this lack of knowledge or strategic approach to transition planning on the real economy are clear.

28. As the market demand studies in Annex 2 illustrate, there are already viable technical and behavioural change solutions for climate adaptation and mitigation across priority sectors specified in NDCs. But available climate mitigation and adaptation technologies and solutions are out of reach for many in emerging markets due to market barriers. Many adaptation solutions identified are not commercially viable at present and hence face systemic under-investment. Long-term decarbonisation or adaptation solutions cannot be financially justified despite their significant long-term benefits due to their higher upfront costs compared to current prevailing market practices, inadequate access to finance, and low awareness. MSMEs, farmers and households in particular have limited awareness of their own exposure to physical climate and transition risks and viable solutions, which in turn can also affect the stability of financial systems and the economy as a whole.

29. The Programme aims to address these barriers and accelerate and scale up climate finance and foster a transformation of the financial systems to create an enabling environment for economy-wide transition to low GHG emissions and climate resilient pathways. Moreover, the targeted countries still significantly lack national standards and regulation related to climate disclosure and green finance taxonomy. However, international norms and standards and global networks such as, among others, the ISSB and the Network for Greening Financial Systems (NGFS) will drive actions of financial regulators and financial stakeholders and in turn FIs.

30. The Programme is targeting the following countries – **Armenia, Egypt, Jordan, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Morocco, North Macedonia, Serbia, Tajikistan, Uzbekistan in its first Phase.** These countries represent a diversity of climate, financial, economic and social systems. The counties were selected on the basis of (a) EBRD countries of operations, (b) vulnerability to physical climate and transition risks and mitigation and adaptation impact potential, and (c) readiness and demand of financial institutions and financial sector stakeholders.

31. As the main ambition of the Programme is to **green the financial systems** and to incentivize FIs to **systemically invest in green and Paris-aligned projects**, it has been designed to have a large sectoral scope, to allow for such systemic greening. All sectors where FIs are active in our regions that can lead to mitigation (such as renewables, low-emission transport, energy efficiency), or adaptation outcomes (such as water-efficiency and sustainable agriculture) are eligible. Of course, the sectoral focus and portfolio composition might vary depending on country and PFI specificities, as well as national climate priorities (see Annex 2 for country-specific climate challenges and associated relevant climate technologies). Table 1 includes examples of exposures and vulnerabilities in sectors and means to address them.

Country regulatory environment overview

The target countries are all progressing towards developing sustainable financial systems, albeit at different paces and with varying approaches as outlined in brief below and in more detail in Annex 2. Common challenges include the need for capacity building, standardizing methodologies for evaluating green projects, and integrating green finance into the broader financial system. Countries with more structured approaches, like Kazakhstan and Mongolia, are better positioned to overcome these challenges compared to those still developing their frameworks or without a clear body providing centralised leadership in this area. Given the emerging market context, even where there is openness and interest on the part of the regulator, financial sector players report a lack of a unified approach and a comprehensive framework for promoting green finance. Moreover, where regulators are advancing towards increasing disclosure requirements, this highlights the challenges faced by FIs to meet such disclosure requirements, such as limited technical expertise, a large financing gap, and a lack of a common methodology and reporting framework.

Kazakhstan: Kazakhstan has a well-developed regulatory framework for sustainable finance, aligned with the UN Sustainable Development Goals (SDGs) and the Paris Agreement. Key institutions include the National Bank of Kazakhstan (NBK), the Agency of the Republic of Kazakhstan for the Regulation and Development of the Financial Market (ARDFM), and the Astana International Financial Centre (AIFC) Green Finance Centre (GFC). Notable achievements include the issuance of green bonds and the adoption of a green taxonomy and ESG reporting framework, however capacity is limited among financial institutions to accurately and effectively disclose against such frameworks.

Kyrgyz Republic: The Kyrgyz Republic is in the nascent stages of developing its green finance framework. Initiatives such as the establishment of a green projects taxonomy and a sustainable finance center in Bishkek are recent developments. The first green bonds were issued in 2023, focusing on eco-tourism and eco-agriculture, with support from the AIFC GFC.

Mongolia: Mongolia has established a robust basis for green finance, driven by the Mongolia Bankers Association and the Sustainable Finance Association (SFA). Key initiatives include the Sustainable Finance Principles and the Green Finance Taxonomy. Despite a supportive regulatory environment, green loans remain a small percentage of total loans, highlighting the need for further growth.

Uzbekistan: Uzbekistan's sustainable finance framework is emerging, with the Ministry of Economic Development and Poverty Reduction playing a significant role. The country focuses on integrating ESG factors and developing green finance instruments, although concrete steps such as issuing green bonds are still in the early stages.

Tajikistan: Tajikistan is at the preliminary stage of integrating sustainable finance. Efforts include developing a green finance strategy and collaborating with international partners. However, a lack of infrastructure and financial resources poses significant challenges.

Armenia: Armenia has made strides in green finance, primarily through the Central Bank of Armenia's initiatives. The country has issued green bonds and developed frameworks for ESG integration, though challenges remain in scaling these efforts.

Georgia: Georgia's approach to green finance includes the adoption of green bonds and the integration of ESG factors into financial regulations. The National Bank of Georgia plays a crucial role in these initiatives, aiming to enhance the financial sector's resilience to climate risks.

Moldova: Moldova is in the early stages of green finance development. Efforts include integrating ESG factors into financial regulations and collaborating with international partners to enhance sustainable finance practices.

North Macedonia: North Macedonia has taken steps to align with regional and international environmental strategies, such as the Western Balkans Green Agenda. The National Bank has implemented measures to encourage green lending, although a dedicated green taxonomy is yet to be developed.

Serbia: Serbia has made recent advancements in sustainable finance, particularly with the adoption of green bonds and the integration of ESG criteria into its financial sector. The National Bank of Serbia and the Ministry of Finance have been key players in these developments. Initiatives include issuing the first green bond in 2021 aimed at financing renewable energy projects, developing a national green finance strategy to encourage sustainable investment and aligning with the EU Green Deal and adopting related environmental standards. Despite these efforts, Serbia faces challenges in implementing a comprehensive green taxonomy and increasing public awareness of sustainable finance.

Jordan: Jordan has taken significant steps towards integrating sustainable finance into its national agenda, supported by institutions like the Central Bank of Jordan and the Ministry of Environment. Key initiatives include establishing a green finance framework to support projects in renewable energy, water management, and waste management, collaborating with international organizations to develop green bonds and sustainability-linked loans and promoting ESG practices among financial institutions and enhancing capacity building for sustainable finance. Challenges in Jordan include the need for greater regulatory support and the development of a comprehensive green taxonomy to classify eligible green projects.

Morocco: Morocco has made significant progress in green finance, focusing on energy efficiency and renewable energy projects. Public institutions and development finance institutions (DFIs) play a crucial role in providing green finance options, although there is a need to expand these to include other green projects.

Egypt: Egypt has made significant strides in sustainable finance, particularly through the development of green bonds and sustainable development strategies. The Egyptian Financial Regulatory Authority (FRA) has been instrumental in this progress, establishing guidelines and frameworks to support green finance. Key initiatives include issuing the first sovereign green bond in 2020 to finance environmentally friendly projects, developing a green taxonomy to classify projects eligible for green financing, promoting ESG disclosure among publicly listed companies. Egypt faces challenges in scaling these initiatives but benefits from strong regulatory support and international collaboration.

32. Given that, based on market analysis of the proposed target countries, transition planning is not expected to become mandatory for FIs in the near term, incentivising the prioritisation of transition planning is vital to help banks acquire the necessary knowledge and tools to facilitate a climate transition that is not only orderly but also accelerates the shift, as required by the science, towards low greenhouse gas emissions and climate-resilient development.

Country-specific climate context and needs[2]

33. The target countries' major climate hazards, sectoral exposure and vulnerability are summarised in Table 1. Further details are outlined in Annex 2.

Table 1: Major climate hazards and sectoral impacts by country

Country	Major Climate Hazards	Exposure and vulnerability	Programme activities addressing these
ARM	Heatwaves, droughts, extreme precipitation, floods, landslides	Floods, heatwaves and water stress reduce agricultural output, threaten food security, damage the natural ecosystem, affect energy generation due to heavy reliance on water for cooling in thermal power. Buildings not resilient to heatwaves and heat stresses threaten the well-being and health of residents. ThinkHazard ranks the risk of floods, landslides and wildfires as high, and the risk of extreme heat as medium. ND-GAIN Vulnerability Index8: Score: 0.368 Country Rank: 48 German Watch Global Climate Risk Index (CRI)9 score: 98.17	n.b. for all countries, the following criteria apply (see Annex 25 for full eligibility criteria): Requirements for Sub-projects addressing climate adaptation that rationalise water use : Eligible water efficiency investments shall include investments in materials, equipment, appliances and technologies that enable reduction in water consumption and/or improve water use. Water efficiency investments shall achieve (i) a water savings of at least 20% when compared to the "Reference Water Baseline"; or (ii) sustainable water generation installations including those of capacity equal to or greater than 100m3/year, provided that if the existing national minimum requirement is above 20%, the national minimum requirement will apply. Requirements for Sub-projects addressing climate adaptation that improve sustainable land management: Eligible sustainable land management investments shall include investments in materials, equipment, appliances and technologies that enable reduction in soil erosion. Sustainable land management investments shall achieve a reduction in soil erosion of at least 20% when compared to the "Reference Soil Loss Baseline", provided that if the existing national minimum requirement is above 20%, the national minimum requirement will apply. Heatwaves - investments in energy-efficient thermal comfort measures Extreme precipitation and flooding – investments in drainage systems

[8] The higher the score, the more vulnerable a country is. Vulnerability measures a country's exposure, sensitivity and ability to adapt to the negative impact of climate change. ND-GAIN measures the overall vulnerability by considering vulnerability in six life-supporting sectors – food, water, health, ecosystem service, human habitat and infrastructure. See: Vulnerability rankings | ND-GAIN Index/

[9]Global Climate Risk Index 2021. See: Germanwatch

			Droughts – investment in water-efficient technologies and measures, investment in drip irrigation
EGY	Increase in temperatures, sea level rise, extreme weather events	Sea level rise will result in a considerable loss of the northern part of the Nile Delta, with consequential loss of agricultural land, infrastructure and urban areas. Loss in agricultural land, infrastructure & urban areas. Threat to the wellbeing and health of occupants and residents of buildings not resilient to heatwaves and heat stresses. Reduction of the availability of water resources not only affects agriculture and food security but also energy generation due to heavy reliance on water for cooling in thermal power. Exacerbation of poverty rates among the rural populations who heavily rely on agriculture and are vulnerable to extreme weather events, as well as water availability and heat stresses over the longer term. ThinkHazard ranks the risk of floods, water scarcity, extreme heat and wildfires as high. ND-GAIN Vulnerability Index: Score: 0.420 Country Rank: 92 German Watch Global Climate Risk Index (CRI) score: 102.00	Increase in temperatures - investments in energy-efficient thermal comfort measures Extreme weather events – investments in drainage systems, sustainable agriculture practices, investments in water-efficient technologies
GEO	Increased frequency of heat waves, retreat of glaciers, recurrent floodings	River flow reductions resulting from temperature rises will also affect energy security, reducing Georgia's capacity to produce energy from hydropower (the main source of the country's renewable generation), as well as negatively impacting agriculture, which is the main source of income for rural populations. ThinkHazard ranks the risk of floods, landslides, extreme heat and wildfires as high. ND-GAIN Vulnerability Index:	Increased frequency of heat waves - investments in energy efficiency in buildings Recurrent floodings - investments in drainage systems, sustainable agriculture practices

		Score: 0.400 Country Rank: 81 German Watch Global Climate Risk Index (CRI) score: 93.17	
JOR	Droughts, extreme temperatures, storms, landslides, flash floods and earthquakes	Climate variability damages Jordan's infrastructure, affects its services, and constrains agricultural growth, resulting in increased food insecurity. Jordan ranks already as the fifth most water-stressed country in the world. Educed availability of water resources undermining both agriculture and public health. ThinkHazard ranks the risk of floods, landslides, extreme heat, water scarcity and wildfires as high. ND-GAIN Vulnerability Index: Score: 0.369 Country Rank: 49 German Watch Global Climate Risk Index (CRI) score: 118.00	Extreme temperatures - investments in energy-efficient thermal comfort measures Flash floods – investments in drainage systems, sustainable agriculture practices Droughts – investment in water-efficient technologies and measures, investment in drip irrigation
KAZ	Temperature rise faster than global average, melting of glaciers, floods, droughts, reduced soil moisture	Physical climate risks will i) threaten the wellbeing and health of occupants and residents of buildings not resilient to heatwaves and heat stresses, ii) reduce the availability of water resources not only affecting agriculture and food security but also energy generation due to heavy reliance on water for cooling in thermal power, iii) exacerbate poverty rates among the rural populations who heavily rely on agriculture and are vulnerable to extreme weather events, as well as water availability and heat stresses over the longer term. ThinkHazard ranks the risk of floods, landslides, water scarcity and wildfires as high. It ranks the risk of extreme heat as medium. ND-GAIN Vulnerability Index: Score: 0.322 Country Rank: 22	Increase in temperatures - investments in energy-efficient thermal comfort measures Floods – investments in drainage systems, sustainable agriculture practices Droughts – investment in water-efficient technologies and measures, investment in drip irrigation Reduced soil moisture – investments in irrigation technologies, and sustainable agriculture practices

		German Watch Global Climate Risk Index (CRI) score: 118.00	
KGZ	Extremeweather events, recurrent heatwaves and droughts	Extreme temperatures and pose a serious threat on human health, livelihoods and ecosystems. The recurrence of heatwaves and droughts will result in serious losses of agricultural land and viable habitat (especially for higher altitude species). This will in turn have an important economic impact especially for rural populations. Multidimensional poverty and undernourishment are already prevalent in the country. ThinkHazard ranks the risk of floods, landslides and wildfires as high. It ranks the risk of extreme heat and water scarcity as medium. ND-GAIN Vulnerability Index: Score: 0.331 Country Rank: 28 German Watch Global Climate Risk Index (CRI) score: 118.00	Extreme heat conditions - investments in energy-efficient thermal comfort measures Droughts – investment in water-efficient technologies and measures, investment in drip irrigation
MDA	Climate aridity from extreme weather events such as heatwaves and frost, floods, storms with heavy rains and hails, and severe droughts.	Decreased resilience of transport and energy sector infrastructure, including assets useful lifespan, higher capital expenditure and running costs, as well as decreased food security due to diminished agricultural output and water shortages. ThinkHazard ranks the risk of floods and wildfires as high. It ranks the risk of extreme heat and water scarcity as medium. ND-GAIN Vulnerability Index: Score: 0.406 Country Rank: 85 German Watch Global Climate Risk Index (CRI) score: 118.00	Flooding, heavy rainfall – investments in drainage systems, sustainable agriculture practices Droughts – investment in water-efficient technologies and measures, investment in drip irrigation
MNG	Extreme climate events including heatwaves, droughts and river floods	Extreme stress on ecosystems results in shifts in species ranges and forest cover losses. Agriculture will be affected especially through losses in yields, posing a food security	Extreme heat conditions - investments in energy-efficient thermal comfort measures Droughts – investment in water-efficient technologies and measures, investment in drip irrigation

		threat to the population. Moreover, Mongolia is one of the very few countries in the world that is subject to dzuds, which cause very severe loss and damage to agriculture, and this will only increase with climate change. ThinkHazard ranks the risk of floods, landslides, water scarcity and wildfires as high. It ranks the risk of extreme heat as medium. ND-GAIN Vulnerability Index: Score: 0.375 Country Rank: 59 German Watch Global Climate Risk Index (CRI) score: 31.67	
MAR	More frequent and severe droughts and higher rates of evaporation caused by temperature rises	Water shortage will pose significant economic and social threats, as well as health hazards. Without adequate investment in adaptation, the country could i) face significant losses in agricultural yields, leading to exacerbation of inequalities between rural and urban population, as well as posing a threat to food security ii) experience increased damage to human health (including mortality) caused by more frequent extreme heat conditions, without investment in buildings, and iii) face reduced availability of water resources undermining both agriculture and public health. ThinkHazard ranks the risk of floods, landslides, extreme heat and wildfires as high. It ranks the risk of water sacrcity as medium. ND-GAIN Vulnerability Index: Score: 0.379 Country Rank: 64 German Watch Global Climate Risk Index (CRI) score: 79.67	Droughts, higher evaporation – investment in water-efficient technologies and measures, investment in drip irrigation, investments in sustainable agriculture
MKD	Decreases in precipitation, as well as more frequent extreme	Extreme weather events increase risks to the agricultural sector, which accounted for	Extreme heat conditions - investments in energy-efficient thermal comfort measures

	weather events, such as heat waves	more than 8% of the GDP in 2022 and is a major source of income for rural populations. Without investment in adaptation and resilience, climate change will induce an increase in inequalities. Without adequate investment in adaptation the country could face significant losses in agricultural yields, posing a threat to food security, experience increased damage to human health (including mortality) caused by more frequent extreme heat conditions, without investment in buildings, and face reduced availability of water resources undermining public health. ThinkHazard ranks the risk of floods, landslides, water scarcity and wildfires as high. It ranks the risk of extreme heat as medium. ND-GAIN Vulnerability Index: Score: 0.378 Country Rank: 62 German Watch Global Climate Risk Index (CRI) score: 118.00	Decrease in precipitation, droughts – investment in water-efficient technologies and measures, investment in drip irrigation
SRB	Extreme weather events	Negative effects on energy, infrastructure and transport: Without adaptation investment, the country faces significant losses in agricultural yields, posing a threat to food security. Increased damage to human health (including mortality) caused by more frequent extreme heat conditions, without investment in buildings. Reduced availability of water resources undermining both agriculture and public health. ThinkHazard ranks the risk of floods and wildfires as high. It ranks the risk of extreme heat, water scarcity and landslides as medium. ND-GAIN Vulnerability Index: Score: 0.413 Country Rank: 86	Increase in temperatures, extreme heat conditions - investments in energy-efficient thermal comfort measures Seasonal flooding, prolonged rainfall – investments in drainage systems, sustainable agriculture practices Droughts – investment in water-efficient technologies and measures, investment in drip irrigation

		German Watch Global Climate Risk Index (CRI) score: 92.00	
TJK	Recurrent heatwaves, droughts, and floodings caused by the melting of mountain glaciers	Drought will cause an increase of arid lands and loss of agricultural lands. The drying will also affect the variability of hydropower supply, on which the country is currently heavily dependent. ThinkHazard ranks the risk of floods, landslides and wildfires as high. It ranks the risk of extreme heat, water scarcity as medium. ND-GAIN Vulnerability Index: Score: 0.372 Country Rank: 55 German Watch Global Climate Risk Index (CRI) score: 104.33	Heatwaves - investments in energy-efficient thermal comfort measures Floods – investments in drainage systems, sustainable agriculture practices Droughts – investment in water-efficient technologies and measures, investment in drip irrigation
UZB	Warming significantly exceeds the projected global average, increased frequency and severity of droughts, desertification, changing precipitation patterns, floods, and landslides	The vulnerability of Uzbekistan's irrigated agriculture (85% of the cropland is irrigated) to projected declines in water availability, and hence decreased yields, will pose a major threat to food security and subsequently health and labour productivity, directly affecting the population at large. More frequent extreme temperatures will threaten the wellbeing and health of occupants and residents of buildings not resilient to heatwaves and heat stresses. Reduced availability of water resources will not only affect agriculture and food security but also energy generation due to heavy reliance on water for cooling in thermal power. ThinkHazard ranks the risk of floods, landslides, extreme heat, water scarcity and wildfires as high. ND-GAIN Vulnerability Index: Score: 0.364 Country Rank: 43 German Watch Global Climate Risk Index (CRI) score: 118.00	Increase in temperatures - investments in energy-efficient thermal comfort measures Floods – investments in drainage systems, sustainable agriculture practices Droughts – investment in water-efficient technologies and measures, investment in drip irrigation

34. The Programme's alignment with the countries' mitigation goals is summarised in Table 2 below.

Table 2: Programme's alignment with national mitigation goals.

Country	Mitigation Goals	NDC-GFS Alignment
ARM	**Target**: GHG reduce emissions by 40% between 1990 and 2030. **Target encompasses the following priority sectors:** Energy, Industrial Processes and Product Use, Agriculture, Waste, Forestry and Other Land Use	Given the sectoral priorities as identified in NDCs, financial institutions play an important role to effectively and efficiently reach out to a large number of economic actors and extend finance to stimulate the adoption of much needed mitigation and adaptation solution. Armenia aims to leverage additional finance into climate action and seeks to innovate the technical aspects of the debt-for-climate transaction, for which the Programme will be a catalyst.
EGY	**Targets:** GHG reduction between 2015 & 2030 - Transport: 7% - Oil and Gas: 65% - Electricity Generation, Transmission, and Distribution: 37% **Other NDC priority sectors without specific targets**: Industry, Buildings & Urban Cities, Tourism, Waste Management	The Programme coverage largely overlaps with Egypt's NDC priority areas. The NDC emphasises that the implementation of the country's mitigation and adaptation measures are conditional on the provision of adequate finance through international development partners and funds in multiple types of channels, such as blended finance, green bonds, and grants, all of which the Programme promotes. The mitigation interventions require an estimated USD196bn and adaptation USD50bn.
GEO	**Target**: 35 % below 1990 level of its greenhouse gas emissions by 2030. **GHG reduction target by sectors:** Transport: 15% Energy generation and transmission: 15% Industry: 5% Forestry: 10% **Other NDC priority sectors without specific targets**: Buildings, Agriculture, Waste	The Programme will engage in nearly all economic sectors that Georgia has prioritized for its adaptation and mitigation targets.
JOR	**Target:** a 31% GHG emission reduction by 2030 compared to 2012. **Target encompasses the following priority sectors:** Energy, Transport, Industry Processes and Product Use, Agriculture, Waste	There is a strong alignment between the programme and the NDC focus areas. The estimated cost of mitigation actions is USD 7.54bn from which the government plans to secure USD 565m by its own means. Jordan acknowledges the fundamental role of the private sector in achieving its targets. It calls for increased climate finance in recently developed national strategies that aim to enable sustainable industrial growth
KAZ	**Target**: GHG emission reduction by 15% from 1990 to 2030.	There is full alignment between the programme and the NDC focus areas, as

	Target encompasses the following priority sectors: Energy, Agriculture, Waste, Industrial Processes and Product Use, Forestry and other Land Use	Kazakhstan focuses on a limited number of priority sectors.
KGZ	**Target**: emissions reduction of 16.63% by 2025 and by 15.97% by 2030. **Target encompasses the following priority sectors:** Energy, Agriculture, Industrial Processes, Solvents and other Product Use, Land Use, Land Use Change and Forestry,	The Programme largely aligns with Kyrgyz Republic's climate strategy and sectors. Only the priority area of Forestry is not part of this Programme.
MDA	**Target**: GHG emissions reduction by 70 per cent below its 1990 level by 2030. **Target encompasses the following priority sectors:** Energy, Agriculture, Industrial Processes and Product Use, Land Use, Land Use Change and Forestry, Waste	Except for Forestry and Land Use, the Programme supports all NDC priority sectors. It also aligns with Moldova's objective to engage the banking sector in scaling up private sector climate finance.
MNG	**Target**: 22.7% reduction in GHG emissions by 2030 compared to 2010. **Target encompasses the following priority sectors:** Energy, Industrial Processes and Product Use, Construction, Transport, Agriculture, Waste	There is strong alignment between the NDC and the Programme. The financial needs for the NDC implementation are estimated at USD11.5 billion, of which USD6.3bn for mitigation, and USD5.2bn for adaptation. By mobilizing climate finance, the programme will be a key contributor to the NDC implementation.
MAR	**Target**: 18.3% reduction in GHG emission between 2030 and 2020 **Target encompasses the following priority sectors:** Energy, Industrial Processes and Product Use, Agriculture, Forestry, Waste	The Programme largely aligns with Morocco's climate strategy and targets.
MKD	**Target**: 51% reduction in GHG emissions by 2030 compared to 1990 levels. **Target encompasses the following priority sectors:** Energy, Agriculture, Industrial Processes and Product Use, Waste	Similar to Mongolia, North Macedonia focuses on a limited number of priority sectors, which largely align with the Programme. North Macedonia stresses the pivotal role of the private sector to mobilise the investment needed to achieve the targets.
SRB	**Target**: Reduction of GHG emissions by 2030 is 13.2 % compared to 2010 and 33.3% compared to 1990. **Target encompasses the following priority sectors:** Energy, Industrial Processes and Product Use, Agriculture, Waste	Serbia's priority sectors fully align with the Programme. The NDC idenitifies the need for financial support and capacity building to be able to achieve both mitigation and adaptation targets.
TJK	**Target**: Not to exceed 60-70% of GHG emissions by 2020 compared to as of 1990. **Target encompasses the following priority sectors:** Agriculture, Forestry and Other Land Use, Energy, Industrial Processes and Product Use, Waste	The Programme supports almost all priority sectors of the country. Tajikistan estimates that at least 7% of the country's GDP is required for financing climate change activities throughout the decade of 2020-2030 representing more than USD 1 bn per year.

UZB	**Target**: Reduce specific GHG emissions by 35% by 2030 compared to 2010. **Target encompasses the following sectors:** Energy, Industrial Processes and Product Use, Agriculture, Forestry and Other Land Use and Waste	The Programme covers all key sectors of the NDC except forestry and other land use. The country stresses that the achievement of the goals is envisaged with the support of international financial institutions, access to advanced resource-saving and environmentally friendly technologies, and climate finance resources, hence the key elements of the Programme.

35. The Programme will help financial institutions and economic actors identify and manage location-specific climate risks and address vulnerability to such risks by stimulating investments that contribute to adaptation and build FIs' institutional capacity to manage climate risks and to extend adequate financial services. Likewise, financial institutions will play a major role in delivering the national mitigation objectives.

The role of financial institutions in delivering national adaptation and mitigation goals is summarized below:

36. **Armenia:** Improved capacity of financial institutions to identify, manage and advise on climate risks, and increased availability of green finance will help decrease the vulnerability to physical climate hazards (for example by making buildings more resilient to extreme temperatures through insulation) and help MSMEs be better prepared for climate transition risks.

37. **Egypt**: Direct finance alone cannot bridge Egypt's huge financing gap (mitigation interventions require an estimated USD196bn and adaptation USD50bn), and systemically greening the FI sector will be essential to mobilise more private climate finance, including through the local FIs participating in global capital markets. The transition planning of the FI sector supported by the Programme will allow to create an adaptation-enabling environment and the financial support will allow to invest directly into activities with adaptation benefits or co-benefits, especially in agriculture.

38. **Georgia:** Given that buildings, transport and agriculture are the main sectors targeted by the NDC for mitigation, and agriculture is a clear priority for adaptation, delivering green finance for these goals through the FI sector will be very efficient. These priorities are also perfectly aligned with the GFS Programme's result areas (low-emission transport, buildings, food security) and will support making the targeted economic actors (households, MSMEs, farmers) less vulnerable to the impacts of climate change and better prepared for climate transition. The capacity-building component under the Programme will allow the FI sector to better understand the climate risks in the portfolio and better manage those risks at all levels.

39. **Jordan**: Climate finance includes accelerating renewable energy and energy efficiency, sustainable water use, and waste management in the industrial sector, as well as sustainable transport initiatives linked to industrial supply chains. Improving access to green finance is also increasingly recognised as a priority area in Jordan. For example, the Central Bank has recently developed a Green Finance Strategy that constitutes a roadmap to green the Jordanian financial sector and covers the period 2023-2028.

40. **Kazakhstan**: With the country's recent adoption of ambitious mitigation and adaptation targets, such as the latest adoption of the "Strategy for achieving carbon neutrality of the Republic of Kazakhstan until 2060" approved in February 2023, the need for concessional green finance exponentially grows and financing through FIs will be necessary to cover MSMEs and the residential sector, as well as to help the FI sector align with these LT national targets. Finally, the Programme will support investment in climate-resilient agriculture, hence reducing the sector's vulnerability to climate change, as well as increasing overall food security.

41. **Kyrgyz Republic:** Delivering support through intermediated finance and greening the FI sector will be an efficient way to achieve climate impact at the national level and to make most vulnerable populations (such as the rural population and households in heat-stressed regions) less vulnerable to physical climate hazards (through investment in buildings and climate-resilient agriculture).

42. **Moldova**: Moldova aims to engage the banking sector in scaling up private sector climate finance through domestic financial institutions, promote innovative structured financing solutions, and create incentives to scale up private sector engagement in adaptation investments. These envisaged actions will be critical to support the estimated adaptation investment of USD 4.22 bn to mitigate the impact of climate change. The total cost of climate change adaptation inaction is estimated at about USD 600m, equivalent to 6.5 percent of the country's GDP, and it is expected that this value will double in real terms by 2050, emphasizing the additional costs associated with delaying action to efficiently adapt to changes in the climate. The Programme's technical assistance component (especially support to transition planning) will allow to achieve these targets. Support to investments in buildings, transport and agriculture deployed through FIs to households, farmers and MSMEs will allow to decrease the vulnerability of the local population to physical climate hazards.

43. **Mongolia**: Delivering climate finance through FIs and aligning the FI system with climate targets is essential to be able to mobilise climate finance at scale and make it available for all economic sectors and actors. Deploying green finance through partner FIs, will allow to cover households, MSMEs and farmers to make them less vulnerable to the above-mentioned climate hazards (for example through investments in building insulation and climate-resilient agriculture). Moreover, investments in zero-water renewables (such as solar PVs) will allow to reduce the vulnerability of the energy systems to water-stress.

44. **Morocco**: Morocco's demand for green finance is increasingly growing. A significant part of those needs must transit through the FI sector, also in line with Morocco's national strategy aiming at aligning the financial sector with sustainable development goals, adopted at COP22 in 2016.

45. **Serbia**: Helping the FI sector plan transition and increasing the availability of green finance will significantly help the country achieve those targets. The country will face significant economic disadvantages and climate transition risk if it fails to make necessary investments to keep up with EU standards and regulations.

46. **North Macedonia**: North Macedonia's climate finance priorities are increasing energy efficiency, renewable energies and improving waste management, all of which key elements of the Programme. Delivering climate finance through FIs will allow to make households and farmers more resilient to physical climate risks. Transition planning of the FI sector will also create an enabling environment for all economic actors, including MSMEs, to be better prepared for climate transition risks.

47. **Tajikistan**: The country being particularly vulnerable to climate risks, it is essential to attract sufficient climate finance from international sources and to mobilise private finance. Greening the financial systems will allow to keep up with the region and to tap into international capital markets.

48. **Uzbekistan**: Uzbek households and businesses continue to have limited access to vital finance, leading to an estimated financing gap of over USD10.2 billion for SMEs, which account for 80 percent of businesses and 78 percent of jobs in the country. With the recent actions taken by the government to incorporate climate change considerations into their national strategies, plans, and governmental decrees, the interest in green finance, specifically in renewable energy and climate mitigation actions, has significantly increased.

Complementarity and synergy with existing programmes, strategies, and initiatives

GCF-EBRD Green Economy Financing Facilities ("GCF GEFFs")

49. Transformation to a low carbon, sustainable model is one of key strategic objectives of the EBRD in its countries of operations and understands the vital role the financial sector plays in realising this objective. Since 2017, the GCF and the EBRD have partnered on tackling market barriers to energy efficiency, renewable energy and climate resilience loans in the financial sector through the "GCF GEFFs" by introducing the EBRD's climate taxonomy to participating FIs, providing technical assistance with assessing and originating climate loan portfolios and raising awareness of specific energy efficiency, renewable energy and water efficiency solutions. The GCF GEFF programme will be fully committed, hence the timing of the GFS Programme is well aligned to build on the commitment and momentum developed with partner FIs and local markets.

50. The FIs that gained implementation experience of GCF GEFFs from the nine countries[10] and FIs that participated in similar EBRD programmes from the five countries new to this Proposal[11] have developed the capacity to identify specific climate finance opportunities among their client base. They are therefore well placed to advance into ambitious climate actions and institution-wide transformation in the proposed GFS programme. This in turn will facilitate the adoption of more ambitious climate strategies and increase the Programme's probabilities of success in achieving the desired impact through reduced implementation risks.

51. The GFS programme will build on this experience, magnifying the delivery of direct mitigation and adaptation impacts with a transformative approach to the financial sector via introducing emerging corporate climate governance and transition planning practices to FIs to help them identify and manage climate-related risks, target additional climate finance opportunities that help them manage these risks, and ultimately pivot their business models, assets, and operations towards a trajectory consistent with the Paris Agreement objectives. As international standards and methodologies on Paris alignment and transition planning are continuously evolving, this component of the Programme will adapt throughout the implementation period to offer the most-up-to date knowledge and capacities to partner FIs.

52. The EBRD has therefore to the extent possible taken into account lessons learned and key ingredients for success determined through the implementation of the GCF GEFF programme in the design and implementation approach of this Programme, for example in setting realistic timelines for signing and disbursement of loans, flexibility in country allocations to respond to changing market dynamics, as well as utilising market knowledge on key trends and technologies at the country level to focus and tailor activities on key barriers and ensuring the Programme represents a step forward.

53. Further, the experience of the GCF GEFF programme has demonstrated that the concessionality provided through the provision of GCF concessional loans and associated technical assistance is often not sufficient to generate movement in the local market. Concessional loans are particularly relevant for addressing supply side constraints in the provision of green finance, compensating PFIs for the additional complexity and administrative efforts required while enabling FIs seeking to build entry points into a new potential market that will show commercial returns to differentiate their new green product from other financing product, while potentially passing on the reduced costs of funding to the end beneficiary. The impact of the COVID-19 pandemic, economic shocks and the escalation of conflicts in the target region have resulted in persistent heightened inflation in many markets, contractionary monetary policies that resulted in higher interest reference rates, leading to higher default rates alongside increased cost of funding leading to increased risk aversion in the financial sector, in particular for financing higher perceived risk segments such as MSMEs and farmers. However, concessional loans cannot address demand side constraints arising from affordability constraints and price differentials for high performing technologies compared to purchase of prevailing technologies to meet lower local standards, or address the

[10] Armenia, Egypt, Georgia, Jordan, Moldova, Mongolia, Morocco, Serbia, Tajikistan

[11] Kyrgyz Republic, North Macedonia, Kazakhstan, Uzbekistan

knowledge and awareness gaps on the part of FIs and end beneficiaries that limit uptake. Hence under the GCF GEFF, GCF and EBRD funds were often complemented with other concessional instruments funded through partnerships with other donors, such as providing investment incentive grants to end borrowers and expanding the technical assistance provided. It is therefore instrumental for the efficient and rapid deployment of this GFS Programme to have the appropriate level of concessionality, to ensure lessons learned have been taken into considerations in order to achieve the anticipated impact in a timely manner. The EBRD also expects to mobilise US$ 2.5 in grants for every US$ provided in grants by the GCF to deliver the Programme's structure.

EBRD and the financial sector stakeholders

54. The EBRD is a trusted institutional investor in its countries of operations in strong and ongoing partnership with a network of approximately 300 FIs. In addition, the EBRD will leverage its extensive engagement with Central Banks, Ministries of Finance, business communities and the Nationally Designated Authorities of the GCF, engaging in complementary policy projects that will strengthen the regulatory and enabling ecosystem for climate finance in the target countries, thereby reinforcing the objectives of the Programme. As an example, the EBRD has been providing advisory and peer-review support to regulators with their sustainable finance, climate risk and disclosure policies and guidelines across Armenia, Egypt, Georgia, Kazakhstan and Morocco as well as supporting on a demand-driven basis concrete and focused policy initiatives, such as via the currently ongoing work with Morocco's Bank Al-Maghrib (the Central Bank) on the state of the financial sector building on corporate climate governance and climate-related financial risk management, with an aim to achieve the operationalisation of the Directive 5/W/21 on financial risk management (incl. climate-related risks), or the creation of a Gender Responsive Investment Climate Assessment tool in Tajikistan to enable new business climate legislation, including climate-related legislation, to be screened for potential differentiated impacts on women. EBRD also plays an important role in raising the voice of the private sector with regulators and legislators at various levels; for example EBRD has been pivotal in the creation of Investment Councils in several of the target countries, as well as frequently participating in and organising convening events such as roundtables and conferences, with a technical, rather than purely policy, such as the Pathways to Paris conference in 2023 that brought together for the first time 150 financial institutions from 45 countries and discussed in very concrete terms for the industry key topics ranging from the emerging regulatory environment, climate and sustainability disclosures, navigating finance opportunities, innovative financial instruments including capital markets, important green sectors. As illustrated below, the GFS Programme will aim at ultimately catalysing the target countries' financial sector US$ 1.2+ trillion of assets under management, leveraging the GCF funds with the EBRD and partner FIs' co-financing. In parallel, the EBRD continuously engages with other relevant authorities, such as the Ministry of Environment, the Ministry of Agriculture, the Ministry of Natural Resources, etc, to ensure better alignment between its work with the financial sector and the national climate priorities and objectives, and to help develop an enabling environment for the greening of the financial sector.

EBRD operations that are complementary to the Programme's objectives and activities

55. The EBRD has extensive experience supporting the institutional reform of partner FIs and empowering their green transition. In the EU member states, many of the FIs were able to launch dedicated green finance products in the local markets under the GEFFs, and build on the enhanced institutional capacity to develop Green-, and/or Sustainable-Bond/Finance Framework, and subsequently issue Green- and Sustainability-bonds in local capital markets. The EBRD participates in green bond issuances of participating banks as an institutional investor and helps develop local capital markets and sustainable finance products through engagement with financial institutions, stock exchanges, and capital market regulators.

56. The EBRD has facilitated global transfer of climate technologies through its **Trade Facilitation Programme**, which will continue to be active in all the target countries throughout the lifetime of the GFS Programme. With a network of over 800 banks globally, the EBRD has provided guarantees to mitigate country-

and counterparty risks in global trade and supported green trade finance volume in excess of €1.3 billion through more than 1,300 transactions in 26 countries.

International stakeholders, and global climate best practices

57. The GFS Programme is the only regional programme focused on the green transformation of the local financial sectors (with ultimate objective towards a systemic shift that will benefit SMEs, householders, farmers and other underserved segments while helping meet climate goals), with scope at an ambitious scale across 13 countries and a substantial (15%) focus on adaptation. The Programme is designed to be complementary to ongoing programmes and national strategies in the target countries, given the acute constraints facing the private sector across the target countries and the unique value proposition of the GFS Programme. EBRD will actively coordinate throughout implementation with stakeholders on their respective programmes, noting in particular the ongoing GCF-funded Mongolia Green Finance Corporation project (FP153), approved in 2020, as well as the GCF-funded Agence Francaise de Developpement Transforming Financial Systems for Climate (FP095) covering Egypt and Morocco that was approved in 2018.

58. The Programme will build on and leverage the EBRD's leadership in climate finance partnerships with relevant international initiatives and standard setters as well as the financial sectors in the advanced economies, effectively and efficiently bringing global best practices into the proposed countries' context.

- **Institutional commitment to align with goals of the Paris Agreement** – the EBRD's commitment to aligning financial flows with the goals of the Paris Agreement, and its methodology is based on years of stakeholder consultation – many international financial institutions followed suit and consulted with the EBRD on their Paris alignment aspects. As of January 2023, the EBRD has consulted with all the relevant PFIs with new transactions regarding their commitment to the Paris Agreement, and, with selected PFIs, explored their commitment to preparing a transition plan.
- The EBRD annually discloses its climate risk management and related practices in line with the **Task Force on Climate Related Financial Disclosures (TCFD)** – which cover its climate risk management, corporate climate governance, strategies and targets. This practice of 'leading by example' provides the EBRD with first-hand experience to support its partners and clients.
- The EBRD's networks with the **globally leading FIs on climate finance** through its participation in the TCFD as well as United Nations Environment Programme Finance Initiative (UNEP FI), and exchange of experience on implementing TCFD and climate risk-related processes to promote the adoption of best practices on climate issues.
- **Network of Banking supervisors and Central Banks for Greening the Financial Systems (NGFS)** The EBRD is an active observer of the NGFS and through this bilateral and multilateral engagement processes, obtains significant feedback on the needs of the regulators and the financial system as a whole and validates its support and activities. The EBRD is an active member of the NGFS sub-team on transition plans. As part of the sub-team the EBRD is helping shape the understanding of how transition planning applies to the context of emerging and developing countries. While most credible standards and guidance on transition planning is largely reflective of the context of advanced countries, there is a great need to understand how transition planning can be adopted globally. The EBRD is providing such guidance and advice, being in a unique position of supporting transition planning by financial institutions in developing countries. The EBRD supported central banks and financial regulators from Kazakhstan and Uzbekistan to join the Network of Supervisors and Central Banks in Greening the Financial System (NGFS).
- **The EBRD's partnership with the Climate Governance Initiative** and **engagement with senior management of business communities and FIs on corporate climate governance** through the Chapters to the Climate Governance Initiative (Chapter Zero in Egypt, Uzbekistan, Georgia and Armenia) and EBRD Corporate Climate Governance Facility to mainstream consideration of

climate risk into business and investment decision-making and strengthen country ownership of such actions.

- The EBRD is an active observer of **the EU Platform of Sustainable Finance**, members of the **International Capital Markets Associations**, and actively coordinate with IFRS **International Sustainability Standards Board (ISSB), International Energy Agency (IEA)** and other crucial standard setters, policy makers and partners to develop global best practices and climate science-based methods to implement its activities and engagement with beneficiaries.

