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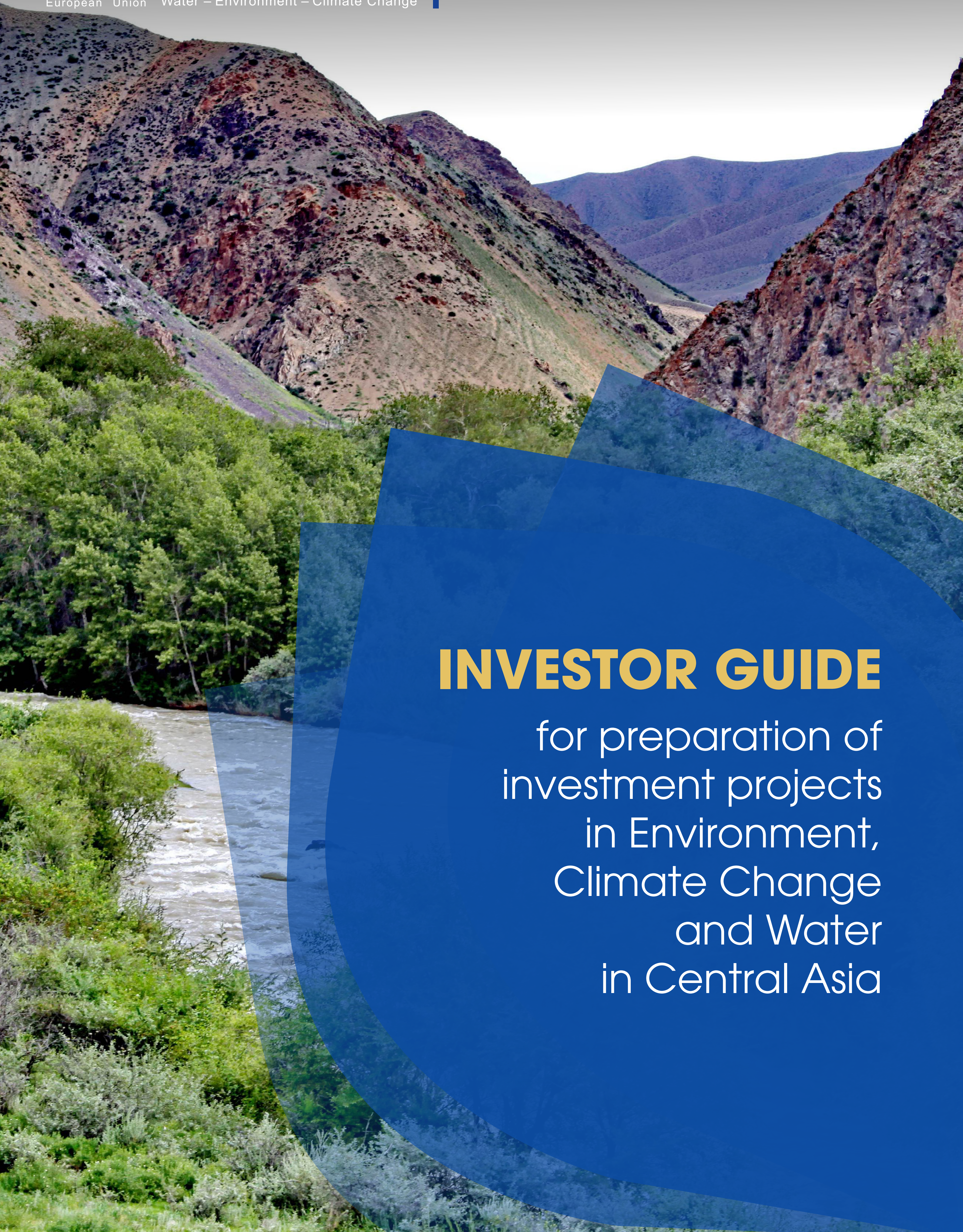
EU – Central Asia Cooperation on Water – Environment – Climate Change



INVESTOR GUIDE

for preparation of investment projects in Environment, Climate Change and Water in Central Asia

This document has been prepared in the framework of the European Union funded project "Regional Coordination and Support for the EU-Central Asia enhanced Regional Cooperation on Environment, Climate Change and Water" (WECOOP 2) and updated in the framework of the European Union funded project "European Union – Central Asia Water, Environment and Climate Change Cooperation" (WECOOP).

All photographs in this document are by Vladislav Ushakov.

1. SUMMARY

The main purpose of this document is to provide structured guidance for Central Asian professionals on development of bankable project proposals. It provides general guidelines and best practice for preparation of project proposal as well as the information on the requirements and conditions, including project appraisal, respective project cycles and applicable environmental and social criteria, set by various relevant IFIs and donors providing funds for climate change adaptation and water and environment projects in the region of Central Asia, including:

- European Investment Bank (EIB)
- European Bank for Reconstruction and Development (EBRD)
- Green Climate Fund (GCF)
- World Bank (WB)
- Asian Development Bank (ADB)
- Asian Infrastructure Investment Bank (AIIB)
- German Development Bank (KfW)
- French Development Agency (AFD)
- The Dutch Entrepreneurial Development Bank (FMO)

2. LIST OF ABBREVIATIONS

ACP countries	African, Caribbean and Pacific Group of States
ADB	Asian Development Bank
AFD	French Development Agency
AIIB	Asian Infrastructure Investment Bank
ALA	Asia and Latin America
AoA	According to the Articles of Agreement
BMZ	Das Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CA	Central Asia
CAEF	Climate Action & Environment Facility, also Central Asian Environment Forum
CBA	Cost-benefit analysis
CCWs	Climate Change Windows
CDP	Cassa depositi e prestiti Group
CDP/SIMEST	The company of the Cassa depositi e prestiti Group
CICERO	Centre for International Climate and Environmental Research
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CO_2	Carbon dioxide
CPS	Country partnership strategy
DCI	Development Cooperation Instrument
DG INTPA	Directorate-General for International Partnerships
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DMC	Developing member countries
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EEAS	European External Action Service
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EMSP	Environmental and Social Management Plan
ESDD	Environmental and Social Due Diligence
ESG	Environmental and Social Governance
ESIA	Environmental, climate and social impact assessment
ESMPF	Environmental and Social Management Planning Framework
ESMS	Environmental and Social Management System
ESS	Environmental and Social Standards
ESW	Economic and Sector Work
EU	European Union
EUR	Euro
FMO	The Dutch Entrepreneurial Development Bank
FSC	Forest Stewardship Council
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	Green House Gases
GIP	Good international practice

HIV/AIDS	Human immunodeficiency virus infection and acquired immune deficiency syndrome
IBRD	International Bank for Reconstruction and Development
ICT sector	Information and Communication Technologies sector
IDA	International Development Association
IFCA	Investment Facility for Central Asia
IFI	International Financial Institution
ILO	International Labour Organisation
IMF	International monitory fund
KfW	German Development Bank
LFA	Log Frame Analysis
MDG	Millennium Development Goals
NDA	National Designated Authorities
NEAP	National Environmental Action Plan
NGO	Non-governmental organisation
NSG	Non-sovereign guaranteed
OED	Operations Evaluation Department
OHS	Occupational Health and Safety
OpsCom	Operations Committee
PCR	Project Completion Report
PPP	Public-Private Partnerships
PR	Performance requirements
PRI	Principles for Responsible Investment
PSF	Private Sector Facility
RAS	Reimbursable Advisory Services
RBL	Results-based lending
RCI	Regional Cooperation and Integration
SDG	Sustainable Development Goals
SMEs	small and medium enterprises
SPS	Safeguard Policy Statement
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TFP	Trade Finance Program
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank
WECOOP	European Union – Central Asia: Water, Environment and Climate Change Cooperation
WECOOP 2	Regional Coordination and Support for the EU-CA Enhanced Regional Cooperation on Environment, Climate Change and Water

3. TABLE OF CONTENTS

4. Introduction

A. Context

Decision to develop Investor Guide for preparation of regional investment projects in Environment, Climate Change and Water in Central Asia was taken at the 6th Meeting of the Working Group on Environment and Climate Change, established to support the EU – Central Asia Platform for Environment and Water Cooperation, which took place in July 2017 in Astana, in the Italian Pavilion inside the Expo 2017 "Future Energy". The Meeting identified the following key capacity building and training needs to help filling in knowledge gaps to catalyse investments through improved understanding and professional skills:

- IFI guidelines and procedures;
- Key factors and diagnostic tools in the identification and design of investment projects;
- IFI project cycle and project preparation and appraisal.

