

# Western Balkans Financing Facilities



European Bank  
for Reconstruction and Development

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## Western Balkans Sustainable Energy Direct Financing Facility

The EBRD Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDFF) is an investment facility established by the EBRD to provide debt financing for renewable energy and industrial energy efficiency projects to local companies in the Western Balkans. It acts as a catalyst to unlock the great potential in the region to reduce energy intensity and promote diverse sources of green energy.

WeBSEDFF is conceived as an instrument for encouraging businesses to pursue sustainable energy projects that are often challenging to finance and implement. Therefore, it is designed not only to provide tailor-made financing, but also to provide assistance from technical consultants to businesses and local authorities. Overall, the WeBSEDFF is structured to provide financing directly from the EBRD for small and medium projects with a simplified and rapid approval process, thus reducing transaction costs.

In addition, the WeBSEDFF also provides for incentive payments, which recognise the greenhouse gas emission abatements achieved by the financed projects. The WeBSEDFF is complementary to the Western Balkans Sustainable Energy Credit Line Facility (see overleaf).

### Eligible investments

Industrial energy efficiency and small renewable energy projects (greenfield investments, up to 10 MW of installed capacity). ESCO projects based on guaranteed savings.

### Eligible countries

Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro and Serbia.

### Eligible companies

Local privately-owned companies including those with foreign owners. (Only companies meeting the criteria for small and medium-sized enterprises (SMEs) are eligible for incentive payments.) In the case of renewable energy projects operated under a concession arrangement, the company needs to have acquired that concession in a competitive tender.

### Financing parameters

Individual loans under WeBSEDFF can range from a minimum of €1 million to a maximum of €6 million and cannot be more than 65 per cent of total investment costs. Tenors can be up to 15 years, including an appropriate grace period. Interest rates are market based. Collateral is required and depends on the type of the financing provided.

### Incentive payments

Incentive payments will be provided to eligible projects upon successful physical completion of the construction of the project facilities and beginning of their operation. The amount of the payments is determined up front based on the estimated CO<sub>2</sub> emission reductions generated by the project. The incentive payments will be applied towards reducing the outstanding loan principal and can reach up to 10 per cent of that sum.

### Investment appraisal

Investment projects are assessed by the EBRD on the basis of information made available by the sponsors (feasibility studies, energy audits, business plan). Technical consultants are hired by the EBRD to prepare energy audits and to supply the Bank with a technical evaluation of the prospective projects.

### Operating modalities

WeBSEDFF is endowed with up to €100 million for providing loans and up to €20 million in incentive payments and technical cooperation funds. The latter funds are used for hiring a project consultant (to participate in project evaluation), a verification consultant (to verify the successful completion of each project and to advise on the eligibility for incentive payments) and a legal adviser (to conduct due diligence and prepare the legal documentation). The work of these consultants comes at limited or no cost to the project sponsors. As of Q1 2012, ten projects were signed, of which two are energy efficiency projects and eight are renewable energy projects.

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# Western Balkans Sustainable Energy Credit Line Facility

The EU/EBRD Western Balkans Sustainable Energy Credit Line Facility (WeBSEFF) is an investment facility established by the EBRD to provide debt financing for energy efficiency projects and small renewable energy projects implemented by private entities (in industry or in buildings used for commercial services) in the Western Balkans. It acts a catalyst to unlock the great potential in the region to reduce energy intensity and promote diverse sources of green energy.

WeBSEFF is conceived as an instrument for encouraging businesses to pursue sustainable energy projects that are often challenging to finance and implement. Therefore, it is designed not only to provide tailor-made financing, but also assistance from technical consultants to businesses and the local commercial banks. Overall, the WeBSEFF is structured specifically to provide high-quality financing for small to medium-sized projects quickly, smoothly and so reducing transaction costs.

In addition, the WeBSEFF also provides for substantial incentive payments, paid on completion of the projects, which recognise the greenhouse gas emission abatements achieved by them. The WeBSEFF is complementary to the Western Balkans Sustainable Energy Direct Financing Facility (overleaf).

## Eligible investments

Industrial energy efficiency and commercial building sector energy efficiency projects, and small renewable energy projects.

## Eligible countries

Bosnia and Herzegovina, FYR Macedonia and Serbia.

## Eligible companies

Local private enterprises, firms, businesses, sole proprietors or other private legal entities formed under the laws of any eligible country and operating in those countries. In the case of renewable energy projects operated under a concession arrangement, the company needs to have acquired that concession in a competitive tender.

## Financing parameters

Loans under WeBSEFF will be provided via Participating Banks in individual eligible countries. Individual loans will not exceed €2 million and can cover up to 100 per cent of investment costs. Interest rates are market based. Collateral is required and depends on the type of the financing provided by the Participating Banks. Currently there are six participating banks (two in each eligible country) and one more bank in FYR of Macedonia has expressed its interest to join the Facility. As of Q1 2012 WeBSEFF had signed 69 sub-loans for a total amount of €37 million.

## Incentive payments

Incentive payments are provided to eligible projects upon successful project completion. The amount of the payments is determined up front based on the estimated energy savings and CO<sub>2</sub> emission reductions generated by the project. The incentive payments are applied towards reducing the outstanding loan principal and can reach up to 20 per cent of that sum.

## Investment appraisal

Investment projects are assessed by Participating Banks. A project consultant is hired by the EBRD to help potential borrowers to identify prospective projects and prepare energy audits and to supply the Participating Banks with a technical and financial assessment of projects.

## Operating modalities

WeBSEFF is endowed with up to €60 million for providing loans and up to €16 million from the incentive payments and technical cooperation funds provided by the European Commission and the Western Balkans Fund. The technical cooperation funds are used for hiring a project consultant (to participate in project preparation), and a verification consultant (to verify the successful completion of each sub-project and to advise on the eligibility for incentive payments). The work of these consultants comes at no cost to the project sponsors.

## Terms and conditions

WeBSEFF operates on a strictly

commercial basis, supporting only financially viable projects and seeking returns on investments commensurate with risks.

## Policy dialogue

The EBRD also undertakes an Institutional Capacity Building programme. The objective of the programme is to propose new and/or refine existing mechanisms, procedures and standards in the area of sustainable energy (SE) as well as to support the local governments and other relevant institutions in incorporating and implementing SE development measures into energy market design and regulatory development. The majority of these assignments are initiated by a request from local governments for EBRD assistance and cover issues such as renewable energy tariffs, supporting Governments in amending energy law, and assisting the grid operator in developing a policy to increase the use of wind power in the grid.

For further information, or to request financing, please contact the EBRD staff listed below, or the WeBSEFF project office at:

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