Tools, methodologies and other knowledge resources

59. The Programme will build on and leverage the EBRD's tools and climate finance infrastructure:

- The EBRD's Paris Alignment methodology, which builds on extensive stakeholder consultations and two public consultations and published in December 2022. The Programme will use this solid, well-consulted methodology, particularly that on the EBRD indirect investment into the countries in helping PFIs to gradually align their activities with the Paris Agreement objectives. The EBRD will review the methodology regularly (at least annually) and will consult with the public if any major updates are envisaged.
- The EBRD's Green Economy Transition Technical Guide (with detailed green finance qualifying guidance), and Environmental and Social Policy, which are under regular updates following extensive consultation processes
- Green Technology Selector, a platform for available climate technologies and supplier network. The tool enhances public awareness and business opportunities with best-in-class technologies available across EBRD's countries of operations and technology suppliers.
- Green Finance Academy, a platform for knowledge from green finance opportunities to climate risk management.
- Knowledge sharing channels (e.g. online platform such as ebrdgeff.com and knowledge sharing events such as Pathways to Paris: EBRD conference for financial institutions and others to provide information in a one-stop shop approach, disseminate success stories and open communication channel to directly receive feedback from a wide range of actors.
- Centre of excellence for corporate climate governance for corporates, financial institutions, and stock exchanges on climate governance and disclosure matters.

[1] GCF FP025.
[2] Armenia, Egypt, Georgia, Jordan, Moldova, Mongolia, Morocco, Serbia, and Tajikistan.
[3] Kazakhstan, Kyrgyz Republic, North Macedonia and Uzbekistan

B.2 (a). Theory of change narrative and diagram (max. 1500 words, approximately 3 pages plus diagram)

60. **IF** the GCF-EBRD GFS Programme successfully results in increased capacities of financial institutions to develop and monitor portfolios of climate investments and enhanced capabilities of PFIs to develop ambitious climate performance targets and credible transition plans and **IF** the Programme successfully delivers increased investments in climate mitigation and climate adaptation technologies and approaches, **THEN** the Programme will successfully shift the paradigm driving financial sector decision-making in the target markets and spark an economy-wide green transition supported by Paris-aligned financial systems, unlocking capital coupled with appropriately-designed green financing instruments to finance new opportunities in low-carbon and climate-resilient development for the private sector, including financially underserved groups such as women-led SMEs, farmers and households, **BECAUSE** an enabling environment for more resilient and sustainable financial systems will have been created, GHG emissions from energy supply, manufacturing, residential, commercial, transport

and the public sector will have been avoided, and the climate resilience of beneficiaries for water and food security, will have been increased, including gender considerations.

61. The expected **Outcomes** of the Programme are (1) Reduced and avoided GHG emissions from energy supply, manufacturing, residential, commercial, transport, and public sectors; (2) Increased climate resilience for water and food security, including gender considerations; (3) Enabling environment for more resilient and sustainable financial systems, including gender considerations.

62. Expected **Outputs** of the Programme are 1.1 Increased capacities of financial institutions to develop and monitor portfolios of investments for climate mitigation and adaptation projects, including gender considerations; 1.2 Enhanced capabilities, tools and processes of financial institutions to develop ambitious climate performance targets and credible climate transition plans; 2.1 Increased investment in climate mitigation technologies and approaches through concessional finance; 2.2 Increased investment in climate adaptation technologies and approaches through concessional finance.

63. Expected **Co-benefit is** Economic inclusion. This is expected to result from the creation of an enabling environment for more resilient and sustainable financial systems, including gender considerations (Outcome 3), that fosters opportunities for FIs to unlock access to finance to a wider segment of beneficiaries across various sectors, through activities that will enhance FIs' capacities to develop portfolios of investment projects, as well as credible climate targets and transition plans. Economic inclusion is further expected to result from the increased climate resilience for water and food security, including gender considerations (Outcome 2), that will enable the provision of financing for adaptation that also targets the most climate vulnerable sectors or the markets with a particularly low penetration of climate solutions, e.g. supporting individuals and businesses along agricultural value chains to acquire technologies and technological packages for adaptation and resilience.

The Programme addresses two inter-linked barriers:

1) **Limited enabling environment for climate-compatible financial systems.**

64. Greening financial systems requires an enabling environment to avoid restricting the availability of finance to the sectors of the economy that are most in need for transitioning to low-carbon or climate-resilient practices, particularly segments like women-led SMEs, farmers and households that are particularly unequipped for and vulnerable to the impacts of climate change but least able to access this finance. FIs may perceive sustainable investments as riskier, particularly if they lack the tools and methodologies to assess environmental and social risks adequately, which prevents capital allocation to green projects. Moreover, underserved segments are perceived as less bankable due to more limited access to collateral or more limited credit history or experience with financial institutions. Unclear or inconsistent regulations and policies targeting sustainable finance can create uncertainty for financial institutions, discouraging them from fully integrating sustainability considerations into their practices and instead relying on exclusions to comply with regulations. FIs require highly specialized expertise and training to assess environmental risks and identify targeted sustainable investment opportunities to be ready for greening their portfolios without restricting financial flows to the overall economy. Coordination and collaboration among various stakeholders, including governments, financial institutions, regulators, and civil society is a vital enabler of transformation.

2) **Low access to affordable climate mitigation and adaptation finance from financial institutions.**

65. Many FIs have started to pilot green financial products and services. However, the funding and implementation resources available are usually short-term, can incur higher cost and are ill-suited for certain beneficiaries – a major barrier to deploying green financial instruments. Moreover, many emerging economies lack access to high performance technologies, which are often more expensive and perceived as riskier.

Therefore, FIs can benefit by accessing long-term and concessional financing, which partially compensate for these additional costs and perceived risks.

66. Core **assumptions** underlying the ToC are: (1) The core of financial institutions business model is risk management as to protect the quality of the assets on their books and therefore they will want to manage climate-related and borrower risks as soon as they recognise these will develop into financial risks for their business activity, (2) There is continued growth of demand from individuals and entities for mitigation and adaptation solutions from local FIs, (3) Local FIs are willing to lend to climate risk sectors based on educated assessment of risk and with appropriate financing instruments and technical assistance support to engage with them, (4) There are systemic barriers that impact women's unequal access to finance, and in particular climate finance.

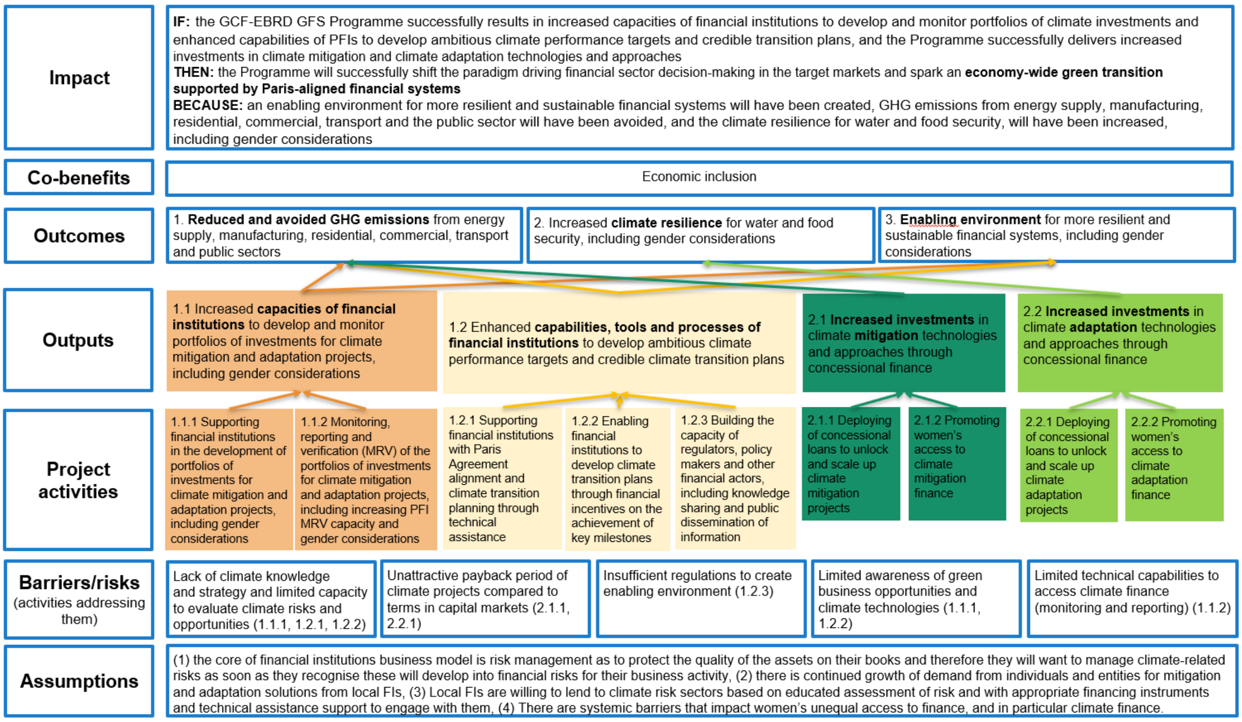

Figure 2. Programme's Theory of Change Diagram

B.2 (b). Outcome mapping to GCF results areas and co-benefit categorization

Outcome number	GCF Mitigation Results Area (MRA 1-4)				GCF Adaptation Results Area (ARA 1-4)			
	MRA 1	MRA 2	MRA 3	MRA 4	ARA 1	ARA 2	ARA 3	ARA 4
	Energy generation and access	Low-emission transport	Building, cities, industries, appliances	Forestry and land use	Most vulnerable people and communities	Health, well-being, food and water security	Infrastructure and built environment	Ecosystems and ecosystem services
Outcome 1. Reduced and avoided GHG emissions from energy supply, manufacturing, residential, commercial, transport, and public sectors.	☒	☒	☒	☐	☐	☐	☐	☐
Outcome 2								
Outcome 2. Increased climate resilience for water and food security, including gender considerations.	☐	☐	☐	☐	☐	☒	☐	☒
Outcome 3								
Outcome 3. Enabling environment for more resilient and sustainable financial systems, including gender considerations	☒	☒	☒			☒	☐	☒

Co-benefit number	Co-benefit: Environmental	Social	Economic	Gender	Adaptation	Mitigation
Economic inclusion	☐	☒	☒	☒	☐	☐

B.3. Project/programme description

67. The Programme, through its transformative approach to greening the FI system, will contribute to the achievement of NDC mitigation and adaptation goals in the targeted countries. The Programme will directly support 307 thousand end beneficiaries to reduce vulnerabilities to the impacts of climate change and will be able to accelerate mitigation actions across 13 emerging economies. Beneficiaries will include underserved groups, including women, households, the micro, small and medium-sized businesses that are the backbone of emerging economies, and hard to reach segments such as farmers and those in rural areas, alongside larger businesses that are drivers of employment and climate impact in emerging markets. Moreover, in addition to delivering USD 620 million in green finance and 12.8 million tonnes in reduced CO2 equivalent emissions directly, the Programme represents a significant step up in ambition: it will create an enabling environment to unlock finance well beyond the Programme scope towards pathways consistent with the objectives of the Paris Agreement, ultimately catalysing greening of the target countries' financial sectors' US$ 1.2+ trillion of assets.

68. **Eligible criteria** for the Programme, beneficiaries (of technical assistance and financial incentive grants), borrowers, sub-borrowers/lessees and sub-projects, and for each of the above components are detailed in Annex 1 of the Term Sheet (Annex 14). PFIs, on a demand-driven basis, will benefit from technical assistance including developing FIs' Non-Financial Services (NFS) capacity to close green skills gaps (esp. among women), as well as financial support for on-lending to their clients, Finally, local regulators, and other financial institutions in the eligible countries will also benefit from capacity building, and knowledge dissemination activities accessible to them. Sub-projects' specific technical eligibility criteria will be in accordance with the Policy Statement as defined in the Term Sheet (Annex 14), which is an integral part of the loan agreements that will be entered into between the Accredited Entity and the PFI, which will set forth among others, the eligibility criteria of sub-loans or financial lease (in the case of Component 2), and/or the eligibility criteria and the implementation arrangements of financial incentive grants (in the case of Component 1 (Activity 1.2.2 only)). Technical eligibility criteria will be in accordance with EBRD's methodology to determine Paris Agreement alignment and relevant technical guide (e.g., EBRD's technical guide on implementing its Green Economy Transition approach 2021-2025[12]).

69. Phase 1 of the Programme is built around mutually reinforcing components that together address market barriers and enable paradigm-shifting pathways, which are illustrated below.

- Component 1. **Greening Financial Systems: Enabling financial institutions, regulators and financial actors adopting and implementing ambitious and sustainable climate finance portfolios and practices -** technical assistance and financial incentive grants: enabling climate-compatible financial systems and mainstreaming climate finance
- Component 2. **Delivering Climate Finance for All: Investments to unlock and scale up climate capital** - investment mechanisms for unlocking climate capital

[12] Links: https://www.ebrd.com/get-technical.pdf

https://www.ebrd.com/get-technical-annexes.pdf

70. The Programme components are designed to enable and scale both the use-of-proceeds approach and introduce the transition plan approach. ***Use of Proceeds –*** where the EBRD specifically guides FIs to orient finance towards climate mitigation and adaptation and those population groups facing disproportionate barriers in the context of the green economy, especially women, as well as away from projects with adverse effects on climate. The Programme aims to build on the success achieved under the GCF GEFF Programme with new FIs, while scaling climate ambitions for existing PFIs. ***Transition plan approach*** – where FIs and the financial sector as a whole will embark on institutional transformation by developing a Paris alignment transition plan. EBRD assesses the needs for each of the activities under the components at the country level based on existing provision and sophistication of the financial sector and particular counterparty, but it is expected that the greatest impact comes from the delivery of this holistic approach and that in most cases, all activities under the two components will be deployed in a country.

71. Based on this use-of-proceeds approach, the EBRD will enable FIs to scale up climate mitigation and adaptation finance, and support FIs and the financial sector as a whole through transition planning, capacity building, including developing FIs' non-financial services (NFS) capacity for green skills training, knowledge dissemination, and regulatory and policy advisory services, including the provision of financial incentives to drive climate transition planning among PFIs (Component 1). Through financing agreements (Component 2), the EBRD will create legally binding mechanisms with partner FIs, which will not only extend the programme finance to female and male beneficiaries for climate adaptation and mitigation investments across priority sectors but also require FIs to commit to gradually align their own resources to the Paris Agreement goals while tackling the challenges faced by those most affected by climate change.

72. The EBRD will specify and guide the use-of-proceeds as part of legal agreements so that programme proceeds (Component 2) are channelled to generate intended, concrete mitigation and adaptation impacts in alignment with social objectives. Where PFIs and end beneficiaries exhibit knowledge or capacity gaps impacting their ability to implement such investments, the EBRD will provide targeted technical support (Component 1) to reduce technical and implementation risks as well as green skills gaps. Building on legal agreements with the EBRD, partner FIs will commit to develop an ambitious and credible transition plan with the support of technical assistance and capacity building on transition planning, as well as financial incentive payments to be granted at the achievement of specific milestones to incentivize PFIs to undergo transition planning (Component 1) that would enable institutional transformation throughout their governance, climate risk management, strategies, targets and metrics and disclosure, multiplying gender-responsive impact well beyond the financing provided under the Programme.

Component 1. Greening Financial Systems: Enabling financial institutions, regulators and financial actors adopting and implementing ambitious and sustainable climate finance portfolios and practices.

73. Technical assistance measures under Component 1 will seek to overcome the barrier of limited capacity and awareness of FIs, sub-borrowers (targeting female but also male), and all relevant economic actors and contribute to a systematic reorientation of market behaviour by helping pivot FIs' business models, operations, and assets towards a transition pathway aligned with the goals of the Paris Agreement. Technical assistance to FIs for transition planning will be complemented by financial incentive payments to FIs to incentivize them to develop climate strategies and implement their climate ambitions.

Component 1 consists of two outputs in bold below: *Output 1.1 and 1.2.*

1.1 Increased capacities of financial institutions to develop and monitor portfolios of investments for climate mitigation and adaptation projects, including gender considerations

Activity 1.1.1 Supporting financial institutions in the development of portfolios of investments for climate mitigation and adaptation projects, including gender considerations

The EBRD will support partner FIs to originate investment opportunities and provide finance into a range of climate mitigation and adaptation technologies, practices with high market potential and set gender metrices. Activities will include but are not limited to:

- Supporting outreach to potential beneficiaries (including share of women) and developing investment opportunities
- Supporting PFIs with the assessment of projects (investment priorities; technical eligibility and feasibility; financial, economic, and risk analysis; mitigation and adaptation impact analysis; environmental social safeguards), including via digital tools
- Building capacity to develop and issue green financial instruments
- Train end beneficiaries to close green skills gaps and increase demand for PFIs' green finance portfolio, including gender considerations

Activity 1.1.2 Monitoring, reporting and verification (MRV) of the portfolios of investments for climate mitigation and adaptation projects, including increasing PFI MRV capacity and gender considerations:

The EBRD will regularly monitor FIs' portfolio of projects invested and/implemented, conduct spot checks and/or hire independent verification experts to ensure the integrity of the climate technologies implemented. Activities will include but are not limited to:

- Portfolio-level monitoring and reporting (at financial institution level, amount of sub-loans disbursed, list of sub-projects and sectors, project values, gender, etc.)
- Target result monitoring (at financial institution level, monitoring and reporting of targets set at inception, such as envisaged energy savings, renewable energy installations, expected emission reductions and specific adaptation benefits)
- Activity and deliverables monitoring (at financial institution level, marketing activities, training and capacity buildings to advise the most effective and efficient solutions)
- Independent verification (at country and/or financial institution level, verification consultants to verify the results reported and conduct on-site or desk-top verification of projects implemented)

1.2 Enhanced capabilities, tools and processes of financial institutions to develop ambitious climate performance targets and credible climate transition plans.

The EBRD will work with partner financial institutions and financial stakeholders across the proposed countries in a first-of-its-kind effort in the region to develop and implement transition plans, to transform their business practices and enhance their capacity to increase climate finance, supporting low-carbon and climate-resilient development in the target countries, through the following activities:

Activity 1.2.1 Supporting financial institutions with Paris Agreement alignment and climate transition planning through technical assistance.

These activities will enable participating partner FIs to become pioneers in their respective regions in developing and implementing a Paris alignment transition plan and strengthen institutional capacity to achieve the climate performance targets and/or ambitions, thereby setting important precedents and demonstration cases that will motivate change across the sector. The participating FIs will commit to a multi-year cooperation with EBRD on activities, including but not limited to the following:

- Building capacity to understand physical climate and transition risks as well as opportunities in relation to portfolios of investments and business practices
- Building capacity to assess portfolios of investments in relation to climate risk exposure and impacts on GHG emissions
- Building capacity to develop climate performance targets and metrics and define milestones across climate-related governance, disclosure, risk management and strategy planning

- Monitoring financial institutions' transition plans (and/or equivalent deliverables) and advising towards progress with Paris alignment

The transition plan, as defined in the EBRD's Paris alignment methodology, will set out credible milestones to demonstrate that the FI is on a trajectory to become aligned with the Paris Agreement goals. A transition plan sets out the steps through which an organisation will improve its business practices in relation to climate change, leading to Paris-aligned financial flows. These steps will be set out as clear, time-bound milestones, associated human resources and budget. The EBRD will also help establish a strong climate corporate governance (CCG) approach within FIs, building on their existing internal organisation, to ensure the efficient and timely delivery of the plan. The EBRD will engage with partner FIs to make progress towards best climate practices along the following five dimensions.

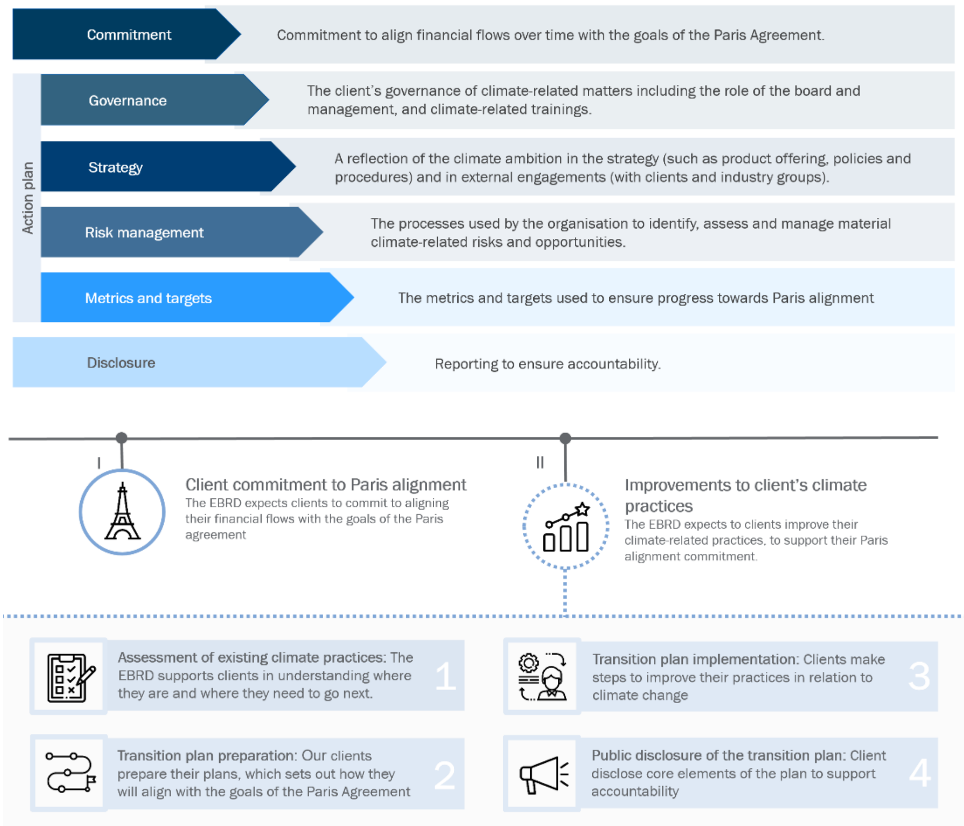

Figure 3. Paris Alignment

The EBRD will introduce, propagate and/or mainstream transition planning and implementation practices in the target markets and facilitate knowledge dissemination, driving market-level actions within regulators, banks, beneficiaries and the wider financial system. The transition plan approach will help FIs sustain comprehensive climate and decarbonisation actions and is particularly powerful when combined with the "use of proceeds" model provided under the Programme – where environmental, social, and climate-related strategies and requirements are specifically reflected in dedicated financial activities, initiated by the financing provided by the EBRD and GCF.

Activity 1.2.2 Enabling financial institutions to develop climate transition plans through financial incentives on the achievement of key milestones.

In addition to the above technical assistance activities, financial incentive grants will be provided to FIs for developing and implementing an ambitious, credible and comprehensive transition plan. This will partially compensate and further unlock FIs' up-front investments needed to build the necessary internal infrastructure and accelerate FIs' actions at the market level to prioritise climate adaptation and mitigation investment on a systemic basis. Eligible financial incentive payments to PFIs will be defined in the Policy Statement that forms part of Loan Agreements, and will be against the achievement of the below key milestones:

- 25% of the incentive grants payable on the Accredited Entity's approval of the project leader at the PFI, who will work on the PFI's climate transition planning in accordance with the methodology provided by the Accredited Entity and discuss a draft climate transition plan with the Accredited Entity;
- 25% of the incentive grants payable on the adoption by the PFI's board or other equivalent governing body of a climate transition plan in form and substance satisfactory by the Accredited Entity; and
- 50% of the incentive grants payable on the public disclosure by the PFI of the core elements of the climate transition plan in form and substance satisfactory to the Accredited Entity.

Eligible criteria for the use of the financial incentive grant to PFIs may be associated with following:

- Launching new green financial products (e.g., marketing, internal incentive mechanisms).
- Climate target setting and development of green investment portfolio,
- Risk management and disclosure (e.g., strengthening environmental and social management information systems – where much of the climate-related risk management information would be held).

The EBRD is committed to the principles of minimum concessionality and avoiding market distortion and is a signatory to the DFI Enhanced Blended Concessional Finance Principles. Financial incentive grants play an important role with regards to addressing the root challenges to getting commercial buy-in for FIs to invest resources in building internal capacity, infrastructure and strategic focus at PFI-level to enable scale up of climate lending well beyond the direct impacts of the Programme's financing, while also promoting rapid utilisation and hence rapid impacts and demonstration effects

The amount of the financial incentive grants will be proportionate to the amount of the loans (Component 2) undertaken by the PFIs, reflecting their ambitions. The use and amount of financial incentive grants will be determined on a case-by-case basis to adjust to country/FIs needs. The use and amount of the financial incentive grant will be approved by EBRD's Investment Committee as part of the Loan approval process, hence approved alongside the corresponding Loan (Component 2). As part of this approval, the proposed amounts are reviewed by EBRD's blended finance experts and impact economists against the principals of minimum concessionality and country relevance.

Financial incentive grants to PFIs will enable them as first-movers in their respective markets to proactively undertake transition efforts, thus establishing the business case for transition and creating a demonstration effect down the line. The long-term sustainable effect of the programme is supported by:

- The financial incentive grant as an effective mechanism to transform FIs' core operating policies towards climate risk management which shall remain in place,
- The complementary technical assistance at the policy and regulatory level that is required for regulators to develop their capacities, to enable them to guide FIs on adopting and effectively implementing transition plans beyond, thus ensuring the sustainability of the programme beyond its lifetime.

Activity 1.2.3 Building the capacity of regulators, policy makers and other financial actors, including knowledge sharing and public dissemination of information.

As part of the wider systemic impact of the Programme, the EBRD will help build and disseminate good practices among FIs and relevant stakeholders including policy makers, financial regulators, and central banks. The EBRD will actively advise and engage with policy makers and the regulator community (central banks, banking supervisors, Ministry of finance, stock exchanges, etc.) to facilitate knowledge sharing among regulators and FIs and share emerging market best practice, building on its expertise and significant track records in policy support.

This knowledge sharing will focus on advancing the global climate agenda and provide recommendations to emerging regulatory frameworks from global climate best practices (e.g. Task Force on Climate-related Financial

Disclosures (TCFD), Taxonomies, European Sustainability Reporting Standards, Science Based Targets, etc.). In this workstream, the EBRD will leverage its strategic partnership with international standard setting bodies, leading policy makers and initiatives such as the EU (an Observer to the Sustainable Finance Platform), Network for Greening the Financial System (NGFS), and International Sustainable Standards Board (IFRS ISSB) and the Climate Governance Institute (CGI), and Glasgow Financial Alliance for Net Zero (GFANZ).

Knowledge products, trainings, events and/or alumni networks will be organised to systemically share knowledge created with wider members of the financial community, and to allow FIs and regulators at various stages of climate practices to be supported. As an example, the EBRD's inaugural Pathways to Paris conference proved to be an effective knowledge sharing mechanism where central banks, FIs, financial service parent groups and other financial stakeholders participated and exchanged experience from investment opportunities, risk management and regulatory approaches, to accelerate climate actions.

Activities will include but are not limited to:

- Organising knowledge sharing events and initiatives to facilitate exchange of best practice and knowledge among FIs and financial regulators
- Publication of related methodologies and findings, and/or encourage participating FIs with public disclosure of their good practices
- Helping regulators and policy makers to understand the latest trends and global best practices in climate risk management, transition planning and other related areas.
- Facilitating knowledge exchange between regulators and FIs to ensure development of market specific and globally coherent regulatory practices.

Component 2. Delivering Climate Finance for All: Investments to unlock and scale up climate capital

74. Component 2 will address the limited financial flows and affordability challenges currently constraining climate finance in the target countries and supports FIs to extend climate finance flows at scale via deploying concessional loans, which will be provided to FIs to support energy efficiency, renewable energy, and climate resilience projects. The proceeds will support investments including, but not limited to, high performance climate technologies, their local manufacturing and supply chains and promote that women are well represented among sub-borrowers. The use of proceeds will follow the strict eligibility criteria set by the EBRD (see Annex 25 for detailed eligibility). This instrument also targets the most climate vulnerable sectors or the markets with a particularly low penetration of climate solutions, such as supporting individuals and businesses along agricultural value chains to acquire technologies and technological packages for adaptation and resilience.

Component 2 consists of two outputs:

2.1 Increased investments in climate mitigation technologies and approaches through concessional finance.

Activity 2.1.1 Deployment of concessional loans to unlock and scale up climate mitigation projects

Under this Component, PFIs will extend loans to support mitigation sub-projects. Mitigation sub-projects will cover investments in renewables (mainly solar PV), low-emission transport (including charging infrastructure), as well as energy efficiency in buildings (both fuel and electricity savings), industry and agriculture, in line with the eligibility criteria set out in Annex 25. The EBRD Green Technology Selector provides a good overview of the types of technologies that might be supported under the GFS program.

The loans will target some of the underserved economic actors, such as the households, MSMEs and farmers. The Program targets to commit at least 30% of the total Programme loan proceeds end beneficiaries outside of the capital city.

Activity 2.1.2 Promoting women's access to climate mitigation finance

A special attention will be given to MSMEs, and women-owned or women-led businesses. To gain an understanding of current disparities, reporting of sub-borrowers will be done on a sex-disaggregated basis. In some cases, the data can then be used to encourage a higher share of women sub-borrowers by, subject to donor funding availability, providing technical assistance to understand the country, sector and segment-specific constraints, promote the Programme among potential women sub-borrowers and work with PFIs to understand how best to encourage lending to women sub-borrowers, and subsequently allocating a higher share the Programme's proceeds to women sub-borrowers.

2.2 Increased investments in climate adaptation technologies and approaches through concessional finance.

Activity 2.2.1 Deployment of concessional loans to unlock and scale up climate adaptation projects

PFIs will extend loans to eligible sub-borrowers to support adaptation sub-projects. These will include mainly investments in water-efficient technologies and measures in agriculture, as well as investments in sustainable land management practices (refer to Annex 22 and Annex 22-methodology for further details). These investments will lead to increased water and food security. The loans will target some of the underserved economic actors, such as the households, MSMEs and farmers. The Program targets to commit at least 30% of the total Programme loan proceeds end beneficiaries outside of the capital city.

Activity 2.2.2 Promoting women's access to climate adaptation finance

A special attention will be given to women-owned or women-led businesses, in order to increase the share of female clients in the PFIs portfolios. To gain an understanding of current disparities, reporting of sub-borrowers will be done on a sex-disaggregated basis. In some cases, the data can then be used to encourage a higher share of women sub-borrowers by, subject to donor funding availability, providing technical assistance to understand the country, sector and segment-specific constraints, promote the Programme among potential women sub-borrowers and work with PFIs to understand how best to encourage lending to women sub-borrowers, and subsequently allocating a higher share the Programme's proceeds to women sub-borrowers.

Deployment of concessional financing.

75. GCF loans will be provided in the form of concessional loans at below-market interest rates to support climate adaptation, mitigation, and resilience projects across women and men sub-borrowers. EBRD operates on the principles of minimum concessionality and is a member of the DFI Working Group on Blended Concessional Finance for Private Sector Projects.

76. The Programme can leverage its full flexibility to deploy each component/financial instruments (concessional loans, technical assistant grants, financial incentive grants) either independently or in conjunction with each other, depending on specific market conditions and additionality. Certain instruments may also be implemented in the context of A/B (syndicated) structure to catalyse private institutional capital. The Programme's goal to offset market barriers/market failures will be carefully balanced with the objective to provide economically viable solutions to PFIs and sub-borrowers that can be sustained beyond the Programme's period.

B.4. Implementation arrangements

77. **Sequence for implementation.** The Programme brings high impact potential also enabled through South-South exchange via an opportunity to maximize synergies through a sequenced (via Phases) and coordinated implementation framework that will enable later joining FIs and countries to benefit from the experience and peer networks developed under the GCF GEFF Programme and Phase 1 of this Programme.

78. The phased structure of the Programme will provide critical mass, predictability, and continuity to clients and simultaneously ensures high impact potential and speedy deployment. Under Phase 1, the Programme will be executed in 13 countries: Armenia, Egypt, Jordan, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Morocco, North Macedonia, Serbia, Tajikistan, Uzbekistan.

GCF and EBRD

79. Following the approval of Phase 1 by GCF Board, the EBRD and GCF will, based on the Accreditation Master Agreement (AMA), enter into a Programme-specific legal agreement (the “Funded Activity Agreement” or the “FAA”). The FAA will outline, among other aspects, the sectoral and geographical scope (the “Mandate”) of the proposed EBRD/GCF Co-financing Programme (the “Programme”).

80. The GCF funds will be placed in the dedicated GCF Special Fund (the “Special Fund”), and such funds will benefit from the same privileges and immunities as the EBRD’s resources. The EBRD will be solely responsible for the management and administration of GCF resources and will carry out such management and administration in accordance with its policies, procedures and practices, and with at least the same degree of care as it uses in the administration of its own funds or other donor funds, pursuant to the provisions of AMA.

EBRD and Partner Financial Institutions (“PFIs”)

81. EBRD will carry out the functions of the Accredited Entity and Executing Entity (“EEs”) for Components 1 of this Programme. For the implementation of Component 1 (all activities with the exception of the financial incentive grants), procurement of services will be conducted in accordance with EBRD’s procurement policies and procedures. In addition, the Accredited Entity will enter into technical assistance agreements in relation to the relevant technical assistance activities to be carried out under this Component for the benefit of the selected technical assistance beneficiaries.

82. PFIs will be considered EEs under Component 2 of the Programme. PFIs will include local commercial banks, microfinance institutions and leasing companies in each of the target countries. In providing financing, the EBRD shall pay due regard to the prospect that PFIs will be able to meet their obligations under the loan agreement. An up-to-date and robust due diligence will be in place before EBRD approves each PFI under this Programme and be presented to the EBRD’s investment committee for review. Applying the Loan Agreement’s conditions, PFIs will disburse the GCF funds to sub-borrowers. The PFIs under the Programme are not determined ex-ante; however, making this Component 2 available to a broad selection of PFIs with coverage in different geographies across the target countries is an important consideration to achieve the objectives of the Programme. The Programme will be actively marketed to all potential PFIs with which EBRD is able to work in the country and ultimately, PFIs will be selected based on their commitment to the Programme’s objectives and capacity to implement.

83. EBRD will seek to sign legal agreements (the “transactions”) with individual PFIs. These transactions will make available EBRD finance as well as GCF co-finance, as relevant, for investments, financial incentive grants and technical assistance in line with the Mandate of the Programme. During the implementation of the Programme, the EBRD will be responsible for providing the necessary governance, oversight, and quality assurance in accordance with its policies, procedures, and any specific requirements in AMA.

84. To ensure compliance with EBRD policies and strategic documents for each country, all transactions are approved by relevant EBRD operational and investment committees, including as necessary the EBRD’s Board of Directors. All counterparts will meet EBRD’s standards regarding risk, environmental and social standards, integrity, development impact and additionality.

85. Built into the EBRD’s investment approval process is a robust methodology for assessing projects that deliver transformational impacts in EBRD’s region of operations, with or without additional support from donors

such as GCF. EBRD has a mandate to pursue sustainable development ("Transition Impact") through its activities, by combining investments with policy dialogue and technical assistance to promote market-oriented sustainable development.

86. **Implementation period** for the Programme is thirteen years for each phase (including the full repayment of loans). This will allow the continuity in offering a wide range of climate products on an on-going basis in the local market and PFIs to have the most cost-effective approach for launching new innovative green products.

Operational Arrangements

87. The EBRD will directly offer concessional loans, technical assistance and financial incentive grants to be funded by GCF alongside financing and technical assistance from its own capital resources and other donors for specific, covenanted purposes in line with the Programme proposal. At the individual transaction level, components may be provided in conjunction or separately, based on the relevance of these instruments to the transaction, needs of the market and counterparty. Financing and grant approvals including those for GCF resources will follow EBRD's guidelines and procedures. EBRD will engage third party service providers to deliver some technical assistance activities under Component 1, Output 1.1. No third party service providers will be engaged in the delivery of Component 1, Output 1.2.

The projects will be implemented according to the following structures (Figure 4 and Figure 5).

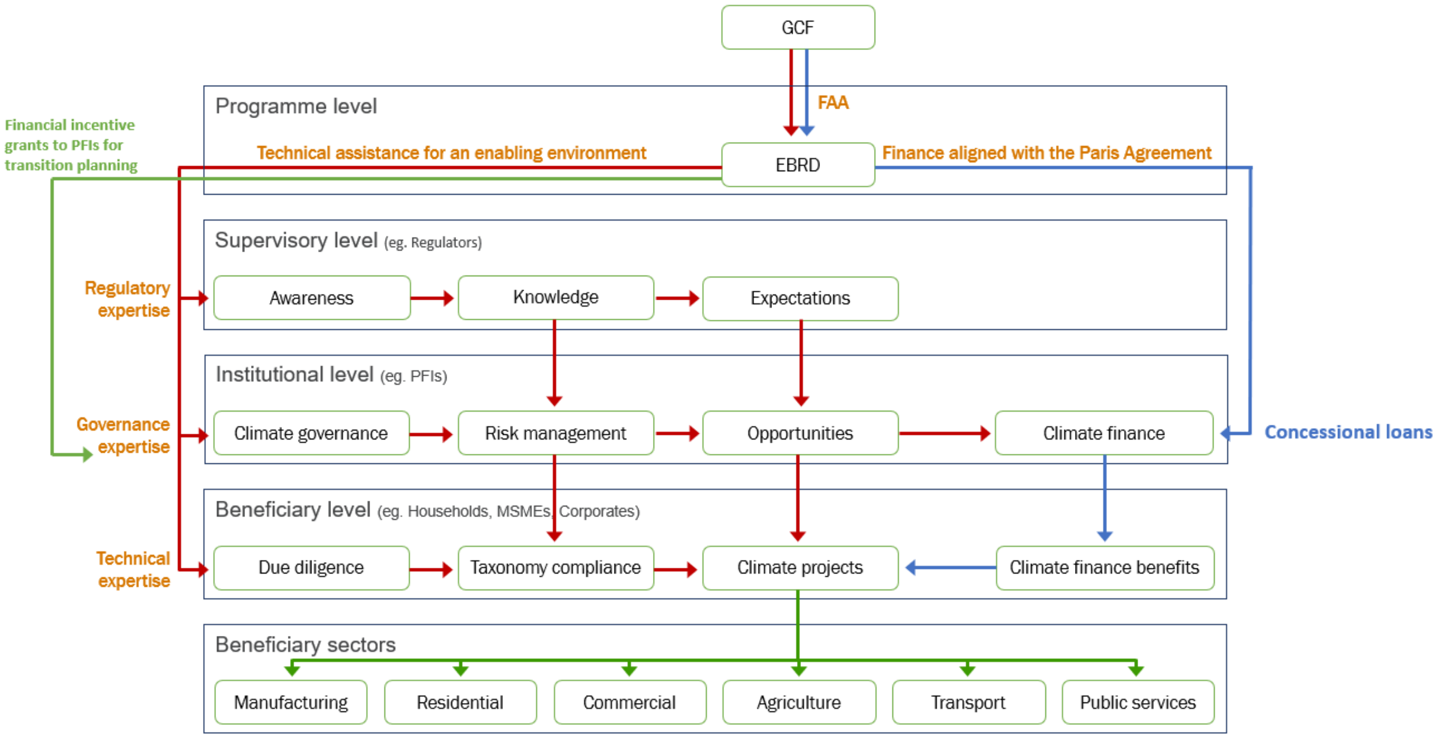

Figure 4. Indicative implementation arrangements.

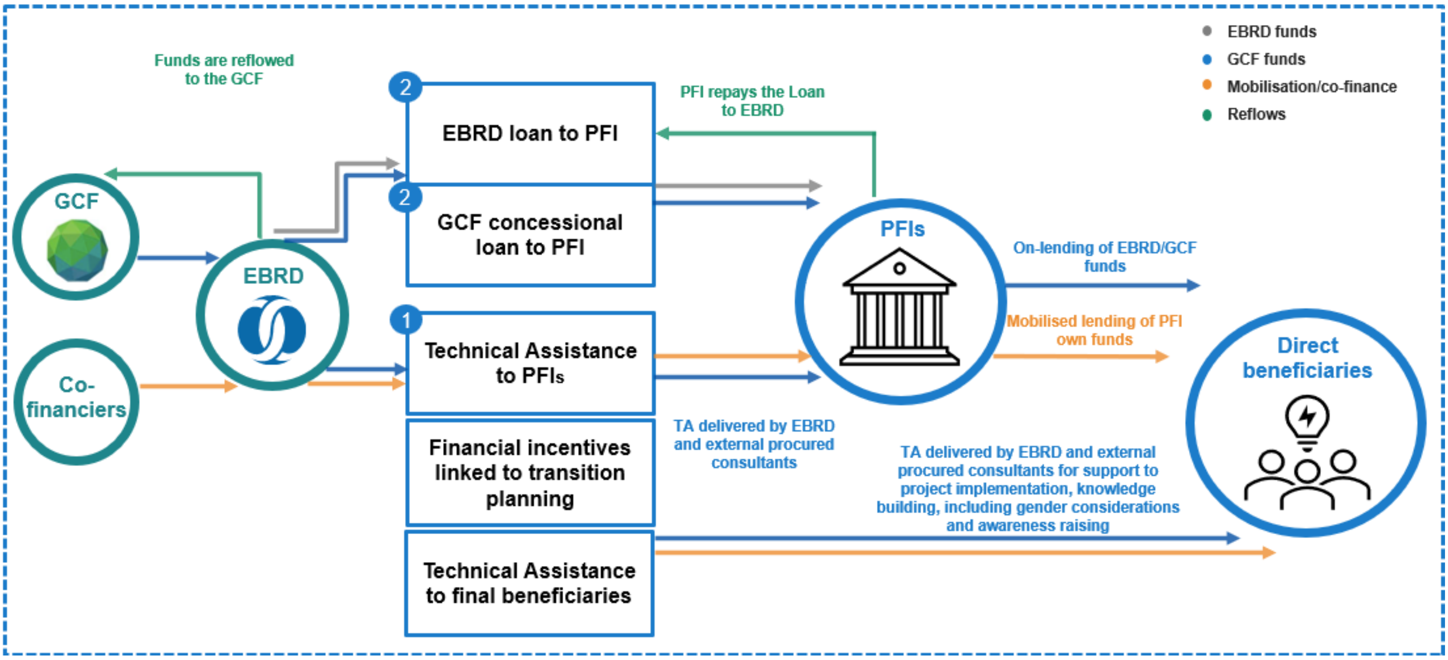

Figure 5. Flow of funds

Roles and responsibilities

Accountable Entity	Activity
EBRD	Programme Overall Implementation, including signing and disbursement of Loans to PFIs, risk management, M&E and reporting to the GCF
EEs (PFIs)	Disbursement of Programme Loans to sub-borrowers in line with the Loan Agreement signed with EBRD Reporting on use of proceeds of the Loan to EBRD
Project consultants	Delivery of technical assistance to PFIs and sub-borrowers, including verification of sub-projects.
Direct beneficiaries (Sub-borrowers)	Implementation of funded sub-projects in line with the agreements signed between the sub-borrower and the PFI.