Considering the above, the Meeting discussed the concept of an Investor Guide proposed by WECOOP2 (Regional Coordination and Support for the EU-CA Enhanced Regional Cooperation on Environment, Climate Change and Water) project team to help CA countries facilitate projects preparation for international IFIs financing and agreed on the timeframe for finalisation of the Draft Investor Guide document.

The Investor Guide was updated in May 2021 within the framework of WECOOP project (European Union – Central Asia: Water, Environment and Climate Change Cooperation).

B. Purpose and structure of the Guide

The main purpose of this document is to provide structured guidance for Central Asian professionals on development of bankable project proposals. It provides general guidelines and best practice for preparation of project proposal as well as the information on the requirements and conditions, including project appraisal, respective project cycles and applicable environmental and social criteria, set by various relevant IFIs and donors providing funds for climate change adaptation and water and environment projects in the region of Central Asia.

The next subsection of this document provides definitions of the most relevant terms and concepts used in this Guide. A short overview of the general project development principles is presented further with more detailed information in **Annex 1**. The rest of the Guide contains brief structured information on different IFIs and donors providing funds in the region, covering institution's background, geographical scope, implementation criteria and priority sectors, type of support provided and project cycle.

C. How to read this Guide

This Guide is logically structured which allows users to easily navigate throughout the document:

- To find out about the types of financial support provided by different IFIs in the CA region, their fields of interest and specific conditions for project application, please go to Chapter "Investment facilities and vehicles " and the relevant IFIs' subsections:
  - European Investment Bank (EIB)
  - European Bank for Reconstruction and Development (EBRD)
  - Green Climate Fund (GCF)

- World Bank (WB)
- Asian Development Bank (ADB)
- Asian Infrastructure Investment Bank (AIIB)
- German Development Bank (KfW)
- French Development Agency (AFD)
- The Dutch Entrepreneurial Development Bank (FMO)

- To find out about good practice in development of project descriptions and project proposals, necessary for development of successful project ideas, please go to Annex 1"Project Development – General Guidance"
- To find out about real project examples, please go to Annex 10 "Case studies"
- To find contact details of IFIs, please go to Annex 11 "Contact details of IFIs' offices including Central Asian countries"

D. Definitions

This subsection presents the definitions of the key concepts used in this guidance document.

International Financial Institutions or IFIs are institutions that provide financial and technical support for economic and social development activities in developing countries promoting international economic cooperation and sustainable development.[1] Each IFI is an independent organisation with its own legal and management system, but since a large number of countries have membership in several IFIs, cooperation between them is well established.

In principle, IFIs provide temporary financial assistance to countries facilitating sustainable development in line with the specific objectives set by the IFI. The financial support can be provided via long-term loans based on the market interest rates, very-long term loans at interest rates below market rates and grants providing technical assistance, advisory services or project preparation. IFIs can also provide a mix of loans and grants, equity or guarantees. Such funding is usually tied to specific projects that focus on economic and socially sustainable development. IFIs also provide technical and advisory assistance to their borrowers and conduct extensive research on development issues. In addition to these public procurement opportunities, in which multilateral financing is delivered to a national government for the implementation of a project or program, IFIs are increasingly lending directly to non-sovereign guaranteed (NSG) actors. These include sub-national government entities, as well as the private sector.

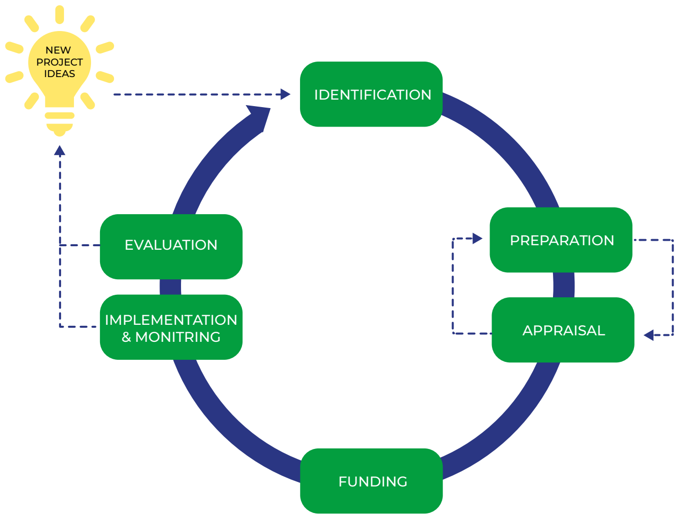
All IFIs use country strategy documents, as these are fundamental to establishing an IFI's lending priorities for a particular country. Based on the country's own vision for its long-term development and written by the IFI, these documents lay out the IFI's support program for the respective nation.

Project cycle is a useful way to understand the various stages that any project will probably go through. The same approach will apply when you are dealing with a simple project idea within your own organisation or a complex project supported by a number of external funders.[2]

Different funding agencies use different terms, but the principles behind the process are similar (see *Figure 1 General stages of the project cycle*). An in-depth presentation of generic stages included in the Project cycle, particularly, project preparation stages are included in **Annex 1**. Detailed description of the project cycle characteristic for IFIs operating in Central Asia will be presented in the relevant subsections of Section 2.

[1] Bhargava, Vinay. 2006. Global Issues for Global Citizens : An Introduction to Key Development Challenges. Washington, DC: World Bank. © World Bank. https://openknowledge.worldbank.org/handle/10986/7194 License: CC BY 3.0 IGO.
[2] Environmental Project Development Manual (1997) Environmental Know-how Fund, Phare.

FIGURE 1 GENERAL STAGES OF THE PROJECT CYCLE



Blending is the strategic use of a limited amount of grants to mobilise financing from partner financial institutions and the private sector to enhance the development impact of investment projects.[3] Blending mechanisms allow for combining loans from public or private financial institutions with EU grants, providing donor organisations with the opportunity of attracting additional funds by mobilising loans from financial institutions and providing them greater impact on the formulation of policies and/or on the way projects are set up and managed. Furthermore, blending loans and grants can promote cooperation between stakeholders in development aid and can enhance the visibility of aid.[4]

Beyond the specific development objectives defined for each operation, the use of blending reflects the following specific goals:[5]

- financial leverage: mobilise public and private resources for enhanced development impact and do more with less;
- non-financial leverage: improve project sustainability, development impact, quality, innovation and enable a faster project start;
- policy leverage: support reforms in line with EU and partner country policies;
- aid effectiveness: improve cooperation between European and non-European aid actors (i.e. donors and financial institutions);
- visibility: provide more visibility for EU development funding.