B.5. Justification for GCF funding request

88. The role of the private sector to mobilise capital on a much larger scale, is critical to addressing climate change. However, the magnitude and duration of the global climate finance gap is made worse by challenges brought on by existing barriers to their economic development, the COVID-19 crisis, and the on-going war on Ukraine.

89. The Programme will offset a range of barriers to achieve systematic change in the target countries. There are existing financial instruments in the countries, however they are not yet on-track to deliver the scale of financing necessary to achieve the NDCs. They are often limited in scope, incur prohibitive costs, fail to address diverse beneficiary needs and are available on a short-term basis, making it difficult to finance assets that have longer operating lifetimes.

90. To offset such barriers, the Programme will provide grants to support FI capacity building to incorporate climate-related information into risk management, business strategy, decision-making and disclosures as well as close green skills gaps preventing equal access to green finance. This approach will help FIs adapt to market changes and strengthen their ability to mitigate climate-related risks, while benefitting from new market opportunities. The grants will also support FIs to commit, develop, and work on implementation of climate transition plans to bring about systemic change across the FIs' whole business process. Concessional loans will also be provided through the Programme to encourage the PFIs to address these underserved markets and segments.

91. Globally, financial regulators acknowledge the need for improved climate risk and management practices across the world. However, developing markets still frequently lack clear price or regulatory signals for private sector investment in climate-related practices. Also, the practical implementation of risk management and disclosures remain a challenging factor. Such challenges are magnified by a fragmented landscape of climate change initiatives and a lack of regulatory expectations in most emerging economies. The introduction of climate-related requirements or supervisory expectations by governments, policymakers or regulators is (as shown by the EBRD Survey) by far the most important external factor motivating FIs to strengthen their climate risk management[13]. Regulators can also play a critical role to influence the approach of FIs towards a low-emission pathway, especially through the engagement with NGFS (e.g., 71 per cent of the respondents who do not consider the impact of their operations on climate change relevant are regulated by a non-NGFS member). A GCF-EBRD programme will catalyse engagement with relevant stakeholders such as central banks and support their engagement with climate change initiatives to enhance their capacity and create a more conductive environment for the delivery of climate finance.

B.6. Exit strategy

92. The Programme has been designed to ensure that experience and exposure gained by FIs to enable them to sustain a market in climate investments after the Programme's implementation period. The sustainability of the Programme impact beyond the implementation term of the activities will be achieved by:

93. *Increasing potential for PFIs to crowd in private sector investment, such as through introducing an innovative green finance instruments that leverage the improved data and capacity of PFIs to create and ringfence green portfolios.* PFI's increased capacity to robustly determine and report on a legitimate green portfolio will increase potential for these PFIs to crowd in private sector investment seeking such investments, for example via green capital market instruments in markets that are sufficiently mature. Moreover, GCF's concessional finance complemented by EBRD's finance on commercial terms will provide a minimum level of concessionality to support new and innovative financial products within the country context to kick-start activities related to specific customers, markets segments or technologies with low market penetration, which will reduce the needs for donor funding in the long-term. Furthermore, by combining both finance and capacity building, the Programme will strengthen FIs' capacity to introduce more complex and innovative to the context products at the scale to be commercially viable.

94. *Strengthen the capacity of FIs to manage climate-related risks and identify market opportunities together with lending experience will lead to sustainability of access to finance in the market.* The Programme will help FIs factor climate risk into their risk management practices and develop new products for their clients to strengthen

[13] EBRD Survey (2021), "Readiness of the Financial Sector for the Impacts of Climate Change".

their resilience and adapt to the climate change impacts as well as close green skills gaps preventing equal access to green finance. The Programme will also raise awareness about climate mitigation and adaptation technologies among potential clients and key stakeholders. These activities provide access to a knowledge-based of high-performance technical solutions that result in clear climate benefits, helping to originate new investment opportunities that are a business priority.

95. *Supporting countries in building a healthy and sustainable market through working closely with the relevant stakeholders including regulators and central banks.* Providing capacity building to different stakeholders and developing enabling policies and regulation around green finance linked to addressing climate risk, including voluntary disclosure will allow countries to be better positioned to enable climate investments. Such transformational change will allow projects to be replicable at the level of the countries themselves and the benefits to continue beyond the life of the Programme.

96. The Programme will promote innovative financing instruments while adopting standardized and simplified operational process. Repayments under concessional loans provided with GCF funds under the Programme will be managed through the EBRD GCF Special Fund in accordance with repayment schedules set forth in EBRD's legal agreement. All GCF resources will be fully repaid to GCF in accordance with the terms of the Funded Activity Agreement (FAA).

C. FINANCING INFORMATION

C.1. Total financing

	Total amount	**Currency**
(a) Requested GCF funding (i + ii + iii + iv + v + vi + vii)	200,000,000	USD ($)

GCF financial instrument	**Amount**	**Tenor**	**Grace period**	**Pricing**
(i) Senior loans	$186,000,000	As defined in the term sheet (FAA Tenor 13 years)	As defined in the term sheet	As defined in the term sheet
(ii) Subordinated loans	0			
(iii) Equity	0			
(iv) Guarantees	0			
(v) Reimbursable grants	0			
(vi) Grant	$14,000,000	N/A		
(vii) Results-based payments	Enter amount			

	Total amount	**Currency**
(b) Co-financing information	469,000,000	USD ($)

Name of institution	**Financial instrument**	**Amount**	**Currency**	**Tenor & grace**	**Pricing**	**Seniority**
EBRD	Senior Loans	$434,000,000		As defined in the term sheet	Market rate	
EBRD	Grant	$35,000,000		N/A	N/A	
Other Co-financiers	Options (loans) private sector co-financing (equity)	To be tracked		N/A	N/A	

	Amount	**Currency**
Total financing (c) = (a)+(b)	669,000,000	USD ($)
(d) Other financing arrangements	Financial resources from other climate funds, donors and other institutions will be accessed to co-finance the Programme.	

and contributions	

C.2. Financing by component[14]

Component	Output	Indicative cost million USD ($)million USD ($)	GCF financing		Co-financing		
			Amount million USD ($)million USD ($)	Financial Instrument	Amount million USD ($)million USD ($)	Financial Instrument	Name of Institutions
Component 1	Output 1.1 Increased capacities of financial institutions to develop and monitor portfolios of investments for climate mitigation and adaptation projects, including gender considerations	18.5	1	Grants (TA)	17.5	Grants (TA)	EBRD/Other Donors
	Output 1.2 Enhanced capabilities, tools and processes of FIs to develop ambitious climate performance targets and credible climate transition plans	30.5	13	Grants (USD 1 million TA + USD 12 million financial incentives)	17.5	Grants (TA)	EBRD/Other Donors
	Sub-total	49	14.0	Grants (USD 2 million TA + USD 12 million financial incentives)	35.0	Grant (TA)	EBRD/Other Donors

[14] Programme budget is to be further revised to reflect the proposed phased structure and accelerate the allocation period of financial instruments (Component 2).

Component 2	Output 2.1 Increased investments in climate mitigation technologies and approaches through concessional finance Output 2.2 Increased investments in climate adaptation technologies and approaches through concessional finance	620.0	186.0	Concessional Loans	434.0	Loans	EBRD
Indicative total cost (US$ in million)		**669.0**	**200.0**		**469.0**		

C.3 Capacity building and technology development/transfer (max. 250 words, approximately 0.5 page)	
C.3.1 Does GCF funding finance capacity building activities?	Yes ☒ No ☐
C.3.2. Does GCF funding finance technology development/transfer?	Yes ☒ No ☐

97. GCF funding under Component 1 (**US$14 million**) will include financing for the **capacity building** of local FIs and wider financial sector stakeholders to assess climate risk and opportunities, develop and implement according to strategies, improve corporate climate governance, close green skills gaps preventing equal access to green finance, and formulate and implement ambitious climate performance targets. This will include financial incentive grants to be provided to FIs upon achievement of specific milestones for developing ambitious, credible, and comprehensive transition plans and setting specific climate-related targets and time-bound delivery mechanisms with their own resources. Over the programme implementation period, FIs will not only be provided with targeted and direct capacity building support and financial incentives to develop ambitious Paris alignment transition plans (Component 1), but also opportunities to apply the knowledge to develop a portfolio of climate investment (Component 2).

98. Component 1 will also serve to develop a **toolkit for FIs to finance and hence accelerate technology transfer**. The toolkit will build on the success of the EBRD **Green Technology Selector,** which turn green taxonomies into a user-friendly database of concrete products, local suppliers, and manufacturers. The new toolkit, envisaged in digital form, would create awareness of adaptation and mitigation technologies, and help facilitate technology trade to, from and within the proposed countries. The toolkit will help FIs globally as well as FIs in the proposed countries to identify technology transactions/ financing opportunities. This toolkit will create synergy with the EBRD's Trade Facilitation Programme (TFP), which would guarantee technology trade transactions to, from and within the proposed countries, and has established a network of 800 confirming banks (exporters' banks) globally and 40+ issuing banks (importers' banks) in the proposed countries.

D. EXPECTED PERFORMANCE AGAINST INVESTMENT CRITERIA

D.1. Impact potential

99. The GFS Programme will allow to reduce vulnerabilities to the impacts of climate change, as well as accelerate climate change mitigation actions across 13 emerging economies. The Programme aims to especially serve underserved groups, including the micro, small and medium-sized businesses that are the backbone of emerging economies, households, farmers and hard to reach segments such as those in rural areas or women, alongside midcaps that are drivers of employment and climate impact in emerging markets.

100. The Programme will result in significant GHG emission reductions through investments in renewables (mainly solar PV), energy efficiency in buildings, industry and agriculture, as well as in low-carbon mobility (including charging infrastructure). It will also lead to adaptation outcomes, by supporting water-efficient technologies and measures in agriculture, as well as sustainable agriculture practices, thus increasing water and food security. Further details on eligible sub-projects and resulting climate change outcomes can be found in Annexes 22 and 25.

101. In addition to these direct impacts, the Programme targets transformative change for the FI sector at each country level. Through significant and tailored TA support, capacity building (including transition planning) and financial incentives for the adoption of transition plans and the setting of climate-related targets, the Programme will transform key FIs in each country into **climate champions** who would learn how to pivot their business model, assets, operations, and extensive branch networks towards a pathway consistent with ambitious **low-carbon and climate resilient** trajectories. With concrete investment and extensive product development experience, and targeted capacity building across entire functions – risk management, strategy and target development, governance, operations, and communications, as well as closing green skills gaps preventing equal access to green finance, these FIs will contribute to significant adaptation and mitigation actions.

102. Structured knowledge exchange mechanisms between these FIs and wider financial stakeholders including regulators will contribute to **enabling market environment** to scale up climate actions with relevant and effective climate related regulations and enhanced local knowledge and experience. This will allow to reach impact that goes well beyond the Programme scope and beyond the FIs directly covered by Programme support. The selection of financial tools and targeted sectors was carefully designed to allow for a maximization of mitigation and adaptation impacts. **The direct beneficiaries will be the current and potential clients of participating FIs in the selected countries** across sectors and population groups vulnerable to the impacts of climate change as well as sectors that can bring substantial mitigation impact. This will allow the Programme to reach economic actors that otherwise have limited access to green or climate finance and are among the most vulnerable to the effects of climate change.

103. Thanks to the strong capacity building component (esp. transition planning), the availability of green finance will continue to grow over time and well beyond the Programme support, as: (i) in line with transition plans, FIs will develop green finance products, and help close green skills gaps, (ii) by aligning with international standards, FIs will be able to tap into global capital markets and offer more green finance; (iii) other FIs will align (thanks to the enabling environment and knowledge sharing) and increase their offer of green finance. In line with this, it is estimated that **the total related banking assets in the selected countries will be impacted, and their clients will become indirect beneficiaries of the Programme – hence impacting a share of the 1.2 trillion in banking assets estimated in the target countries.**

104. The Programme's intervention will not only enable partner FIs to align their resources with the Paris objectives but also catalyse a shift in financial flows towards Paris objectives in a gender-responsive way. The chart below illustrates the impacts of unlocking climate capital at scale in this way. Under a gradual shift scenario of 0.25%, 0.5% to 1% to 5% of finance to climate mitigation and adaptation investments alone can unlock climate capital that is 100 times greater than the Programme's finance. This gradual shift is based on the assumption that the transition planning component will make PFIs Paris-aligned and oblige them to set clear targets for climate finance, thus creating constant and growing financial flows towards Paris objectives. The 5% figure is a conservative estimate. It is also considered that the Paris alignment and climate finance offerings of the PFIs, as well as the knowledge sharing activities under the Program, including with financial authorities and regulators, will incentivise other financial institutions to also develop climate finance portfolios.

	Year0 -2	Year3	Year4	Year5	Year6	Year7	Year8	Year9
Annual USD in million	Capacity building, transition planning and regulator engagement	2,857	5,715	11,430	22,860	34,290	45,719	57,149
Cumul USD in million		2,857	8,572	20,002	42,862	77,152	122,871	180,020
Annual shift of banking sector assets to Paris goals		0.25%	0.50%	1.00%	2.00%	3.00%	4.00%	5.00%

105. If the redirection of such financial flows towards Paris-aligned pathways are realised, an additional US$ 180+ billion of climate finance can be achieved through the country's own private sector resources. This will, in addition to 12.8 million tCO2eq of lifetime GHG emission reduction from the Programme use of proceeds, bring another 3,327 billion tCO2eq of lifetime GHG emission reductions.

D.2. Paradigm shift potential

106. FIs are crucial for delivering the large financial flows needed for climate change mitigation and adaptation investments in the economy, in support of achieving developing countries' NDCs, National Adaptation Plans ("NAPs") and Long-Term Strategies ("LTS"). However, they face several barriers, including limited access to affordable, long-term finance; capacity constraints in implementing green investments; and the lack of an adequate regulatory framework to allow for a low-carbon transition.

107. In this context, the Programme facilitates a systemic change of the local financial sectors through 1) accelerating financial flows aligned with the PA in support of low GHG emission economies and climate-resilient development; 2) mainstreaming climate considerations into FI's business practices to improve their climate-related risk and climate corporate governance; and 3) creating an enabling environment for inclusive and climate resilient economies.

108. The Programme is designed to be scalable, replicable, and deployable across all thirteen countries. Leveraging EBRD's financial market knowledge and strong presence in the market, the Programme aims to ensure continuity in the form of the well-tested methodologies and tools that EBRD has in place while introducing innovative solutions to access to finance and build capacity in the targeted countries. The Programme is based on a proven delivery mechanism and established network of over 300 partner banks with a track record of successful deployment, even in regions where availability of concessional resources and risk-sharing financial tools remains scarce. The Programme will enable the expansion and roll-out of climate finance across targeted regions and introduce innovative financial solutions to facilitate access to high-performing technologies that are otherwise largely unavailable in those geographies.

109. FP025 introduced EBRD's climate taxonomy to PFIs and delivered awareness and technical support services to originate prospective projects from their client base. This Programme introduces leading transition planning practices to PFIs to help them identify climate-related risk and to target additional climate finance opportunities that help them manage these risks. The Programme's wide range of financial instruments is expected to support the increase the inflow of climate finance, help FIs and financial sector stakeholders develop credible transition plans to mainstream climate change across its whole business practices and capabilities to grow green portfolio.

110. The Programme aims at transition planning for financial institutions within thirteen countries, with strong co-leadership of the leading local FIs and regulators to low-emission and climate-resilient pathways, tackling systemic barriers and unlocking a multiple of the GCF contribution in climate investments, ultimately catalysing the financial sectors' **US$ 1.2+ trillion of assets** under management and leveraging the GCF funds with the EBRD and partner FIs' co-financing a hundredfold.
The Programme's intervention can not only enable partner FIs to align their resources with the Paris objectives but also catalyse shift in financial flows towards Paris objectives, as described above.

111. The Programme is expected to contribute to the development of capacity-building activities for enabling an environment conducive to climate finance solutions. It provides upstream engagement with relevant stakeholders including FIs and regulators through creating a network and assisting central banks to join international climate initiatives such as the NGFS, which are consistent with relevant national climate change strategies and plans.

112. The Programme will contribute to a paradigm shift in financial systems of thirteen countries through dedicated climate finance and capacity building for FIs. Through a combination of financial instruments, technical assistance, and capacity building, FIs are expected to become leading market players that offer green products and trainings to individuals, MSMEs, corporates, entities invested via private companies, technology suppliers, producers, vendors, and installers/service providers. Dedicated green products with concessional elements are effective at increasing the capacity, interest, and confidence of FIs in mainstreaming the climate financing business line through learning-by-doing and at changing their perceptions so that they recognize that climate investments are a profitable business opportunity. Through the Programme, more transactions would be known and proven to be commercially viable, being recognized as new business opportunities especially for non-participating banks and non-bank financial institutions, leading to a systemic change across the financial sector. The programme aims to address this through the development of the enabling environment supported by the TA provided to PFIs as well as workshops and events to wider financial system stakeholders including regulators i.e. central banks. Along with the TA and financial incentive grants supporting the PFIs transition plans, the programme is expected to benefit other PFIs given the expected market spill-over opportunities as well as through demonstration effects of the PFIs that will pilot transition planning in each of their respective countries. Under the Programme, bespoke capacity-building for FIs will broaden their outreach and opportunities across regions, sectors, and customer sectors. The relevant training and technical tools will also help FIs set targeted benchmarks to priorities and integrate the financing of climate projects in their daily business practices. The Programme will also enable FIs to tap into a large number of small-scale project opportunities by addressing the new segment of clients that have often been neglected in traditional banking. Lastly, through the development of targeted green skills trainings for currently underserved population segments (especially women), the Programme will support the FIs in developing NFS and contribute to closing gendered green skills gaps.

113. To summarise, it is expected that the Programme will result in a paradigm shift in the whole financial system, through the following:

1) PFIs developing and publicly disclosing transition plans will incentivise other financial institutions in the country to follow their example (spillover effect)
2) Regulators will align regulation, driven by this market dynamic, and also facilitated by the capacity building/knowledge sharing activities they will be part of under the programme

3) Paris-alignment of FIs will mean constantly growing financial flows towards climate investments, in line with NDCs, NAPs and international climate objectives

Moreover, the Programme design – blending necessary capacity building, incentives for transition planning and green credit lines – coupled with EBRD's extensive experience of working with FIs, makes the Programme easily replicable in other countries of the EBRD region, and beyond. EBRD's upcoming expansion to Sub-Saharan Africa will allow potential to also expand this model to that region and help African states mobilise much-needed climate finance through their national financial sector.

Programme Alignment with the GCF Private Sector Strategy

The Programme is aligned with four key priorities set out in GCF's Private Sector Strategy (B/32/06):

114. **Promote a conducive investment environment for combined climate and economic growth activities.** The Programme recognizes that transparent, long-term, and clear policies and regulations that internalize the positive externalities of low emissions and climate-resilient growth are required to reduce investment risk in developing countries. The Programme through its Components 1 and 2 is targeted at aligning financial markets and institutions with climate goals. Building on the EBRD existing tools, the Programme will create standardized definitions and taxonomies for green investments to provide clarity and transparency to investors to distinguish genuine green projects that will build investor confidence in a long run. In addition, it will provide financial incentives for FIs to channel funds into green projects in the form of financial incentive grants and access to concessional green lending. A programmatic approach allows for fostering collaboration between FIs, Governments, international organizations, and other stakeholders that drive green finance initiatives collectively (Component 1). Such an approach facilitates knowledge and best practices sharing towards a long-term vision of climate-compatible financial system.

115. **Accelerate innovation for business models, financial instruments, and climate technologies.** The Programme is designed to support innovative financial instruments deploying climate technologies across its focus verticals of Market Assessment. The programmatic engineering allows fostering of a long-term vision and commitment to climate innovation while allowing for strategic fit-for-purpose knowledge sharing, sustaining the efforts that are necessary to develop and refine solutions over time. In terms of instruments, the Programme will deploy loans, financial incentives, and technical assistance grants. EBRD has a track record of introducing innovative, flexible terms into its investment agreements to ensure incentives are aligned, upside is shared, and risks are managed appropriately. The flexibility and fitness for purpose is an innovative feature of the Programme. It relies on the DFI Enhanced Principles for Blended Concessional Finance for Private Sector Projects and will ensure that the GCF resources are: 1) additional, 2) crowding-in and with minimum concessionality 3) commercially sustainable in the long run, 4) reinforcing markets, and 5) promoting high standards.

116. **Catalyse market-creating investments to crowd in private climate finance.** The Programme will leverage its wide range of financial instruments (financial incentives, technical assistance grants, and concessional loans) to enable the development of fit-for-purpose blended finance instruments to support flow of capital at scale to target countries based on the national circumstances. By blending concessional resources with private finance, GCF funds will help reduce the high risks, both perceived and real, faced by private sector actors seeking to scale successful climate solutions in new developing markets to demonstrate their commercial viability. GCF's contribution to the Programme through Component 2 will unlock opportunities for FIs to expand their lending to the most climate vulnerable sectors and population groups by providing more attractive risk adjusted return potential and will increase the capacity of local financial institutions, and enterprises including mid-cap size businesses and MSMEs in developing countries to attract private capital for climate action.

117. **Strengthen domestic and regional financial institutions to scale up private climate finance.** Public and commercial FIs play a significant role in providing access to finance to scale up the adoption of climate investments. The Programme, with the support of the GCF, will boost the involvement and strengthen the capacity of private and public financial institutions to catalyse climate investment, including through extending green credit lines. Under Component 1, FIs will develop comprehensive climate strategies that outline their commitment to sustainability and climate-related investments aligned with the PA. These strategies will include measurable targets for climate financing, emission reduction goals, and integrating climate risks into their decision-making processes. Under Component 2, the GCF funds will be catalytical to create opportunities and promote green financial products, including innovative instruments. The Programme for example will crowd in private sector finance via direct and indirect mobilization, such as via syndication (A/B loans). PFIs will also be better able to launch innovative financing structures such as capital market instruments (e.g. green bonds or a wide variety of Paris-aligned financing products for their customers) as well as EBRD acting as an anchor investor whose participation encourages other investors to these offerings that are seeking environmentally responsible investment opportunities and enable financial institutions to channel funds into climate-friendly projects. Likewise, FIs will assess climate-related risks in their portfolios and investments. Conducting robust climate risk assessments allows them to identify potential vulnerabilities, adapt their strategies, and ensure the long-term sustainability of their investments. The Programme also has a strong country ownership focus to ensure robust partnerships with the country NDAs, relevant public and private sector stakeholders, and went through the consultations with local Civil Society Organisations (CSOs) (further detail in Section D.5 below).

D.3. Sustainable development

118. The Programme will be targeted to strategically attribute to the **SDG 13: Take urgent action to combat climate change and its impacts,** investing and implementing concrete adaptation and mitigation activities, and creating enabling financial system. Financial systems play a pivotal role in mobilizing and allocating resources for sustainable development initiatives.

119. The Programme will deliver an important co-benefit contributing to several other SDG goals and goal-specific targets as follows but not limited to:

SDGs	GCF Result areas and Programme activities
SDG 3. Good Health and Well-being. ***Target 3.9*** *By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination*	***Buildings, cities, industries, and appliances.*** The Programme will help accelerate phase-out of outdated and harmful appliance, heating system, and transport vehicles with local air pollutants.
SDG 5: Achieve gender equality and empower all women and girls. ***Target 5.A*** *Undertake reforms to give women equal rights to economic resources, as well as* ***access to*** *ownership and control over land and other forms of property,* ***financial services,*** *inheritance, and natural resources, in accordance with national laws* ***Target 5.B Enhance the use of enabling technology,*** *in particular information and communications technology,* ***to promote the empowerment of women***	Through gender-focused activities and investment mechanisms,, the Programme will promote women’s access to green finance and skills related to finance and technologies
SDG 6: Ensure access to water and sanitation for all. ***6.4*** *By 2030, substantially* ***increase water-use efficiency*** *across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity* ***6.A*** *By 2030, expand international cooperation and* ***capacity-building support*** *to developing countries in water- and sanitation-related activities and programmes, including* ***water harvesting,*** *desalination,* ***water efficiency, wastewater treatment, recycling, and reuse technologies***	***Health and well-being, and food and water security.*** The Programme will promote, finance, and implement water efficiency, recycling and reuse techniques in agriculture, manufacturing or service sectors, and buildings among MSMEs, farmers and households financed via local FIs.

SDG 7. Ensure access to affordable, reliable, sustainable and modern energy#. ***Target 7.2*** *By 2030, **increase substantially the share of renewable energy** in the global energy mix* ***Target 7.3*** *By 2030, double the global rate of **improvement in energy efficiency***	***Energy generation and access.*** The Programme will promote, finance, and implement small to medium scale renewable energy projects and energy efficiency improvement in buildings, industry and appliance.
SDG 9. Build resilient infrastructure, promote sustainable industrialization and foster innovation. *9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets* *9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities*	***Buildings, cities, industries, and appliances.*** The Programme will have extensive outreach to corporates and MSMEs in the proposed countries to access finance and implement climate mitigation and adaptation projects and clean technologies appropriate to their businesses.

As a co-benefit, the Programme will lead to increased economic inclusion of underserved groups, including households, MSMEs, farmers, as well as women owned/women-led businesses. This will be achieved by providing sub-loans to these groups to invest in green technologies and sustainable activities. Moreover, these groups will benefit from capacity building and knowledge sharing activities under the Programme. To ensure the economic inclusion co-benefit is achieved, the Programme sets a minimum target of 30% of the Programme finance to be committed to sub-borrowers outside of the capital city.

D.4. Needs of recipient

120. The Programme has been designed based on extensive consultations with all relevant stakeholder groups in all 13 countries and adapted to their needs and specific requests (see Annex 7 for details).

121. Our consultations, both bilateral and via recent banking sector-wide and financial sector-wide surveys, including the Banking Environment and Performance survey, the Climate Pulse Survey and the Readiness of the Financial Sector for the Impacts of Climate Change survey presented in Annex 7, have revealed the following:

- The lack of regulatory environment is a major obstacle to the greening of the financial systems;
- Financial institutions lack knowledge and capacities to identify, manage and disclose climate risks and opportunities in their operations and portfolio (one third of responding FIs to the Readiness of the Financial Sector for the Impacts of Climate Change survey revealed no department is in charge of climate risk within their institution);
- Financial institutions lack access to affordable climate finance and request concessional support, as well as local currency funding in most of the target countries;
- Standardised financing tools and procedures would incentivise financial institutions to offer more climate finance to clients;
- The lack of data availability is another major barrier.

122. The Programme's target countries share similar climate vulnerability profiles, risks and needs. As described in more detail in Annex 2, these countries are broadly exposed to significant carbon transition risk, arising from the countries' reliance on coal and other forms of fossil fuels in their energy mixes, energy intensive industries or business practices, and a number of other influencing factors. The physical climate risks are significant and include acute water stress, heat waves, droughts, extreme precipitation, floods and landslides, and other risks. Armenia, Egypt, Kazakhstan Mongolia, and Uzbekistan experience a temperature rise at a faster rate than the global average. Similarly, these countries face significant transition risks, especially given their reliance on energy-intensive industries. Altogether, the targeted sectors of this proposed Programme, i.e., energy, manufacturing, residential, commercial, transport, agricultural and public services, account for the bulk of GHG emissions in the target countries. Concurrently, as these sectors are also vulnerable to the impacts of climate change, they require resilience-building interventions. Cognisant of the high impact potential, these sectors are consistently identified by the countries' NDCs as the priority sectors for their climate change mitigation and adaptation actions (see section D5).

123. However, these countries recognise (and many mention in their NDCs) that the financing needs of to achieve their NDC targets exceed by far the current financial offerings, ultimately limiting the countries' capacities to adequately cope with the adverse climate impacts. For example, Egypt even explicitly expresses in its 2023 NDC that the implementation of its mitigation and adaptation measures is conditional on the provision of finance through international development partners and funds in multiple types of channels, such as blended finance, green bonds, and grants, all of which are key elements of the proposed Programme. Egypt projects its NDC mitigation interventions require USD196bn and adaptation USD50bn. Another example is the financing gap of Uzbek businesses, which, considering the current climate risk profile, is estimated to be over USD10.2 billion, affecting 80 percent of businesses and 78 percent of jobs in the country.

124. Moreover, many of the target countries face significant levels of income inequality, particularly between urban and rural populations and for many sectors and actors such as women-led businesses, farmers, households, and MSMEs in particular and many of the projected impacts of climate change on the target countries will disproportionately impact the poorest in society, for example heavy industry jobs, still very present in the target economies, which are highly vulnerable to heat stress, or smallholder farmers who are least able to afford the storage and cooling solutions

required to maintain crop quality standards and therefore livelihoods. It is also these groups that most significantly lack access to long-term affordable climate finance and climate knowledge, creating also significant inequalities in access to climate finance and risking exacerbating these inequalities. Despite the growing interest locally towards sustainable solutions and the increasing penetration of green technologies into the production processes and operations in the target countries (with differing degrees of penetration as described in Annex 2), green investments remain relatively unknown, also noting the rapid development and ever-growing complexity of such technologies, and often have higher upfront costs and misunderstood payback potential. This is particularly challenging in the case of high-performing (and more expensive) green technologies. Typically, the incremental investment costs compared to worse performing 'Business-as-Usual' technologies are not justified commercially as energy or resource savings might not compensate for the increased costs of these technologies. These constraints of both affordability and knowledge are correspondingly most acute among the vulnerable groups targeted by the Programme, namely women, MSMEs, households and those rurally based.

125. Given the scale and diversity of the climate financing needs, the financial sector is therefore the best intermediary to support and drive the decarbonisation and climate adaptation efforts of these underserved segments. While the role of the private sector is crucial in meeting the high financial needs, financial intermediation through the banking sector in the region is low, resulting in low vital climate funding. The target countries being some of the world's most carbon-intensive economies, the shift towards decarbonization of the economy will require deep, structural changes in the real economy with significant implications for the financial system. However, the EBRD survey "Readiness of the Financial Sector for the Impacts of Climate Change" shows that financial institutions in the region are at the beginning of the journey: they have limited awareness of risks associated with climate change (only 43%) and for those that do, the majority (93%) adopts exclusion lists rather than reflect climate considerations more comprehensively in their operations and only 15% publicly disclose some climate risk information, highlighting that climate risk is far from the central risk consideration it needs to be to fundamentally shift financial flows for the future. The reasons for this are diverse. For instance, as Uzbekistan transitions to a market economy, its banking sector faces a range of issues, including the lack of good governance and risk management, limited green-financing capacities, as well as heavy dependence on state funding. Additionally, access is limited for the financial sector in the target countries to longer-term finance of the type appropriate to support more complex climate investments with longer payback periods, and to local currency financing; the Programme will contribute to both aspects. Moreover, despite an intensification of efforts to promote climate finance, including under the GCF GEFF programme, over recent years, macroeconomic headwinds through the COVID-19 pandemic and spillover effects of the war on Ukraine, continued skepticism and limited organic demand (due to limited market awareness of the technologies and commercial benefits) in the target markets mean that while progress has been made and solid groundwork built within participating financial institutions, there is still considerable way to go to achieve a true paradigm shift in the financial sector.

126. In addition, EBRD experience provides evidence that the effects of climate change on the financial sector are not gender-neutral, as women are among the highest-risk groups. Key factors include gender-based differences in access to assets and credit and treatment by formal institutions, which constrain women's economic opportunities. Such gender inequalities are prominent in the target countries, especially when it comes to women's access to loans, female labour force participation in the banking sector (horizontal segregation), and women in managerial roles (vertical segregation). EBRD experience working with intermediation, including with the GCF, shows that access to finance is a main existing barrier for women entrepreneurs and borrowers, often due to structural differences in access to collateral, less asset intensive businesses, institutional bias and/or differing experience with or perceptions of working with financial institutions. Most FIs in the target countries still lag behind in terms of gender-responsive approaches in their work. As an illustrative example, the financing gap for women-led SMEs in Georgia alone – one of the more gender equal of the target countries - is estimated at over USD899 million.

D.5. Country ownership

127. The Programme was built on extensive consultations with public stakeholders, including, among others, Central Banks and financial regulators, Ministries of Environment, Ministries of Finance, Ministries of Economy, and the GCF NDAs. To achieve their NDC targets, the selected countries need to ensure economy-wide green transition.

128. Moreover, preparing the financial system for the fast-evolving international standards and regulations in terms of sustainability will allow them to remain competitive and be able to access much needed capital on global markets (including concessional support from donors, such as the GCF via direct accreditation). A crucial part of the Programme's activities will be promoting PFIs to assess and address the climate implications of their whole portfolios via support to the development and disclosure of a Transition Plan. This is vital in developing institutional capacity at the financial sector level to understand, assess and disclose to the regulator, as well as creating important demonstration and peer learning cases in the market.

129. The knowledge sharing component included in the Programme, coupled with EBRD's ongoing policy dialogue with the target countries, will ensure continuous cooperation and exchange between the Programme and the public authorities throughout implementation. The Programme will be implemented in a context of active coordination to reinforce policy dialogue efforts both with implementing state actors and other international and local stakeholders. EBRD's engagement is tailored at the country level and may focus on strategic areas such as enhancing the legal and regulatory framework for renewable energy (covering areas such as distributed energy generation/private-to-private renewables), climate risk management and involving the financial sector in development of industrial low carbon sectoral pathways, more specifically in discussing required financing needs. Paragraphs 55 and 136 provide more details of EBRD's approach and track record in this area.

130. The Programme's GCF Results Areas are strongly aligned with the NDCs' priority sectors of the target countries, meaning that the Programme will strongly support the implementation of the climate targets. More specifically, the Programme's support areas, ranging from energy, industry, and agriculture to water and health sectors are closely tailored to each country's specific NDC priorities. This alignment ensures that the Programme's activities are not only relevant and effective but also owned and driven by the countries themselves, reflecting their commitment to achieving their climate goals. Annex 2 provides further detailed information on the current regulatory positioning of each of the target countries and EBRD will tailor its knowledge-sharing work accordingly to promote concrete steps forward across the target countries.

131. For example, Egypt emphasises that its mitigation and adaptation measures are conditional on the provision of adequate finance. Egypt's NDC highlights its reliance on international development partners, funds, and innovative financial instruments like blended finance, green bonds, and grants —all promoted by the Programme— to achieve its climate targets. Egypt's engagement with the Programme hence signifies a strategic approach to securing the necessary funds for its climate actions, demonstrating strong ownership by actively seeking international support to fulfil its NDC commitments. Likewise, Armenia's intent to leverage additional finance into climate action demonstrates proactive engagement and ownership in utilizing international support to meet its ambitious climate targets.

132. The Programme's emphasis on engaging with regulators and the financial community on creating the appropriate enabling environment, while simultaneously facilitating private sector engagement in climate action, underlines the importance placed by the Programme on supporting a collaborative approach between regulators and FIs at national level, peer learning opportunities among regulators, and among FIs across countries. The Programme builds on extensive stakeholder

consultations and will continue to reflect the feedback from programme stakeholders through regular dialogue as specified in Annex 7. Stakeholder Consultation.

133. The EBRD has developed a large palette of policy initiatives to help its countries of operations close the gaps when it comes to climate policy. Some examples include:
- Helping governments design and organise renewable energy auctions (Serbia, Egypt, Kazakhstan, Uzbekistan, etc);
- Supporting municipalities in making their cities greener and more resilient through Green City Action plans and investments in identified projects under its Green Cities Initiative (Armenia, Georgia, Moldova, etc);
- Developing low carbon pathways for hard-to abate sectors (Jordan, Uzbekistan, Egypt, etc)
- Helping countries set-up multi-donor, multi-stakeholder country platform for systemic change (such as the Just Energy Transition Platform in North Macedonia launched at Cop28; the Nexus for Water, Food and Energy (NWFE) in Egypt launched at Cop27)

Regarding the financial sector, some examples of EBRD's support include:
- Analysing the Paris Alignment progress of the financial sector through the climate practices diagnostics tool;
- Building capacity of Central Banks/regulators on corporate climate governance; climate risk management, sustainability reporting and disclosure and transition planning;
- Supporting Central banks/financial regulators joining the NGFS and developing Sustainability Disclosure Regulation;
- Supporting the development of green finance roadmaps;
- Supporting the development of green and climate taxonomy;
- Supporting the development and launching of sustainable sovereign bonds; etc.

134. Moreover, EBRD has very strong local presence and expertise: EBRD has offices with operational staff based in all of the target countries. Building on the geographic scope of previous EBRD engagements, the proposed Programme is informed by the on-the-ground knowledge of markets and potential for their transformation.

D.6. Efficiency and effectiveness

135. The GCF's cost of mitigation from Programme portfolio (Direct impact) is 13.3 USD (GCF finance with contribution to mitigation) per tonne of CO2eq (lifetime emission reductions).[15] The GCF's cost of mitigation, if indirect impact on paradigm shift through transition planning is taken into account, is 0.05 USD (GCF finance with contribution to mitigation) per tonne of CO2 eq (lifetime emission reductions).

136. There are multiple constraints in mobilising private capital for climate finance, particularly in developing countries. This includes limited availability of financing resources dedicated to climate change, future policy uncertainty, high cost of capital for technology solutions, data limitations and unattractive risk-return profiles. Specifically macroeconomic constraints are primarily related to mitigation and adaptation investments and are particularly high in developing countries. These include long timeframes, lack of large investment grade investments and liquid markets, high upfront capital and transaction costs, and significant project risks. As a result, challenges remain in attracting financing to climate projects. The Programme will address such barriers through offering a variety of sustainable financial instruments for climate change.

137. There are no separate operating expenses allocated to the Programme since EBRD has a single Profit & Loss (P&L) statement where all operating expenses for individual projects are aggregated together.

138. **Concessional loans** are an important instrument to offer the necessary longer-term financing, with technical experts into a package that promotes targeted investment. This will follow the well-tested EBRD GET approach and will benefit from the EBRD's expertise on providing market-driven innovative climate projects. The financing can be provided to target a wide range of financial institutions, including NBFIs and sub-borrowers in one of the smallest and emerging markets which have limited access to finance for climate projects.

139. **Financial incentives** to FIs will be vital to encourage them to develop efficient and sustainable green financing business models by partly compensating for the related costs.

140. As there are currently limited climate instruments in the local markets, GCF's involvement will be crucial and have significant demonstration effects on how to use this for the local FIs. In this respect, the GCF's financing in the combination with the grant for technical assistance (in co-operation with potential other donors) is expected to play a pivotal role in the implementation of a variety of different instruments and activities. The crucial role of the Programme in this respect is also the cooperation with the relevant stakeholders including regulators to establish a network for knowledge sharing and capacity building to ensure a successful transition to a greener economy.

15 Total lifetime emissions 12,8 million tCO2 eq, and the GCF cost to contribute to mitigation calculated as 85% of total GCF Resources.

LOGICAL FRAMEWORK

This section refers to the project/programme's logical framework in accordance with the GCF's Integrated Results Management Framework to which the project/programme contributes as a whole, including in respect of any co-financing.

E.1. Project/Programme Focus

☒ Reduced emissions (mitigation)

☒ Increased resilience (adaptation)

E.2. GCF Impact level: Paradigm shift potential

Assessment Dimension	Current state (baseline)		Potential target scenario	How the project/programme will contribute (Description)
	Description	Rating	(Description)	
Scale	There is growing awareness amongst financial markets, regulators, and policymakers of the systemic threat that climate change poses to economic activity across all sectors and all geographies. Central banks and financial supervisors in particular have identified this as a potentially major source of financial instability and are beginning to set expectations on how financial and non-financial firms should assess and manage climate-related risks in their portfolios and operations as set out for example by the Task Force	Low	The financial systems in target countries are transformed from focusing solely on financing green investments through limited interventions to be fully aligned with the Paris Agreement through tangible principles of the TCFD and based on the EBRD-developed Paris alignment methodology for transition of the financial sector. This approach will mandate the FIs to assess, manage and incorporate climate considerations into their governance, strategy, and risk management structures, thus influencing the loan books and an estimated total banking asset of $ 1,000 billion in target countries. The approach works at scale when leveraging EBRD network of over 300 financial institutions (28 of which are targeted by the Programme). Provided with the	To ensure scaling, the Programme will deliver a systemic capacity building and transition planning approach through Component 1 to support to FIs. Capacity related barriers will be further addressed through engagement with financial regulators, including knowledge transfer, skills training and awareness raising events. As a result of introducing leading climate governance practices, local financial institutions will be able to identify climate-related risk and to target additional climate finance

	for Climate-related Financial Disclosures (TCFD) and by the Network for Greening the Financial System (NGFS). Quantifiable results, while being meaningful, are limited to the scope of individual investments in certain FIs in a limited number of countries. These include important investments by the GCF (GCF-EBRD GEFFs) in some economies using a use of loan proceeds approach to climate financing. There is still a long way to go beyond the individual investments to achieve paradigm shift and fully align the financial systems with the Paris Agreement. There is still a significant scope to green the financial system and expand green financing by local financial institutions to drive sustainability and access funding from an investor base that is becoming increasingly focused on climate and green impact. Leading FIs and some of the policy makers and regulators in the proposed countries have started to engage in climate related financing and actions, but the scale of those actions is not sufficient to deliver meaningful impact to fundamentally shift finance towards climate compatible pathways.		necessary tools and capacity for climate risk management, central banks create an enabling environment by issuing standardized green finance guidelines. FIs will formulate a credible time-bound action plan (Transition Plan) to align all financing activities to manage climate risks, respond to climate finance opportunities, address expectations of regulators and investors, and transition the real economy towards low-carbon and climate-resilient development. Capital provision coupled with the innovative use of financial incentives, will have systemic influence on capital flows from the financial sector, influencing the business practices of millions of male and female beneficiaries. As a result, the Programme will serve as a catalytic market signal and millions of beneficiaries will directly benefit to transition to low emission and climate resilient development.	opportunities that help them manage these risks. The Programme will enable these financial institutions to leverage a range of financial instruments (concessional finance and financial incentive grants) to enable the development of fit-for-purpose blended finance instruments to support flow of capital at scale to target climate solutions based on national circumstances.

	GCF-EBRD GEFFs introduced EBRD's climate taxonomy to local financial institutions and demonstrated good practices in implementing energy, water efficiency, and renewable energy investments in six countries, but the funding towards green investment opportunities still lags the incumbent, business as usual practices due to lack of economic and market incentives, low knowledge, and a lack of leading climate governance practices among local financial institutions.			
Replicability	Transition planning and climate related financial disclosure and risk management are emerging/early practices in emerging economies and with few exemplary cases where such practices are replicated widely in the emerging markets.	Medium	Transition planning, and systemic prioritisation of mitigation and adaptation investments by FIs become widespread practices in the market through transition plan development, disclosure, regulator guidance and knowledge sharing and dissemination. Through knowledge sharing initiatives, good practices are shared beyond the proposed countries to be replicated in other emerging economies.	The Platform introduced through the Programme, coupled with a targeted programmatic communication strategy, will enable knowledge sharing and replicability beyond individual investments and countries.
Sustainability	FIs in the countries that participated in the GCF-EBRD programme continue to operate green finance, but the scope and the scale remains limited.	Medium	Participating FIs in the Programme will formulate and implement a comprehensive climate and decarbonisation strategy at the institutional level, which will support sustained growth in green finance. Regulators' adoption of global best practices and/or development of related regulatory framework will lead to transformational impact to mainstream climate into mandatory compliance matters. FIs in the respective countries will follow the course of the pioneering FIs in transition planning to stay	Central to this transformational approach is the design and implementation of a PFI-specific transition plan. Through public disclosure of the champion FIs' transition planning and knowledge dissemination activities across the financial sector, good practices and lessons learned will be widely shared in the financial community.

			competitive, access capital from international investors and better respond to emerging regulatory environment.	

E.3. GCF Outcome level: Reduced emissions and increased resilience (IRMF core indicators 1-4, quantitative indicators)

GCF Result Area	IRMF Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final12	
Total GHG emissions reduced, avoided or removed/sequestered	Core 1: GHG emissions reduced, avoided or removed/sequestered	Ex-ante and ex-post analyses[16] Independent verification report[17] commissioned by EBRD to a terms of reference agreed with the GCF FI reporting provided to EBRD on the portfolio of sub-loans generated in the period (geographic distribution, enterprise size) and portfolio performance (non-performing loans)	0	Total 3 million TCO2eq	Total 9.9 million tCO2eq	Annual emission reduction 760,000 tCO2 eq/year based on country-level impact calculations, which include illustrative country specific funding allocation, sector portfolio, emission factors, and asset life. Lifetime GHG emission reductions – 9.9 million tCO2eq within project timeframe, and 12.8 million

[16] Ex-post analysis is based on, among others, the volume of disbursement, number of beneficiaries, impact indicators (quantified and validated by specialized Implementation Consultants) based on sub-loan data that comes on a regular basis into the EBRD's Management Information System (MIS).

[17] There will be 2 independent evaluations - interim and final. The verifications will include the verification of documents/reports, sample of site-visits, interviews with PFIs and end beneficiaries.

						tCO2eq considering asset lifetimes Detailed sector and country-specific calculations can be found in Annex 22, along with a methodological document in Annex 22-methodology.
MRA1 Energy generation and access	Core 1: GHG emissions reduced, avoided or removed/sequestered	Ex-ante and ex-post analyses Independent verification report	0	MRA1 – 0.7 million TCO2eq	MRA1 – 2.3 million TCO2eq	Detailed sector and country-specific calculations can be found in Annex 22, along with a methodological document in Annex 22-methodology.
MRA2 Low-emission transport	Core 1: GHG emissions reduced, avoided or removed/sequestered	Ex-ante and ex-post analyses Independent verification report	0	MRA2 – 0.1 million TCO2eq	MRA2 – 0.3 million TCO2eq	Detailed sector and country-specific calculations can be found in Annex 22, along with a methodological document in Annex 22-methodology.
MRA2 Low-emission transport	Supplementary 1.5 Improved	Ex-ante and ex-post analyses	0			Detailed sector and country-specific calculations can be

	low-emission vehicle fuel economy	Independent verification report		1.1 billion MJ	3.4 billion MJ	found in Annex 22, along with a methodological document in Annex 22-methodology.
MRA3 Buildings, cities, industries and appliances	Core 1: GHG emissions reduced, avoided or removed/sequestered	Ex-ante and ex-post analyses Independent verification report	0	MRA3 – 2.2 million TCO2eq	MRA3 – 7.2 million TCO2eq	Detailed sector and country-specific calculations can be found in Annex 22, along with a methodological document in Annex 22-methodology.
MRA3 Buildings, cities, industries and appliances	Supplementary indicator 1.1 Annual energy savings (MWh)	Ex-ante and ex-post analyses Independent verification report	0	4,760,000 MWh	15,600,000 MWh	Detailed sector and country-specific calculations can be found in Annex 22, along with a methodological document in Annex 22-methodology.
MRA1 Energy generation and access	Supplementary indicator 1.3 Installed renewable energy capacity (Solar PV)	Ex-ante and ex-post analyses Independent verification report	0	100 MW	300 MW	See Annex 22 for estimations Based on our portfolio, we expect to support mainly solar PV.

						Per country installed capacity is included in Annex 22.
MRA1 Energy generation and access	Supplementary indicator 1.4 Renewable energy generated (MWh)	Ex-ante and ex-post analyses Independent verification report	0	1,715,300 MWh	5,146,000 MWh	See Annex 22 for estimations Based on our portfolio, we expect to support mainly solar PV. Per country installed capacity is included in Annex 22.
Total Programme adaptation beneficiaries without overlaps	Core 2: Direct and indirect adaptation beneficiaries	Ex-ante and ex-post analyses FI reporting Independent verification report	0	Direct - 100,000 people (of which 50,000 female) Indirect – 5.2 million people (of which 2.6 million female)	Direct - 306,870 people (of which 153,435 female) Indirect – 17.2 million people (of which 8.6	See Annex 22 for ex-ante beneficiary estimation methodology and disaggregation per country data.[18] Ex-post data will be monitored at the sub-project level and will be aggregated at

[18] Ex-post analysis will be done on the basis of the Annex 22 methodology, i.e. deriving the number of beneficiaries from the ex-post water savings figures.

					million female)	programme level.[19] .
ARA2 Health, well-being, food and water security	Core 2: Direct and indirect beneficiaries	Ex-ante and ex-post analyses FI reporting EBRD monitoring independent verification	0	Direct - 100,000 people (of which 50,000 female) Indirect – 5.2 million people (of which 2.6 million female)	Direct - 306,870 people (of which 153,435 female) Indirect – 17.2 million people (of which 8.6 million female)	See Annex 22 for ex-ante beneficiary estimation methodology and disaggregation per country data. Ex-post data will be monitored at the sub-project level and will be aggregated at programme level.[20]
ARA4 Ecosystems and ecosystem services	Core 2: Direct and indirect beneficiaries	Ex-ante and ex-post analyses FI reporting EBRD monitoring independent verification	0	Direct -100,000 people (of which 50,000 female) Indirect – 5.2 million people (of which 2.6 million female)	306,870 people (of which 153,435 female) Indirect – 17.2 million people (of which 8.6 million female)	See Annex 22 for ex-ante beneficiary estimation methodology and disaggregation per country data. Ex-post data will be monitored at the sub-project level and will be aggregated at

[19] Detailed methodologies for indicators will be included in the Monitoring, Evaluation and Learning (MEL) Plan.
[20] Detailed methodologies for indicators will be included in the Monitoring, Evaluation and Learning (MEL) Plan.

						programme level.[21]
ARA4 Ecosystems and ecosystem services	Core 4: Hectares of natural resource areas brought under improved low-emission and/or climate-resilient management practices	Ex-ante and ex-post analyses FI reporting EBRD monitoring independent verification	0	TBD	TBD	See Annex 22 for ex-ante beneficiary estimation methodology and disaggregation per country data. Ex-post data will be monitored at the sub-project level and will be aggregated at programme level.[22].
ARA2 Health, well-being, food and water security	Supplementary Indicator 2.1 Beneficiaries (female/male) adopting improved and/or new	Ex-post analyses FI reporting EBRD monitoring Independent verification	0	53 people (15% of total number of sub-borrowers for adaptation projects by mid-term)	177 people (15% of total number of sub-borrowers for adaptation projects)	Relevant methodologies to be provided by the AE for chosen Supplementary indicators.

[21] Detailed methodologies for indicators will be included in the Monitoring, Evaluation and Learning (MEL) Plan.
[22] Detailed methodologies for indicators will be included in the Monitoring, Evaluation and Learning (MEL) Plan

	climate resilient livelihood options (number of individuals)					

E.4. GCF Outcome level: Enabling environment (IRMF core indicators 5-8 as applicable)					
Core Indicator	Baseline context (description)	Rating for current state (baseline)	Target scenario (description)	How the project will contribute	Coverage
Core Indicator 5: Degree to which GCF investments contribute to strengthening institutional and regulatory frameworks for low emission climate-resilient development pathways in a country-driven manner	ex-ante and ex-post analyses, EBRD reports or any other source of information available	medium	Champion FIs that commit and implement transition planning in target countries	The project will provide dedicated technical assistance including capacity building and training	Multi-country (Armenia, Georgia, Egypt, Morocco, Jordan, Kyrgyz Republic, Moldova, Tajikistan, Mongolia, Kazakhstan, Uzbekistan, North Macedonia and Serbia)
Core indicator 7: Degree to which GCF Investments contribute to market development/transformation at the sectoral, local, or national level	ex-ante and ex-post analyses, EBRD reports or any other source of information **available**	medium	Green financial products offering in target countries	The project will provide dedicated green finance through deploying concessional loans, and financial incentive grants	Multi-country (Armenia, Georgia, Egypt, Morocco, Jordan, Kyrgyz Republic, Moldova, Tajikistan, Mongolia, Kazakhstan, Uzbekistan, North

					Macedonia and Serbia)
Core indicator 8: Degree to which GCF investments contribute to effective knowledge generation and learning processes, and use of good practices, methodologies and standards	ex-ante and ex-post analyses, EBRD reports or any other source of information available	medium	Knowledge sharing platforms launched in target countries	The project dedicated technical assistance including capacity building and training	Multi-country (Armenia, Georgia, Egypt, Morocco, Jordan, Kyrgyz Republic, Moldova, Tajikistan, Mongolia, Kazakhstan, Uzbekistan, North Macedonia and Serbia)

E.5. Project/programme specific indicators (project outcomes and outputs)

Project/programme results (outcomes/ outputs)	Project/programme specific Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions / Note
				Mid-term	Final	
Outcome 1. Reduced and avoided GHG emissions from energy supply, manufacturing, residential, commercial, transport, and public sectors.	N/A	N/A	N/A	N/A	N/A	N/A
Output 2.1 Increased	Investment volume through FIs	FI reporting to EBRD	0	US$220 in million	US$658 in million	Up to 25% co-financing with sub-borrowers' equities

investment in climate mitigation technologies and approaches through concessional finance	extended through programme concessional loans (US$ in million)	EBRD Monitoring				and/or other private sector co-financing. Disaggregated data by country and technology can be found in Annex 22.
Outcome 2. Increased climate resilience for water and food security, including gender considerations.	Water savings (m3)	FI reporting to EBRD EBRD Monitoring and reporting Independent Verification	0	160.5 million m3	535.5 million m3	Country-specific data is available in Annex 22
Output 2.2 Increased investment in climate adaptation technologies and approaches through concessional finance	Investment volume through FIs extended through programme concessional loans for adaptation sub-projects (US$ in million)	FI reporting to EBRD EBRD Monitoring and reporting Independent Verification	0	USD 40 million	USD 117 million	Assumptions are made on the amount of finance that will be dedicated to adaptation sub-projects in agriculture. Estimated investment volume across target countries. Further details can be found in Annex 22 and Annex 22-methodology.

Outcome 3. Enabling environment for more resilient and sustainable financial systems, including gender considerations.	Number of additional Central Banks/regulator or national body joining NGFS or equivalent body	Regulator public disclosure	0	1	4	The Network of Greening the Financial System (NGFS) membership or active participation (membership or observer status) of a similar cross-national initiative. Currently 9 of the 13 countries are NGFS members. The objective is to have the remaining 4 joining before the end of the Program.
	% of PFIs assets invested in Paris-aligned pathways and supporting climate investments	FI reporting public disclosure	0	2%	5%	Assumes complementary improvements in enabling environment and availability of financial incentives under Activity 1.2.2
Output 1.1 Increased capacities of financial institutions to develop and monitor portfolios of investments for climate mitigation and adaptation projects, including gender considerations	Number of PFI staff enhancing their green skills via training, capacity building and knowledge-sharing activities	FI reporting EBRD reporting Ad hoc surveys	0	200 (of which minimum 60 women)	600 (of which minimum 150 women)	This reflects the number of key PFI staff being trained, assuming a minimum of 20 staff trained per PFI, with variation across PFIs depending on appetite to engage.

Output 1.2 Enhanced capabilities, tools, and processes of financial institutions to develop ambitious climate performance targets and credible climate transition plans	Number of PFIs receiving technical assistance around transition planning	FI and consultant reporting	0	14	28	
	Volume of sub-projects supported, monitored and verified (US$m)	FI and consultant reporting	0	195	620	Signed sub-projects supported by technical assistance. Excludes additional 25% sub-borrower equity.
Project/programme co-benefit indicators						
Project/programme results (outcomes/ outputs)	Project/programme specific Indicator	Means of Verification (MoV)	Baseline	Target (Mid)	Target (FINAL)	Assumptions / Note
Economic Inclusion	Share of total number of sub-loans disbursed to sub-borrowers outside of the country's main city	EBRD, FI and consultant reporting	0	At least 20%	At least 30%	

E.6. Project/programme activities and deliverables			
Activities	Description	Sub-activities	Deliverables
Component 1. Greening Financial Systems: Enabling financial institutions, regulators and financial actors adopting and implementing ambitious and sustainable climate finance portfolios and practices **Output 1.1 Increased capacities of financial institutions to develop and monitor portfolios of investments for climate mitigation and adaptation projects, including gender considerations**			

1.1.1 Supporting financial institutions in the development of portfolios of investments for climate mitigation and adaptation projects, including gender considerations	The EBRD will support partner FIs to originate investment opportunities and provide finance into a range of climate mitigation and adaptation technologies, practices with high market potential and set gender metrices. The EBRD will provide support FIs in a market-, technology- and institution-specific manner to address the specific market barriers and knowledge gaps.	Sub-activities: -1.1.1.1 Supporting outreach to potential beneficiaries (including share of women) and developing investment opportunities -1.1.1.2 Supporting PFIs with the assessment of projects (investment priorities; technical eligibility and feasibility; financial, economic, and risk analysis; mitigation and adaptation impact analysis; environmental social safeguards), including via digital tools -1.1.1.3 Building capacity to develop and issue green financial instruments -1.1.1.4 Train end beneficiaries to close green skills gaps and increase demand for PFIs' green finance portfolio, including gender considerations	Technical assistance delivered to 28 PFIs, including marketing and promotion activities and project review documentation, advisory provided product development for green financial instruments Green Technology Selector adapted for eligible technologies for each country Minimum 4 industry and regional events for financial sector stakeholders Minimum 28 trainings and capacity building events with PFIs and end beneficiaries
1.1.2 Monitoring, reporting and verification (MRV) of the portfolios of investments for climate mitigation and adaptation projects, including increasing PFI MRV capacity and	The EBRD will regularly monitor FIs' portfolio of projects invested and/implemented, conduct spot checks and/or hire independent verification experts to ensure the integrity of the climate technologies implemented.	Sub-activities: -1.1.2.1 Portfolio-level monitoring and reporting (at financial institution level, amount of sub-loans disbursed, list of sub-projects and sectors, project values, gender, etc.) -1.1.2.2 Target result monitoring (at financial institution level, monitoring and reporting of targets set at inception, such as envisaged energy savings, renewable energy installations, expected emission	EBRD regular reporting to the GCF that will include reporting on all the sub-activities, which will draw on deliverables provided to EBRD such as verification reports, site visits, results dashboards, consultant reports, communications materials, PFI portfolio reporting.

gender considerations		reductions and specific adaptation benefits) - 1.1.2.3 Activity and deliverables monitoring (at financial institution level, marketing activities, training and capacity buildings to advise the most effective and efficient solutions) -1.1.2.4 Independent verification (at country and/or financial institution level, verification consultants to verify the results reported and conduct on-site or desk-top verification of projects implemented)	
Component 1. Greening Financial Systems: Enabling financial institutions, regulators and financial actors adopting and implementing ambitious and sustainable climate finance portfolios and practices **Output 1.2 Enhanced capabilities, tools and processes of financial institutions to develop ambitious climate performance targets and credible climate transition plans.**			
1.2.1 Supporting financial institutions with Paris Agreement alignment and climate transition planning through technical assistance	The Programme will support PFIs to commit to develop an ambitious and credible Paris alignment transition plans and to set and implement the climate performance targets. To do so, the Programme will provide transition planning and implementation related support coupled with conditional financial incentive grants. Below illustrate possible results: • Portfolio level GHG emissions • Portfolio level sector-exposure targets • Developing exclusion policy • Revision of existing governance structure e.g., appointment of climate responsibility among board or senior management	Sub-activities: -1.2.1.1 Build capacity to understand physical climate and transition risks as well as opportunities in relation to portfolios and business practices. -1.2.1.2 Building capacity to assess portfolios of investments in relation to climate risk exposure and impacts on GHG emissions. -1.2.1.3 Building capacity to develop climate performance targets and metrics and define milestones across climate-related governance, disclosure, risk management and strategy planning	Training events delivered for 28 PFIs to build capacity in understanding climate risks, how to assess investment portfolios including in relation to Paris Alignment, and on developing metric, targets and milestones.

	• Revision of risk management and/or operations policy in sector-specific • Increased offerings of green finance products in the local markets	-1.2.1.4 Monitoring financial institutions' transition plans (and/or equivalent deliverables) and advising towards progress with Paris alignment	
1.2.2 Enabling financial institutions to develop climate transition plans through financial incentives on the achievement of key milestones	GCF will provide financial incentives to FIs for committing to develop and implement an ambitious, credible and comprehensive transition plans. Eligible financial incentive payments to PFIs will be defined in the Policy Statement that forms part of Loan Agreements, and will be against the achievement of the below key milestones: • 25% of the incentive grants payable on the Accredited Entity's approval of the project leader at the PFI, who will work on the PFI's climate transition planning in accordance with the methodology provided by the Accredited Entity and discuss a draft climate transition plan with the Accredited Entity; • 25% of the incentive grants payable on the adoption by the PFI's board or other equivalent governing body of a climate transition plan in form and substance satisfactory by the Accredited Entity; and • 50% of the incentive grants payable on the public disclosure by the PFI of the core elements of the climate transition plan in form and substance satisfactory to the Accredited Entity. Eligible criteria for the use of the financial incentive grant to PFIs may be associated with following:	Sub-activity: 1.2.2.1 Provide financial incentives to FIs to incentivize them to achieve sustainable milestones with significant positive externalities	Regular reports that include the amount and/or percentage of incentive grants disbursed to FIs as incentive payments, and number of PFIs who have received them.

	• Launching new green financial products (e.g., marketing, internal incentive mechanisms). • Climate target setting and development of green investment portfolio, • Risk management and disclosure (e.g., strengthening environmental and social management information systems – where much of the climate-related risk management information would be held).		
1.2.3 Building the capacity of regulators, policy makers and other financial actors, including knowledge sharing and public dissemination of information	The EBRD will facilitate knowledge sharing among participating FIs and regulators and beyond and disseminate good practices through a range of structured knowledge sharing mechanisms. The EBRD will actively engage with the policy makers and regulator community (central banks, banking supervisors, Ministry of finance, stock exchanges, etc.) to help them learn from global best practices on policy and regulatory support, and to reflect feedback from FIs' experience. For this, the EBRD will leverage its policy leadership and institutional relationship with institutions such as EU Sustainable Finance Platform, Network for Greening the Financial System (NGFS), and International Sustainable Standards Board.	<u>Sub-activities:</u> - 1.2.3.1 Organise knowledge sharing events and initiatives to facilitate exchange of best practice and knowledge among FIs and financial regulators - 1.2.3.2 Publication of related methodologies and findings, and/or encourage participating FIs with public disclosure of their good practices - 1.2.3.3 Help regulators and policy makers to understand the latest trends and global best practices in climate risk management, transition planning and other related areas. - 1.2.3.4 Facilitate knowledge exchange between regulators and FIs to ensure development of market specific and globally coherent regulatory practices.	4 Conference, webinars and/or workshops for financial sector stakeholders 14 publications by end of implementation period
Component 2. Delivering Climate Finance for All: Investments to unlock and scale up climate capital			

Output 2.1 Increased investments in climate mitigation technologies and approaches through concessional finance **Output 2.2 Increased investments in climate adaptation technologies and approaches through concessional finance**			
Activity 2.1.1 Deployment of concessional loans to unlock and scale up climate mitigation projects	GCF loans will be provided in the form of concessional loans at below-market interest rates to support climate mitigation projects. The loans will target some of the underserved economic actors, such as the households, MSMEs and farmers. The Program targets to commit at least 30% of the total Programme loan proceeds end beneficiaries outside of the main city.	Sub-activity: -2.1.1.1 Provide concessional loans to FIs to scale up climate mitigation sub-projects	28 concessional EBRD-GCF loans signed with PFIs to support mitigation projects
Activity 2.1.2 promoting women's access to climate mitigation finance	GCF loans will be provided in the form of concessional loans at below-market interest rates to support climate mitigation projects. A special attention will be given to MSMEs, and women-owned or women-led businesses	Sub-activity: 2.1.2.1. Provide concessional loans to FIs to scale up climate mitigation sub-projects incorporating a focus on women's access to finance	20% of the EBRD-GCF loans signed with PFIs to be committed to women/women-led/owned businesses to invest in climate mitigation projects
Activity 2.2.1 Deployment of concessional loans to unlock and scale up climate adaptation projects	GCF loans will be provided in the form of concessional loans at below-market interest rates to support climate adaptation and resilience projects. The loans will target some of the underserved economic actors, such as the households, MSMEs and farmers. The Program targets to commit at least 30% of the total Programme loan proceeds end beneficiaries outside of the main city.	Sub-activity: - 2.2.1.1. Provide concessional loans to FIs to scale up climate adaptation sub-projects	28 concessional EBRD-GCF loans signed with PFIs-to support adaptation projects
Activity 2.2.2 promoting women's access to climate	GCF loans will be provided in the form of concessional loans at below-market interest rates to support climate adaptation projects. A special attention will be given to MSMEs, and women-owned or women-led businesses	Sub-activity: 2.2.2.1 Provide concessional loans to FIs to scale up climate adaptation	20% of the total adaptation share of EBRD-GCF loans signed with PFIs to be committed to women/women-led/owned

adaptation finance		sub-projects incorporating a focus on women's access to finance	businesses to invest in climate adaptation projects

E.7. Monitoring, reporting and evaluation arrangements

See Annex 11 for additional details

Monitoring

1. **Monitoring for the Programme will be in line with EBRD's policies and the terms of the AMA/FAA. Specifically, the implementation of each project under the Greening Financial Systems Programme to Deliver Climate Finance for All Programme will be managed and monitored at project and Programme level by EBRD's in-house staff, project management unit and procured consultants. The EBRD has dedicated staff in its sectors team, risk departments and regional offices that will conduct due diligence, monitor project risks, and prepare mitigation measures throughout the Programme's lifecycle. The logical frameworks will be aligned at Programme and sub-project level, and the same outcome indicators will be applied across Programme portfolio to aggregate Program results from sub-projects at Program level. Under the Programme the EBRD will deploy specialist Implementation Consultants to conduct technical assessments of sub-projects, capture impact indicators and record data on the EBRD Management Information System (MIS). These Consultants also periodically monitor and track implementation of sub-projects. Ex-post analysis is done on the volume of disbursement, no of beneficiaries, impact indicators, etc. based on sub-loan data in the EBRD Management Information System (MIS). Independent verification is done by contracted Verification Consultants (who are totally separate from the Implementation Consultants and act as a second line of defence), who conduct spot checks on a representative sample of sub-projects and this provides a sense-check on the overall ex-post data coming into the MIS system. EBRD reports to GCF on results of the Programme (incl. GHG reductions) on the basis of the data in MIS.**

Reporting

<u>A. PFI Reporting to the EBRD:</u> As specified in the legal agreement between PFI and EBRD, the PFI is obliged to report its portfolio on the use of proceeds of the Programme to the EBRD.

B. Consultant Reporting to EBRD

1. *Inception report:* As soon as a team of local and international consultants is procured to implement the Programme. During the inception phase, the team of consultants will report to the EBRD Programme manager their activities including the starting up phases of establishing the country or region-specific marketing strategy; establishing processes and procedures in consultation with PFIs and other stakeholders; establishing the database, including the market specific list of Green Technology Selectors.

2. *Programme monitoring reports:* Once the Programme is officially launched, the operational team will consult with the EBRD managers on the progress of the Facility and report on a weekly, monthly, and quarterly basis throughout the Programme lifetime. These reporting will include (A) Programme and PFI level and (B) end-beneficiary level monitoring.

3. *Final report:* At Completion Date, the operational team will prepare a completion report at Programme-level.

C. EBRD Reporting to the GCF

4. Once the EBRD receives reporting from clients and consultants, the EBRD reviews the reporting to identify discrepancies and reconcile the data. Based on this, EBRD will provide to the GCF a) annual activity performance reports on the status of the GCF funded activities throughout the relevant reporting period, b) interim evaluation report at the mid-point of the Implementation period and final evaluation reports at the end of the implementation period of the Programme.

5. *Impacts* will be reported to the GCF through the indicators reporting required for all projects as set out in the Legal Agreements and EBRD staff or contracted consultants responsible for monitoring the impacts of the Programme where consultant reports will be used a means of verification.

6. *Outcomes* will predominantly rely on EBRD staff or contracted consultants to monitor and report on the indicators using the means of verification specified above.

7. Outputs will be monitored in line with the means of verification described above as provided either by consultants, the Bank's treasury department or clients. Both EBRD staff and contracted consultants will be responsible for ensuring the Bank fully and successfully reports all listed indicators and information to GCF.

8. The reporting on all of the above will be aligned with the indicators set out in the Logical Framework of the Programme.

Evaluations

9. Two evaluations are planned: one interim independent evaluation following year 6 of Programme implementation; and one final independent (summative) evaluation looking at the impacts of the Programme at Completion Date.

10. The independent Evaluation Department (EvD) evaluates the performance of the EBRD's completed projects. The Evaluation Department is a department independent of the EBRD's various banking divisions (and hence of the developers and managers of the projects they evaluate); therefore, EvD reports solely to the Board of Directors (i.e., to the representations of the shareholding governments). The EvD evaluates the effectiveness, relevance, and input efficiency of projects and provides the Board with important insights into the implementation of projects, impacts, success stories and lessons learnt. Under the EBRD's Public Information Policy, EvD publishes summaries of its independent project evaluations.

11. Evaluations will be conducted in compliance with the GCF Evaluation Policy.

Click here to enter text.

D. RISK ASSESSMENT AND MANAGEMENT

F.1. Risk factors and mitigations measures

Selected Risk Factor 1: Political risk

Category	Probability	Impact
Other	Medium	Medium

Description

141. There is potential political instability at the macro-level in many of target countries as well as localised political risks to the Programme. Specifically, some of the targeted countries in the Neighbourhood East have significant geo-political uncertainties stemming from the ongoing conflict in Ukraine, in particular Moldova, which continues to experience economic and social spillover effects from its proximity to Ukraine and hosts high levels of displaced peoples, thereby intensifying fiscal pressures and negatively impacting growth and inflation projections. Should this risk materialise, there can be expected material challenges in the Programme implementation, disruption to countries' governance, banking system and other implications of the war that could manifest in higher borrowing costs, reduced appetite to borrow from PFIs and sub-borrowers and therefore lower deployment of the Programme in the affected country. This has been considered in the development of the potential pipeline for Moldova and other potentially affected countries (e.g. Jordan) and is considered Medium. Furthermore, this could lead to potential legal and administrative restrictions that may be imposed on the investment climate and financing conditions for the private sector.

Mitigation Measure(s)

142. Political risks vary considerably between countries and the Programme contexts. The EBRD is primarily driven by the sound banking principle, with thorough due diligence processes covering angles related to political, integrity and policy risks. The EBRD has local presence and trusted relationships and monitors closely the evolution of conflicts and their impacts on the viability of investment contexts. The EBRD would also build on its long relationships and policy support activities with the governments of the countries it operates to support alignment of political agenda with the broad objectives of the Programme. The Programme can be a crucial tool in enabling financing even in crisis situations within sound banking parameters. More generally, political risk is not easily ring-fenced and mitigated, with the risk of a jurisdiction reflected in higher financing premiums. The GCF's support through the Programme will be an important risk mitigant for catalysing financing flows in these countries, helping address some of the perceived barriers that contribute to such higher financing premiums, and, given the Programme's overall implementation period, activities can be scaled down and then rebound should be situation improve. The Programme also includes a diverse set of countries across three continents, thereby diversifying this risk, hence the residual impact of this risk is considered Medium.

Selected Risk Factor 2: Economic risk		
Category	Probability	Impact
Other	Medium	Medium

Description

143. Macro-economic risks such as those of general shocks and downturns to aggregate demand, trade, or employment, have been rising in the aftermath of the pandemic and now the war on Ukraine, e.g., with inflationary cost effects on commodities, energy, food and raw materials globally. The persistence of adverse economic conditions related to the war on Ukraine as well as the COVID-19 pandemic and related restrictions could affect FIs' risk appetite (supply side) as well as end-borrowers' appetite to invest or push them towards cheaper, lower-performing technologies (demand side).

144. The war's effects have reverberated globally and have led to disruptions and greater disparities emerging in the rate of recovery across the target countries. Furthermore, the invasion of Ukraine and the resulting energy crisis has prompted a reassessment on energy and food security and the interdependencies and potential vulnerabilities across targeted countries. Direct and indirect effects of the war have been felt across all the countries with inflationary pressures (and correspondingly higher borrowing cost), supply shortages, monetary tightening and market unpredictability which remain the key factors hindering the economic recovery and growth prospects. This could impact both risk appetite of FIs for new lending, as well as FI's ability to originate sub-portfolios.

5. Credit risk may arise from potential PFIs that will fail to perform and meet a contractual obligation that results in financial loss due to credit events and affect the profitability of the investment under the Programme.

146. PFIs may face risks associated with currency fluctuation since GCF loans are available only in USD/EUR while PFIs may provide local currency lending to their sub-borrowers in some countries. PFIs in targeted countries may not have capacity to swap hard currency borrowing themselves or can bear the full risk arising from this.

Mitigation Measure(s)

147. EBRD's presence and processes, including those applied with partner financing institutions, will ensure adequate risk management of the Programme. Early detection of emerging challenges will be facilitated by EBRD's strong local presence in all targeted countries.

148. These factors will be monitored carefully throughout implementation to raise and address pertinent issues and developments in a timely manner. The Programme's focus on advisory services for FIs and regulators are expected to improve investment contexts together with marketing and awareness raising support. The concessionality will also serve to stimulate demand from the target group for adaptation and resilience projects. The proposed sectoral and geographic diversification of the Programme is a key mitigant to the Programme. Overall, the targeted countries are still expected to report growth rates despite these global shocks, which are expected to be temporary not permanent.

149. Furthermore, in line with its mandate, the EBRD applies sound banking principles in its operations, and prices its products commercially considering the country and counterparty risk as well as deal term and structure and includes appropriate negative and affirmative covenants in its Loan Agreements to mitigate specific risks at the transaction level (see Annex 9 for further details). The EBRD is a signatory and active proponent of the Principles for Blended Concessional Finance. The EBRD has always acted to operate counter-cyclically in difficult macroeconomic situations. The Bank always applies a rigorous internal due diligence processes where economic/market sensitivities are assessed and analysed for projects, hence the residual impact of this risk is considered Low.

150. EBRD will provide local currency loans in targeted countries when there is a need by procuring local currency funding or hedging by entering into currency swaps with third party providers. Furthermore, FX risk will be closely monitored for each PFIs under the programme.

Selected Risk Factor 3: Implementation risk		
Category	Probability	Impact
Technical and operational	Low	Medium
Description		
151. Successful deployment of the Programme will require significant efforts and dedicated resources to originate, execute and monitor the exposures. Furthermore, there could be unsatisfactory performance of engaged consultants in the technical assistance activities with the FIs or lack of commitment from FIs to the Programme. This will require additional technical assistance to support them in implementing more advisory services, marketing and awareness raising support and climate practice business activities. EBRD treats all clients as high risk when it comes to integrity, money laundering, sanctions, risk of financing terrorism et al. Given the magnitude of these risks, EBRD has not adopted a risk based approach, even for the FI sector, and scrutinises all clients and their practices annually as part of annual risk monitoring and assessment. In addition, as the first line of response, responsible bankers for a transaction have a duty to monitor existing clients not only from the credit risk perspective, but also public information about partner financial institutions. Every year each client is required to complete an AML, Integrity and Sanctions questionnaire. Information and management attestation from such questionnaires is verified during on-site due diligence and as part of on-going monitoring.		
Mitigation Measure(s)		
152. Relevant for the Programme rollout, the EBRD is gaining valuable implementation experience deploying GCF GEFF Programme (FP025). As such, the Bank has established a model for governance and operationalisation for how the GCF funds can be deployed in a successful manner. The deployment of the GCF finance onto individual loans will be structured in line with the DFI guidelines on the use of concessional finance which guard against potential market distortions and ensure there is a strong rationale for using concessional financing. 153. The Bank's Procurement Operations & Delivery Department and Procurement Policy and Advisory Department develop and update procurement policies, rules, and methods, and are responsible for maintaining a procurement quality assurance system, reviewing complaints and publishing information about procurement opportunities and contract awards. Regarding the tracking and usage of funds, EBRD has prepared a new and enhanced guidance and processes when dealing with GCF funds (in terms of sanctions, AML, and other checks). 154. The Programme's holistic design, addressing both supply side and demand side constraints mitigates this risk, including through support to the FI on product design and roll-out, marketing and awareness-raising activities to build demand and pipeline and the use of the investment incentive to stimulate demand. Qualified consultants will be selected by the EBRD or its clients in accordance with the organisation's Corporate Procurement Policy and Procurement Policy and Rules and managed using its thorough experience of provision technical assistance to its clients under similar programmes. Given these robust procedures and the EBRD's substantial experience in project implementation, the residual impact of this risk is considered Low.		

E. GCF POLICIES AND STANDARDS

G.1. Environmental and social risk assessment

155.
The backbone of the sustainability strategy is the **Environmental & Social policy of the Bank** **(ESP)**, outlining E&S risks identification and management processes of all operations financed by EBRD, as well as excluded activities. The ESP (2019) is currently undergoing revisions and ESP (2024) will be disclosed publicly on 1st January 2025. The revised ESP (2024) will apply to all projects initiated and eventually signed on/after such date. Up until such date, ESP (2019) will apply. All sub-projects financed by the PFIs must comply with EBRD's Environmental and Social Exclusion List as well as applicable local and national environment, health, safety and labour regulations and standards. The proposed Program is classified as I-2 and will not finance category A sub-projects, hence there will be no requirement for ESIAs (which are a requirement for category A sub-projects only). **Specific Performance Requirements.** All PFIs financed through the Facility will also be required to comply with the relevant EBRD's Performance Requirements, as set out below.

1) Applicable to the PFI internal operations and not the sub-project portfolio:

2. a. PR2: Labour and Working Conditions. The key requirements of PR2 are that the PFIs comply, at a minimum, with (i) national labour, social security and occupational health and safety laws, and (ii) the fundamental principles and standards embodied in the ILO conventions.
3. b. PR4: Health and Safety. The key requirements of PR4 are that PFIs take steps to identify and prevent accidents, injury and disease to workers and affected communities arising from or associated with or occurring during the project activities and prepare and implement preventative measures and plans to manage health and safety risks in accordance with the mitigation hierarchy approach and GIP.

2) Applicable to sub projects in the FI portfolio:

156. PR9: Financial Intermediaries. The key requirements of PR9 are that PFIs put in place a clearly defined Environmental and Social Management System (ESMS), including an environmental and social policy and environmental and social procedures commensurate with the nature of the FI, the level of environmental and social risks associated with its business activities, and the type of the project and subprojects.

157. The full PRs can be found following this link. To assist the PFIs in implementing the above requirements, EBRD has developed several guidance documents. All of these can be found through this link.

158. On an annual basis, all PFIs will be required to submit to the EBRD annual environmental and social reports on the implementation status of the ESMS, PR9, PR 2, the occupational health and safety requirements of PR 4, as well as the environmental and social performance of its portfolio of subprojects. EBRD also reserves the right to conduct site visits to PFIs to monitor the implementation of the Bank's requirements and to visit sub-projects, as necessary.

G.2. Gender assessment and action plan

159. Gender inequalities in financial systems and access persist across the thirteen countries targeted by the Programme. These are especially prevalent in the context of women's unequal access to finance and in particular climate finance. Significant gaps are also prevalent with regards to women's access to green skills and equal opportunities for access to labour force participation in the sector (horizontal segregation), as well as in related managerial roles (vertical segregation).

160. The EBRD's Strategy for the Promotion of Gender Equality (2021-2025) has set ambitious organisational level targets to promote gender equality across its programmes and engagements. To achieve the targets, multiple tools, including the Gender Smart methodology, have been developed. Their aim is to integrate gender considerations into policy engagements, investments, capacity building and other FI ecosystem engagements.

161. Under this new GCF GFS Programme, the EBRD will seek to promote gender equality as well as including gender focused activities within the Programme and sub-projects. This would include supporting financial institutions in developing NFS to provide green skills training to end beneficiaries to ensure they are aware of the benefits of investing in climate technologies both for commercial and residential purposes. Moreover, EBRD aims to support women's increased access to finance by incentivizing FIs through concessional financing, to promote and increase equal access to climate finance for women for both commercial and residential purposes.

G.3. Financial management and procurement

162. The Programme will select consultants in accordance with EBRD's Corporate Procurement Policy and with the Procurement Policies and Rules (PP&R). The EBRD will publish specific Terms of Reference (ToR) for each assignment targeted at a specific country, region, Facility or PFI, including a description of the tasks to be performed, deliverables, time-schedules, and reporting requirements. Participating consultancy providers respond by submitting the specified technical and financial proposal for the assignment together with details of the expert(s) proposed to carry out the work. Selection will be done in line with EBRD Procurement Policies and Rules (EBRD PP&R), as further defined in Annex 10.

G.4. Disclosure of funding proposal

☐ No confidential information: The accredited entity confirms that the funding proposal, including its annexes, may be disclosed in full by the GCF, as no information is being provided in confidence.

☒ With confidential information: The accredited entity declares that the funding proposal, including its annexes, may not be disclosed in full by the GCF, as certain information is being provided in confidence. Accordingly, the accredited entity is providing to the Secretariat the following two copies of the funding proposal, including all annexes:

- full copy for internal use of the GCF in which the confidential portions are marked accordingly, together with an explanatory note regarding the said portions and the corresponding reason for confidentiality under the accredited entity's disclosure policy, and
- redacted copy for disclosure on the GCF website.

The funding proposal can only be processed upon receipt of the two copies above, if containing confidential information.