Blending operations may constitute an opportunity to engage in a dialogue between EU and CA governments on specific sector policies – also on the regional level.

More detailed information on blending can be found in Section 2 of this Guide and in **Annex 2**.

[3] European Commission Fact Sheet (2016) State of the Union 2016: European External Investment Plan: Questions and Answers. Available from: http://europa.eu/rapid/press-release_MEMO-16-3006_en.htm , Questions and Answers – EU External Investment Plan https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_4425
[4] European Court of Auditors (2014) Special Report: The effectiveness of blending regional investment facility grants with financial institution loans to support EU external policies
[5] European Commission, Directorate-General for International Cooperation and Development (November 2015), Guidelines to EU blending operations (ISSN 1977-8309). Available from: https://europa.eu/capacity4dev/t-and-m-series/documents/guidelines-eu-blending-operations

5. INVESTMENT FACILITIES AND VEHICLES

The current section provides concise description of the key investment facilities and vehicles available to countries of Central Asia. More detailed information about these facilities is provided in Annexes 2-10.

A. The European Investment Bank (EIB)

This Section is based on the information provided by European Investment Bank on their webpage.[6] More information on EIB activities and operating principles is included in Annex 5.

BACKGROUND

The European Investment Bank (EIB) is a non-profit long-term lending banking institution established in 1958 under the Treaty of Rome. The EIB is a publicly owned international financial institution and its shareholders are the EU member states. Thus, the member states set the bank's broad policy goals and oversee the two independent decision-making bodies – the board of governors and the board of directors.

The European Investment Bank is the lending arm of the European Union. EIB is the biggest multilateral financial institution in the world and one of the largest providers of climate finance.

GEOGRAPHICAL SCOPE

Although about 90 percent of projects financed by the EIB are based in EU member countries, the bank does fund projects in about 160 other countries: EU Enlargement countries, European Free Trade Association (EFTA), EU Southern Neighbourhood, EU Eastern Neighbourhood, Sub-Saharan Africa, Caribbean and Pacific, Asia and Latin America, Central Asia and United Kingdom.

According to the EIB, it works in these countries to implement the financial pillar of the Union's external cooperation and development policies by encouraging private sector development, infrastructure development, security of energy supply and environmental sustainability.

In Central Asia, EIB is currently active in Tajikistan, Kazakhstan, Kyrgyzstan and most recently Uzbekistan. The loans provided by the EIB come from the lending window for Asia provided under the mandate from the Council and European Parliament for the period 2014-2020, out of which EUR 182 million has been made available for use in Central Asia.[7]

EIB has two lending facilities available in Central Asia:

1. External Lending Mandate (political risks are guaranteed by the European Union)

- Countries: Kyrgyzstan , Tajikistan, Uzbekistan
- All sectors are eligible (priority is given to projects which contribute to improving energy supplies and environmental protection)

2. Own Risk Facilities (no guarantee from the European Union)

- Large amounts available (EUR 3 bn Neighbourhood Financing Facility (NFF): Own Risk Facility for Southern and Eastern Neighbourhood regions)

[6] http://www.eib.org/about/index.htm
[7] http://www.eib.org/projects/regions/central-asia/index.htm

- Focus on climate change projects
- Countries: Kazakhstan and Uzbekistan

In addition, Central Asian countries are eligible under the Bank's own risk Climate Action & Environment Facility (CAEF) for investment grade projects in renewable energy, energy efficiency, carbon capture, transportation or storage projects aiming specifically to reduce greenhouse gas emissions and projects contributing substantially to security of EU energy supply.

IMPLEMENTATION AND PRIORITY FIELDS

The lending strategy outside the EU follows the EIB's priority objectives for lending activity:

- Private sector development
- Financial sector development
- Infrastructure development
- Security of energy supply
- Environmental sustainability
- EU presence

In addition, to be eligible for Bank financing, projects are required to have good potential to contribute to the economic development of the beneficiary country.

Eligible projects in Central Asia in the energy sector: expansion, modernisation and upgrading of infrastructure and procurement of equipment for:

- Gas and oil networks leading to improved performance and increased safety and security of gas supplies to the EU
- Oil and gas extraction facilities, where EIB funding will focus on equipment and infrastructure for environmental protection purposes.
- Electricity generation plants and electricity transmission lines, providing substantial energy saving and environmental protection benefits.

Eligible projects in the environmental sector: expansion, modernisation and upgrading of infrastructure and procurement of equipment for energy saving as well as schemes leading to a significant improvement of the environment.

Projects with a total investment above EUR 25 million can be financed either directly to a project promoter or indirectly through a government or financial intermediary. Project promoters are required simply to provide the Bank's Operations Directorate with a detailed description of their capital investment together with the prospective financing arrangements. The total investment of a typical project under the ALA 2014-2020 mandate is above EUR 40 million.

For smaller projects, the EIB can provide credit lines to selected financial institutions, which then on-lend the funds mainly to small and medium-sized enterprises (SMEs). The financial institutions assess each project, assume the credit risk and set the loan conditions for the final beneficiary according to criteria agreed with the EIB.

FUNDING TYPE

EIB provides 3 main funding types:

- **Lending**: The vast majority of EIB financing is through loans, but EIB also offers guarantees, microfinance, equity investment, etc.
- **Blending**: EIB support unlocks financing from other sources, particularly from the EU budget. This is

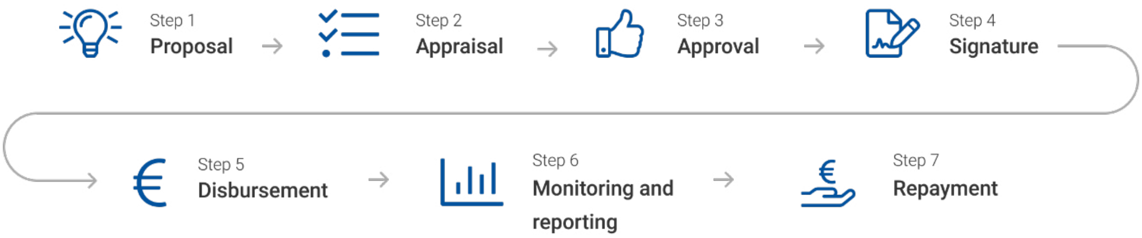
blended with loans to form a full financing package.
- **Advising**: Lack of finance is often only one barrier to investment. EIB helps with administrative and project management capacity to facilitate investment.

PROJECT CYCLE

The EIB Project cycle includes 7 main stages:[8]

1. Proposal
2. Appraisal
3. Approval
4. Signature
5. Disbursement
6. Monitoring and reporting
7. Repayment

Figure 2. The EIB project cycle



B. The European Bank for Reconstruction and Development (EBRD)

This Section is based on the information provided by EBRD on its webpage.[9] More information on EBRD activities and operating principles is provided in Annex 6.

BACKGROUND

The European Bank for Reconstruction and Development (EBRD) is a multilateral development investment bank and international financial institution founded in April 1991.

The EBRD is owned by 65 countries and two EU institutions. Despite its public-sector shareholders, it invests mainly in private enterprises, together with commercial partners.

Until 2020, one of the key funding channels of EBRD included the Investment Facility for Central Asia (IFCA) which played a central role in supporting EBRD activities in Central Asia. It covered Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan, and was aimed at promoting investments in the energy, small and medium-sized enterprise (SME) and social sectors. Since 2010, the IFCA and EBRD have had a very strong partnership. In 2016, six agreements worth almost EUR 55 million were signed. These grants were used to support EBRD's investments across the region, mostly in the municipal infrastructure, SME and energy efficiency sectors.