F. ANNEXES

H.1. Mandatory annexes

☒	Annex 1	NDA no-objection letter(s) (template provided)
☒	Annex 2	Market study
☒	Annex 3	Economic and/or financial analyses in spreadsheet format
☒	Annex 4	Detailed budget plan (template provided)
☒	Annex 5	Implementation timetable including key project/programme milestones (template provided)
☒	Annex 6	E&S document corresponding to the E&S category (A, B or C; or I1, I2 or I3): (ESS disclosure form provided) ☐ Environmental and Social Impact Assessment (ESIA) or ☐ Environmental and Social Management Plan (ESMP) or ☐ Environmental and Social Management System (ESMS) ☐ Others (please specify – E.G. Resettlement Action Plan, Resettlement Policy Framework, Indigenous People's Plan, Land Acquisition Plan, etc.)
☒	Annex 7	Summary of consultations and stakeholder engagement plan
☒	Annex 8	Gender assessment and project/programme-level action plan (template provided)
☒	Annex 9	Legal due diligence (regulation, taxation and insurance)
☒	Annex 10	Procurement plan (template provided)
☒	Annex 11	Monitoring and evaluation plan (template provided)
☒	Annex 12	AE fee request (template provided)
☒	Annex 13	Co-financing commitment letter, if applicable (template provided)
☒	Annex 14	Term sheet including a detailed disbursement schedule and, if applicable, repayment schedule

H.2. Other annexes as applicable

☐	Annex 15	Evidence of internal approval (template provided)
☐	Annex 16	Map(s) indicating the location of proposed interventions

☒	Annex 17	Multi-country project/programme information (template provided)
☐	Annex 18	Appraisal, due diligence or evaluation report for proposals based on up-scaling or replicating a pilot project
☐	Annex 19	Procedures for controlling procurement by third parties or executing entities undertaking projects financed by the entity
☐	Annex 20	First level AML/CFT (KYC) assessment
☐	Annex 21	Operations manual (Operations and maintenance)
☒	Annex 22	Assessment of GHG emission reductions and their monitoring and reporting (for mitigation and cross cutting-projects)
☒	Annex 23	Steps to greening financial systems
☒	Annex 24	Lessons learnt from GCF GEFF (FP025)
☒	Annex 24B	Lessons learnt from GCF GEFF (FP025)
☒	Annex 25	Eligibility Criteria
☒	Annex 26	EBRD Paris alignment methodology
☒	Annex 27	EBRD GET Technical Guide
☒	Annex 28	EBRD GET Annexes

[i] Contribute to mitigation - Substantial share of investments will generate both mitigation and adaptation benefits but in the contribution breakdown table the adaptation co-benefits of buildings and industries are not reported .
[ii] Contribution to adaptation - Investment that contribute to adaptation will address location-specific vulnerabilities to physical climate risks. They will range from and not limited to technologies and agricultural practices that reduce soil erosion and water use and increase yields, to buildings that improve thermal comfort and wellbeing for occupants in heat stressed regions, to renewable energy generation that reduce water use in regions with water scarcity. Investments generating both adaptation and mitigation benefits are also counted in the mitigation result areas.
[iii] Envisaged contribution to adaptation from investments in agriculture that would reduce water use and hence reduce the country's vulnerability to water scarcity, the physical impacts of climate change.

No-objection letter(s) issued by the national designated authority(ies) or focal point(s)

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REPUBLIC OF ARMENIA
MINISTER OF ENVIRONMENT
РЕСПУБЛИКА АРМЕНИЯ
МИНИСТР ОКРУЖАЮЩЕЙ СРЕДЫ

№ 1/08.5/7512

« 17 » « 07 » 2024

To: The Green Climate Fund ("GCF")

Re: Funding proposal for the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding Greening the Financial Systems Programme

Dear Madam/Sir,

We refer to the programme titled Greening the Financial Systems as included in the funding proposal submitted by the European Bank for Reconstruction and Development ("EBRD").

The undersigned is the duly authorized representative of the Ministry of Environment of the Republic of Armenia, the National Designated Authority of the Republic of Armenia.

Pursuant to GCF decision B.08/10, the content of which we acknowledge to have reviewed, we hereby communicate our no-objection to the programme as included in the funding proposal.

By communicating our no-objection, it is implied that:

(a) The Government of the Republic of Armenia has no-objection to the EBRD's funding proposal as submitted to the GCF;
(b) The Programme as included in the funding proposal is in conformity with national priorities, strategies and plans of the Republic of Armenia;
(c) In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

ՀԱՅԱՍՏԱՆԻ ՀԱՆՐԱՊԵՏՈՒԹՅՈՒՆ
ՇՐՋԱԿԱ ՄԻՋԱՎԱՅՐԻ
ՆԱԽԱՐԱՐՈՒԹՅՈՒՆ

0010, ք.Երևան, Հանրապետության հր., Կառավարական տուն 3
3 Government Bld., Republic Sq., Yerevan, Armenia, 0010
0010, Армения, г.Ереван, Пл. Республики, Дом Правительства 3
10010608@e-citizen.am | minenv@env.am | www.env.am
+374 11 818 501 | +374 11 818 506

We acknowledge that this letter may be made publicly available on the GCF website.

Sincerely,

Mr. Hakob Simidyan
National Designated Authority
for the Republic of Armenia

International Cooperation Department
Ani Khachaturyan, +37411 818 508

To: The Green Climate Fund ("GCF")

Egypt, 1 August 2024

Re: Funding proposal for the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme

Dear Madam, Sir,

We refer to the programme titled Greening the Financial Systems Programme in Egypt as included in the funding proposal submitted by the European Bank for Reconstruction and Development ("EBRD") to us on 21 November 2023.

The undersigned is the duly authorized representative of the Ministry of Environment of the Arab Republic of Egypt.

Pursuant to GCF decision B.08/10, the content of which we acknowledge to have reviewed, we hereby communicate our no-objection to the programme as included in the funding proposal.

By communicating our no-objection, it is implied that:

(a) The government of Egypt has no-objection to the programme as included in the funding proposal;
(b) The programme as included in the funding proposal is in conformity with the national priorities, strategies and plans of Egypt
(c) In accordance with the GCF's environmental and social safeguards, the programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter will be made publicly available on the GCF website.

Kind regards,

8/2024

Eng. Sherif Abd Elrahim
National Focal Point GCF-NDA
Head of Climate Change Central Department
Egyptian Ministry of Environment
Egypt

MINISTRY OF ENVIRONMENTAL PROTECTION
AND AGRICULTURE OF GEORGIA

34, Marshal Gelovani ave
Tbilisi, 0156, Georgia
+995 32 237 80 13
+995 32 237 80 44
info@mepa.gov.ge

17 November 2023

N 9239/01

To: The Green Climate Fund ("GCF")

Re: Funding proposal for the GCF by the European Bank for Reconstruction and Development regarding the Greening the Financial System Programme

Dear Madam, Sir,

We refer to the programme titled "Greening the Financial System" as included in the funding proposal submitted by the European Bank for Reconstruction and Development to us.

The undersigned is the duly authorized representative of the Ministry of Environmental Protection and Agriculture of Georgia, the National Designated Authority of Georgia.

Pursuant to GCF decision B.08/10, the content of which we acknowledge to have reviewed, we hereby communicate our no-objection to the programme as included in the funding proposal.

By communicating our no-objection, it is implied that:

(a) The government of Georgia has no-objection to the programme as included in the funding proposal;

(b) The programme as included in the funding proposal is in conformity with the national priorities, strategies and plans of Georgia;

(c) In accordance with the GCF's environmental and social safeguards, the programme as included in the funding proposal will be implemented in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter will be made publicly available on the GCF website.

Kind regards,

Nino Tandilashvili

First Deputy Minister

SILVER JUBILEE
1999 - 2024

MINISTRY OF ENVIRONMENT

Ref. No: 2105/2/7
Date : 28/03/2024

Ms. Mafalda Duarte
Excutive Director
The Green Climate Fund ("GCF") Secertariat
G-Tower,123 Central Street
Songdo-dong,206840,Republic of Korea

Subject: No-objection letter for the funding proposal to the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme

Dear Madam,

We refer to the funding proposal to the GCF submitted by the European Bank for Reconstruction and Development ("EBRD") regarding the "Greening the Financial Systems Programme". The undersigned is the duly authorized representative of the Ministry of Environment of the Hashemite Kingdom of Jordan.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

(a) The government of Jordan has no-objection to the EBRD's funding proposal as submitted to the GCF;
(b) The Programme as included in the funding proposal is in conformity with national priorities, strategies and plans of Jordan.
(c) In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter may be made publicly available on the GCF website.

Kind regards,

Eng. Belal Shqarin
Director of Climate Change Directorate

Eng. AbdulMajeed Khabour
Acting Secretary General

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ
ЭКОЛОГИЯ
ЖӘНЕ ТАБИҒИ РЕСУРСТАР
МИНИСТРЛІГІ

MINISTRY
ECOLOGY AND NATURAL
RESOURCES
REPUBLIC OF KAZAKHSTAN

010000, Астана қ., Мәңгілік Ел даңғылы, 8
«Министрліктер үйі», 14-кіреберіс
тел.: +7 7172 74 08 44

010000, Astana, Mangilik El Ave., 8
"House of Ministries", entrance 14
tel.: +7 7172 74 08 44

№ 04-12/9673 от 20.08.2024
______________№______________

Ms. Mafalda Duarte
Executive Director
Secretariat of the Green Climate Fund
175 Art Center-daero
Yeonsu-gu, Incheon 406-840
Republic of Korea

Subject: *No-objection letter for the funding proposal to the GCF by the European Bank for Reconstruction and Development (EBRD) regarding the Greening the Financial Systems Programme*

The Ministry of Ecology and Natural Resources of the Republic of Kazakhstan refer to the funding proposal to the GCF submitted by the European Bank for Reconstruction and Development (EBRD) regarding the Greening the Financial Systems Programme.

The undersigned is the duly authorized representative of the Ministry of Ecology and natural Recourses of the Republic of Kazakhstan, the National Designated Authority/focal point of the Republic of Kazakhstan.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

(a) The government of the Republic of Kazakhstan has no-objection to the EBRD's funding proposal as submitted to the GCF;

(b) The Programme as included in the funding proposal is in conformity with the Kazakhstan's national priorities, strategies and plans;

(c) In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the Greening the Financial Systems programme.

We acknowledge that this letter may be made publicly available on the GCF website.

Kind regards,

A. Mamedaliyeva
+7 7172 74-08-12
a.mamedaliyeva@ecogeo.gov.kz

Vice-Minister **M. Oshurbayev**

Согласовано
15.08.2024 13:38 Сабиева Сауле Сагдатовна
15.08.2024 14:56 Галиева Гулмира Макмутовна
20.08.2024 12:54 Әбжәли Инкар Алмасовна
Подписано
20.08.2024 13:32 Ошурбаев Мансур Турсынович

Тип документа	Исходящий документ
Номер и дата документа	№ 04-12/9673 от 20.08.2024 г.
Организация/отправитель	МИНИСТЕРСТВО ЭКОЛОГИИ И ПРИРОДНЫХ РЕСУРСОВ РЕСПУБЛИКИ КАЗАХСТАН
Получатель (-и)	ДРУГИЕ
Электронные цифровые подписи документа	Государственное учреждение "Министерство экологии и природных ресурсов Республики Казахстан" Согласовано: САБИЕВА САУЛЕ MIIRWgYJ...71jMZxHzB Время подписи: 15.08.2024 13:38
	Государственное учреждение "Министерство экологии и природных ресурсов Республики Казахстан" Согласовано: ГАЛИЕВА ГУЛМИРА MIIRYgYJ...E4ATKbjY= Время подписи: 15.08.2024 14:56
	Согласовано: Әбжәли Инкар Алмасовна без ЭЦП Время подписи: 20.08.2024 12:54
	Государственное учреждение "Министерство экологии и природных ресурсов Республики Казахстан" Подписано: ОШУРБАЕВ МАНСУР MIISKQYJ...zS52c/gVL Время подписи: 20.08.2024 13:32
	Государственное учреждение "Министерство экологии и природных ресурсов Республики Казахстан" ЭЦП канцелярии: АЛИМХАНОВА АРДАГУЛ MIISfQYJ...rwJWS6NJK Время подписи: 20.08.2024 14:35

[[QRCODE]]

Данный документ согласно пункту 1 статьи 7 ЗРК от 7 января 2003 года N370-II «Об электронном документе и электронной цифровой подписи», удостоверенный посредством электронной цифровой подписи лица, имеющего полномочия на его подписание, равнозначен подписанному документу на бумажном носителе.

КЫРГЫЗ РЕСПУБЛИКАСЫНЫН ЖАРАТЫЛЫШ РЕСУРСТАРЫ, ЭКОЛОГИЯ ЖАНА ТЕХНИКАЛЫК КӨЗӨМӨЛ МИНИСТРЛИГИ

720040, Кыргыз Республикасы
Бишкек ш., Эркиндик бульвары, 2
Эл.почта: info@mnr.gov.kg
тел.: +996 (312) 30-06-67

МИНИСТЕРСТВО ПРИРОДНЫХ РЕСУРСОВ, ЭКОЛОГИИ И ТЕХНИЧЕСКОГО НАДЗОРА КЫРГЫЗСКОЙ РЕСПУБЛИКИ

720040, Кыргызская Республика
г. Бишкек, бульвар Эркиндик, 2
Эл.почта: info@mnr.gov.kg
тел.: +996 (312) 30-06-67

29. 05 2024 № 11-01-10/3869

На №

To: The Green Climate Fund ("GCF")

Subject: No-objection letter for the funding proposal to the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme

Dear Madam, Sir,

We refer to the funding proposal to the Green Climate Fund submitted by the European Bank for Reconstruction and Development regarding the Greening the Financial Systems Programme.

The undersigned is the duly authorized representative of the Ministry of Natural Resources, Environment and Technical Supervision, the National Designated Authority/Focal Point of the Kyrgyz Republic.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

(a) The government of the Kyrgyz Republic has no-objection to the EBRD's funding proposal as submitted to the GCF;

(b) The programme as included in the funding proposal is in conformity with the national priorities, strategies and plans of the Kyrgyz Republic.

(c) In accordance with the GCF's environmental and social safeguards, the programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.
We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme
We acknowledge that this letter will be made publicly available on the GCF website.

Kind regards,

Minister M. Turgunbaev **M. Turgunbaev**

MINISTRY OF ENVIRONMENT AND TOURISM
OF MONGOLIA
**CLIMATE CHANGE RESEARCH
AND COOPERATION CENTRE**
STATE OWNED ENTERPRISE
Zaisan 9 street, 11th Khoroo,Khan-Uul District,
Ulaanbaatar 14191, MONGOLIA
Tel: (976) 7000 0744
E-mail: ccrccmongolia@ccrcc.mn, http://www.ccrcc.mn

To: The Green Climate Fund ("GCF")

Date: 15 March, 2024
Ref. 37

Subject: No-objection letter for the funding proposal to the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme

Dear Madam, Sir,

We refer to the funding proposal to the GCF submitted by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme.

The undersigned is the duly authorized representative of the Ministry of Environment and Tourism.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

(a) The government of Mongolia has no-objection to the EBRD's funding proposal as submitted to the GCF;
(b) The Programme as included in the funding proposal is in conformity with Mongolia's national priorities, strategies and plans;
(c) In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme with the condition of the engagement and participation of wider national stakeholders and social and gender inclusion.

We acknowledge that this letter may be made publicly available on the GCF website.

Kind regards,

I. Chuluund

To: The Green Climate Fund ("GCF")

Rabat, 14/09/2023

Subject: No-objection letter for the funding proposal to the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme

Dear Madam, Sir,

We refer to the funding proposal to the GCF submitted by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme.

The undersigned is the duly authorized representative of the Ministry of Energy Transition and Sustainable Development- Department of Sustainable Development of Morocco.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

(a) The government of Morocco has no-objection to the EBRD's funding proposal as submitted to the GCF;
(b) The Programme as included in the funding proposal is in conformity with Morocco's national priorities, strategies and plans;
(c) In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter may be made publicly available on the GCF website.

Kind regards,

Directeur des Changements Climatiques, de la Diversité Biologique et de l'Economie Verte
Signé : Bouzekri RAZI

Bouzekri Razi
Director of Climate Change, Biodiversity and Green Economy
Ministry of Energy Transition and Sustainable Development
Department of Sustainable Development
Kingdom of Morocco

Ministère de la Transition Energétique et du Développement Durable
Département du Développement Durable

Government of the Republic of North Macedonia

- OFFICE OF THE PRESIDENT OF THE GOVERNMENT -

13.09 .2024

Archive number: 08-1630/1

To: The Green Climate Fund ("GCF")
Ms Mafalda Duarte
Executive Director
Secretariat of the Green Climate Fund
175 Art Center-daero
Yeonsu-gu, Incheon 406840
Republic of Korea

Subject: No objection letter for the Funding proposal to the GCF by the European Bank for Reconstruction and Development regarding Greening the Financial Systems Programme, reissuing NOL

Respected Ms Mafalda Duarte,

We refer to the programme titled Greening the Financial Systems as included in the funding proposal submitted by the European Bank for Reconstruction and Development and the previous No objection letter issued by the Government with archive number 09-4314/1 on 22.04.2024.

The undersigned is the duly authorized representative of name of the Government of Republic of North Macedonia.

Pursuant to GCF decision B.08/10, the content of which we acknowledge to have been reviewed, we hereby communicate our no-objection to the programme as included in the funding proposal.

By communicating our no-objection, it is implied that:

a) The Government of the Republic of North Macedonia has no-objection to the programme as included in the funding proposal;

Office of the President of the Government
Government of the Republic of North Macedonia
Blvd. Ilinden, No. 2, Skopje
Republic of North Macedonia
+389 2 3123 371
www.vlada.mk

b) The programme as included in the funding proposal is in conformity with the national priorities, strategies and plans of the Republic of North Macedonia;

c) In accordance with the GCF's environmental and social safeguards, the programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter will be made publicly available on the GCF website.

Kind regards,

Andovska Sandra
Head of Department for Regional and sustainable development
Technical focal point for the Green Climate Fund
Republic of North Macedonia

Vladimir Neloski
Chief of Staff
Office of the President of the Government of the
Republic of North Macedonia

Office of the President of the Government
Government of the Republic of North Macedonia
Blvd. Ilinden, No. 2, Skopje
Republic of North Macedonia
+389 2 3123 371
www.vlada.mk

MINISTERUL MEDIULUI AL REPUBLICII MOLDOVA

MINISTRY OF ENVIRONMENT OF THE REPUBLIC OF MOLDOVA

MD 2004, mun.Chişinău, bd Ştefan cel Mare şi Sfânt,162, tel. 022 20 45 87, e-mail: cancelaria@mediu.gov.md

05.01.2024 Nr. 01-07/26

To: The Green Climate Fund ("GCF")

Chişinău, 5 January 2024

Subject: No-objection letter for the funding proposal to the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme

Dear Madam, Sir,

We refer to the funding proposal to the GCF submitted by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme.

The undersigned is the duly authorized representative of the Ministry of Environment of Moldova.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

(a) The government of Moldova has no-objection to the EBRD's funding proposal as submitted to the GCF;
(b) The Programme as included in the funding proposal is in conformity with Moldova's national priorities, strategies and plans;
(c) In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter may be made publicly available on the GCF website.

Kind regards,

Iordanov

Iordanca-Rodica IORDANOV
Minister of Environment

Republic of Serbia
MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT
Date: 28th November 2023
Belgrade

To: The Green Climate Fund (GCF)

Re: No-objection letter for the funding proposal to the GCF by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme

Dear Madam, Sir,

We refer to the funding proposal to the GCF submitted by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme.
The undersigned is the duly authorized representative of the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia.
Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.
By communicating our no-objection, it is implied that:

a) The government of Serbia has no-objection to the EBRD's funding proposal as submitted to the GCF;
b) The Programme as included in the funding proposal is in conformity with Serbia's national priorities, strategies and plans;
c) In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter may be made publicly available on the GCF website.

Kind regards,

MINISTER
Jelena Tanasković
GCF National Designate Authority / Focal Point

КУМИТАИ
ҲИФЗИ МУҲИТИ ЗИСТИ
НАЗДИ ҲУКУМАТИ
ҶУМҲУРИИ ТОҶИКИСТОН
734003, шаҳри Душанбе, кӯчаи Шамсӣ 5/1
Тел./факс: (992 37) 236-40-59, 236-13-53
Веб-сайт: www.tajnature.tj
Почтаи электронӣ: info@tajnature.tj

КОМИТЕТ
ОХРАНЫ ОКРУЖАЮЩЕЙ СРЕДЫ
ПРИ ПРАВИТЕЛЬСТВЕ
РЕСПУБЛИКИ ТАДЖИКИСТАН
734003, город Душанбе, улица Шамсӣ 5/1
Тел./факс: (992 37) 236-40-59, 236-13-53
Веб-сайт: www.tajnature.tj
Электронная почта: info@tajnature.tj

COMMITTEE OF ENVIRONMENTAL PROTECTION
UNDER THE GOVERNMENT OF THE REPUBLIC OF TAJIKISTAN
5/1 Shamsi str., 734003, Dushanbe city, tel./fax: (992 37)236-40-59, 236-13-53 web-site: www.tajnature.tj, e-mail: info@tajnature.tj

№ 1/17-03-1026 аз «18» 04 соли 2024

Ба ____________________ аз «_____» ______ соли 2024

To: The Green Climate Fund ("GCF")

Re: Funding proposal for the GCF by the European Bank for Reconstruction and Development regarding the "Greening the Financial Systems Programme"

Dear Madam, Sir,

We refer to the funding proposal to the GCF submitted by the European Bank for Reconstruction and Development ("EBRD") regarding the Greening the Financial Systems Programme.

The undersigned is the duly authorized representative of the Committee of Environmental Protection Under the Government of the Republic of Tajikistan.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

The Government of Tajikistan has no-objection to the EBRD's funding proposal as submitted to the GCF;

The Programme as included in the funding proposal is in conformity with Tajikistan's national priorities, strategies and plans;

In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme.

We acknowledge that this letter may be made publicly available on the GCF website.

Kind regards,

Sheralizoda Bahodur,
Chairman,
National Designated Authority to GCF

O'ZBEKISTON RESPUBLIKASI EKOLOGIYA, ATROF-MUHITNI MUHOFAZA QILISH VA IQLIM O'ZGARISHI VAZIRLIGI

MINISTRY OF ECOLOGY, ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE OF THE REPUBLIC OF UZBEKISTAN

"15" September 2023 № 01-09-4810 Tashkent

To: Green Climate Fund

Subject: No-objection letter for the funding proposal to the GCF by the EBRD on Greening the Financial Systems Programme

The Ministry of Ecology, environmental protection and climate change Republic of Uzbekistan refers to the funding proposal by the European Bank for Reconstruction and Development (EBRD) regarding the Greening the Financial Systems Programme.

Pursuant to GCF funding proposal procedures, we hereby communicate our no-objection to the Greening the Financial Systems Programme proposal submitted by the EBRD.

By communicating our no-objection, it is implied that:

1. The government of Uzbekistan has no-objection to the EBRD's funding proposal as submitted to the GCF;

2. The Programme as included in the funding proposal is in conformity with the Uzbekistan's national priorities, strategies and plans;

3. In accordance with the GCF's environmental and social safeguards, the Programme as included in the funding proposal is in conformity with relevant national laws and regulations.

We also confirm that our national process for ascertaining no-objection to the programme as included in the funding proposal has been duly followed.

We also confirm that our no-objection applies to all projects or activities to be implemented within the scope of the programme. We acknowledge that this letter will be made publicly available on the GCF website.

Sincerely yours,

Aziz Abdukhakimov
Minister of Ecology, Environmental Protection and Climate Change
Republic of Uzbekistan

7A, Bunyodkor ave., Chilanzar dist., Tashkent, 100043, Uzbekistan, +998(71) 207-11-02
www.eco.gov.uz facebook.com/ecogovuz twitter.com/@ecogov_uz t.me/ecogovuz

Environmental and social safeguards report form pursuant to para. 17 of the IDP

Basic project or programme information	
Project or programme title	Greening Financial Systems: Delivering Climate Finance for All
Existence of subproject(s) to be identified after GCF Board approval	Yes
Sector (public or private)	Private
Accredited entity	European Bank for Reconstruction and Development (EBRD)
Environmental and social safeguards (ESS) category	Category I-2
Location – specific location(s) of project or target country or location(s) of programme	Armenia, Egypt, Georgia, Jordan, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Morocco, North Macedonia, Serbia, Tajikistan and Uzbekistan
Environmental and Social Impact Assessment (ESIA) (if applicable)	
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Explanation on language	N/A
Link to disclosure	N/A
Other link(s)	N/A
Remarks	N/A
Environmental and Social Management Plan (ESMP) (if applicable)	
Date of disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Explanation on language	N/A
Link to disclosure	N/A
Other link(s)	N/A
Remarks	N/A
Environmental and Social Management System (ESMS) (if applicable)	
Date of disclosure on accredited entity's website	Friday, September 20, 2024
Language(s) of disclosure	English, Arabic, Armenian, French, Georgian, Kazakh, Kyrgyz, Macedonian, Moldovan Romanian, Mongolian, Russian, Serbian, Tajik, and Uzbek

Explanation on language	These are official languages of the target countries.
Link to disclosure	English: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322408904&d=&pagename=EBRD%2FContent%2FDownloadDocument Arabic: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322410056&d=&pagename=EBRD%2FContent%2FDownloadDocument Armenian: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322410301&d=&pagename=EBRD%2FContent%2FDownloadDocument French: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322409119&d=&pagename=EBRD%2FContent%2FDownloadDocument Georgian: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322409346&d=&pagename=EBRD%2FContent%2FDownloadDocument Kazakh: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322412953&d=&pagename=EBRD%2FContent%2FDownloadDocument Kyrgyz: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322430953&d=&pagename=EBRD%2FContent%2FDownloadDocument Macedonian: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322409938&d=&pagename=EBRD%2FContent%2FDownloadDocument Moldovan Romanian: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322410177&d=&pagename=EBRD%2FContent%2FDownloadDocument Mongolian: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322439394&d=&pagename=EBRD%2FContent%2FDownloadDocument Russian: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322409010&d=&pagename=EBRD%2FContent%2FDownloadDocument Serbian: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322409231&d=&pagename=EBRD%2FContent%2FDownloadDocument Tajik: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322413059&d=&pagename=EBRD%2FContent%2FDownloadDocument

	Uzbek: https://www.ebrd.com/sites/Satellite?c=Content&cid=1395322409464&d=&pagename=EBRD%2FContent%2FDownloadDocument
Other link(s)	https://www.ebrd.com/what-we-do/ebrd-gcf-funded+portfolio.html
Remarks	An ESMS consistent with the requirements for a Category I-2 programme is contained in the Environmental and Social Management System.
Any other relevant ESS reports, e.g. Resettlement Action Plan (RAP), Resettlement Policy Framework (RPF), Indigenous Peoples Plan (IPP), Indigenous Peoples Planning Framework (IPPF) (if applicable)	
Description of report/disclosure on accredited entity's website	N/A
Language(s) of disclosure	N/A
Explanation on language	N/A
Link to disclosure	N/A
Other link(s)	N/A
Remarks	N/A
Disclosure in locations convenient to affected peoples (stakeholders)	
Date	Friday, September 20, 2024
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Date of Board meeting in which the FP is intended to be considered	
Date of accredited entity's Board meeting	N/A
Date of GCF's Board meeting	Monday, October 21, 2024

Note: This form was prepared by the accredited entity stated above.

Independent Technical Advisory Panel's assessment of FP253

Proposal name:	Greening Financial Systems: Delivering Climate Finance for All
Accredited entity:	European Bank for Reconstruction and Development (EBRD)
Country/(ies):	Armenia, Egypt, Georgia, Jordan, Kazakhstan, Kyrgyzstan, Mongolia, Morocco, North Macedonia, Republic of Moldova, Serbia, Tajikistan, Uzbekistan
Project/programme size:	Large

I. Assessment of the independent Technical Advisory Panel

1.1 Overview

1. The proposed programme "Greening Financial Systems: Delivering Climate Finance for All", proposed by the European Bank for Reconstruction and Development (EBRD) as accredited entity (AE), intends to support mitigation and adaptation investments via local financial institutions (FIs) covering a broad array of countries: Armenia, Egypt, Georgia, Jordan, Kazakhstan, Kyrgyzstan, Mongolia, Morocco, North Macedonia, the Republic of Moldova, Serbia, Tajikistan and Uzbekistan.

2. The available scientific evidence on the impacts of climate change in these countries reveals an increasing prevalence of climate-related hazards, though the specific nature of these hazards varies significantly. Drawing from the Intergovernmental Panel on Climate Change (IPCC) assessments, it is clear that many of these countries are witnessing more extreme weather events, escalating water scarcity and shifts in agricultural productivity. For example, Central Asian countries such as Kazakhstan and Uzbekistan are grappling with rising average temperatures, which have led to more frequent and severe droughts, exacerbating already limited water resources and undermining agricultural outputs. Agriculture, a cornerstone of their economies, faces significant challenges from these climatic changes.

3. In North African countries such as Egypt and Morocco, vulnerabilities to climate change are intimately tied to water resource availability and food security. The heavy dependence of Egypt on the River Nile for irrigation, drinking water and hydropower renders it particularly susceptible to changes in regional precipitation patterns and upstream activities, including dam construction. This situation is exacerbated by rising temperatures, which increase evaporation rates and further reduce water availability. Similarly, Morocco faces acute challenges from declining water supplies, desertification and lower agricultural yields due to heightened temperatures. This situation is projected to worsen under most climate scenarios outlined in IPCC reports.

4. Despite differences in specific risks, commonalities emerge across these countries, most notably the increasing intensity of extreme weather events such as heatwaves, droughts and floods. Rising temperatures and greater aridity are affecting vast regions, while shifts in precipitation patterns are undermining both water security and agricultural productivity. Given that agriculture forms the backbone of many of these economies, particularly in rural areas, the heightened climate variability poses significant challenges to food security and rural livelihoods. For instance, changes in crop cycles and yields are threatening food production, with vulnerable

populations in both rural and urban settings feeling the socioeconomic impacts. Moreover, competition over scarce resources, particularly water, has the potential to exacerbate existing social and political tensions.

5. While common climate-induced vulnerabilities are evident across these countries, substantial regional differences in exposure and adaptive capacity must also be recognized. Mountainous countries such as Kyrgyzstan and Tajikistan, for example, are facing the rapid melting of glaciers, which provide critical water flows during the warmer months. The loss of this glacier-fed water is likely to have profound downstream impacts, particularly for agriculture and energy production. In contrast, countries with significant low-lying or coastal areas, such as parts of Egypt and the Republic of Moldova, are at greater risk from sea-level rise and associated flooding. Coastal zones in Morocco also face threats from rising seas and coastal erosion, adding a layer of complexity to their adaptation challenges. These geographical and economic differences necessitate tailored mitigation and adaptation strategies at the national level.

6. Against this background, the proposed programme submitted by the AE focuses on participating financial institutions (PFIs) and other financial market participants as key intermediaries in facilitating access to tailored climate finance for private sector enterprises in the target region, with the ultimate objective of promoting the transition of local financial sectors to sustainable climate pathways. In terms of end beneficiaries, the programme targets underserved populations, with a particular emphasis on micro, small and medium-sized enterprises (MSMEs). Additionally, the programme targets households, farmers and other hard-to-reach groups, such as those in rural areas and women.

7. Under the terms of the proposal, the AE requests USD 200 million from GCF to facilitate and support private sector-led climate mitigation and adaptation investments. In terms of financial instruments, the AE is requesting USD 186 million in the form of a concessional loan and USD 14 million in the form of grants. The AE anticipates that, through the programme, it will facilitate climate mitigation and adaptation investments amounting to a total of USD 775 million, of which roughly USD 469 million will be provided by the AE (USD 434 million in lending and USD 35 million in grants) (GCF leverage ratio of approximately 1:4). The lending that the AE will provide to FIs in the target countries (with GCF funds and its own funds) will also trigger additional co-investment (an estimated 25 per cent in equity per project) from private sector borrowers of the PFIs.

8. With this proposed programme, the AE would provide support for climate investments in the target region via two main programme components:

(a) **Component 1 – Greening Financial Systems:** This component focuses on equipping FIs, regulators and other market participants with the required tools and resources for them to adopt and implement robust, sustainable climate finance strategies. Through technical assistance and financial incentive grants, it is expected to foster climate-aligned financial systems and integrate climate finance into mainstream practices.

(b) **Component 2 – Expanding Access to Climate Finance:** This component focuses on investments that unlock and scale climate-related financing through PFIs in the target region. The AE will offer concessional credit lines to PFIs, designed to mobilize and expand climate capital for end beneficiaries. The objective is to ensure broad and inclusive access to climate finance across multiple sectors.

9. Under the terms of the funding proposal, EBRD will act as the AE and as executing entity (EE) for component 1; the PFIs will act as EEs for component 2. The selection of advisory and investment projects will be on the basis of the criteria set out by the AE in the funding proposal, building on GCF eligibility criteria.

1.2 Impact potential *Scale: Medium*

10. The funding proposal highlights a wide range of anticipated outcomes resulting from the proposed programme across various GCF mitigation results areas (MRAs) and adaptation results areas (ARAs), reflecting the broad investment scope of the proposed programme. Specifically, the funding proposal references the following main programme outcomes:[1]

(a) **Outcome 1:** Reduced and avoided greenhouse gas (GHG) emissions from the energy supply, manufacturing, residential, commercial, transport and public sectors, with a total expected reduction of 9.9 million tonnes of carbon dioxide equivalent (t CO_2 eq) (Core 1, MRA 1–3).

(b) **Outcome 2:** Increased climate resilience for water and food security, including gender considerations, with 306,870 direct beneficiaries and 17.2 million indirect beneficiaries, with each 50 per cent female (Core 2, ARA 2 and 4).

(c) **Outcome 3:** Enabling environment for more resilient and sustainable financial systems, including gender considerations (Core 4, MRA 1–3, ARA 2 and 4).

11. The programme is also expected to trigger the installation of 300 MW of renewable energy (solar photovoltaic) with an expected generation of 5,146,000 MWh.

12. The AE/EE expects to accomplish these outcomes via four outputs, namely:

(a) **Output 1:** Increased capacities of FIs to develop and monitor portfolios of investments for climate mitigation and adaptation projects, including in terms of gender considerations (measured by the number of PFI staff that have received training or have participated in knowledge-sharing activities on green finance, with 600 participants as the targeted total).

(b) **Output 2:** Enhanced capabilities, tools and processes of FIs to develop ambitious climate performance targets and credible climate transition plans (measured by the number of PFIs receiving technical assistance around transition planning, with the objective of delivering training to 28 PFIs).

(c) **Output 3:** Increased investment in climate mitigation technologies and approaches through concessional finance (with a total of USD 658 million anticipated to be deployed to mitigation investments by end beneficiaries).

(d) **Output 4:** Increased investment in climate adaptation technologies and approaches through concessional finance (with a total of USD 117 million anticipated to be deployed by the AE to PFIs for adaptation investments).

13. The funding proposal's logical framework is comprehensive but relies on numerous assumptions, particularly concerning the final composition of the subproject portfolio to be financed via PFIs that receive concessional lines of credit from the AE. The independent Technical Advisory Panel (iTAP) identifies several factors that could hinder the project's ability to achieve the anticipated outcomes. These factors include the following considerations.

14. **Lack of visibility on pipeline of subprojects and resulting uncertainty on expected programme outcomes.** Like in other Division of Private Sector Facility (PSF) projects submitted to GCF, particularly those involving impact investment funds or concessional credit lines for on-lending through FIs, the AE necessarily bases its projected programme outcomes on a synthetic opportunity pipeline to be supported by PFIs rather than a concrete list of projects in which these institutions will ultimately invest. As with other PSF projects, this approach complicates the development of a reliable ex ante assessment of the programme's impacts.

[1] See integrated results management framework available at: https://www.greenclimate.fund/document/integrated-results-management-framework".

Consequently, the iTAP finds it challenging to rationalize the ambitious outcome targets set for the programme. At the very least, it should be anticipated that the outcome estimates provided in the funding proposal are likely to change significantly as the programme moves forward with implementation.

15. **Subproject selection and impact assessment.** As a mitigating factor to the above, the AE is proposing a comprehensive system aimed at ensuring that the investment projects ultimately selected by PFIs will meet the eligibility criteria established in the funding proposal. PFIs will evaluate mitigation and adaptation impacts at the subproject level, with independent verification conducted by consultants appointed by the AE. This evaluation is designed to ensure adherence to the programme's eligibility criteria and to the guidelines provided in annexes 22 and 25, along with the Monitoring, Evaluation and Learning annex, which the AE will submit to GCF before the first disbursement. However, it remains unclear how the subprojects will meet the requirements for demonstrating adaptation impact potential, as outlined in Board decision B.33/12. Specifically, it is not clear how the PFIs will assess climate risks, responses and alignment at the subproject level, or how adaptation outcomes will be monitored and evaluated over time. The iTAP acknowledges that, due to the programmatic nature of this funding proposal, it is not feasible to provide a final quantification of the adaptation outcomes. Nevertheless, it is crucial that the funding proposal clarifies who will be responsible and how they will ensure that the subprojects meet the principles for demonstrating, monitoring and evaluating adaptation outcomes as decided by the Board.

16. In addition, it is not clear how the PFIs will secure the measurement, reporting and verification (MRV) of mitigation outcomes as requested by Board decision B.33/12. According to this decision, proposals should describe the establishment of an MRV system for the GHG emission reductions and removals of the proposed activity which would be aligned with existing country MRV systems. The Board further clarified that when describing the MRV of mitigation results, proposals should include all indicators, equations, input values to formulas, and any other assumptions used to quantify the emission reductions or removals, baseline and project scenarios, and information on how the MRV will be conducted. Proposals should also provide projections of the annual emission reductions or removals during the lifetime of the project or programme (GCF/B33/19, annex VI). The iTAP acknowledges that, due to the programmatic nature of this funding proposal, it is not feasible at this stage to clarify how each subproject will ensure alignment with the national MRV systems. However, these aspects need to be included as a central element of the subproposal's assessment. These two gaps in the funding proposal should be addressed before the second disbursement under the Funded Activity Agreement, provided that GCF approves the programme, as stipulated in the condition outlined inpara. 47.

17. **Limitations of concessional on-lending approach.** In the assessment of the iTAP, the on-lending model proposed under component 2 of the programme – where loans are provided to PFIs at a blended interest rate with a discount from the GCF below-market rate – has limitations in effectively encouraging PFIs to finance new and more challenging customer segments or business models, especially those critical for climate mitigation and adaptation investments. The AE assumes that pricing is the primary barrier preventing PFIs from expanding their climate finance portfolios and that the average reduction in rates achieved as a result of the blending will be sufficient to motivate PFIs to increase lending in support of adaptation and mitigation projects, particularly to currently underserved client segments, such as MSMEs and women-owned/women-led businesses. However, neither the funding proposal nor the accompanying market study (annex 2) provide robust evidence to support the notion that concessional pricing alone will stimulate such lending behaviour among PFIs. Experience from other similar programmes led by multilateral, regional and bilateral development banks in emerging markets suggests that concessional financing, on its own, often is insufficient to fundamentally alter the lending practices of local commercial banks. In particular, it has proven ineffective in prompting PFIs to take on new and underserved clients or to invest in innovative and potentially riskier technologies or business models. The key challenge appears to be that,

beyond pricing, PFIs are often more concerned with the additional credit risk associated with financing these new project types, technologies or borrower groups. Without addressing this core issue, concessional finance is unlikely to significantly shift PFI lending patterns. Risk-mitigation mechanisms, such as partial portfolio guarantees or other credit risk-sharing instruments, appear to be more effective in incentivizing PFIs to broaden their client base and venture into more challenging areas of climate finance. During the question and answer (Q+A) session, the AE acknowledged this as a challenge and noted that it will provide technical assistance (including for pipeline development) and financial incentives to PFIs alongside concessional lines of credit as part of a holistic approach to address the multifaceted barriers of scaling up climate finance. The future design of a phase 2 for the proposed programme, already anticipated in the current funding proposal, should carefully consider whether partial portfolio guarantees or other credit risk-sharing instruments may be more effective to achieve the intended programme outcomes.

18. **Competitive landscape and lack of investable opportunities.** In reviewing the funding proposal and accompanying market study, it is evident that the AE has provided a comprehensive analysis of the target countries for the proposed programme, including detailed insights into the respective financial sectors. However, the proposal lacks an in-depth analysis of the "competitive landscape" for climate finance, which is particularly relevant in countries where significant climate finance inflows from other multilateral, regional and bilateral institutions have already been observed (e.g. Egypt, Georgia and Morocco). This omission raises concerns about the programme's ability to effectively compete in these markets, where the pool of eligible and investable projects tends to be limited. One of the primary concerns of the iTAP is whether the PFIs involved in the programme will be able to generate a sufficient pipeline of high-quality eligible projects within a reasonable time frame to absorb the available programme funds. While the AE acknowledges that the transition funding requirements in all target countries are substantial, it is likely that the actual list of investable opportunities that meet the programme's eligibility criteria will be relatively short. This potential scarcity of projects raises questions about the programme's overall viability and ability to scale, particularly in markets where climate finance has already been extensively deployed. Additionally, the AE has not provided a concrete list of the PFIs it expects to partner with, nor has it shared a specific pipeline of projects from these institutions to substantiate the scale of funding proposed. While the technical assistance provided under component 1 is intended to support the generation of a project pipeline, the iTAP expects that it may be at least one or two years before investable opportunities fully materialize. This delay further amplifies the risk of insufficient pipeline development within the programme's time frame, particularly given the competition for high-quality climate finance projects in certain target markets.