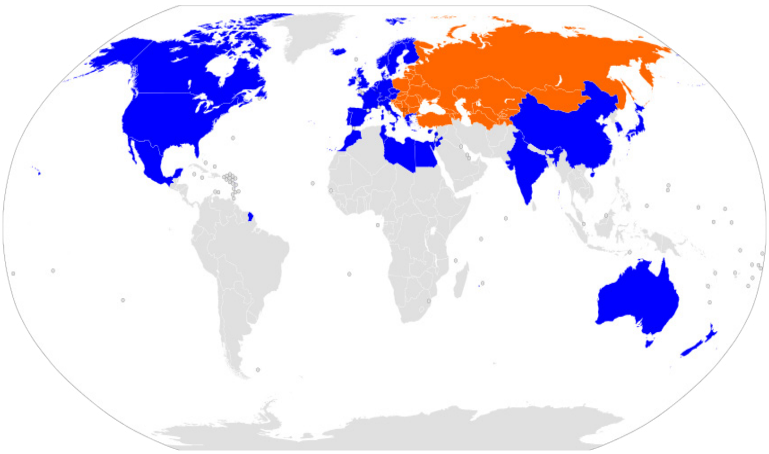
[8] European Investment Bank. Available at http://www.eib.org/projects/cycle/index.htm
[9] European Bank for Reconstruction and Development. Available at: https://www.ebrd.com/home

GEOGRAPHICAL SCOPE

Initially focused on the countries of the former Eastern Bloc, EBRD expanded to support development in more than 30 countries from Central Europe to Central Asia (**Figure 3**). Besides Europe, member countries of the EBRD are from five continents (North America, Africa, Asia and Australia), with the biggest shareholder being the United States.

In 2015, the EBRD invested a record amount in the Central Asian region. The total investment in 2015 rose by 75% reaching EUR 1,402 million. Kazakhstan reported the largest total volumes of investment reaching EUR 709 million in 2015.

Figure 3 EBRD members [13]



Green Economy Transition (GET)

The Green Economy Transition (GET) 2021-25 is the Bank's new approach for helping economies where the EBRD works build green, low carbon and resilient economies. Through the new GET approach, the EBRD will increase green financing to more than 50 per cent of its annual business volume by 2025. It also aims to reach net annual GHG emissions reductions of at least 25 million tonnes over the five-year period.

The new GET approach takes into account the context brought about by COVID-19 highlighting areas of opportunity to support a green recovery. It also builds on the EBRD's long track record of financing green investments. To date, the EBRD has signed €36 billion in green investments and financed over 2,000 green projects, which are expected to reduce 104 million tonnes of carbon emissions yearly. In 2019 alone, the Bank financed over 2.2 GW of new renewable power capacity, and aims to exceed that in 2020.

GET 2021-2025 adopts a systemic approach in supporting the transition to low-carbon and resilient economies. It does this by:

- Assessing projects in relation to the principles of international climate agreements, principally the Paris Agreement;
- enhancing policy engagement for the development of long-term low carbon strategies and greening of financial systems; and
- scaling investments across a set of priority environmental, climate mitigation and resilience theme, including: greening the financial sector, energy systems, industrial decarbonisation, cities and environmental infrastructure, sustainable food systems, green buildings and sustainable connectivity.

IMPLEMENTATION AND PRIORITY FIELDS

The goal of EBRD is to maximise impact of projects implemented with its financial support.[10] In order to do so

[10] European Bank for Reconstruction and Development. Available at: http://www.ebrd.com/work-with-us/advice-for-small-businesses/our-core-themes.html

the following factors are taken into consideration during the project proposal evaluation stage as well as later at project appraisal stages:

- Innovation
- Access to finance
- Regional Development
- Resource efficiency and environment
- Inclusion

In the Central Asia region, EBRD continues to support projects in various sectors[11] (see Table 1 below). In 2017, the total investment in Central Asia was about USD 1 billion.

Kazakhstan is one of EBRD's largest countries of operation with €8,321 million invested in 280 projects over the last 20 years. EBRD has several priorities in the country such as diversification, balancing the role of state and market and sustainable energy. Infrastructure is one of the most important areas. EBRD is also Kazakhstan's largest investor in sustainable energy, including renewable energy and energy-efficient technologies.

EBRD resumed operations in Uzbekistan. A new approach by the Uzbekistan authorities has allowed the EBRD to re-engage in the country, open a new Resident Office in Tashkent and prepare a new Country Strategy adopted by the Board of Directors in September 2018.
EBRD invested in Uzbekistan €2,358 million in 95 projects.
The new EBRD strategy for Uzbekistan recognises the need to strengthen the country's democratic institutions, expand the role of civil society, provide greater freedom to mass media and promote women's entrepreneurship. The Bank will also continue monitoring progress on the eradication of forced and child labour in sectors such as the cotton growing industry.

During its years of operation in Kyrgyzstan, EBRD invested €754 million in various sectors of the Kyrgyz economy in 195 different projects, mostly in infrastructure. EBRD focus in Kyrgyzstan includes fostering sustainable growth, enabling SMEs to scale up, promoting the sustainability of public utilities, strengthening the financial sector, and supporting critical infrastructure

In Tajikistan, a total of 140 projects are currently and/or will be implemented with a cumulative EBRD investment of €765 million. In Tajikistan EBRD focuses on stabilising and rebuilding trust in the banking sector, developing private enterprises and agribusiness, improving the availability, reliability and quality of municipal services and improving the quality of energy supply, regulation and energy efficiency.

The cumulative EBRD investment in Turkmenistan is €299 million in 85 projects, with the focus on expanding private sector operations in the corporate and financial institutions sectors, targeted policy dialogue and fostering coordination among IFIs and donor organisations .

[11] http://www.ebrd.com/who-we-are/history-of-the-ebrd.html, http://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html

Table 1. EBRD focus sectors

Agribusiness	The EBRD is the single biggest investor in this sector in much of the EBRD region[12]
Equity Funds	The EBRD is the region's single largest investor in private equity funds
Financial Institutions	Financial institutions channel funds, promote savings, ease trade and establish acceptable standards
Information and Communication Technologies	EBRD's team supports networks, platforms and other service providers in the ICT sector.
Legal Reform	EBRD's programme creates investor-friendly, transparent legal environments
Manufacturing and Services	EBRD's work in this sector covers heavy & light industry and processing & production of goods
Municipal infrastructure	The EBRD seeks to improve municipal services
Natural Resources	The EBRD finances a range of natural resources industries
Nuclear Safety	The EBRD assists in the safe treatment of waste and power plants
Energy	Focus areas include transmission and distribution, safety upgrades and investing in renewables
Transport	The EBRD aims to build efficient, reliable and secure transport systems
Property and Tourism	The Bank is a key player in the property markets of our regions.

The EBRD does not finance:

1. Defence-related activities
2. Tobacco industry
3. Selected alcoholic products
4. Substances banned by international law
5. Stand-alone gambling facilities

EBRD's current key topics are:[13]

1. Infrastructure
2. Transforming Chernobyl
3. Small businesses
4. Refugee crisis response

Environmental and social sustainability[14] is at the heart of EBRD activities, also through green economy

[12] http://www.ebrd.com/news/2016/ebrd-investment-in-central-asia-reaches-record-14-billion-in-2015.html, http://www.ebrd.com/cs/Satellite?c=Content&cid=1395237785806&pagename=EBRD%2FContent%2FContentLayout

[13] European Bank for Reconstruction and Development. Available from: http://www.ebrd.com/what-we-do/sectors-and-topics.html

[14] http://www.ebrd.com/who-we-are/our-values/environmental-and-social-sustainability.html, http://www.ebrd.com/environmental-and-social-policy.html

products which amount to one third of EBRD's investment.