19. **Targets for MSME and women-owned/women-led business borrowers.** In the funding proposal (activities 2.1.2 and 2.2.2), the AE outlines its strategy to ensure that MSMEs and women-owned/women-led businesses are specifically targeted via the PFIs. The approach relies on setting specific targets for the PFIs at the individual transaction level, with the targets of each PFI calibrated according to its starting position. In addition, technical assistance will be used to implement market development activities aimed at these groups, with the goal of increasing demand for climate finance among MSMEs and women-owned/women-led businesses. However, during the Q+A process, the AE acknowledged that the availability of funding for technical assistance as part of the proposed GCF contribution is highly constrained, with only USD 2 million allocated. This amount is insufficient to fully support the necessary market development activities targeting these underserved groups. Consequently, the AE plans to raise additional co-financing from other donors, as it has done in previous programmes, such as the EBRD and GCF Green Economy Financing Facility (GEFF) (FP025). It is unclear what the implications are if the AE is unable to raise further funding for these activities, nor is it clear how much this may result in a lowering of the ambition set out in the funding proposal around targeting MSMEs and women-owned/women-led borrowers.

20. Overall, the iTAP rates the impact potential of the project as **medium**, with potential for improvement if the issues highlighted above are adequately clarified and addressed prior to the start of programme implementation.

1.3 Paradigm shift potential *Scale: Medium to high*

21. The AE asserts that its programme will induce a paradigm shift in financial systems by addressing fundamental barriers faced by FIs in facilitating climate-related investments. The programme aims to catalyse systemic change by enhancing the flow of finance aligned with the objectives of the Paris Agreement, integrating climate considerations into the business practices of FIs and fostering a regulatory environment conducive to inclusive, climate-resilient economies. Through a scalable and replicable approach across the target region, spanning 13 countries, the programme will leverage the market expertise of the AE and established networks with several hundred partner banks. By introducing innovative financial mechanisms, the programme seeks to enhance access to capital and technology, particularly in regions with limited availability of concessional resources. Moreover, the programme will introduce advanced climate transition planning tools to help FIs mitigate climate-related risks and unlock new financing opportunities, further embedding climate finance into their operational frameworks.

22. The programme places a strong emphasis on capacity-building and aims to effect systemic transformation by engaging with PFIs and regulatory bodies. Through the deployment of financial instruments, technical assistance and transition planning, the programme seeks to enable FIs to become market leaders in green finance, thereby generating a broader spillover effect within the financial sector. This dynamic is expected to inspire other FIs and regulators to align with climate objectives, further reinforcing the Paris Agreement's goals, including nationally determined contributions (NDCs) and national adaptation plans. Additionally, the programme's blend of capacity-building initiatives, green credit lines and incentives for transition planning positions it for replication in other regions, including sub-Saharan Africa, where it can potentially mobilize climate finance through local financial sectors.

23. Overall, in the view of the iTAP, the AE presents a credible pathway for the two main components of the fund programme to foster the scale-up of climate finance in the target region, thus promoting a paradigm shift. The iTAP would like to emphasize inclusion of the innovative incentive grant scheme by the AE to foster transition planning by selected PFIs. Transition planning is the process by which FIs align their portfolios and operations with climate transition goals, such as reducing GHG emissions and supporting climate-resilient development. It is increasingly important as it helps FIs manage climate-related risks, avoid disorderly transitions and support sectors critical for climate adaptation, such as agriculture. However, key barriers to the adoption of transition planning by banks, particularly in emerging economies, include a lack of stringent regulatory requirements, limited access to knowledge, insufficient internal resources and inadequate market-driven incentives. Many banks, including those in the target region, have low awareness of climate risk management and disclosure practices, and most lack the necessary governance structures to prioritize transition planning over other regulatory and business needs. This creates a challenge in motivating banks to voluntarily embark on transition planning without clear regulatory guidance or sufficient internal capacity.

24. Under the terms of the proposed incentive grant scheme, eligible PFIs, as outlined in annex 14, will be selected to receive financial incentives in the form of grants. These financial incentives will be tied to specific performance triggers, designed to reward progress and sustain commitment on the path to transition planning. The triggers will be time-bound, and PFIs that fail to meet their targets within the specified time may either negotiate an extension with increased engagement or face the decommitment of funds, which could then be reallocated to other PFIs. Given that transition planning is a new and substantial endeavour for PFIs, the AE

commits to closely monitoring their progress and will remain actively engaged throughout the process. The iTAP notes the potential of the mechanism to fundamentally transform the business and lending practices of PFIs, thus constituting an important vector for effecting a paradigm shift. The incentive grant scheme, however, will only be open to a limited subset of PFIs that will receive funding from the AE; if experience with implementing the scheme shows positive results, the iTAP encourages the AE to raise additional funding from other sources to expand the initiative.

25. The iTAP sought clarification from the AE regarding the anticipated reduction of concessional finance in future phases of the proposed programme (already indicated in the funding proposal), given the significant financing needs for climate transition in the target countries. Specifically, the iTAP queried whether, assuming no external shocks, the subsidy requirements for such on-lending programmes would decrease over time, leading to eventual phase-out of concessionality, and whether the envisaged phase 2 of the programme would feature lower concessionality for countries included in phase 1.

26. In its response during the Q+A process, the AE confirmed that the programme is designed to gradually reduce concessionality in line with the needs of the market and PFIs, following the approach of the AE of ensuring concessional finance is used strategically and only where necessary. The AE pointed to previous successful examples, such as GEFF in Türkiye, where concessional finance was phased out in subsequent phases. However, the AE also emphasized that the timeline for reducing concessionality in future phases will depend on the market's maturity and potential external challenges, such as macroeconomic shocks or weak regulatory environments, noting that it is too early to determine whether concessionality requirements could be reduced in phase 2. While the iTAP agrees that any concessionality requirements need to be evaluated based on prevailing market conditions at the time, identifying pathways to reduce the grant element in funding should be a priority for phase 2 planning.

27. Overall, the iTAP rates the potential for the project to effect a paradigm shift as **medium-high**.

1.4 Sustainable development potential *Scale: Medium to high*

28. The funding proposal highlights the following sustainable development benefits.

29. **Environmental co-benefits:** The programme aims to expedite the replacement of obsolete and harmful technologies, such as inefficient appliances, heating systems and vehicles, which are significant contributors to local air pollution.

30. **Social co-benefits:** The initiative seeks to actively support and finance subprojects that enhance water-use efficiency, recycling and reuse in sectors such as agriculture, manufacturing and residential buildings, with a particular focus on MSMEs, farmers and households.

31. **Gender-sensitive development impact:** By leveraging specialized investment mechanisms, the programme has the potential to enhance women's opportunities to access green financial resources and develop essential skills in both financial management and emerging clean technologies. During the Q+A process, the iTAP queried why the AE did not consider adopting the 2X Challenge indicators[2] for directed lending through FIs to drive more structural gender impact within the financial sectors of the target countries, noting that the gender action plan remains somewhat generic for a multi-country intermediated financing programme. In response, the AE explained that its strategy focuses on inducing behavioural change among PFIs to better serve women by enhancing the capacity of the PFIs to offer gender-responsive green finance products. Once PFIs are equipped to serve women in this way and

[2] Please see https://www.2xchallenge.org/2xcriteria for further details.

have enhanced women's green skills to increase the pipeline of female sub-borrowers, the AE considers integrating 2X Challenge-aligned indicators into its financial sector projects. The AE further noted that it is currently exploring the willingness of PFIs to incorporate such indicators more systematically, potentially as part of the climate transition planning of the AE in areas such as strategy, governance and disclosures.

32. **Economic co-benefits:** The programme will extend its reach to MSMEs across the target region, offering them the necessary financial support to implement climate mitigation strategies and adopt innovative, clean technologies.

33. Without more specific information regarding the structure of the subproject portfolio that the programme will support, the iTAP finds it challenging to fully evaluate the projections of the AE concerning sustainable development benefits, given the programme's wide scope across various sectors and project types. Nevertheless, it is reasonable to anticipate that the programme will generate positive outcomes.

34. Overall, the iTAP rates the sustainable development impact potential of the project as **medium-high**.

1.5 Needs of the recipient *Scale: Medium*

35. As part of the development of the programme, the AE consulted with stakeholders in all 13 target countries. Several common barriers to greening financial systems were highlighted. These include the absence of robust regulatory environments, limited knowledge and capacity within FIs to manage climate risks and a lack of access to affordable climate finance. Additionally, data availability and standardized financing tools were identified as crucial factors for incentivizing FIs to offer more climate-focused products. The target countries face significant climate risks due to their reliance on carbon-intensive industries and fossil fuels, and the sectors prioritized by the programme – such as energy, manufacturing and agriculture – are both major contributors to GHG emissions and vulnerable to climate change impacts. Financing gaps further exacerbate the challenges in meeting NDC targets, making external support critical.

36. Moreover, the funding proposal recognizes the significant disparities in access to climate finance, particularly among vulnerable groups such as women, MSMEs and rural populations. These groups often face the greatest barriers in adopting green technologies due to affordability, limited knowledge and a lack of long-term, affordable financing. Climate investments, though increasingly recognized, are still not well understood in the region, and FIs have only recently begun integrating climate considerations into their operations. Structural challenges in the financial sector, such as governance issues and limited green financing capacities, further complicate the shift towards decarbonization. Gender inequality also remains a significant issue, with women entrepreneurs facing structural barriers to accessing finance, particularly in sectors such as banking, where female participation is low. As the financial sector plays a pivotal role in supporting climate transitions, overcoming these challenges is essential to driving meaningful change in the target countries.

37. As emphasized earlier (see paras. 2–5 above), while the 13 countries included in this programme face the shared challenge of addressing climate change, they exhibit significant differences in economic conditions and climate-related needs. As highlighted in table 1 and the market study in annex 2, these countries range from lower-middle-income to upper-middle-income economies, with substantial variations in their gross domestic product per capita and their carbon footprints. This diversity underscores the differing capacities and requirements for climate action across the region.

Table: Economic conditions and climate-related needs across the target region

Country[a]	Income level[a]	GDP (USD billion)[a]	Per capita income (USD)[a]	Carbon intensity of GDP (CO_2 tons/USD million)[a]	Public debt distress[a]	Carbon footprint of loan indicator[a]	Climate transition financing capacity[b]
Armenia	Lower-middle income	15	~5 000	~0.35	Moderate risk	Moderate	Limited, relies on international support
Egypt	Lower-middle income	400	~3 900	~0.45	Moderate risk	Moderate	Moderate, better access to international markets
Georgia	Lower-middle income	24	~6 400	~0.28	Moderate risk	Moderate	Limited, depends on IFI support
Jordan	Upper-middle income	45	~4 500	~0.30	High risk	Moderate to high	Limited, heavily reliant on external financing
Kazakhstan	Upper-middle income	200	~10 500	~1.20	Moderate risk	High	Stronger capacity but still uses IFI support
Kyrgyzstan	Lower-middle income	10	~1 500	~0.20	High risk	Low to moderate	Very limited, reliant on international donors
Mongolia	Lower-middle income	16	~4 900	~0.90	High risk	High	Limited, reliant on IFIs and donors
Morocco	Lower-middle income	140	~3 700	~0.26	Moderate risk	moderate	Stronger, with significant international finance
North Macedonia	Middle income	15	~7 200	~0.29	Moderate risk	moderate	Limited, depends on IFI support
Republic of Moldova	Lower-middle income	12	~4 700	~0.25	Moderate risk	Low to moderate	Limited, depends heavily on international support
Serbia	Upper-middle income	70	~10 100	~0.35	Moderate risk	Moderate to high	Moderate, some access to international markets
Tajikistan	Lower-middle income	9	~1 100	~0.22	High risk	Low to moderate	Very limited, highly dependent on IFIs
Uzbekistan	Lower-middle income	85	~2 400	~0.37	Moderate risk	moderate	Moderate, with growing international support

Abbreviations: GDP = gross domestic product, IFI = international financial institution, IMF = International Monetary Fund.

[a] Based on data retrieved from IMF and World Bank websites and databases in 2023.

[b] Assessment by the independent Technical Advisory Panel.

38. Given this variation, a key question is whether the AE will tailor concessionality levels to reflect the differing economic strengths and needs of each country. In the view of the iTAP, the extent to which these disparities influence the level of concessional support provided to PFIs will be critical in ensuring that the programme is both equitable and effective in mobilizing climate finance across the diverse regional landscape. During the Q+A process, the AE clarified that the "level of concessionality required to contribute to the programme's objectives will be determined individually for the specifics of each transaction, driven indeed by market dynamics, PFI constraints (e.g. with regards to capacity to take on hard currency) and the perceived opportunity costs for each PFI in engaging in the programme". However, it remains unclear how in practice the lending conditions provided by the AE to PFIs and from PFIs to subprojects will be tailored to reflect the different country environments and project/beneficiary needs.

39. Overall, the iTAP rates the potential for the project to serve the needs of the recipients as **medium**.

1.6 Country ownership *Scale: Medium to high*

40. The funding proposal posits that the programme promotes robust country ownership through a design tailored to the specific needs and priorities of each target country, identified through comprehensive consultations with key public stakeholders, such as central banks, financial regulators and relevant ministries. The programme is closely aligned with the NDCs of the 13 participating countries, ensuring direct support for their climate objectives. By engaging with public authorities and FIs, the programme builds institutional capacity in critical areas such as climate risk management, sustainability reporting and transition planning. Regular dialogue with stakeholders and a strong emphasis on knowledge-sharing are supposed to further solidify the programme's responsiveness to local conditions and reinforce local ownership of the climate transition efforts.

41. In addition, the programme seeks to promote country ownership by fostering partnerships between regulators and FIs to create a supportive environment for climate action. Through various initiatives – such as renewable energy auctions, green city action plans and low-carbon pathways for key sectors – the programme seeks to facilitate concrete steps towards decarbonization. The established local presence of the AE, with operational staff in all target countries, will enhance the ability for decisions to be made based on detailed market insights and local context. This approach ensures that the programme is not only aligned with national climate strategies but also effectively tailored to local needs, enabling countries to secure the necessary financial resources to meet their NDC targets and strengthen their climate resilience. No-objection letters have been submitted by all countries participating in the programme.

42. The AE is one of the largest multilateral development banks active in the region and has local representation in each of the target countries. It also has a long-standing track record of investing in the target region, including in private sector projects. However, many of the PFIs that will act as EEs have not yet been identified, meaning that it is not possible to provide assessments of their capacity to implement the programme at this stage. The iTAP sought clarification from the AE regarding the timing, criteria and methods that will be used to assess the PFIs participating in the programme, and whether there will be any differences in the assessment process across the various target countries. The AE responded that the list of PFIs from GEFF illustrates the types of institutions the AE works with, including commercial and state-owned banks, microfinance organizations and leasing companies. According to the AE, a key factor in selecting PFIs for the programme will be their capacity to implement it, which will be assessed through due diligence by the AE. This process evaluates both the financial capacity and the internal ability of PFIs to meet the programme’s standards for MRV. In cases where PFIs require capacity-building, technical assistance may be provided by the AE. The iTAP recommends that the AE should submit to the Secretariat a detailed list of due diligence standards applied by the AE for the Secretariat’s review. Overall, the iTAP rates country ownership of the funding proposal as **medium-high**.

1.7 Efficiency and effectiveness *Scale: Medium*

43. As previously noted, the lack of visibility of a pipeline of subprojects to be funded by PFIs makes a reliable assessment of the economic soundness of the programme somewhat challenging. However, the following can be noted:

(a) Based on historical experience and the synthetic portfolio constructed for the purposes of the funding proposal, the AE expects a significant share of co-financing to come from its own balance sheet as well as private sector sources (25 per cent of equity contribution for any subproject funded by a PFI). The overall leverage of approximately 1:4 on GCF resources can be considered substantial.

(b) The projected climate benefits (amounting to direct GHG reductions of around 12.8 million t CO_2 eq over the project lifetime) and the numbers of expected direct and indirect beneficiaries (306,870 and 17.2 million, respectively) are comparatively significant relative to the total amount of GCF funding requested for the programme. The projections correspond to USD 15.6 per t CO_2 eq avoided. The cost of USD 15.6 per t CO_2 eq avoided is considered reasonable in international comparison.

(c) The iTAP sought clarification on how the AE determined the overall level of concessionality for the proposed programme. The iTAP requested details on the underlying assumptions, the rationale for the increased concessionality compared to the predecessor programme (GEFF), and how those compare to other multilateral and development bank offerings. In that context, the iTAP expressed concern that the programme might undercut the offerings of other providers without broadening the market for investable opportunities and asked how the AE intends to mitigate this risk. In response, the AE explained that the concessionality was determined based on an discount on the GCF portion of the credit line, which accounts for 30 per cent of the total credit line, resulting in a small difference between commercial and concessional rates. The AE highlighted that green finance is still in its early stages, requiring high upfront costs and offering uncertain returns, thus justifying the need for concessionality. Drawing from its experience with projects under GEFF and lessons from FP025, the AE assured the iTAP that the concessionality has been carefully calibrated to avoid undercutting other products or distorting the market, and to incentivize first movers. While the response acknowledges the rationale for concessionality, it does not provide a detailed comparison with other climate finance providers, leaving some uncertainty about the programme's potential to either crowd out or complement other climate finance offerings in the market.

44. As noted, this funding proposal builds on a previous programme (FP025) operated by the AE under GEFF. In such cases, the iTAP assessment would significantly benefit from the Secretariat's evaluation of the earlier phase of the programme. We believe it is good practice for the Secretariat to assess the performance of initial programmes before submitting follow-on funding proposals. This would serve to (a) provide a more data-driven basis for evaluating the new proposal; (b) prevent entities from prematurely seeking additional funding before challenges in deployment, mobilization or impact of the initial funding are fully understood; and (c) ensure that lessons learned from earlier initiatives are effectively incorporated into the new proposal. While the iTAP has no specific concerns in this instance, it acknowledges that the lack of available data prevents a meaningful comparison between the current proposal and past results.

45. The iTAP therefore considers the efficiency and effectiveness of the programme as **medium**.

II. Overall remarks from the independent Technical Advisory Panel

46. Overall, the funding proposal is comprehensive, and although there are various risks and weaknesses (as highlighted above) it shows a credible pathway to achieving notable outcomes. The iTAP recommends that the Board approves this funding proposal with the following condition precedent to the first disbursement under the Funded Activity Agreement:

47. Delivery to the GCF by the Accredited Entity, in a form and substance satisfactory to the GCF Secretariat, of a detailed Monitoring, Evaluation and Learning ("MEL") plan, which shall contain information set out in (i) below;

Covenant

(a) Ensure that the MEL plan, delivered to the GCF pursuant to (a) above, shall:

- (i) clearly specify the results management structure under the Programme (theory of change and logical framework, and associated data collection tools) setting out specific guidance explaining the process that the Accredited Entity shall use for securing the fulfilment by the PFIs of the principles for demonstrating adaptation impact potential as approved by the GCF Board in its decision B.33/12;
- (ii) identify person(s) who shall conduct the assessment with regard to any particular investment considered under the Programme, as well as the relevant timeline; and
- (iii) include:

(1) the process for selecting methodologies for assessing climate risks, the level of climate-resilience of the proposed PFI-funded Sub-projects, the alignment with the adaptation priorities of the Host Country and a description of the monitoring and evaluation system that will be used to assess the outcomes of adaptation activities and to quantify the adaptation beneficiaries;

(2) the methods for assessing the assumptions, system boundaries and additionality of the mitigation impact potential of the PFI-funded Sub-projects, as well as the requirements for securing the establishment of measurement, reporting and verification (MRV) system of a proposed investment and the alignment with the national system of the corresponding Host Country;

(3) examples of how (A) and (B) referred to above will be implemented, using sample investments from the pipeline that are sufficiently well advanced;

(4) detailed, complete and transparent documentation of the monitoring methodology for a specific measure including the approach to obtain, record, compile, analyse and document monitoring data, including assumptions, references, activity data, calculation factors, quality management procedures and uncertainty, in a transparent manner that enables the reproduction of the determination of emissions and calculations of adaptation beneficiaries by an independent verifier and the Fund; and

(5) arrangements for ensuring high-quality monitoring data collection under the Programme, including capacity building of PFIs, data management and quality assurance arrangements under the Programme.

Response from the accredited entity to the independent Technical Advisory Panel's assessment (FP253)

Proposal name:	Greening Financial Systems: Delivering Climate Finance for All
Accredited entity:	European Bank for Reconstruction and Development
Country/(ies):	Armenia, Egypt, Georgia, Jordan, Kazakhstan, Kyrgyzstan, Mongolia, Morocco, North Macedonia, Republic of Moldova, Serbia, Tajikistan, Uzbekistan
Project/Programme size:	Large

Impact potential

The EBRD notes iTAP's assessment and remarks on the Impact potential, rated by the iTAP as "medium" and appreciates the recognition of the climate vulnerabilities and country specifics considered within the regional Programme.

First, the EBRD would like to highlight that the Programme will have a direct impact stemming from the green investments financed directly by the Programme, as well as a much larger indirect impact resulting from transition planning and systemic greening of the financial system. The overall impact of the Programme is therefore expected to be high in the medium to long term.

As the iTAP rightfully mentions, the exact pipeline of sub-projects cannot be established at this stage, there is therefore some uncertainty regarding the impact figures. However, this risk has been mitigated by the EBRD as projections of future pipeline are largely based on EBRD's current intermediated finance portfolio, as well as the Bank's solid knowledge of the markets and PFIs targeted by the Programme. Regarding the MRV aspects, the TC component of the Programme will support PFIs to assess and monitor climate aspects of the sub-projects, as the first pass of the MRV process. EBRD experts and third-party consultants will ensure a second phase of MRV that is also able to compare results from multiple PFIs. Ultimately, the EBRD also has a solid data system that tracks the ex-post climate impact from a large volume of intermediated finance operations at the sub-project level. This large data system can identify discrepancies and outliers compared to existing impact proxies, ensuring a third phase of data verification against the delivery of similar sub-projects.

Further details and responsibilities will be provided in the detailed Monitoring, Evaluation and Learning plan that the EBRD will submit to the GCF, in line with the iTAP's suggested Covenant.

The EBRD notes the point raised by the iTAP that concessional lending is a tool that addresses pricing barriers to green finance, but that other barriers may also be in place which it does not mitigate, such as risk realities or perceptions, market awareness and demand, availability of relevant technologies on local markets. Indeed, the Programme is designed to utilize a range of tools in a holistic fashion precisely to address these multi-faceted barriers, including technical assistance and financial incentives to PFIs. These tools help to build demand and supply side potential in the target markets and expand the pool of bankable investment projects, including in countries where there are other parallel green financing efforts.

Paradigm shift potential

The EBRD notes iTAP's positive assessment, remarks and recommendations on the Paradigm Shift potential, rated by the iTAP as "medium-high".
Sustainable development potential
The EBRD notes iTAP's positive assessment and remarks on the Sustainable Development potential, rated by the iTAP as "medium-high".
Needs of the recipient
The EBRD notes iTAP's positive assessment and remarks on the Needs of the recipient, rated by the iTAP as "medium". The iTAP notes in particular the broad range of countries reflected in the Programme, which indeed face differentiated climate challenges and opportunities. This differentiation indeed is reflected in the concessionality offered under the Programme through the linking of the pricing of Component 2 proportional to the pricing of the EBRD Loan offered in parallel, which is determined based on market and transaction specifics.
Country ownership
The EBRD notes iTAP's positive assessment and remarks on Country Ownership, rated by the iTAP as "medium-high". The EBRD commits to continue working closely with relevant local and regional stakeholders throughout Programme implementation to maximize local ownership and the potential for future synergies/knowledge sharing and replication/scaling. The EBRD would also note that detailed information on the EBRD's due diligence and transaction assessment processes has been shared with the Secretariat as part of the accreditation process and this funding proposal.
Efficiency and effectiveness
The EBRD notes iTAP's positive assessment and remarks on Country Ownership, rated by the iTAP as "medium-high".
Overall remarks from the independent Technical Advisory Panel: The EBRD appreciates iTAP's detailed assessment of the Funding Proposal and takes note of all the remarks from the iTAP. The EBRD thanks the iTAP for the positive recommendation to the GCF Board to support the Programme. The EBRD confirms that the requirements of the Covenant requested by the iTAP can be duly fulfilled by the EBRD.

Gender documentation for FP253

I. Gender Analysis/Assessments for participating countries to the programme "Greening the Financial Systems: Delivering Climate Finance for All"

Gender inequalities persist in financial services of the thirteen countries targeted by the programme "Greening the Financial Systems: Delivering Climate Finance for All" (the "Greening the Financial Systems Programme", the "GFS Programme" or the "Programme"). In particular, when it comes to women's access to loans disbursed by financial institutions in these thirteen countries, labour force participation for women in the banking sector (horizontal segregation), as well as in related managerial roles (vertical segregation) is low.

The sections below describe key gender gaps and gender mainstreaming issues in the thirteen countries targeted by the Programme, in line with the GCF gender mainstreaming guidelines (Mainstreaming Gender in Green Climate Fund Projects). They use publicly available sources, and sources that the EBRD developed internally to mainstream gender considerations into EBRD's investments. In particular, they build for eleven of the thirteen countries on the gender baseline assessments that were developed as part of the Green Economy Financing Facility (GEFF) programme. Out of the eleven[1], nine assessments build on the gender baseline assessments that were developed as part of the GCF-EBRD Green Economy Financing Facility (GEFF) programme, formerly known as the GCF-EBRD Sustainable Energy Financing Facilities Co-financing programme. The existing gender assessments enabled to provide analysis to contribute to the design of gender equality opportunities in the programme countries and to specifically address challenges related to women's barriers and opportunities to access to financial services. The results of these assessments were publicly presented and discussed during national stakeholder consultants, to which the GCF often participated and delivered opening remarks, and were informed in the yearly reporting of the EBRD to the GCF. It is noted that the there is still insufficient information related gender issues in green finance in some of the programme countries at this time.

The summaries below are not intended to be exhaustive overviews of all gender-related issues in this country. The assessments will be considered in the following stages of the Green Financial Systems Programme cycle to incorporate a gender-lens.

1. Armenia

Besides signing the Convention on the Elimination of All forms of Discrimination against Women (CEDAW) in 1993 and other related protocols[2], Armenia has taken firm steps towards the improvement of its legislative and regulatory framework to cement gender equality as a national priority. Its Constitution guarantees equal rights for men and women. In 2013, Armenia adopted a "Law on equal rights and equal opportunities for women and men" in 2013, which ensures equality between women and men in all areas and provides legal protection against discrimination and represents a basis for developing additional legislation and government policies focused on enacting gender equality[3].

In September 2019, the RA approved a has a **Gender Equality Strategy (GES)**[4] for the period of **2019–2023** that sets the priorities and next steps to mainstream gender equal treatment across different sectors,

[1] For the eleven gender baseline assessments that were developed as part of the EBRD Green Economy Financing Facility (GEFF) programmes (2019-2024), the methodology included quantitative research and analysis via survey of sub-borrowers, qualitative research and analysis through focus group discussions and in-depth interviews with different stakeholders ranging from PFIs, NGOs, business associations, local government organizations to CSOs (incl. women's organisations), along with secondary research. The results of the stakeholder engagement and assessments informed all activities conducted as part of the 2019-2024 GEFF programmes. For the other 3 GFS programme countries (which do not have GEFF baseline assessments), the gender assessments are based on secondary data.

[2] Armenia ratified the Convention on the Elimination of All forms of Discrimination against Women (CEDAW) in 1993, and the Optional Protocol on violence against women in 2006. Armenia is also a member of the Council of Europe and ratified the European Convention on Human Rights in April 2002.

[3] For a review of recent developments, see: https://www.unwomen.org/en/get-involved/step-it-up/commitments/armenia.

[4] Gender Equality Strategy 2019 – 2023, draft quoted in the Armenia Country Gender Assessment, 2019 of the Asian Development Bank.

including entrepreneurship and employability of women. The GES is accompanied by an action plan and its priority areas are:

1. Improvement of national machinery on women's advancements and equal participation of women and men in the leadership and decision-making positions.
2. Elimination of gender discrimination in the socioeconomic sphere and enhancement of economic opportunities for women, including addressing work–family balance, promoting women's entrepreneurship, and expanding economic opportunities for women in agriculture.
3. Full and effective participation and expansion of equal opportunities for women and men in education and science, and balanced gender representation in all the levels of education.
4. Expansion of equal health-care opportunities for women and men, including prevention of non-communicable diseases (NCDs) causing early death among women and men.
5. Prevention of gender-based discrimination, including promoting increased political representation of women, addressing gender stereotypes in mass media, and responding to gender biases that are contributing to sex-selective abortions.
6. As per the Constitution and the Civil Code, Armenian women and men have the same rights to own and access land, and these rights are protected under marriage as well[5]. And according to data from the Statistical Committee of the Republic of Armenia (ARMSTAT)´s Demographic and Health Survey (DHS) database (with data from 2015), overall in Armenia, 75,2% persons own a land deed. However, the proportion of women age 15-49 with ownership over agricultural or non-agricultural land, i.e. who have a title deed and their name is listed on the title deed is of only 1,6% for women alone, and 13,1% of women jointly with someone else.

With regards to women's economic rights, as per the Constitution and the Civil Code, Armenian women and men have the same rights to own and access land, and these rights are protected under marriage as well[6]. And according to data from the Statistical Committee of the Republic of Armenia (ARMSTAT)´s Demographic and Health Survey (DHS) database (with data from 2015), overall in Armenia, 75,2% persons own a land deed. However, the proportion of women age 15-49 with ownership over agricultural or non-agricultural land, i.e. who have a title deed and their name is listed on the title deed is of only 1,6% for women alone, and 13,1% of women jointly with someone else.

Armenia is ranked 97 out of 144 countries in the Global Gender Gap Index as per Global Gender Gap Report issued in 2017. The Global Gender Gap index is used by the World Economic Forum to measure the magnitude and scope of gender-based disparities in economic participation and opportunity, educational attainment, health and survival, and political empowerment. In 2017, Armenia received an overall score of 0.677, indicating limited progress since 2007 when it scored at 0.665. In terms of the economic participations and opportunity index, Armenia has an overall ranking of 71, but has high female participation (61.7%).

Economic participation for women is reflected in the national statistics. According to the National Statistical Service of the Republic of Armenia, the labour force[7] in 2016 constituted 2.011 million persons, which shows a decrease compared to 2013 date when the total labour force stood at 2.189 million people (1.1214 million women and 0.974 million men).

Barriers to women's entrepreneurship and access to financial services

Women's entrepreneurship.

According to the Global Gender Gap Report of 2018, 34% of all firms in Armenia have female co-owners and 24% of firms have female top managers.

As per the Armenian Country Gender Assessment 2016 conducted by the World Bank, self-employment or

[5] Women's property rights are not affected by marriage. Spouses have equal property rights, and any property purchased during the marriage is owned jointly. Any property that the wife owns before marriage remains hers alone, as does any property that she is given or inherits once she is married. Civil Code, Article 201.

[6] Women's property rights are not affected by marriage. Spouses have equal property rights, and any property purchased during the marriage is owned jointly. Any property that the wife owns before marriage remains hers alone, as does any property that she is given or inherits once she is married. Civil Code, Article 201.

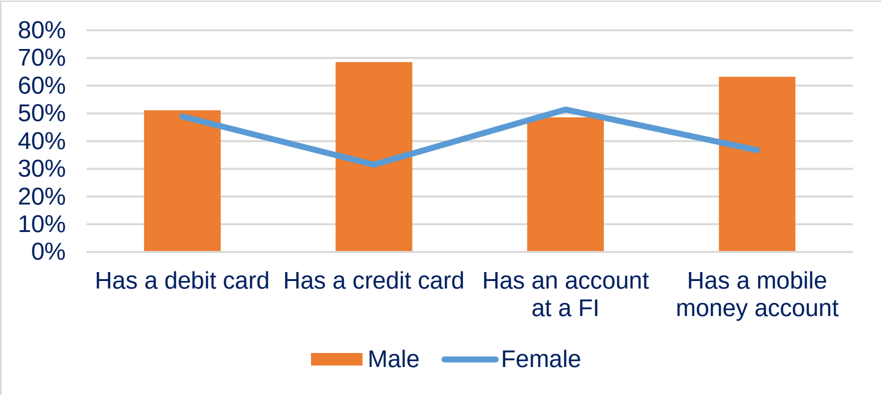
[7] http://www3.weforum.org/docs/WEF_GGGR_2017.pdf

microenterprise activities are common for both women and men in Armenia, with 34.9% of women and 35.6% of men being self-employed.

Women´s Financial Inclusion.

Women's entry into business ownership is influenced by their level of access to financial services[8]. According to the 2017 Global Findex database for Armenia, close to 50% of adults in Armenia have a bank account at a financial institution, yet women surpass men by a slight advantage. On other metrics such as having a credit card or a mobile account, it is women who are on a disparity standing as compared with men (see graph below).

Global Findex, Armenia 2017: financial inclusion measures, by gender



The **GEFF gender baseline assessment**, undertaken in 2020, provides an in depth analysis of challenges and opportunities for women's access to finance in the country. According to the survey, the main barrier for women to access finance are high interest rates to accessing bank loans, while the short-term loans are only intermittent access to finance and hinders constant development of women's businesses.

Moreover, short term repayment period combined with high interest rates make access to finance for women highly challenging. As well as lack of collateral affects women sub-borrowers significantly, since they have to ask for the consent of their husbands, which is often denied due to traditions and patriarchal norms. In addition, lack of financial literacy, especially in green finance, became a huge obstacle to use such facilities.

The data collection for the Baseline assessment was conducted with Armenian micro, small, and medium enterprises (MSMEs), as well as interviews and focus group discussions (FGDs) with MSMEs, and representatives of partner financial institutions (PFIs). The sample of the survey consisted of 52% of women and 48% of men.

Female participation in the labour force

A 2017 World Bank study[9] at the national level, and across sectors, found that in Armenia social perceptions on gender norms still limit women's education and career choices. Women are more likely to choose careers associated with traditional female roles and that allow them to fulfil what they and their social environment perceive as their family responsibilities.

As per Statistical Committee report, Armenia Labour Force Participation is 59% in 2023, unemployment rate stood at 13.7%10. The data clearly suggests that the primary cause of women's economic inactivity in Armenia is the gender specific division of labour within society and that women carry out the majority of unpaid care work. Nearly the entire gap in labour force participation can be explained by this factor.

In 2014, 0.6% of working women were entrepreneurs, compared with an almost equally low share of working me (2.2%)11. However, it is worth to mention that female participation is not only limited but concentrated in certain economic activities. Firms with women top managers are underrepresented in every sector except in

[8] World Economic Forum. 2018. The Global Gender Gap Report 2018. Geneva

[9] World Bank. 2017. Republic of Armenia Levelling the STEM Playing Field for Women: Differences in Opportunity and Outcomes in Fields of Study and the Labour Market. Washington, DC.

10 Statistical Committee of the Republic of Armenia. 2023

11 NSS (2015)

the textile and garment industry and in the hospitality services, where 35% of firms have female participation in the top management positions.

When it comes to the **financial services industries**, there has been recent progress on gender diversity. However, women still only represent 20 per cent of executive committee members and 23 per cent of board members[12]. Only 6 per cent of CEOs of major financial services firms globally are women, as well as only 16 per cent of vice CEOs. Estimates suggest that, even in some developed markets, less than 30 per cent of the fintech workforce is female and 17 per cent of senior roles are held by women. A 2019 report found that women represent only 14 per cent of fintech boards (compared to 23 per cent in the financial sector), while 39 per cent of fintechs did not have a single woman on their boards[13].

This limits women´s capacity to participate in the productive economy. As of 2017, just over half (51.4%) of women of Armenia participated in the labour force – i.e. either working or actively looking for a job-, compared to a much higher 70.6% of men. Although the average unemployment rate among men and women is similar (around 17.5%) the unemployment among young women (aged 15-24) is significantly higher compared to men of the same age group (45% versus 33%)[14].

As for **sectors of employment**, the national panorama as described in a UN Women study of 2018[15] exhibits a typical sex-segregated division of sectors., Armenian women are more involved in education, healthcare, wholesale/retail trade, while men are overrepresented in construction, transportation, agriculture, electricity/gas, and manufacturing (though the difference in participation in the latter is less prominent). Both are almost equally engaged in government/public office jobs and financial services.

Armenian women in the workforce earn only 64.7% of what men earn[16]. The **wage gap** exists across sectors and persists even when women enter the non-traditional female fields. For example, research advanced by the World Bank showed that in 2016 women earned 32% less than their male counterparts in STEM jobs and 26% less in non-STEM jobs[17] [18].

According to the International Labour Organization’s Global Wage Report 2018/2019[19], **Armenia has the second greatest gender wage gap among 17 upper middle-income countries.** As per ILO´s labour database, Armenia’s workforce is concentrated in areas such as agriculture and education, and this is even more relevant for women than men.

In terms of occupational categories, around 40% of the workforce are employed as craft and trade workers, with 42% of women compared with 36% of men. Men and women are fairly evenly represented in sales and service positions (around 15%). Although women are over half of the overall workers in the agriculture, forestry, and fishery sector[20], they only amount to a small minority (8.8%) of skilled workers in the sector[21]. Nearly twice as many women (20%) are employed as professionals compared with men (10%). On the whole, more than two-thirds (71%) of managers are men, compared with less than a third for women (29%)[22].

ARMSTAT´s data from 2019 further asserts a low proportion of women in managerial positions (27% in urban areas, and of 22,4% in rural areas).

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[12] ILO Stat 2023

[13] These figures comes from the work that has been undertaken to develop the gender assessments that are part of our internal gender-smart tagging process. The detailed references can be provided if needed.

[14] Statistical Committee of the Republic of Armenia. 2017

[15] Women´s Economic Inactivity and Engagement in the Informal Sector in Armenia, UNWomen, Georgia, 2018.

[16] For a complete overview of the most recent gender pay gap by sector, see Annex 7.

[17] Statistical Committee of the Republic of Armenia. 2018. Women and Men in Armenia.

[18] According to 2017 data from Armenia’s Statistical Committee, the finance and insurance sector has the highest wage gap, with women earning 60% of what men earn. The gap in technical fields such as electricity and gas and water supply and sewerage was lowest, as women’s earnings were more than 90% of men’s. Statistical Committee of the Republic of Armenia. 2017

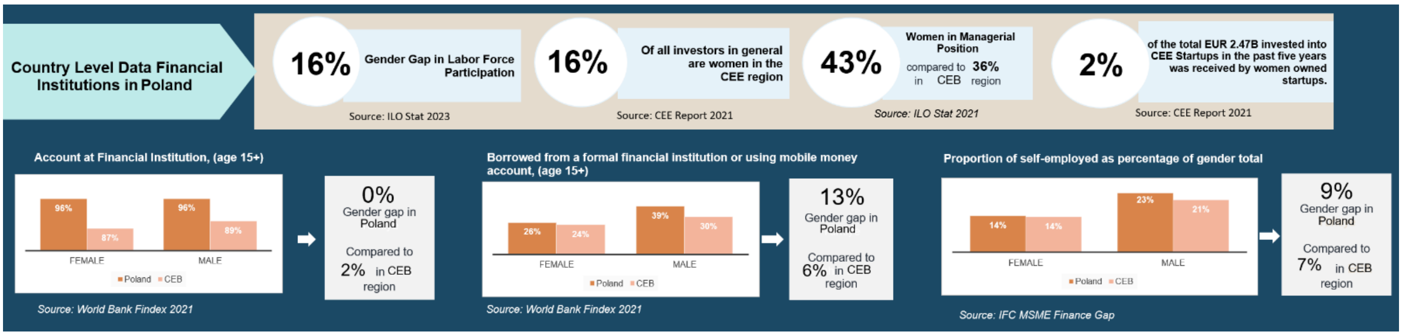
[19] ILO 2019, Global Wage Report 2018/19: What lies behind gender pay gaps.

[20] The share of women engaged in informal employment in agriculture is 82.1%, compared with 60.8% of male informal workers. Furthermore, men account for more than 80% of employers, while women represent 83 percent of the so-called “others” in the informal workspace of agriculture (ARMSTAT, data from 2015). This may be related to the overrepresentation of women as contributing family workers in family farming. FAO,

[21] Please see a complete description of the division of work in agriculture and food processing in Annex 6.

[22] Statistical Committee of the Republic of Armenia. 2018. Labour Market Survey. Yerevan.

Key indicators: Gender gaps in the economy and financial sector



2. Egypt

In 2020, **Egypt ranked 134 out of 153 countries in the Global Gender Gap Index**, having a score of 0.63[23]. While Egypt has low gender disparity in education and health and survival, with a score of 0.973 and 0.974 respectively; in terms of economic participation and opportunity, Egypt has a low score, ranking 140 out of 153 countries[24]. Although Egypt score relatively well in terms of education attainment and health, the scores for economic participation and political empowerment are low. Furthermore, it is important to note that the value of the gender gap index has not improved much since 2010 with a score of 0.59[25], showing that Egypt has not undertaken significant measures to close its gender gap.

In Egypt, the National Council for Women (NCW) was established to uplift the economic empowerment of women. NCW has issued multiple strategies for women's empowerment, in particular the **Women empowerment strategy in 2017**, which focused on achieving women's political empowerment, economic empowerment social empowerment, and women's protection. Furthermore, NCW in collaboration with the Ministry of International Cooperation, the World Economic Forum and the private sector launched the **Closing Gender Gap Accelerator Action Plan in 2021**. It consists of 10 commandments, each includes several tasks and sub-actions for all stakeholders to implement, bringing their own expertise to the gender agenda plan. NCW also partnered with the CBE in the financial inclusion initiative, the cooperation between the CBE and the NCW served NCW's major economic empowerment project in the year of women. To the same end, NCW conducted several financial literacy programs to businesswomen and women entrepreneurs in collaboration with international organizations in various governorates. However, it does not have a clear plan for institutional capacity to monitor the impact of the training programs and follow up with trained women and take them to the next level.

Egypt's private sector predominantly consists of SMEs, and faces many challenges to reach its full potential. In 2020, the New MSMEs Development law was enacted to tackle many issues related to MSMEs in Egypt and touches on challenges faced by the size of the informal economy. The 2020 MSMEs law provided several incentives including tax reliefs for newly licensed enterprises up to 5 years. The law also stipulates that at least 30% of the available lands in industrial, touristic, urban communities, and terraformed lands will be allocated to MSMEs. The **new MSME law** is e**xpected to have a direct impact on banks' portfolio to MSMEs and hence women led businesses lending** since it is estimated they represent a significant part of the target group.

In spite of the initiatives mentioned above, women in Egypt still face barriers and have limited access to land use, control and ownership[26].

Egypt, which hosted CoP 27 last year, is a signatory to the major **climate change** protocols and has several government-led initiatives that seek to protect the environment (or at least minimize damage), in areas ranging from energy to waste management to plastic use reduction. Around a decade ago, availability of

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[23] World Economic Forum, 2020, Global Gender Gap Report
[24] World Economic Forum, 2020, Global Gender Gap Report
[25] World Economic Forum, 2010, Global Gender Gap Report
[26] World Economic Forum, 2020, Global Gender Gap Report

finance was identified as one of the major challenges curbing Egypt's transition to green economy. Since then, there has been a significant surge in financing available for green investments.

Some examples of programmes providing green financing include EBRD's EgyptSEFF with the National Bank of Egypt, UNIDO's Solar Heating in Industrial Processes, Financial support from the Environmental Compliance Office, etc. Many of the newly available funds, especially those deployed by the EBRD, target SMEs rather than large corporates. However, **very few of these support programmes or policies have officially adopted gender-mainstreaming targets.** Only GCF/EBRD programmes and the soon to be launched credit lines by AFD/Proparco have gender mainstreaming as one of their targets.

Although some initiatives and organizations provide support to women in business, lack of coordination has resulted in the fragmentation, which has reduced the potential impact. Nevertheless, NCW is regarded as the organization playing the most pivotal role.

Barriers to women's entrepreneurship and access to financial services

Although SMEs in Egypt represent the majority of businesses, many challenges have remained for decades stopping them from reaching their full potential. One of the main challenges is access to finance.

As per the findings of the **GEFF gender baseline assessment**, SMEs in general highlighted challenges with respect to financial literacy, ability to present bankable projects, ability and time given by loan officers, and access to information and different financial products. Moreover, as per the findings, women-led businesses in the SMEs sector face a significant challenge in accessing finance from commercial banks as many are not aware of the CBE offerings (launched by the Government of Egypt) and other initiatives. Additionally, in most cases, women have limited financial literacy, thus they are less able to present bankable projects to commercial banks. Moreover, in most cases loan officers do not dedicate enough time to explain in detail the bank's requirements, which discourages women from pursuing with loan signings. Lastly, women in business have highlighted that male loan officers often exhibit prejudices when dealing with women compared to men. Both women and men led businesses face certain common challenges, although, women in businesses raised the additional challenge of facing prejudice.

Poor women inclusion is not only reflected by the challenges women face in business, but also through their inclusion in the financial/banking system in general. Approximately, 27% of Egyptian women have a bank account, compared to 39% for men. Furthermore, women account for only 10 to 25 percent of financial institutions borrowers, and most of them are microfinance clients, while only 20 percent of women entrepreneurs have access to commercial banks for credit and in most cases, they apply for personal loans.[27]

With respect to **access to green credit lines**, there is no significant difference in the awareness level nor the ability to access green credit loans between women-led and men-led SMEs. This is independent of general challenges related to access to finance. As a part of the GEFF Egypt baseline assessment, 30 in-depth interviews were conducted with private sector representatives, business associations and chambers of Commerce, government bodies and quasi-government bodies, consulting firms, UN agencies, and commercial banks.

Female participation in the labour force

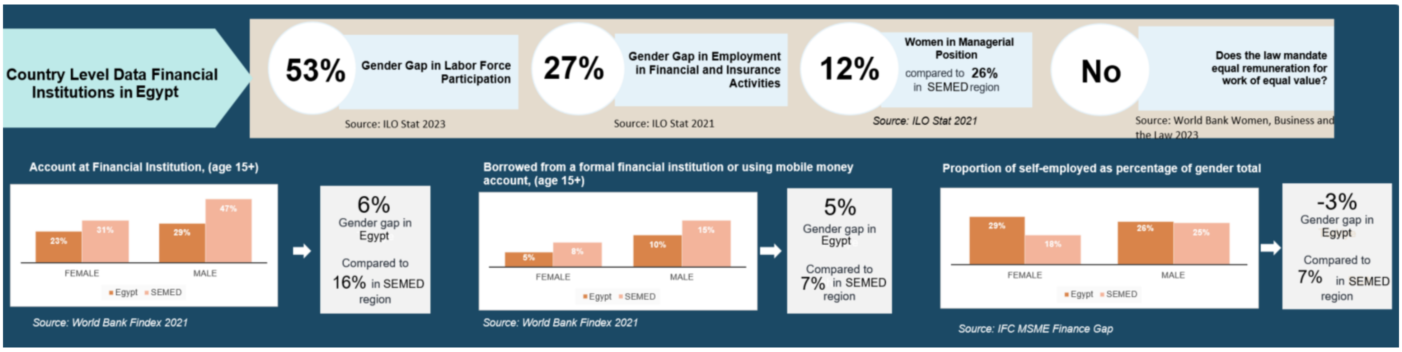
Egypt faces multiple challenges with respect to economic opportunities for women. Egypt has **low female economic participation** with only 24.7% of women in the labour force as compared to 77% of men in the labour force[28]. Moreover, out of the women in the labour force, around 20% are on a part-time contract[29]. Further, very few women are in managerial roles with only 2.4% of firms having female majority ownership and 4.9% of firms having female top managers[30]. These low participation rates are related to the absence of conducive working environment conditions for women in the private sector namely the flexibility to work from home, flexible working hours and/or having an on-site nursery for the children. This has resulted in high turnover rates for women in the private sector and the preferences of many female workers to work in the

[27] World Bank, 2017
[28] World Economic Forum, 2020, Global Gender Gap Report
[29] World Economic Forum, 2020, Global Gender Gap Report
[30] World Economic Forum, 2020, Global Gender Gap Report

informal sector or start up their own business (mostly micro projects) from home to be able to take care of their family. This reflects that there are barriers that still prevent women to access finance and assets.

Moreover, in light of the feedback of interviewees, it was revealed that the share of **women-led business** (managing and/or owning) in private sector companies is estimated to be around 10% in Egypt; this is also related to the low participation of women in managerial positions in male-led business. In most cases, the participation of women in managerial positions would be in family businesses.

Key indicators: Gender gaps in the economy and financial sector



3. Jordan

Jordan's legal framework provides for gender equality at the constitutional level, particularly through **Article 6(1) of the Constitution**, which guarantees equality before the law without discrimination based on race, language, or religion. According to the **GEFF Gender baseline assessment** however, the enforcement of constitutional supremacy is weak, and many laws contradict the principle of gender equality, especially in civil and criminal codes, as well as Islamic and ecclesiastical laws. This is especially the case for inter alia the Personal Status Law, which disadvantages women in matters of marriage, divorce, and inheritance. The Penal Code offers some protections but is criticized for leniency towards perpetrators of "honor crimes" and inadequate domestic violence provisions. The Jordanian National Commission for Women (JNCW) developed the National Strategy for Women (2020-2025) to enhance women's political, economic, and social participation. The government has also launched initiatives to support female entrepreneurship, vocational training, and family-friendly workplace policies, and established quotas to ensure female representation in parliament and local councils. Despite these efforts and Jordan's commitment to international treaties like CEDAW, challenges remain in achieving true gender parity.

In the **Global Gender Gap Report 2023**, which measures disparities between men and women across countries, Jordan ranked 126th out of 146 countries with a Global Gender Gap Index of 0.646. Gender disparities in Jordan are particularly pronounced in economic participation and opportunity (0.542) and political empowerment (0.093). However, Jordan performs better in female education attainment (0.994) and health and survival (0.957). Compared to the average indexes of the Middle East and North Africa, Jordan scores slightly better in all indicators except political empowerment.

Women's access to economic opportunities in Jordan remains constrained, despite recent legal reforms. According to the **8th World Bank's Women, Business, and the Law 2024 report**, which measures the laws and regulations affecting women's economic opportunities in 190 economies, Jordan scored 59.4 in 2024, up from 46.9 in 2023. This improvement is due to the adoption of Law No. 10 of 2023, which introduced multiple amendments to the labour code. These amendments include prohibiting gender-based discrimination in employment, removing restrictions on women's work in different industries, and introducing penalties for sexual harassment in the workplace. Additionally, the law now expressly prohibits gender-based discrimination by employers, which could hinder equal opportunities for women.

Barriers to women’s access to entrepreneurship and financial services

According to the **GEFF Gender baseline assessment**, women in Jordan own 9.1% of small and medium-sized enterprises (SMEs) and constitute almost half of home-based businesses, which make up 5.2% of SMEs. Due to societal norms that limit women’s ability to work outside their homes, female-owned businesses are eleven times more likely to be home-based compared to male-owned businesses. Additionally, women who own businesses are 9.4 times more likely to employ other women, reflecting a strong gender-specific employment trend within these enterprises.

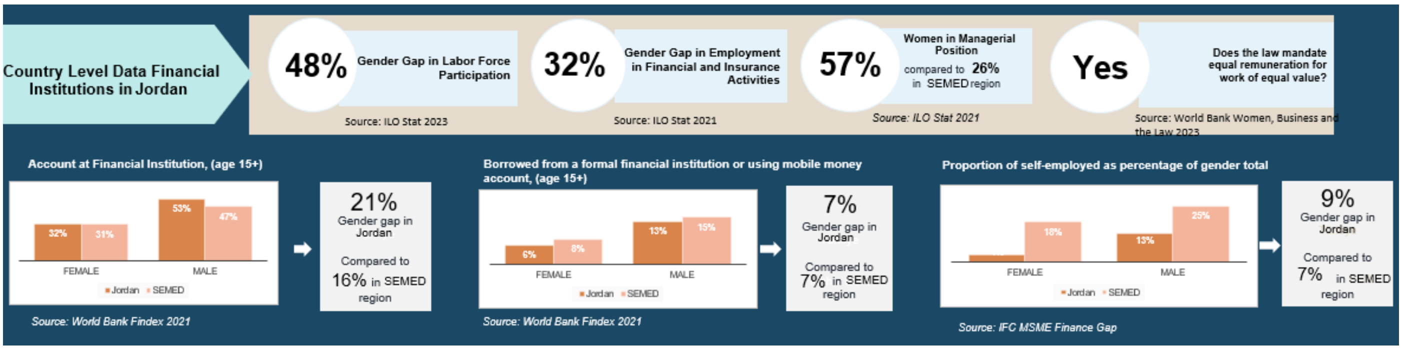
The assessment also showed that, despite a relatively high percentage of women entrepreneurs holding bank accounts (76%), there remains a 14-percentage point disparity compared to men (90%). Women primarily engage with financial services such as ATM usage, online bill payments, and money transfers. Although 32% of women entrepreneurs have secured loans in the past two years, their average loan amounts are significantly smaller than those of their male counterparts. Notably, 64% of women entrepreneurs are interested in obtaining loans, including green finance, compared to 43% of men. Conversely, among non-business respondents, only 41% of women are interested in green financing compared to 60% of men. The concept of green financing remains relatively unknown, especially among women, indicating a need for increased awareness and access to these financial opportunities.

Female participation in the labour force

Despite recent advancements, a significant gap persists between women’s educational achievements and their participation in the labour market. According to the **Global Gender Gap Report 2023**, Jordan has achieved parity in literacy rates and enrolment in primary, secondary, and tertiary education. However, this educational attainment does not translate into labour market participation. Only 14% of women in Jordan are part of the labour force, compared to 63% of men. This is a slight increase from the 11-12% participation rates seen in the 1990s and early 2000s but still falls far below the MENA region’s average of 19% and the global average of 49% for women.

Several factors contribute to this employment gap. For one, employers often hold preconceptions that women lack adequate education and skills, despite women’s higher levels of educational attainment in areas such as reading, math, and science. For another, traditional gender roles act as significant barriers, with many believing that women should prioritize domestic responsibilities over professional careers. Additionally, limited and secure transportation options, along with a lack of affordable childcare facilities, hinder women’s access to jobs. Concerns about the cost of childcare and the risk of harassment in public transport further discourage women from entering the workforce, particularly those with lower levels of education or expertise.

Key indicators: Gender gaps in the economy and financial sector



4. Georgia

Georgia adopted in 2010 a **law on Gender Equality** to support and ensure equal rights for men and women in political, economic, social, and cultural life. In addition, UNDP works closely with Government of Georgia to increase women's role in local governance.

However, traditions and social norms related to role of women and men place burden on women shoulders for household and family care which limits her opportunities, hence NGOs and international agencies working in a collaborative way to improve the national legislative framework on gender equality, but despite that social norms and roles attributed to women and men are still strong.

The **Global Gender Gap Report** for 2018 gives Georgia a ranking of 99 out of 149 countries with an index of 0.677. The relatively low ranking is mainly determined by the low scoring obtained in the political empowerment (0.093). In terms of the Economic Participation and Opportunity Index, Georgia has an overall ranking of 85 with the female participation (63.4%) in the professional and technical worker category giving it a score of 1.000.

Barriers to women's access to entrepreneurship and financial services

Overall, there are many challenges for women to access finance in Georgia, that could be split into several categories[31]. The **GEFF gender baseline assessment** identified a major challenge being social norms and beliefs that negatively perceive women's involvement in business and deprive them of their access to an inheritance. The burden of house and care works alongside business responsibilities also hinders women from fully exploring their potential as professionals. Also, women face operational challenges, in particular when starting up or developing a business. Finally, many women lack the social capital and networks that is essential in establishing connections within the business community.

The first group of barriers covers social norms and cultural beliefs, as women are still expected to be housewives and take care of household responsibilities. Such cultural barriers prevent women from starting a business, growing enterprises and being active in business circles, including associations and policy dialogues. In addition, women still lack equal access to property inheritance which is an often-overlooked challenge that many women face in Georgia. Hence the lack of access to property derails women's ability to obtain loans, which often require collateral.

Another challenge is the **lack of women-focused funding for start-ups and business development** which restricts women's ability to start and develop their own businesses. While a number of government entities and international developmental institutions have spread efforts to fund women, such efforts are fragmented. As well as larger PFIs such as commercial banks still lag behind in terms of women-focused loan programmes and gender-sensitive approaches in their work.

Additionally, high interest rates on the available funding, lack of information, financial literacy and confidence among women is another barrier. These challenges, identified in the EBRD-GCF GEFF gender baseline assessment, highlight major obstacles to access finance, such as disadvantaging credit conditions (high interest rates, small loan amounts, short loan maturity), lack of collateral that prevent women to obtain loans that require them. Lack of business knowledge, business information and network, as well as lack of digital and financial literacy are other important obstacles to use digital and other products beyond loans. Use of digital knowledge is specifically important for women-entrepreneurs to help them save time and combine business with household responsibilities.

Overall, the **financing gap for WSMEs in Georgia** is estimated of over 836 million Euro (899 million USD). 71% of both women and men have bank accounts, but only 23% of women compared to 25% of men use the banking system for borrowing money. Women's access to finance is negatively impacted by their lower likelihood of owning property, particularly in rural areas where 70% of agricultural holders are men.23% of women and 42% of men are self-employed with no employees. 1.1% of women and 1.4% of men are employers[32].

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[31] As per National Assessment of women's entrepreneurship development prepared by UN Women, May 2023

[32] These figures comes from the work that has been undertaken to develop the gender assessments that are part of our internal gender-smart tagging process. The detailed references can be provided if needed.

Female participation in the labour force

Women's participation in the labour force in Georgia is significantly lower than men. Close to 55% of women, compared to 73% of men, participate in the labour force. The gender gap is even more pronounced among 15 to 24 year olds, with 29% of young women and 46% of young men participating. In the financial and insurance activities, this gap reaches extreme levels at 64%

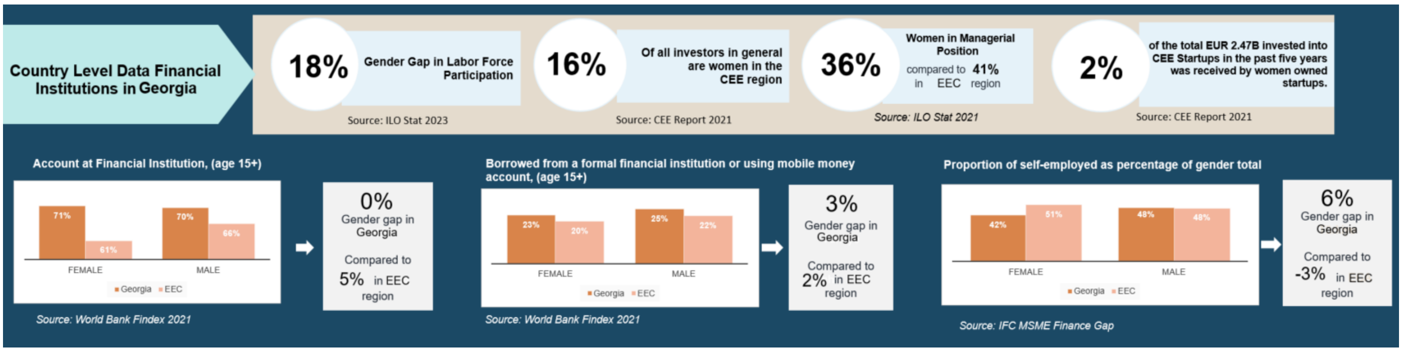
The age-related gender gap in employment is driven by pregnancy, child-rearing, and unpaid domestic work at home. In fact, the time spent by women on unpaid domestic work is three times higher (45 hours) than time spent by men (15 hours). The leading sectors for women entrepreneurs are agriculture (40.6%), education (16.2%) and health (7.1%).

In 2017, the **gender pay gap** was 34.5% in Georgia, which indicates significant inequality among employed women and men. Women constitute the minority of state grant recipients, and larger grants are less likely to benefit women. Equal pay, women's political participation, and credit history for women are considered to be the most alarming issues in Georgia.

In terms of the Economic Participation and Opportunity Index, Georgia has an overall ranking of 85, with the female participation (63.4%) in the professional and technical worker category giving it a score of 1.000. Economic participation for women is reflected in the national statistics. According to the National Statistical Services of Georgia, 58% of women and 78% men were in the labour force in 2016[33.] Moreover, childcare responsibilities are the largest barrier to women's labour force participation. Indeed, women are most likely to join the labour force after raising children, from age 35 onwards.

The highest level of economic activity among women was observed in the 45-54 age group (81%). The employment rate was highest (73%) in the same age group, and lowest (18%) in the 15-24 age group. Economic activity was highest among men aged 25-34 (94%), while the employment rate was highest in the 35-44 age group (80%). Similar to women, highest unemployment was observed in the 15-24 age group (31%). In terms of **women's representation in management and leadership roles**, only 36% of the managers in Georgia are women. Among large companies with more than 100 employees, however, only 8% are managed by a woman.

Key indicators: Gender gaps in the economy and financial sector



5. Kazakhstan

In terms of gender policy, there are certain regulations in place, which protect and prevent domestic violence and promote equal opportunities for men and women as well as gender equality in the social and political sectors, seeking to promote gender equality in the economy.

The Government Developed and approved a **National Gender Strategy** (2006-2016) that has laid the foundations for the improvements of women's participation in public life of Kazakhstan. In 2009, the parliament enacted the Law of State Guarantees of Equal Rights and Equal Opportunities for Men and Women and the Law on the Prevention of Domestic Violence. In December 2016 the new Concept of Gender

[33] Economically active population (labour force) is total employed and unemployed population of 15 years and older, as defined in the 2017 publication" Women and Men of Georgia", pg. 82

and Family Policy in the Republic of Kazakhstan was approved until 2030 on the country level. The Concept was developed in close cooperation with UNWomen in Kazakhstan and highlighted all the main recommendations contained in the Sustainable Development Goals. Kazakhstan was the first Central Asian country with which the EU signed a next generation Enhanced Partnership and Cooperation Agreement (EPCA) in 2015[1]. The Agreement came into force in 2020 after ratification by the EU and all Member States.

Gender equality index in Kazakhstan is approaching East European level (0.2562). Kazakhstan was in 2022 ranked 65 out of 146 countries in the Global Gender Gap Index Rank, moving up 15 positions due to successful reforms in the field of gender development.

Barriers to women's access to entrepreneurship and financial services

The **GEFF Gender Baseline Assessment** on the country level aimed to better understand awareness of potential sub-borrowers about climate change risks, as well as needs and obstacles related to access to finance in order to adopt climate technologies. It consisted of the survey and interviews of about 160 respondents with 63% female and 37% male participants. The results of the Baseline assessment showed that women indicated access to finance as main existing barrier, due to their lack of collateral, the refusal by banks to extend loans to them, in addition to complicated banking procedures, women's fear of taking on debt and women's weak skills and knowledge related to business management, among others. Where men highlighted access to markets and adaptation of innovative technologies as a main obstacle for businesses due to low awareness and understanding of various technologies and its benefits, meaning that there is a significant room for awareness raising and explanations of various aspects of sustainable development, including climate change challenges, alternative energy sources, resource efficiency.

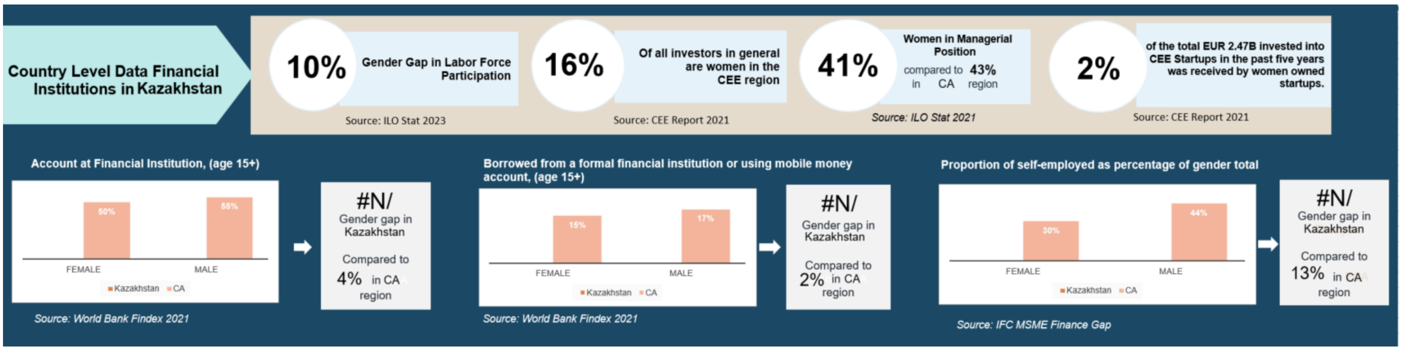
Female participation in the labour force

Due to the recent efforts undertaken by the Government of Kazakhstan, **gender gaps** in women's labour force participation are relatively low in Kazakhstan. In 2017, the rate was 73.40% for women and 82.83% for men, and their level of unemployment rate was 5.7% and 4.3% respectively. While an increasing number of women are working in SMEs, women are mainly self-employed, and may lack decent working conditions and social security benefits such as pensions. Women represent 70% of all employees in sectors that are traditionally female, where the prevalence of low-paying wages is high. On average women's salaries are 67% of average salaries for men. Kazakhstan is close to gender parity in access to primary and secondary education and ranks among the top countries in enrolment in primary and secondary education. Women, nevertheless, continue to be overrepresented in traditional areas of study, and are less likely to participate in science and technology related studies.

On a local level, the share of women delegates in regional parliaments is on average 18.8%, with variations in certain regions exceeding the 30% threshold. While important advances have been made over the last decade, the share of women in national parliament remains below the 30% gender equality threshold – considered to be the point at which they can bring about real change in policy agendas – and slightly below the OECD average, at 27.1% (29 out of 107 seats) in the House of Representatives and 6.48% (3 out of 47 seats) in the Senate. In the executive office, women comprise 55% of administrative civil servants, but only 8.4% of the political-level civil servants. In 2016, of the 13 ministerial posts and 17 seats in the Executive Cabinet, one was held by a female. In the judiciary, 55% of all judges are women, while only 36.4% of judges in the Supreme Court are women.

In **March 2023**, women' participation in the Labour Force in Kazakhstan dropped to 68.3%, compared with 68.8% in the previous quarter, according to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of Kazakhstan. Women's unemployment rate remained the same at 4.8% in April 2023.

Key indicators: Gender gaps in the economy and financial sector



6. Kyrgyz Republic

As per **Global Gender Gap Report 2023**, which measures disparities between men and women across countries, Kyrgyz Republic ranked 84 out of 146 countries, with a score of 0.7. There is relatively low parity in economic participation and opportunity (0.694) as well as political empowerment (0.128) in Kyrgyz Republic. However, there is high parity in educational attainment (1.000) and health and survival (0.980).[34]

According to the **8th World Bank's Women, Business, and the Law 2024 report**, which measures the laws and regulations affecting women's economic opportunities in 190 economies, Kyrgyz Republic scored 76.9% in 2024. Kyrgyz Republic is undertaking measures to promote women's access to entrepreneurship and empowerment. In 2021, the Cabinet of Ministers of the Kyrgyz Republic approved a State Women Entrepreneurship Programme spanning from 2022 to 2026. This programme aims to empower women in business by supporting their projects, fostering the development of their start-ups in small and medium enterprises, and ensuring access to information, finance, and marketing. In addition, in the Kyrgyz Republic, the Coalition for the Development of Women's Entrepreneurship "Demilgeluu Ayimdar" was created in 2023, which developed the National Agenda for Women's Entrepreneurship in Kyrgyzstan[35].

However, there are still gender gaps prevalent in the economy. The **GEFF Baseline Assessment** highlighted that women constitute a large share of the rural population, with the majority involved in food production and household caring responsibilities. However, in most cases, due to women's limited access to productive resources, services, and employment opportunities, they tend to be among the poorest and most vulnerable groups in the population, especially in rural areas. Furthermore, since very limited agricultural businesses (including farms) are registered under a woman's name, women's entrepreneurial activity is typically limited to small businesses with a few employees, low start-up capital requirements, and fewer opportunities to expand the business.[36]

Barriers to women's access to entrepreneurship and financial services

Women face multiple restrictions and inequalities in entrepreneurship. Due to the influence of traditional norms, assets and property are more often registered in the name of men, thereby limiting women's access to credit. The **GEFF Baseline Assessment** showed that due to gender norms and cultural practises, women have limited access and control over resources, lower political representation, limited access to education and training, and uneven unpaid care responsibilities, thereby leading to unbalanced division of labour, lower incomes, and fewer livelihood opportunities.

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[34] World Economic Forum, 2023, Global Gender Gap Report

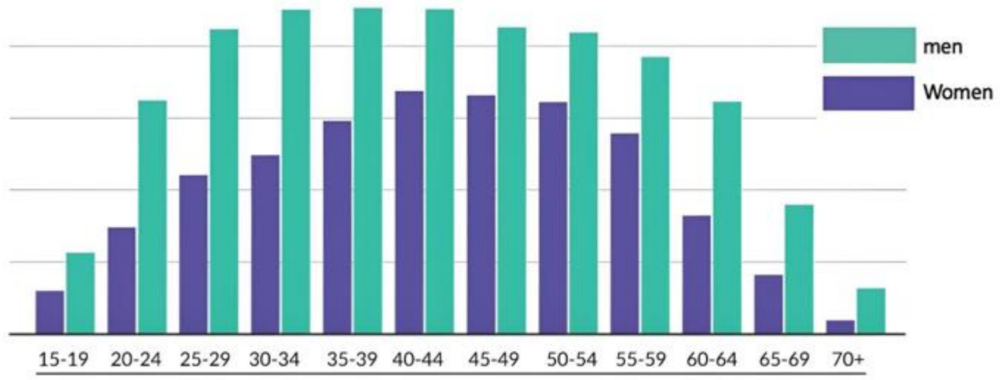
[35] KyrSEFF III Baseline Assessment Report

[36] UNDP. A note on including gender issues in projects across sectors. A case of 'Pasture management' project: Kyrgyzstan\\http://undpgendermadeeasy.org .

In terms of access to finance, the **GEFF Baseline Assessment** also highlighted that women may have limited access to formal financial services, including banking and lending facilities, due to various socio-economic factors such as lack of collateral, lack of credit history, lower levels of financial literacy, and cultural barriers. Furthermore, many women may lack adequate financial literacy skills, which could inhibit their ability to understand and effectively utilize financial products and services offered by financial institutions. Additionally, financial institutions with predominantly male leadership may struggle to understand and address the unique financial needs and preferences of female clients, leading to a lack of trust and engagement among women. Therefore, the main source of lending for women entrepreneurs is microfinance organizations, where it is easier to apply for and receive a loan. However, in microfinance organisation, the amount of loan is smaller and interest rates are higher.

Female participation in the labour force

There are large gaps in the levels of male and female labour force participation, employment rate, and unemployment rate, which are further exacerbated based on the region. In 2022, the labour force participating rate stood at 46% for women vs 74.8% for men[37]. The highest level of labour force participation among women was observed in Talas (58.8 percent), Osh (53.2 percent) regions and Bishkek city (58.1 percent), and the lowest was observed in Batken region and the city of Osh (33.3 percent each). At the same time, in Osh and Chui regions, the decline of women's participation in the labour force in 2022 compared to 2021 amounted to a decrease of 0.7 and 0.3, respectively[38]. The decline in these regions may be attributed to a societal shift away from secularism towards more traditional patriarchal beliefs.



Source: Women and men of the Kyrgyz Republic: 2018–2022. Bishkek. 2023.

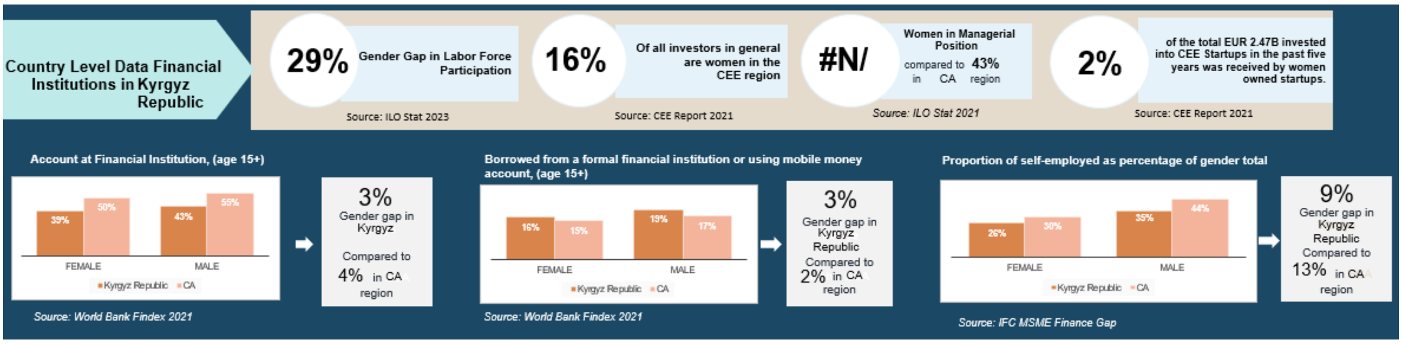
Figure 1: Employment by gender and age groups, 2022 (GEFF baseline assessment)

Additionally, the employment rate of women is 28.7% lower than that of men. The female unemployment rate in 2022 decreased by 0.2% from 2021 and amounted to 6.1%, which is 2.1% higher than male unemployment[39]. As per the data of the integrated sample survey in Figure 1, the excess level of employment of men in relation to the level of employment of women was observed in all age groups, but the most significant was in the age groups of 25–34 years, which is when women most often leave work due to childbirth. In the age group of 45–54 years, there is a convergence in the employment levels of men and women. This is because during this age, women have grown-up children and return to work. Furthermore, due to the dominance of gender stereotypes and socio-cultural norms, women choose educational

[37] Women and men of the Kyrgyz Republic: 2018–2022. Bishkek. 2023 (see KyrSEFF III Baseline Assessment)
[38] Ibid.
[39] Ibid.

institutions, and professions that are traditionally considered female appropriate and low-paid. Women's employment is highest in the services sector, where their share in the total number of employees dominate in activities such as real estate transactions (100 percent), education, health care and social services (77 percent each)[40].

Key indicators: Gender gaps in the economy and financial sector



7. Moldova

Gender equality has been enshrined into the Moldovan **Constitution 1994** and embedded in a wide-ranging legal framework to protect gender equality in Moldovan family, political and economic life. The legislative framework guaranteeing gender equality in Moldova includes the Family Code, the Law on Ensuring Equal Opportunities for Women and Men, and the Law on Preventing and Combating Family Violence. Additionally, amendments to various laws have introduced gender quotas and criminalized domestic violence. Moldova's commitment to gender equality is further reinforced by its ratification of international treaties such as CEDAW and the European Convention on Human Rights. National strategies like the 2017-2021 National Gender Equality Strategy and the National Strategy for Preventing and Combating Violence Against Women and Domestic Violence (2018-2023) provide frameworks for action.41

However, despite these robust legal and policy frameworks, women in Moldova still face significant barriers to economic participation and leadership positions.

Barriers to Women's Access to Entrepreneurship and Financial Services

The **GEFF baseline assessment** showed that, while women constitute about 52% of the total resident population of the Republic of Moldova and 49.2% of the total economically active population, the number of women entrepreneurs is only of 33.9%. The assessment furthermore confirmed that inadequate availability of funding is a key issue that is especially pronounced among women-led businesses. Social and cultural norms play a significant role. Women are often perceived as ineligible by banks or themselves discouraged by fears of high costs and complex application processes. The pertinent requirement for collateral remains a major barrier, especially for securing larger loans necessary for significant business investments. Furthermore, women typically start smaller-scale businesses compared to men, limiting their eligibility for larger loans and reducing competitiveness. Women-owned SMEs and women in agriculture primarily rely on personal resources, such as savings or loans from family and friends, due to fears of not being able to repay formal loans and the associated risk of losing collateral.

According to the Moldovan **National Bureau of Statistics (NBS)**, 71.3% of women entrepreneurs identify insufficient financial resources as a significant barrier. Most enterprises rely on their own resources, with over 70% doing so. Men's businesses, however, use bank loans and loans from non-bank financial institutions more frequently (9.4% compared to 6.8%). Additionally, in 2017, almost every eighth enterprise applied for credit or a loan (14.8% for men compared to 9.4% for women, with a national average of 13%). Of the enterprises that did not apply for a loan (87%), more than half stated they did not need credit (55.5%), while high interest rates (25.3%) and high collateral requirements (5.4%) were also significant deterrents, with no

[40] Ibid.

[41] See *Baseline Assessment – H-009 Green Economy Financing Facility (GEFF) in Moldova* – Gender Component

major gender differences noted. Women entrepreneurs more frequently use personal goods as guarantees for accessing loans. Among companies that received loans, 84.4% provided guarantees, typically in the form of cars, equipment, and goods (50.7%), land and buildings (44.7%), and personal property (36.0%). Companies managed by men are more likely to offer machinery and goods as collateral (52.9% compared to 44.1%), whereas women-run enterprises offer more personal property (43.2% compared to 33.7%). High interest rates are particularly problematic for micro-enterprises with 0-9 employees (25.8%) compared to larger enterprises with 250 or more employees (9.8%), and the need for credit is higher among micro-enterprises.

Female Participation in the Labour Force

Despite the fact that a significantly higher percentage of women than men are enrolled in tertiary education (76 percent vs. 53 percent in 2022), female labor force participation (LFP) and employment rates remain consistently lower than those of men. While women's LFP was nearly equal to men's in 2005, it has since fallen to below 40 percent, resulting in a gender gap of 10 percentage points. Additionally, Moldova has the highest female unemployment rate in Eastern Europe.

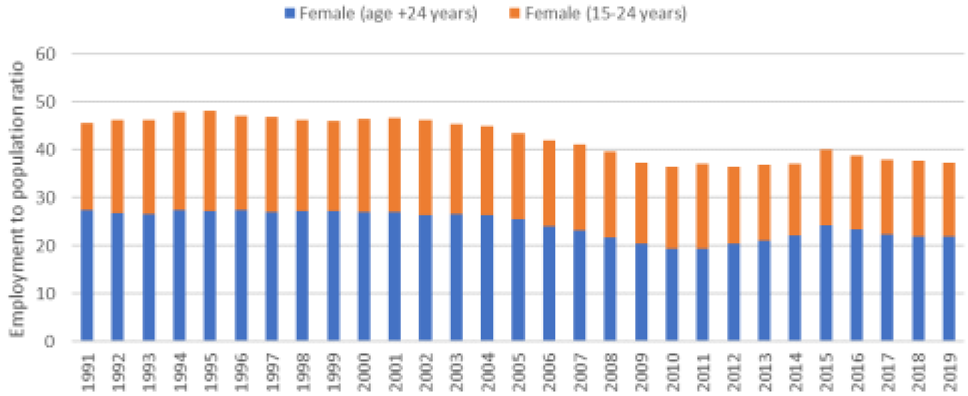
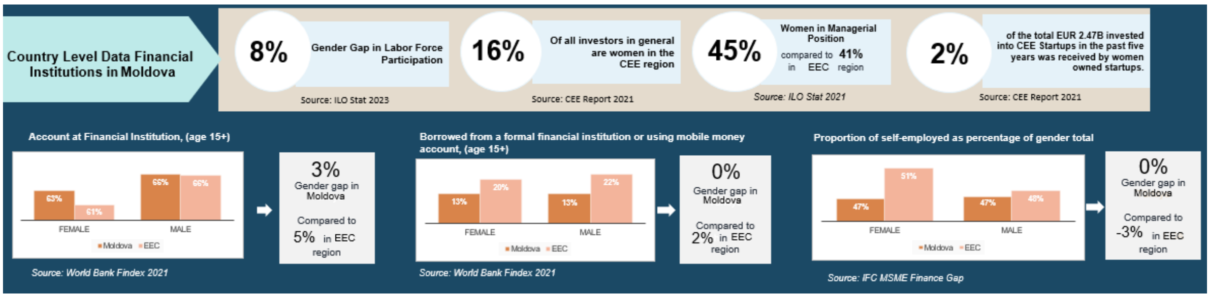


Figure 2: Employment to poulation rate for women (GEFF baseline assessment)

Female participation in Moldova's labour force is significantly influenced by family obligations and inadequate childcare services. The primary reason for inactivity among women aged 25-44 is family obligations and the lack of appropriate care facilities, a situation exacerbated by the Covid-19 pandemic, which caused many preschools to close.[42]

Key indicators: Gender gaps in the economy and financial sector



8. Mongolia

The **Global Gender Gap Report** ranked Mongolia ranked 69 out of 156 countries in 2021, with an index of 0.716[43]. While Mongolia's overall Gender Gap Index has not changed a lot in the past 10 years, the country's

[42] Investing in Moldova's future: Increasing women's economic inclusion through a care economy (worldbank.org)

[43] World Economic Forum, 2021, Global Gender Gap Report

ranking has fallen as compared to other countries. In 2013, its rank was 33 out of 136 while its score was 0.720[44], which is not much higher than what it is now. This indicates that Mongolia maintained its status with regard to gender issues.

Furthermore, as per WEF's global gender gap report, Mongolia's sub-index of Educational Attainment is 0.998, which is very close to parity of "1". Female school enrolment rates, particularly in tertiary education, are higher than those of males. Mongolia's Health and Survival sub-index is also very high at 0.957. However, Mongolia has a low score for Political Empowerment (0.212) with surprisingly few women in parliament and ministerial positions and not having had a female head of state. The country's extremely low score in Political Empowerment brings down Mongolia's overall Gender Gap index.

In terms of the **national legal framework**, comprehensive national-level data on businesses is not gender-disaggregated and there is no definition of women-owned MSMEs in the law[45]. Information on women-owned MSMEs in Mongolia is therefore disjointed and difficult to find, which underlines the need for gender-disaggregated data. Also, The Ministry of Justice and Home Affairs showed in a study that women are not aware about the existence of the Gender Equality Law. If women are discriminated against, they can take the offender to the court of law; in the Criminal Code, discrimination is a criminal offence. Nevertheless, NHRCM studies also show that people have very little knowledge on who to address in case of rights violations and discrimination, for example about workplace harassment.

Barriers to women's access to entrepreneurship and financial services

As per the **GEFF baseline assessment** findings in Mongolia, access to finance is identified as the most important obstacle to doing business for women and a clear constraint in building their business' resilience against climate change. Since property and land are typically registered under the husband's name, lack of collateral is the biggest obstacle for women who wish to expand their businesses and invest in new technologies. Moreover, there is a need for a co-borrower for a single or divorced woman, creating additional barriers to access finance. Females of reproductive age who wish to start a business are often not considered as suitable borrowers, despite their often bankable projects and robust business plans. Additionally, bank staff, particularly male staff, seem to have an unconscious bias towards women's capability to be effective and successful business-owners and managers. Also, networks often play a significant role in securing a loan or learning about opportunities creating an uneven playing field that often disadvantages women.