EBRD's **approach to sustainability** involves "**Green Economy Transition**" and additionally[15]

- incorporating environmental and social requirements into the appraisal and implementation of all Bank-funded projects based on EU standards and international good practice
- providing finance and technical assistance specifically aimed at addressing environmental and social issues
- promoting economic inclusion and access to community services such as water and public transport
- supporting projects that promote gender equality
- encouraging public participation through pre-investment consultation and information disclosure, and maintaining regular strategic dialogue with civil society organisations and other stakeholders

FUNDING TYPE

EBRD financing for private sector projects generally ranges from EUR 5 million to EUR 200 million, in the form of loans or equity. The average EBRD investment is EUR 20 million. Smaller projects may be financed through financial intermediaries or through special programmes for smaller direct investments in the less advanced countries. The key three types of direct financial support provided by EBRD are:

- Loans
- Equity Investments
- Guarantees to promote trade

EBRD FUNDING CRITERIA

To be eligible for EBRD funding, the project must:

1. be located in economies where the EBRD operates
2. have strong commercial prospects
3. involve significant equity contributions in-cash or in-kind from the project sponsor
4. benefit the local economy and help develop the private sector
5. satisfy banking and environmental standards.

PROJECT CYCLE

The total lifecycle of an EBRD project, from initiation to repayment, can range from one year for working capital or trade financing projects to 15 years for long-term sovereign infrastructure projects. The EBRD project cycle is presented in Figure 4:

[15] http://www.ebrd.com/our-sustainability-approach.html, http://www.ebrd.com/our-sustainability-work.html

Figure 4. EBRD Project cycle[16]

CONCEPT REVIEW	The EBRD's Operations Committee (OpsCom), consisting of senior management from Banking, Finance, Office of the General Counsel, Office of the Chief Economist, and Evaluation and Operational and Environmental Support approves the project concept and overall structure, including the proposed financing structure and supporting obligations. At this stage, the EBRD and the client sign a letter, which outlines the project plan, development expenses and responsibilities.
FINAL REVIEW	Once the basic business deal (including a signed term sheet) has been negotiated and all investigations have been substantially completed, the project receives a final review by OpsCom.
BOARD Approval	The EBRD President and operations team present the project to the Board of Directors for approval.
SIGNING	The EBRD and the client sign the deal and it becomes legally binding.
DISBURSEMENTS	Once repayment conditions are agreed and the Bank's conditions met, the funds are transferred from the Bank's account to the client's account.
REPAYMENT	The client repays the loan amount to the EBRD under an agreed schedule.
Sale of equity	In case of the equity investment, the exit process in line with the contractually agreed
Complete	The loan has been fully repaid and/or the EBRD's equity investment divested.

EBRD GREEN CITIES

Cities in the EBRD regions face numerous challenges, including insufficient infrastructure investment, demographic changes, poor air quality and historical legacies of high energy and carbon intensity.

Many cities in these regions are also particularly vulnerable to the impacts of climate change, with increased heat stress and extreme weather events.

To address these challenges, the EBRD developed EBRD Green Cities,[17] with the aim of building a better and more sustainable future for cities and their residents. The EBRD Green Cities approach is more comprehensive then implementing a separate infrastructure projects because it addresses important problems in cities like: transport, land use, energy and buildings, water, waste, governance and finance. The EBRD Green Cities is a multidoor programme to identify, prioritise and connect cities' environmental challenges with sustainable infrastructure investments and policy measures. The EBRD can support the city in these efforts by providing access to finance, as well as concessional loans and grants.

The programme has three central components:

1. Green City Action Plans (GCAPs): Assessing and prioritising environmental challenges, and developing an action plan to tackle these challenges through policy interventions and sustainable infrastructure

[16] European Bank for Reconstruction and Development. Available at: http://www.ebrd.com/work-with-us/project-finance/funding-process.html%20
[17] https://www.ebrdgreencities.com/about

investments.

2. Sustainable infrastructure investment: Facilitating and stimulating public or private green investments in: water and wastewater, urban transport, district energy, energy efficiency in buildings, solid waste and other interventions that improve the city's adaptation and resilience to climate shocks.

3. Capacity-building: Providing technical support to city administrators and local stakeholders to ensure that infrastructure investments and policy measures identified in GCAPs can be developed, implemented and monitored effectively.

Eligible cities must meet the following criteria:

- Be a city in the EBRD regions;
- Have a population of at least 100,000;
- Be willing to conduct a Green City Action Plan;
- Initiate an investment trigger project in one of the following sectors: solid waste, water and wastewater, urban transport, district energy, or low-carbon and climate-resilient buildings.

In the Central Asia region following cities currently belong to the green cities: Almaty, Bishkek, Dushanbe, Semey, Shymkent, Ust-Kamenogorsk.

C. The Green Climate Fund (GCF)

This Section is based on the information provided on Green Climate Fund (GCF) webpage.[18]

BACKGROUND

GCF was set up by the 194 countries who are parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 2010, as part of the Convention's financial mechanism. It aims to deliver equal amounts of funding to mitigation and adaptation, while being guided by the Convention's principles and provisions. GCF is based in the new Songdo district of Incheon, South Korea.[19]

GCF aims to catalyse a flow of climate finance to invest in low-emission and climate-resilient development, driving a paradigm shift in the global response to climate change. It is intended that GCF be the centrepiece of efforts to raise Climate Finance under UNFCCC and raise USD 100 billion a year by 2020.

When the Paris Agreement was reached in 2015, GCF was given an important role in serving the agreement and supporting the goal of keeping climate change well below 2 degrees Celsius.

GEOGRAPHICAL SCOPE

GCF provides support to projects all over the world with the majority of projects being implemented in Africa, Asia Pacific, Latin America and the Caribbean and Eastern Europe. Currently 154 non-annex 1[20,21] countries are eligible to receive GCF funding of which 147 have designated NDA/FP.

IMPLEMENTATION AND PRIORITY FIELDS

GCF aims at funding equally climate change mitigation and adaptation strategies. GCF is mandated to invest 50% of its resources to mitigation and 50% to adaptation in grant equivalent. At least half of its adaptation

[18] Green Climage Fund. Available at: http://www.greenclimate.fund/home
[19] Green Climage Fund. Available at: http://www.greenclimate.fund/who-we-are/about-the-fund
[20] Non-Annex I countries are developing countries, under the Kyoto Protocol. Non-Annex I countries do not have legally binding emissions reductions targets
[21] https://unfccc.int/process/parties-non-party-stakeholders/parties-convention-and-observer-states?field_national_communications_target_id%5B514%5D=514

resources must be invested in the most climate vulnerable countries (SIDS, LDCs, and African States).

FUNDING TYPE

GCF aims at engaging directly with both the public and private sectors in transformational climate-sensitive investments. GCF engages directly with the private sector through its Private Sector Facility (PSF), benefiting from the capacity to bear significant climate-related risk, allowing it to leverage and crowd in additional financing. The Fund offers a wide range of financial products including grants, concessional loans, subordinated debt, equity, and guarantees. This enables it to match project needs and adapt to specific investment contexts, including using its funding to overcome market barriers for private finance.

An important and valuable mechanism of GCF is the Readiness Programme, which is aimed at enhancing countries' ownership. This mechanism supports such activities as development of National Climate Change Adaptation Plans and/or activities aimed at enhancement of the ability of an entity to seek accreditation with the Fund, including for the fast-track accreditation process (pre-accreditation support).[22]

GCF can structure its financial support through a flexible combination of grant, concessional debt, guarantees or equity instruments to leverage blended finance and crowd-in private investment for climate action in developing countries. This flexibility enables the Fund to pilot new financial structures to support green market creation.

PROJECT CYCLE

GCF somewhat differs from the general project cycle previously described. A simplified version of the GCF project cycle is presented in Figure 5. GCF Project Cycle.[23]

An important element in the GCF project cycle is Accredited Entities – organisations that develop funding proposals to be considered by the Fund and oversee, supervise, manage and monitor their respective GCF-approved projects and programmes and meet certain GCF standards based on financial standards, environmental and social safeguards, and gender. They can be private, public, non-governmental, sub-national, national, regional or international bodies. There are two types of GCF Accredited Entities:

- Direct Access Entities are sub-national, national or regional organizations that need to be nominated by developing country National Designated Authorities (NDAs) or focal points;
- International Access Entities can include United Nations agencies, multilateral development banks, international financial institutions and regional institutions. GCF considers these organizations to have the wide reach and expertise to handle a variety of climate change issues, including ones that cross borders and thematic areas.[24]

[22] http://www.greenclimate.fund/gcf101/empowering-countries/readiness-support
[23] For detailed GCF project cycle go to: http://www.greenclimate.fund/documents/20182/239759/Proposal_Approval_Process__Updated_.pdf/53357eae-1a4d-48da-99c5-e11c5ef7761c
[24] For list of Internatational Access Entities go to: http://www.greenclimate.fund/how-we-work/tools/entity-directory

Figure 5. GCF Project Cycle

Country, Regional and/or accredited entity programmes	Generation of programme or project funding proposals	Concept note (Voluntary)	Funding proposals	Secretariat analysis and independent technical assessment and recommendations to the Board	Board decision	Legal arrangements for approved proposals
Submission and compilation of country programmes Submission and compilation of accredited entity work programme Structured dialogues	Strategic approaches Requests for proposals Regular call for funding proposals	Concept note submission Concept note confirmation concept note pipeline Feedback and recommendat-ions on the concept note Project preparation and development support	Full proposal pipeline No-objection letter Funding proposal submission to the secretariat Information disclosure	Analysis and recommendat-ion to the Board Independent assessment Submission of documentation to the Board	Board decision Post approval follow-up Implementation of Board conditions	Funded activity agreement Letter of commitment Funding proposal conditions

D. The World Bank (WB)

This Section is based on the information provided on the World Bank's webpage.[25] More information on the World Bank's activities and operating principles is provided in Annexes 8-9.

BACKGROUND

The World Bank (WB) was founded in 1944 as an international financial institution that provides loans to countries of the world for capital programs. It comprises two institutions: the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA). The WB is a part of the World Bank Group. It provides low-interest loans, zero to low-interest credits, and grants to developing countries. These support a wide array of investments in such areas as education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management. Some of its projects are co-financed with governments, other multilateral institutions, commercial banks, export credit agencies, and private sector investors.

The WB’s stated official goal is the reduction of poverty and promoting shared prosperity. According to Article I of its Articles of Agreement, its purposes are (i) to encourage the development of productive facilities and resources in less developed countries, (ii) to promote foreign investment or provide own capital and (iii) to promote the long-range balanced growth of international trade.

GEOGRAPHICAL SCOPE

The WB Group works in more than 170 countries, cooperating with partners in the public and private sectors. The World Bank works with countries in Europe and Central Asia (ECA) to eliminate poverty and promote shared prosperity, through boosting human capital, enabling markets, green transition, and building & strengthening institutions. The World Bank works with all 5 Central Asia countries.

IMPLEMENTATION AND PRIORITY FIELDS

The World Bank Group works in every major area of development. WB provides a wide array of financial

[25] World Bank. Available at: http://www.worldbank.org/en/about/what-we-do

products and technical assistance, and we help countries share and apply innovative knowledge and solutions to the challenges they face.

Priority fields covered by the WB financed projects are strongly related to the Sustainable Development Goals (SDGs), which is a collection of 17 global goals set by the United Nations. The broad goals are interrelated, though each has its own targets to achieve. The total number of targets is 169. The SDGs cover a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender, equality, water, sanitation, energy, environment and social justice. The SDGs are also known as "Transforming our World: the 2030 Agenda for Sustainable Development" or Agenda 2030 in short.

The World Bank's regional strategy for Europe and Central Asia focuses on these priority areas:

Boosting Human Capital
Enabling Markets
Green Transition
Building & Strengthening Institutions

The World Bank's ECA region has a strategic partnership with the European Union (EU), and is working with the European Commission (EC) and European international financial institutions (IFIs) to improve the capacity of ECA's EU-member clients to absorb EU funds.

A report by the Centre for International Climate and Environmental Research (CICERO) confirmed in which way environmental WB projects fulfil criteria for climate change adaptation and mitigation at the same time.[26] Thus, details are added to WB's Green Bond Toolkit.[27]

The WB produced the **Action Plan on Climate Change Adaptation and Resilience,**[28] including the following objectives:

Objective 1: Boost adaptation financing

> The WBG will ramp up its direct adaptation climate finance to reach $50 billion over FY21–25. This financing level—an average of $10 billion a year—is more than double what was achieved during FY15-18. The WBG will also pilot new approaches to scale up private finance for adaptation and resilience.

Objective 2: Drive a mainstreamed, whole-of-government programmatic approach

> The WBG intends to help countries shift from addressing adaptation as an incremental cost and isolated investment to systematically managing and incorporating climate risks and opportunities at every phase of policy planning, investment design, implementation and evaluation.

Objective 3: Develop a new rating system to create incentives for, and improve the tracking of, global progress on adaptation and resilience

> A new rating system will be developed to promote public and private sector investments in adaptation. It will be designed to create incentives for donors and countries to engage in more and better adaptation; more effectively report on what the WBG and clients are doing; and aim to establish a global standard for financial markets and public procurement. The new system will be piloted over FY19-20 with an anticipated roll-out to projects in relevant sectors by FY21

[26] https://cicero.oslo.no/en/posts/single/CICERO-second-opinions
[27] https://documents.worldbank.org/curated/en/400251468187810398/pdf/99662-REVISED-WB-Green-Bond-Box393208B-PUBLIC.pdf
[28] https://documents1.worldbank.org/curated/en/519821547481031999/The-World-Bank-Groups-Action-Plan-on-Climate-Change-Adaptation-and-Resilience-Managing-Risks-for-a-More-Resilient-Future.pdf

FUNDING TYPE

WB provides a variety of financial instruments and services.[29] These are summarised in the Box below.