In the survey of the gender baseline assessment, the Mongolian businesswomen raised concerns about the consequences of the changing climate they have encountered: higher temperatures, extreme weather events, desertification, and the resulting effect on their livelihoods such as lack of fodder for livestock. They confirmed having themselves experienced the impacts of climate change in different types of businesses. Gender inequality can be found at all levels of decision-making, be it a herder family, an urban household, a company's executive level, or within policy-making roles. According to the FGDs, women are often better informed about the consequences of climate change but have little decision-making power, thereby creating inefficiencies.

Given the challenges mentioned above, there is an opportunity to implement programmes which will offer targeted support to female entrepreneurs and individuals to improve access to green loans and address gender-blind banking practices, including: issuance of collateral in the husband's name, discriminatory requirement of a co-borrower for single women, issues of stereotypes and discrimination, gender based biases, etc. Furthermore, there could be trainings for bank employees in gender sensitive responsive approaches to overcome stereotypes and tap the market of female borrowers. Implementation of programmes and initiatives can support expansion and growth of women-led businesses by helping them to overcome the barriers to access loans and technologies.

As a part of the GEFF Mongolia baseline assessment, the analysis was carried out based on answers to a questionnaire by 190 participants representing households and businesses and the results of 4 focus group discussions (FGDs), each with a total of 32 participants.

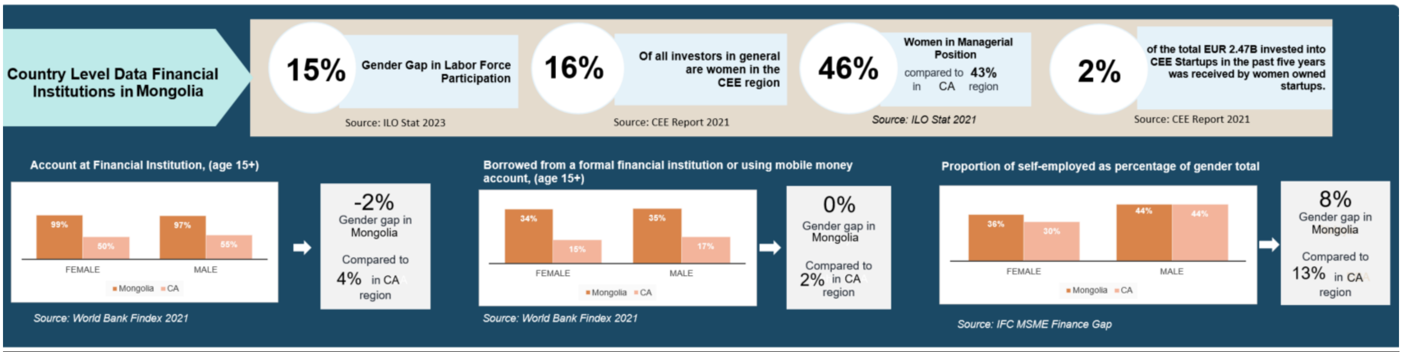
[44] World Economic Forum, 2013, Global Gender Gap Report

[45] "COVID-19 Impact on Women and Girls in Mongolia" by UNDP, Mongolia's National Committee on Gender Equality, and ADB

Female participation in the labour force

When looking at **economic participation**, in 2020, the male labour force participation rate stood at 66.8% as compared to 51.8% for females[46]. Women are less likely to participate in the labour force for different reasons, such as, more women are students and many more women than men are retired (their retirement age is 5 years earlier). The largest difference, however, is in their task as caregiver: 96% of the persons caring for children as reason for not being in the labour force are women. Similarly, 75% of those caring for the sick or elderly are women[47].

Key indicators: Gender gaps in the economy and financial sector



9. Morocco

In terms of the legal context, gender equality in Morocco is reflected in the country's main **legal framework** (the Constitution), national strategies for equality (ICRAM2 and ATTAMKINE), and tools for implementation in public policies (e.g. gender-responsive budgeting). Many donors and international finance institutions also support Morocco's gender equality initiatives.

Over the past two decades, Morocco has developed **numerous programs and initiatives** to reduce disparities related to access to education, health, decent housing and infrastructure. However, these efforts have not been sufficient to increase women's economic participation. In the World Economic Forum's overall gender gap rankings, Morocco ranks 143 out of 153 countries in 2020, with a gender gap of 0.605, a decrease from 0.627 from 2006.[48]

Large disparities persist between women and men, in both rural and the urban areas. Economic factors, discriminatory traditional practices and stereotypical attitudes on appropriate gender roles and behaviours continue to limit girls and women's education, economic and political opportunities and the ability to grant them their equal rights, particularly in rural areas. The needs and priorities of women and men are highly gendered and linked to their gender roles, with regards to use of climate change adaptation technologies. Although women have showed to be more sensitive to issues related to climate change, they are hardly represented in leadership positions, their needs and their capacities related to the mitigation of climate change are less likely to be taken into account.

Barriers to women's access to entrepreneurship and financial services

Women face multiple barriers to accessing financial resources and facilities including collateral requirements, physical distance from banking services, and administrative hurdles. In a survey of 200 Moroccan female entrepreneurs conducted by the International Labour Organisation (ILO) in 2016, just 23% had tried in the previous year to access credit in any way (banks, microloans, friends, family, savings groups, etc.). Most of those who did not seek financing said they were afraid to take the risk and then not be able to repay the loan[49]. In the same study, lack of financing was highlighted as the biggest barrier for both launching

[46] Mongolian Statistical Information Service (www.1212.mn)
[47] Ibid
[48] World Economic Forum, 2020, Global Gender Gap Report
[49] Évaluation nationale du développement de l'entrepreneuriat féminin au Maroc situation et recommandations, ILO, 2016

a company (62%) and growing a company (77%)[50]. In this study, respondents identified the top five barriers to accessing credit as high interest rate, high collateral requirements, the requirement to have a collateral, perceived low loan amounts, and perceived short repayment terms.

Women entrepreneurs' access to bank financing is challenged by several factors, both on the supply side and on the demand side of financial services. In rural areas, women encounter even more pronounced difficulties in accessing bank loans, resulting in them turning to informal credit sources. Socio-cultural and legal barriers exacerbate these divides even further.

Morocco is ranked as a leader in the SEMED region in terms of access to bank loans for SMEs because of many public and private programs and initiatives. **However, little distinction has been made between the practical needs and strategic interests of women and men entrepreneurs**, and there are not many specific financing products and instruments (EBRD's Women in Business program being a notable exception) to respond to gender barriers and promote women's access to guarantees, venture capital, financial training and education, and financial mentoring and coaching[51]. In the above-mentioned ILO study, only 28% said they perceived financing/credit to be easy to obtain and that their needs were well-understood by lenders[52]. Only 37% said information about sources and types of funding was widely available to female entrepreneurs[53].

Currently, banking practices relating to SMEs in Morocco considerably hamper the more active use of financing. The banking model in place for SMEs is quite conventional, branch-based, loan-centric, and passive while requiring collateral.[54] It does not reflect the needs or priorities of the potential market it is intended to serve. As a result, recourse to banks in Morocco remains well below its possibilities – for both men and women entrepreneurs. Banks do not know how to actively communicate with their customers. The assessment also found that most women entrepreneurs did not understand how banks and their services could help them (formal businesses: 55%, informal: 84%).[55]

The findings of the **GEFF gender baseline study** highlighted that, overall women, both at household and business level, are more aware of the consequences of climate change and are more willing to implement means to mitigate its consequences. However, the study also highlighted the practical needs of these women and women-led businesses: a lack of knowledge and difficulties in accessing finance. As per the findings, the main obstacles to the growth of business activity is access to finance, for both men and women. However, women expressed their needs to be coached and mentored on different financing schemes. Raising awareness about loans and financing schemes is highly requested by the potential borrowers in all sectors.

The survey findings highlight that the inclusion of the gender dimension should contribute to strengthening the practical needs and strategic interests of women and women-owned enterprises in the green finance sector. There is a scope of strengthening the gender dimension in the formulation, implementation and monitoring/evaluation of projects and project activities. Additionally, there could be awareness raising for all stakeholders and capacity building for PFIs and for women beneficiaries of the projects (direct or indirect beneficiaries). Lastly, practical tools can be developed to address the practical needs of women and women-led companies to reach and benefit from green loans and financial products. Promoting financial services to women is therefore an important factor in improving women's access to entrepreneurship, including sustainability-related businesses, which would in turn improve the response to climate challenges.

Conducted as a part of GEFF Morocco, the baseline analysis relies on a multi-pronged approach combining primary sources gathered through a series of in-depth interviews and a survey with 393 respondents, and secondary sources.

[50] Ibid

[51] Évaluation nationale du développement de l'entrepreneuriat féminin au Maroc situation et recommandations, ILO, 2016

[52] Ibid

[53] Ibid

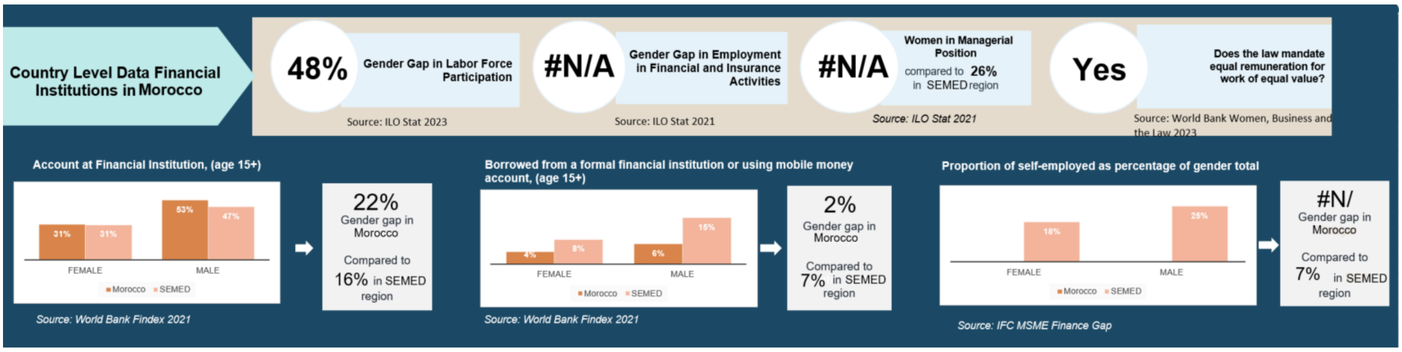
[54] Services bancaires pour les femmes au Maroc, 2018.

[55] Services bancaires pour les femmes au Maroc, 2018.

Female participation in the labour force

Morocco has **one of the lowest female employment rates in the world**, ranked 146 out of 153 countries[56]. This rate has generally been decreasing for the past two decades and now stands at just 16.2% in 2020[57]. Women are more likely than men to work in vulnerable employment (informal or unpaid), at 64.6% compared to 47.3% for men[58]. Additionally, there is gender based vertical segregation as only 13% of over 46,033 enterprises[59] are led by women, with low representation of women in executive positions. In the private and public sectors combined, women represent 22.7% of employees with 4.3% of top managers.[60]

Key indicators: Gender gaps in the economy and financial sector



10. North Macedonia

In 2023, North Macedonia ranked 73 out of 146 countries with an index of 0.711[61]. While North Macedonia's overall **Gender Gap Index** has not changed since 2020, the country's ranking has fallen. In 2020, for instance, its rank was 70 out of 153 while its score was 0.711[62], which is the same as what it is now. This indicates that North Macedonia has maintained its status with regard to gender issues.

Furthermore, as per WEF's global gender gap report 2023, North Macedonia's sub-index of educational attainment is 0.997. Female school enrolment rates, particularly in tertiary education, are higher than that of men. North Macedonia's Health and Survival sub-index is also very high at 0.960. However, North Macedonia has a low score for Political Empowerment (0.283) with a huge gap between men and women in ministerial positions.

Barriers to women's access to entrepreneurship and financial services

Women face **challenges to access to finance** in North Macedonia. While there are near-equal rights in access to land assets and equal rights in access to finance[63], there is a wide gender gap in different aspects of access to finance. For example, in account ownership, only 80% of women have an account at a financial institution compared to 91% of men[64]. Similarly, more men borrow from formal financial institutions than women (20% and 24% respectively)[65]. Moreover, women are less likely to be self-employed than men (21% of women compared with 29% of men) and own account workers (7% of women compared with 17% of men).

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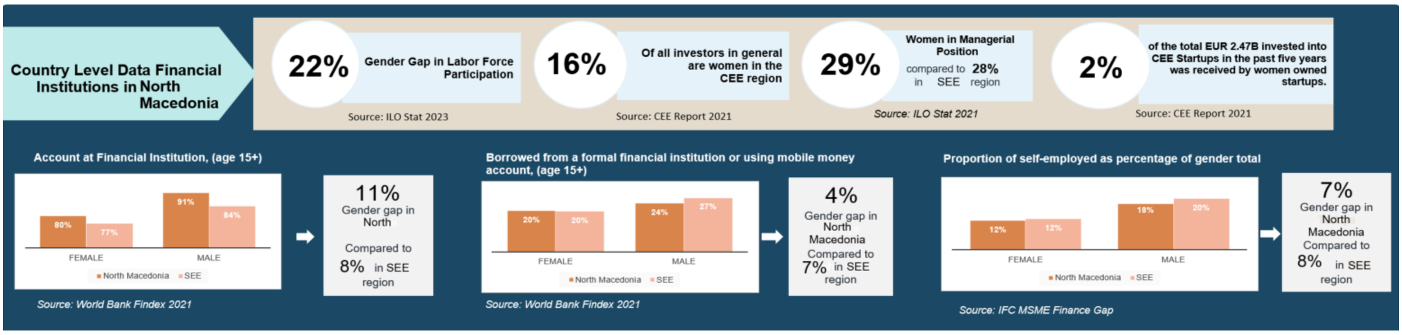
[56] World Economic Forum, 2020, Global Gender Gap Report
[57] World Economic Forum, 2020, Global Gender Gap Report
[58] Women's Economic Empowerment in Selected MENA countries: The Impact of Legal Frameworks in Algeria, Egypt, Jordan, Libya, Morocco and Tunisia, Competitiveness and Private Sector Development, 2017
[59] Ministry of Solidarity, Equality Bulletin: The reality of equality between women and men in figures, 1 edition of 2020
[60] Ministry of Solidarity, Equality Bulletin: The reality of equality between women and men in figures, 1 edition of 2020
[61] World Economic Forum, 2023, Global Gender Gap Report
[62] World Economic Forum, 2020, Global Gender Gap Report
[63] World Economic Forum, 2023, Global Gender Gap Report
[64] Gender SMART diagnostic tool
[65] Ibid

Female participation in the labour force

When looking at economic participation, in 2023, North Macedonia has **low parity in economic participation and opportunity**, and ranks 108 out of 146 in this parameter[66]. The gap specially widens when looking at economic participation and opportunity in legislators, senior officers and managers. Only 21% of firms in North Macedonia have female top managers, and only 20% of firms have female majority ownership[67]. This shows that there are not many women in leadership positons in North Macedonia. Furthermore, sharing of responsibilities within the household in North Macedonia is unbalanced. Women spend on average three times more time (3.7 hours) per day than men (1.3 hours) on unpaid domestic and care work[68].

Key indicators: Gender gaps in the economy and financial sector



11. Serbia

As per World Economic Forum's overall **gender gap rankings**, Serbia ranks 39 out of 153 countries[69]. However, gender inequality remains high in access to employment and resources, including property, land, financial markets, transport, jobs, and in other areas. Women have constantly and consistently lower activity and employment rates than men and higher inactivity rates[70]. Gender inequalities in real estate ownership are very pronounced – women are much less likely than men to own or co-own property. Although the legislation was amended in 2018 to facilitate women's access to land and real estate property, [71] there are still significant gender gaps in property ownership. According to the data of the Republic Geodetic Institute, women own just 25.6% of real estate. Disaggregated by the type of the property, women are exclusive owners of 24.2% of all land parcels and 25.6% of all buildings. The gap in real estate ownership is a consequence of several factors, such as insufficiently harmonized normative solutions and gender patterns and customs, especially in rural areas, due to which women renounce their share of inheritance in favour of male heirs.[72]

Looking at the **political context**, the political system in Serbia faces many challenges. The ruling Serbian Progressive Party dominates the political scene with a strong majority in the Parliament and Government. Various global indicators for democracy, freedom and good governance indicate an unfavourable situation regarding the democratic performance and rule of law. Despite the deficiencies in democracy, there are positive trends regarding the political participation of women. Due to legal quotas, which were increased to

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[66] World Economic Forum, 2023, Global Gender Gap Report
[67] Ibid
[68] Gender SMART diagnostic tool
[69] World Economic Forum, 2020, Global Gender Gap Report
[70] SORS, Labour Force Survey 2020, p 16-17
[71] The Law on the Procedure of Registration in the Real Estate and Utility Cadastre (Official Gazette of the Republic of Serbia, No 41/18, 95/18 and 31/2019) states that any property acquired during marriage shall automatically be registered by the public notary as shared property, unless "a statement is submitted by both spouses to the effect that a particular property is not shared, i.e., that it is the separate property of one of the spouses, or if the spouses acquire co-ownership based on a supporting document on the basis of which their respective shares are registered" (Article 7).
[72] Independent report of Network SOS Vojvodina on implementation of priority recommendations from the CEDAW Committee to the Republic of Serbia, for period 2019-2021.

40% in 2020, women presently represent 39.2% of members in the National Assembly.[73] The increased participation is also evident in the Government of the Republic of Serbia, with 10 women among 23 ministers (43.5%).[74] However, various studies and reports indicate that women's participation in political decision-making is still below satisfactory and women are still reluctant to enter politics because of constraints associated with corruption, gender-based discrimination, harassment, and violence in the public sphere.

There are **structural gender inequalities** manifested in all areas of public and private life such as: lower participation in political power and decision-making, lower labour market participation and less favourable characteristics of employment, disproportionate responsibilities in household and family care, which consume a lot of women's time and resources. These structural inequalities are rooted in unequal power, underpinned by the patriarchal culture, and often maintained through gender-based discrimination and violence against women.

Barriers to women's access to entrepreneurship and financial services

Access to finance is lower for women as compared to men. According to the most recent Global Findex Database (2017), the percentage of adults with a bank account in Serbia is 71.0%. Out of those without a bank account, 16% are women[75].

According to the results of the **GEFF gender baseline assessment**, there are no statistically significant differences between women-led and other businesses in perception of obstacles to business sustainability and development, except in two aspects: shortage of labour force and lack of adequate skills in the workforce. Women-led businesses much less frequently point to these two obstacles than other businesses.

Furthermore, there are certain differences between women-led and other businesses in attributing the importance of different criteria. Respondents from women-led businesses give more importance to two criteria: (i) absence of requirement for immovable property as collateral and (ii) convenient location of the financial institution offices. Other criteria are less important for them than for other business entities. This highlights the challenges faced by women in terms of weaker property of assets among women and gender specific patterns of mobility, which includes more reliance on public transport. These structural factors influence the assessment of financial institutions by women entrepreneurs. There is also a difference between women-led and other enterprises regarding the source of the most recent loan. While other enterprises used loans from banks in 78% of cases, women-led enterprises used banks as the source of the loan in 62% of cases. A significant difference appears in using other sources of financing – as this was reported by 31% of women-led enterprises but only in 4% of other businesses. Among other sources, respondents indicated mainly their own personal capital and support from the state. In the survey, a woman indicated that the business ecosystem lacks adequate support, not only in terms of finance, but also in terms of knowledge and technical expertise regarding areas of innovative technologies.

The findings Indicate the relatively **unfavourable position of women's businesses in general and in regards to the transition to green businesses** specifically. Women on average assess their knowledge about climate change and its consequences somewhat lower than men; women attribute more importance to the absence of requirements for immovable property as collateral and to convenience of location of the financial institution. Both aspects are closely related to structural position of women manifested in lower ownership of assets and less autonomy in mobility, with higher reliance on public transport, women-led enterprises used more financing from other financial institutions than banks, etc.

As per the previous assessments, it shows that women score lower on knowledge related to climate change, implying that there is a need to increase knowledge on climate change among women managing businesses. Some areas of opportunities include incorporating a gender sensitive approach, integrating gender-specific reporting requirements for PFIs as part of the Policy Statement, develop gender-based criteria for fund allocation (for example certain minimum percentage of the GEFF Facility for the purpose of financing women-led/owned businesses), promote women's investment in green technologies through dedicated technical

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[73] National Assembly of the Republic of Serbia, http://www.parlament.gov.rs/national-assembly/national-assembly-in-numbers/gender-structure.1745.html

[74] Government of the Republic of Serbia, https://www.srbija.gov.rs/sastav/en/10/members-of-government.php

[75] https://globalfindex.worldbank.org/

assistance for women-led/owned businesses. For example, by offering free of charge energy audits for women-led/owned businesses in order for them to better understand resource savings and pay back periods of eligible GEFF technologies, work on awareness raising on gender aspects and gender specific impacts of financial instruments among all sub-borrowers, increasing their capacities to use new technologies in gender responsive ways, etc.

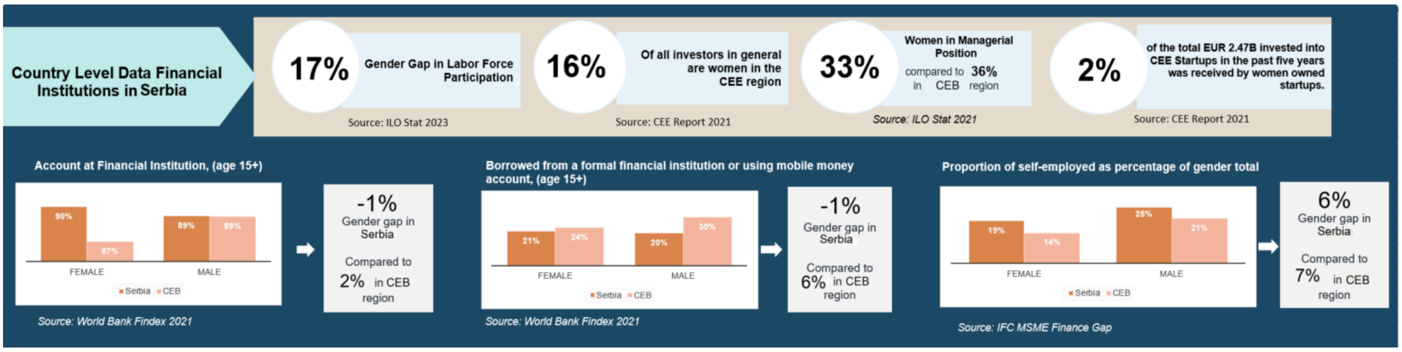
GEFF Serbia was launched in 2019 to integrate GET objectives through leasing companies in Serbia. Recognizing the importance of gender-inclusive programming, in 2021, gender mainstreaming and gender activities were introduced in the GEFF Serbia Leasing Facility. Conducted as a part of GEFF Morocco, the insights of the baseline analysis relies on secondary research, assessment of 80 sub-borrowers / vendors who filled an online survey and qualitative research was implemented through individual interviews with representatives of successful women-owned/led businesses who were GEFF beneficiaries.

Female participation in the labour force

In terms of **employment**, while women make up the majority (66%) of employees in the financial sector,[76] they occupy a small proportion of **leadership and management positions**. Among members of executive boards of banks, women make up 34% of executive board members, and among bank CEOs–- 29%. Their participation in the top management positions of leasing companies is even lower – their representation among executive board members is 24% and among CEOs is 25%.[77] Looking at **entrepreneurship**, a baseline study in Serbia[78] revealed that women make up 26% of the total number of entrepreneurs (persons who are (co)owners and key managers of businesses in all legal forms).

Moreover, gender differences are also very pronounced in access to transport and mobility patterns, creating different opportunities for women and men to access jobs and other important institutions and services.

Key indicators: Gender gaps in the economy and financial sector



12. Tajikistan

As per World Economic Forum's overall **gender gap rankings**, Tajikistan ranks 111 out of 146 countries[79], with a score of 0.672 ranking the lowest among the Central Asian countries surveyed. Furthermore, Tajikistan demonstrates low parity in terms of economic participation and opportunity as well as political empowerment. In Parliament, only 19 per cent (12 of 63) legislators are women and only two parliamentary committees and only one ministry are headed by women[80]. When looking at leadership in the workplace, only 6.6% of firms

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[76] SORS, Labour Force Survey 2020: 32.

[77] Source: National Bank of the Republic of Serbia, September 2021, list of banks available at https://nbs.rs/en/finansijske-institucije/banke/spisak-banaka/index.html, list of leasing companies available at https://nbs.rs/en/finansijske-institucije/lizing/davaoci-fl/

[78] https://www.secons.net/publications.php?p=87

[79] World Economic Forum, 2023, Global Gender Gap Report

[80] UN Women, https://eca.unwomen.org/en/where-we-are/tajikistan#:~:text=Tajik%20parents%20often%20put%20more,by%20a%20culture%20of%20silence.

in Tajikistan have female top managers and 6.2% of firms have female majority ownership[81]. Women are usually underrepresented across business categories and women-led businesses have fewer employees and lower turnover[82].

As per the **World Bank's Women, Business, and Law index**, Tajikistan has improved its laws and regulations affecting women's economic opportunities. With the introduction of the new Labour Code in 2016, women and men could work the same night hours. Furthermore, unlike in Uzbekistan or Kazakhstan, women are a protected category under the law when it comes to access to credit, which provides more flexibility for those women who want to start and operate their own business. In addition, unlike other countries in the region, government in Tajikistan is fully responsible for administration of maternity leave benefits in the private sector, which allows to remove the financial burden from employers and reduce their disincentive to hire women of childbearing age. However, there is no paid paternity leave or paid parental leave available for fathers, which could allow men to share some of the childcaring responsibilities releasing women's ability to return to the labour market sooner, and there is a lower retirement age for women, which exacerbates gender gap in pension benefits.[83] While there have been improvements with regards to access to credit in Tajikistan, women entrepreneurs and farmers still face constraints and challenges when applying for loans. Prevailing social and cultural norms combined with lack of ownership of assets and property and high costs of borrowing constitute the main barriers assessing loans, particular for rural women[84].Therefore, there are still remaining challenges and regulatory barriers for women in Tajikistan.

Barriers to women's access to entrepreneurship and financial services

There are many challenges associated with women's access to finance and entrepreneurship. Being a traditional society, societal norms and values play an important role in women's access to economic opportunities but also in their ability to make financial decisions, particularly in the rural areas. Women also carry disproportionate household responsibilities and unpaid care work, thereby limiting their access to opportunities.

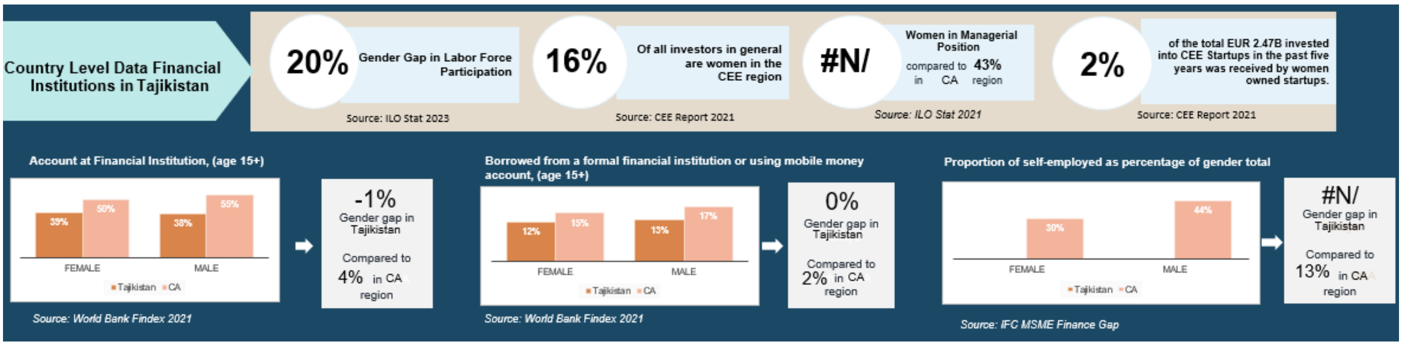
According to the findings of the **GEFF Baseline Assessment**, in terms of access to financial services, collateral requirements do not take women's challenges in accessing real estate, providing other assets as collateral or personal guarantees into account. Furthermore, most financial institutions do not have a specific marketing approach in place to attract women clients. Therefore, women are at a disadvantage when accessing finance due to lack of sufficient guarantees or collateral and limited access to land and assets as well as to information and non-financial services.

Female participation in the labour force

In terms of labour force participation, 38.4% of the total labour force in Tajikistan is female (2023)[85], representing a 20% gender gap in the labour force participation[86]. One contributing factor could be the country's Labour Code, prohibiting women's employment in underground jobs, difficult jobs, jobs in harmful conditions, or jobs linked to manual lifting and moving of heavy loads[87]. Another factor could be increased male labour migration: with their husbands abroad and sending remittances payments, women have been increasingly called upon to become full-time homemakers and not look for employment, given cultural preferences for mothers with children to not seek work for income outside of their homes[88]. Additionally, women have lower earnings than men, primarily because of disproportionate representation of women in low-paid sectors, such as agriculture.

[81] World Economic Forum, 2023, Global Gender Gap Report
[82] EBRD Women in Business assessment, 2016
[83] World Bank, Tajikistan country gender assessment
[84] Gender Baseline Assessment under GEFF Tajikistan
[85] World Bank indicators database, 2023
[86] ILO Stat 2023
[87] World Bank, Tajikistan country gender assessment
[88] Ibid.

Key indicators: Gender gaps in the economy and financial sector



13. Uzbekistan

Gender equality has become **a priority direction of the new administration** in Uzbekistan. This is evidenced by recent resolutions adopted by the state expanding and strengthening the rights and opportunities of women, increasing their role in all processes of public administration, economy and society as a whole. An example of this can be the **Strategy for achieving gender equality in Uzbekistan until 2030**, the Law on Guarantees of Equal Rights and Opportunities for Women and Men, and the ratification of the ILO Convention on the Elimination of All Forms of Discrimination against Women.

Commercial banks need to have a better understanding of the existing market potential as well as constraints being faced by women-owned or women-led SMEs at a country and regional level. This understanding is crucial to design strategies and offerings that will allow them to better cater to the unmet financing needs of women entrepreneurs, and thus profit from the commercial opportunities this demographic presents.

Banks in the country need guidance and support to develop their gender agenda, including the development of gender adjusted products taking into consideration the specific role of women assigned to them traditionally and culturally. It would be beneficial for all PFIs in Uzbekistan to align their gender agenda, HR policy and sex disaggregated data collection capacities.

Barriers to women’s access to entrepreneurship and financial services

There are **many challenges related to access to finance and entrepreneurship**. While Uzbek SMEs struggle with the access to finance overall, the access to finance by women-led businesses are even more challenging. One of the biggest barriers for increased access to finance for women-led businesses is the lack of reliable data disaggregated by gender. This further hinders the opportunity to make the business case to financial institutions on supporting women-owned or women-led enterprises.

Gender inequalities influence women’s ability to access finance and their financial inclusion outcomes. **Women-led businesses** tend to be smaller than those led by men. This is due to multiple reasons, such as, the legislation that limits women’s ability to accumulate assets and mobilise collateral, social perceptions about female entrepreneurship, as well as care and other responsibilities.

There is a **major financing gap** of USD 547 million for women-led SMEs in Uzbekistan[89]. Most female entrepreneurs are involved in small-scale production of consumer goods, retail trade, and professional services such as education and healthcare. There is also a gap in terms of female ownership. Only 18% of women own land in Uzbekistan, and only 15% of the SME owners are women[90]. Additionally, in 2019, only 11% of firms in Uzbekistan has majority female ownership[91].

Furthermore, women face challenges with respect to access to bank accounts. There is a 10% gender gap in accessing to bank accounts with female access especially low at 39%. There is also a 6% gender gap in borrowing rates with rates far below regional averages for both women and men[92].

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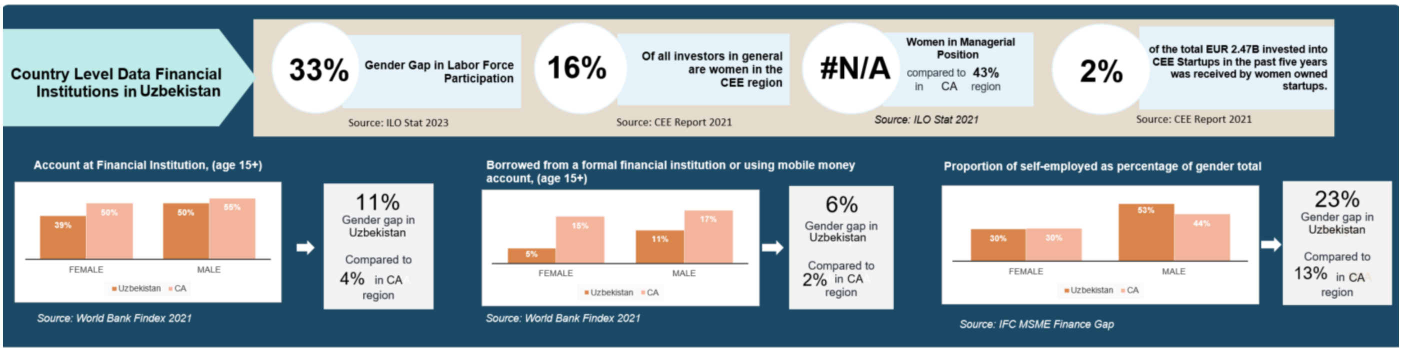
[89] Gender SMART diagnostic tool
[90] Ibid
[91] Ibid
[92] Ibid

Female participation in the labour force

In terms of **employment**, around half of Uzbek women participate in the labour force, and there is a significant gender gap of 33% in labour force participation in 2023[93]. Women employment is concentrated in certain industries, for instance women make up 76.6% of total health care sector employees[94]. Additionally, the prevalence of women is higher in information employment as opposed to men. While there is a declining gender gap in employment, the rates are significantly higher than the regional average. The lower share of economic activity of women is because even if they are fully employed, they remain responsible for housekeeping and childcare. Uzbek women spend 22% of their time doing housework and childcare, which is unpaid; men, on the other hand, spend 9% of their time on household chores[95]. The heavy burden of housework hinders career development for Uzbek women. According to an ILO study, 80% of the population of Uzbekistan prefers that the man in the family earns money, and the woman takes care of household chores and children. This indicates gender inequality both in society and in the country's labour market. Despite these difficulties, ambitious women start their own business with the support of their families, although the share of women-led businesses remain low in overall number of SMEs.

Key indicators: Gender gaps in the economy and financial sector



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[93] ILO Stat, 2023
[94] Gender SMART diagnostic tool
[95] Ibid

II. Gender Action Plan

Climate change risks are projected to disproportionately affect women due to entrenched gender inequalities in asset ownership and in access to information, jobs, finance, and markets. To tackle these pertinent gender inequalities, EBRD proposes to integrate gender activities in the Programme.

The proposed gender activities described below, are informed by EBRD's unique private-sector approach and experience working with the GCF on previous GCF-EBRD programmes such as the Green Cities Facility (Funded Activity FP086) and the Green Economic Financing Facilities programme ("GEFF Programme", Funded Activity FP025).

In line with EBRD's Gender SMART methodology[96], gender activities will be integrated into investments through concessional loans and capacity building of end beneficiaries to increase demand for participating financial institutions' ("PFIs") green finance portfolio. The main objective is to promote equitable access to climate financing for commercial and residential use by both women and men final beneficiaries, ensuring that potential women and men borrowers are aware and knowledgeable about the benefits of investing in climate technologies. The purpose is to make the financial sector and business environment more conducive for women's entrepreneurship and women's role in the green economy, by tackling the demand and supply side challenges.

Taken together, gender activities will promote gender equality and the empowerment of women and girls, hence contributing to the achievement of SDG 5.

- ***Activities enabling climate-compatible financial systems and benefitting end beneficiaries***

Among the main demand side barriers for women to access climate finance is limited awareness of the benefits of adaptation and mitigation measures for their homes and businesses, limited ability to present bankable projects, and the perception that financial products do not meet their specific needs. Under this Programme, building on the experience under the GEFF Programme, EBRD will support PFIs in the development of green finance portfolio, including gender considerations by providing capacity building to end beneficiaries. This is aimed at closing the gender green skills and information gap to enhance the female end beneficiaries resilience to specific impacts of climate change.

- ***Investment mechanisms for unlocking climate capital***

EBRD aims to create climate responsive PFIs that are also gender responsive, and thereby deliver sustained transformation of the financial sector. Under this Programme, the EBRD will support women's increased access to green finance by incentivizing PFIs through concessional financing, to ensure women are well represented among the sub-borrowers.

The EBRD's approach to promoting gender equality into the programme is aligned with the strategic goals of the Green Climate Fund's updated Gender Policy and Action Plan and with the EBRD's Strategy for the Promotion of Gender Equality (2021-2025), by focusing on "gender-responsive climate action programmes and projects that benefit women and men." The gender activities specified under this programme will be overseen and led by the EBRD's dedicated expert team working on Gender & Economic Inclusion. The EBRD has plenty of experience in mainstreaming gender considerations into its investment programmes, including in mainstreaming gender into the GEFF and other climate focused programmes over the past 5 years. Building on the institutional knowledge, specialised EBRD Gender expert(s) will be leading the implementation and monitoring of the GAP across the 13 GFS programme countries. Gaps may arise due to the limited availability of resources to fund gender expert(s). The aim is to address these by applying for additional donor funds from other resources.

[96] EBRD's Gender SMART process represents a standardised approach to systematically address gender gaps in investments. As outlined in its Strategy for the Promotion of Gender Equality (SPGE) (p.41), it is supports banking teams to: (1) Introduce gender considerations early in the project design stages; (2) Creates a standardised and systematic approach to addressing gender in projects; and (3)Reflects appropriate incentives attached to gender mainstreaming into investments.

The following indicative Gender Action Plan summarises gender focused activities, under both Component 1 and Component 2 of the Programme, covering all the countries of the Programme, based on an indicative budget allocation of 5% of Output 1.1 budget (approx. USD 50K GCF funds of ca. total USD 1 million), subject to the availability of GCF funding and additional donor co-financing. Gender activities will be developed and will be monitored at the project level.

Component	Activities	Indicators and Targets	Timeline	Responsibilities	Costs
Impact Statement: Enhance equality of opportunity in the green economy by narrowing the green skills and green finance gap.					
Outcome 1: Activities enabling climate-compatible financial systems and benefitting end beneficiaries. Train end beneficiaries to ensure that they are aware of the benefits of investing in green technologies.					
Output 1.1: Increased capacities of financial institutions to develop and monitor portfolios of investments for climate mitigation and adaptation projects, including gender considerations *Activity 1.1.1: Supporting financial institutions in the development of portfolios of investments for climate mitigation and adaptation projects, including gender considerations* • **Sub-activity: Train end beneficiaries to close green skills gaps and increase demand for PFI's green finance portfolio, including gender considerations**	Train end beneficiaries (including women) to increase their skills and knowledge about the benefits of climate finance, investments, and technologies.	Number of people (share of women) enhancing their green skills as a result of trainings: minimum 400 (of which 50% women) across 13 countries	2030	PFI and Consultant reporting to EBRD	financed through the allocation of 5% of the budget under Output 1.1

Component	Activities	Indicators and Targets	Timeline	Responsibilities	Costs
Outcome 2: Investment mechanisms for unlocking climate capital. Promoting equitable access to climate financing for commercial and residential use to both women end beneficiaries.					
Output 2.1 Increased investments in climate mitigation technologies and approaches through concessional finance • **Activity 2.1.2 Promoting women's access to climate mitigation finance** *Output 2.2: Increased investments in climate adaptation technologies and approaches through concessional finance* • **Activity 2.2.2 Promoting women's access to climate adaptation finance**	Channelling partial use of proceeds to women beneficiaries as actors of change both as users and solution providers through concessional loans to promote their access to climate mitigation and adaptation finance	2.1.2 Volume of green loans (focused on climate mitigation) provided under Component 2 disbursed to women to represent at least x% on Programme level (% to vary based on estimated baseline at PFI level) 2.2.2 Volume of green loans (focused on climate adaptation) provided under Component 2 disbursed to women to represent at least x% on Programme level (% to vary based on estimated baseline at PFI level)	2030	PFI and Consultant reporting to EBRD	Subject to the availability of GCF funding and additional donor co-financing

Implementation arrangements

The GAP will be implemented through externally sourced gender experts, within Facility Consultant teams of technical country experts, hired and supervised by EBRD Gender expert(s). GFS Programme Consultants and PFIs will provide regular reporting on GFS programme indicators to the EBRD. On the basis of the reported data, the EBRD is responsible to monitor the overall progress of the GAP.

Indicative budget for the Gender Action Plan

The activities under the Gender Action Plan, over the course of the entire programme across all 13 target countries, are based on an indicative budget allocation of 5% of Output 1.1 budget More precisely, sub-activity 1.1.1.4 will cost approx. USD 1 million and be financed through USD 50K GCF funds, subject to the availability of GCF funding and additional donor co-financing. Budget for Activity 2.1.2 and 2.2.2 is fully subject to availability of additional donor co-financing.