WORLD BANK FINANCIAL INSTRUMENTS

- Investment Project Financing provides IBRD loan, IDA credit/grant and guarantee financing to governments for activities that create the physical/social infrastructure necessary to reduce poverty and create sustainable development.
- Development Policy Financing provides IBRD loan, IDA credit/grant and guarantee budget support to governments or a political subdivision for a program of policy and institutional actions to help achieve sustainable, shared growth and poverty reduction.
- Program-for-Results links disbursement of funds directly to the delivery of defined results, helping countries improve the design and implementation of their own development programs and achieve lasting results by strengthening institutions and building capacity.
- Trust funds and grants allow scaling up of activities, notably in fragile and crisis-affected situations; enable the Bank Group to provide support when its ability to lend is limited; provide immediate assistance in response to natural disasters and other emergencies; and pilot innovations that are later mainstreamed into the Bank's operations.
- Private sector options for financing, direct investment and guarantees are provided by MIGA and IFC.
- Customized options and risk management
- Multiphase Programmatic Approach (MPA) allows countries the flexibility to implement an approach to achieve development objectives in stages when: the development challenge is complex; it would take a longer time to achieve the objectives; it would take a longer time to prepare one large project; the solution needs a broader and comprehensive approach; or when a stop-and-go approach is not feasible. Projects under an MPA program may be financed by Investment Project Financing; or Program-for-Results Financing, or their combination

WORLD BANK SERVICES

- Technical Assistance (TA)
- Reimbursable Advisory Services (RAS)
- Economic and Sector Work (ESW)
- Business advice
- Donor aid coordination

PROJECT CYCLE

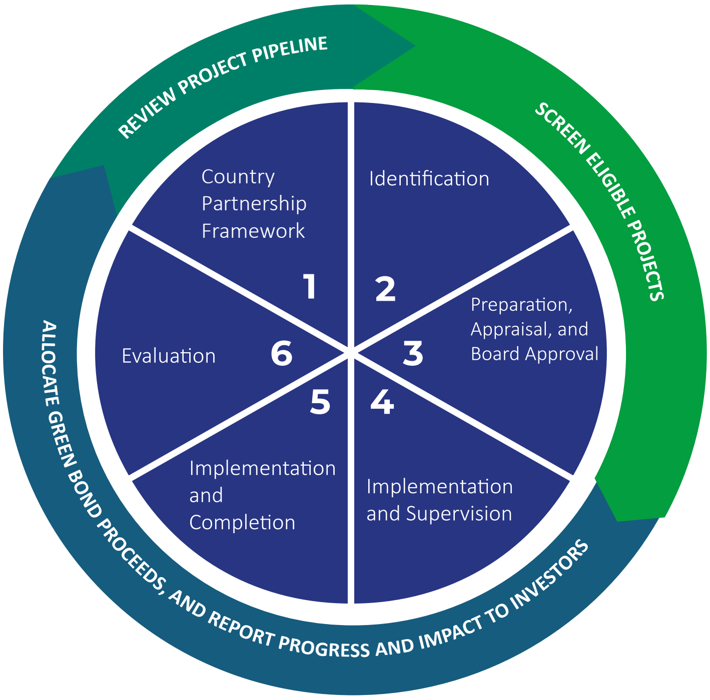
The WB's Project Cycle contains the following major stages:[30]

- **Identification**: The task of identifying and proposing projects for World Bank financing lies mainly with borrowing governments. In this first phase, planners answer questions such as: Who will benefit from the project? Will project benefits be greater than the costs? Are there other options for achieving the same objective? A project must also pass a priorities test.
- **Preparation**: Though the Bank will often help, the borrowing country is responsible for examining the technical, economic, social, and environmental aspects of the project. It defines and analyses the available options, the feasibility of each, and their costs and benefits.
- **Appraisal**: The WB's own independent assessment of the project. About 150 on-site appraisal missions, lasting three to four weeks, take place each year, performed by Bank staff and consultants on technical, institutional, economic and financial questions.
- **Negotiation and Board Presentation**: The Bank appraisal report summarizing its recommendations for a loan's conditions forms the basis for negotiations with the borrower. The negotiations bring the WB's staff and the borrower together to agree on the measures necessary for a successful project. Presentation is made to the WB Board of Directors.

[29] World Bank. Available at: http://www.worldbank.org/en/projects-operations/products-and-services#2
[30] World Bank. Available at: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/696601478501928227/the-world-bank-project-cycle

- **Implementation and Supervision**: About ten WB staff-weeks a year are spent supervising each project, including visits to the project site to identify problems and help find solutions.
- **Evaluation**: An independent department within the WB, the Operations Evaluation Department (OED), is responsible for assessing the results of projects impartially.

Figure 6. The World Bank Project Cycle



E. The Asian Development Bank (ADB)

This Section is based on the information provided on the Asian Development Bank (ADB) webpage.[31] More information on ADB's activities and operating principles is provided in Annex 10-11.

BACKGROUND

ADB is a financial institution and regional development bank established on 19 December 1966, which is headquartered in the Ortigas Centre located in Mandaluyong, Metro Manila, Philippines. The company also maintains 31 field offices around the world to promote social and economic development in Asia and the Pacific.

ADB's clients are ADB's member governments, who are also ADB's shareholders. In addition, ADB provides direct assistance to private enterprises of developing member countries through equity investments and loans. ADB's assistance includes policy dialogues and advisory services. ADB is composed of 67 members. The ADB was modelled closely on the World Bank, and has a similar weighted voting system where votes are distributed in proportion with members' capital subscriptions. ADB is an official United Nations Observer. The three largest countries and regions by subscribed capital and voting power as per 2014 are Japan, the USA and the EU; the next three are China, India and Australia. As of 31 December 2018, Japan and the United States each holds the largest proportion of shares at 15.571%. China holds 6.429%, India holds 6.317%, and Australia holds 5.773%.[32] All five Central Asia countries are ADB members.

[31] Asian Development Bank. Available from: https://www.adb.org/who-we-are/about
[32] https://en.wikipedia.org/wiki/Asian_Development_Bank

GEOGRAPHICAL SCOPE

ADB assists its members and partners by providing loans, technical assistance, grants and equity investments to promote social and economic development. ADB is composed of 68 members, 49 of which are from the Asia and Pacific region. The bank has offices in all 5 CA countries.

IMPLEMENTATION AND PRIORITY FIELDS

The new 2030 sets the following focus areas:[33]

- Addressing remaining poverty and reducing inequalities. ADB will increase the emphasis on human development and social inclusion to address the non-income dimensions of poverty. It will help facilitate quality job creation, including by small and medium-sized enterprises and inclusive businesses. ADB will support DMCs to improve education and training outcomes, achieve better health for all, and strengthen social protection systems and service delivery for those in need.
  - Human capital and social protection enhanced for all
  - Quality jobs generated
  - Access to opportunities increased for the most vulnerable

- Accelerating progress in gender equality. ADB will support targeted operations to empower women and girls, gender mainstreaming that directly narrows gender gaps, and operations with some gender elements that incorporate a few gender equality actions in the design and implementation of ADB projects and programs. At least 75% of the number of ADB's committed operations (on a 3-year rolling average, including sovereign and nonsovereign operations) will promote gender equality by 2030.
  - Women's economic empowerment increased
  - Gender equality in human development enhanced
  - Gender equality in decision-making and leadership enhanced
  - Women's time poverty and drudgery reduced
  - Women's resilience to external shocks strengthened

- Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability. ADB will scale up support in these areas. ADB will ensure that 75% of the number of its committed operations (on a 3-year rolling average, including sovereign and nonsovereign operations) will be supporting climate change mitigation and adaptation by 2030. Climate finance from ADB's own resources will reach $80 billion cumulatively from 2019 to 2030.
  - Mitigation of climate change increased
  - Climate and disaster resilience built
  - Environmental sustainability enhanced

- Making cities more livable. ADB will provide integrated solutions to help build livable cities that are green, competitive, resilient, and inclusive. It will pursue crosscutting projects to promote urban health, urban mobility, gender equality, and environmental sustainability. ADB will help cities explore new and expand existing sources of funding, enhance inclusive and participatory urban planning, and integrate climate resilience and disaster risk management considerations into urban planning processes.
  - Improve access, quality and reliability of services in urban areas
  - Strengthen urban planning and financial sustainability of cities
  - Improve urban environment, climate-resilience and disaster management of cities
- Promoting rural development and food security. ADB will support efforts to improve market connectivity and agricultural value chain linkages. It will help DMCs increase agricultural productivity and food security by boosting farm and nonfarm incomes, promoting the adoption of advanced technologies and climate-smart agricultural practices, and supporting the improvement of natural resource management standards. It will also help DMCs enhance food safety.
  - Rural development
  - Agricultural value chains
  - Food security

[33] Strategy 2030: https://www.adb.org/sites/default/files/related/157961/strategy-2030-policypaper.pdf

- Strengthening governance and institutional capacity. ADB will support public management reforms to help DMCs improve governance and create an enabling environment for sustainable growth. It will help countries build resilience and respond to economic shocks, strengthen service delivery, and improve capacity and standards. ADB will uphold environmental and social safeguards, adhere to fiduciary standards, and implement anticorruption measures in all its projects and programs.
  - Strengthened public management and financial stability
  - Enhanced governance and institutional capacity for service delivery
  - Strengthened country systems and standards

- Fostering regional cooperation and integration. ADB will enhance connectivity in the region and the competitiveness of DMCs. It will increase support for regional public goods and collective actions to mitigate cross-border risks such as climate change, pollution, energy and water security, and communicable and infectious diseases. ADB will also enhance financial sector cooperation and strengthen subregional initiatives, including through facilitating knowledge sharing and collaboration, and working with emerging initiatives.
  - Greater and higher quality connectivity between economies
  - Global and regional trade and investment opportunities expanded
  - Regional public goods increased and diversified

FUNDING TYPE

ADB offers a range of financial products that help developing member countries (DMCs) build economic growth and social development. These tools include loans, technical assistance, and grants.[34]

The main ADB financial mechanisms are presented in the Box below.

Public Sector (Sovereign) Financing[35]	Private Sector (Non-sovereign) Financing[36]
Public sector (sovereign) financing is extended to DMC governments and public sector entities, such as state-owned enterprises. Sovereign lending or financing secured by a government guarantee forms the greater part of ADB's development assistance. Operations are financed from ordinary capital resources and a range of special funds, including the Asian Development Fund, which is the largest. In addition, ADB also mobilizes financial resources through co-financing.	As a catalyst for private investments, ADB provides direct financial assistance to private sector projects. While ADB's participation is usually limited, it leverages a large amount of funds from commercial sources to finance these projects. Projects must also have clear development impacts and/or demonstration effects that go beyond the benefits captured in the financial rate of return.
Co-financing Partnerships[37]	**Results-Based Lending (RBL) for Programs[38]**
Strategic partnerships with other development organizations facilitate a wider flow of financial resources and knowledge to help improve development effectiveness throughout the region.	Results-based lending (RBL) is a performance-based form of financing, where disbursements are linked to the achievement of results rather than to upfront expenditures, as is the case with traditional investment lending.
Trade Finance Program (TFP)[39]	
Trade Finance Program (TFP) fills market gaps for trade finance by providing guarantees and loans to banks to support trade.	

[34] Asian Development Bank. Available at: https://www.adb.org/site/public-sector-financing/main
[35] https://www.adb.org/site/public-sector-financing/main
[36] https://www.adb.org/what-we-do/private-sector-financing/main
[37] https://www.adb.org/site/cofinancing/what-is-cofinancing
[38] https://www.adb.org/site/public-sector-financing/results-based-lending-programs
[39] https://www.adb.org/site/trade-finance-program

PROJECT CYCLE

ADB provides financing for projects that will effectively contribute to the economic and social development of the country concerned and have the strongest poverty reduction impact in conformity with the country and ADB strategies. ADB's project cycle is shown in **Figure 7** with the main stages briefly described below.

1. **Country Partnership Strategy**: ADB works with each developing member country to define a medium-term development strategy and operational program called a country partnership strategy (CPS). The CPS is aligned with the country's development plan and poverty reduction goals, and its preparation with the DMC's development planning cycle.

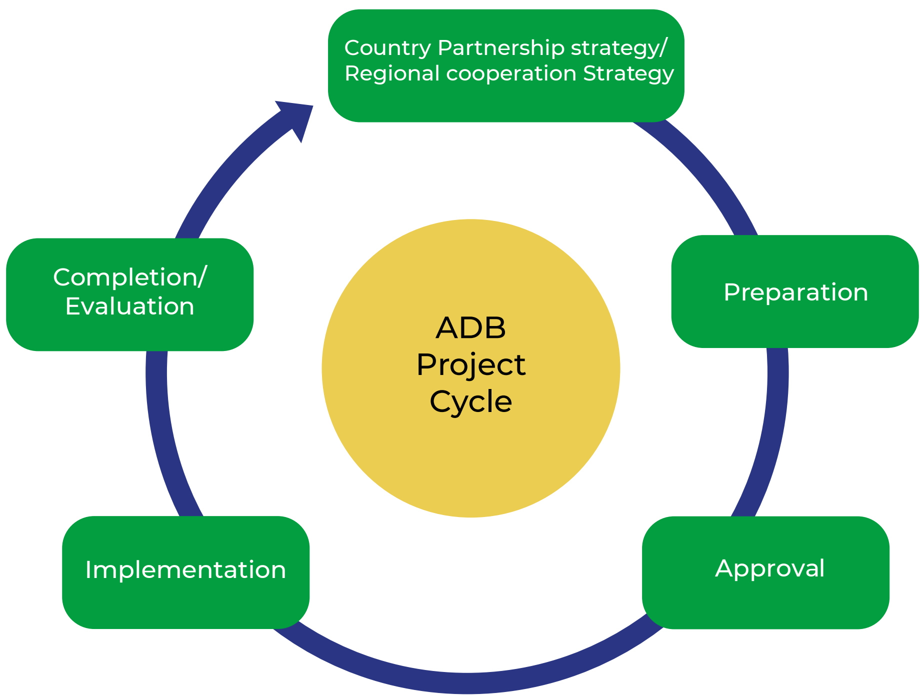
2. **Project Identification/Preparation**: ADB often provides grants called project/program preparatory technical assistance to help the government identify and prepare feasible projects (possibly including initial poverty & social analysis and a technical assistance report). During project examination, ADB examines project feasibility through a fact-finding mission.

3. **Approval: (a) Loan Negotiation**: drafts of loan agreement and project proposal submitted; (b) **Board Approval**: ADB's Board of Directors approves by the Report and Recommendation of the President; (c) **Loan Signing**: the cabinet of the borrowing country's Government and ADB's President sign; (d) **Loan Effectiveness**: The loan takes effect once certain conditions are met (legal requirements, cross-effectiveness of co-financing, and subsidiary agreements).

4. **Implementation**: The executing agency implements (typically from two to five years), and project consultants are recruited as needed to assist the Government.

5. **Completion and Evaluation**: After the project facilities and technical assistance activities are completed, ADB prepares a project completion report to document the experience.

Figure 7. The ADB Project Cycle[40]



[40] Asian Development Bank. Available at: https://www.adb.org/what-we-do/public-sector-financing/project-cycle

F. The Asian Infrastructure Investment Bank (AIIB)

This Section is based on the information provided on the Asian Infrastructure Investment Bank (AIIB) webpage.[41] More information on AIIB activities and operating principles is provided in Annex 9.

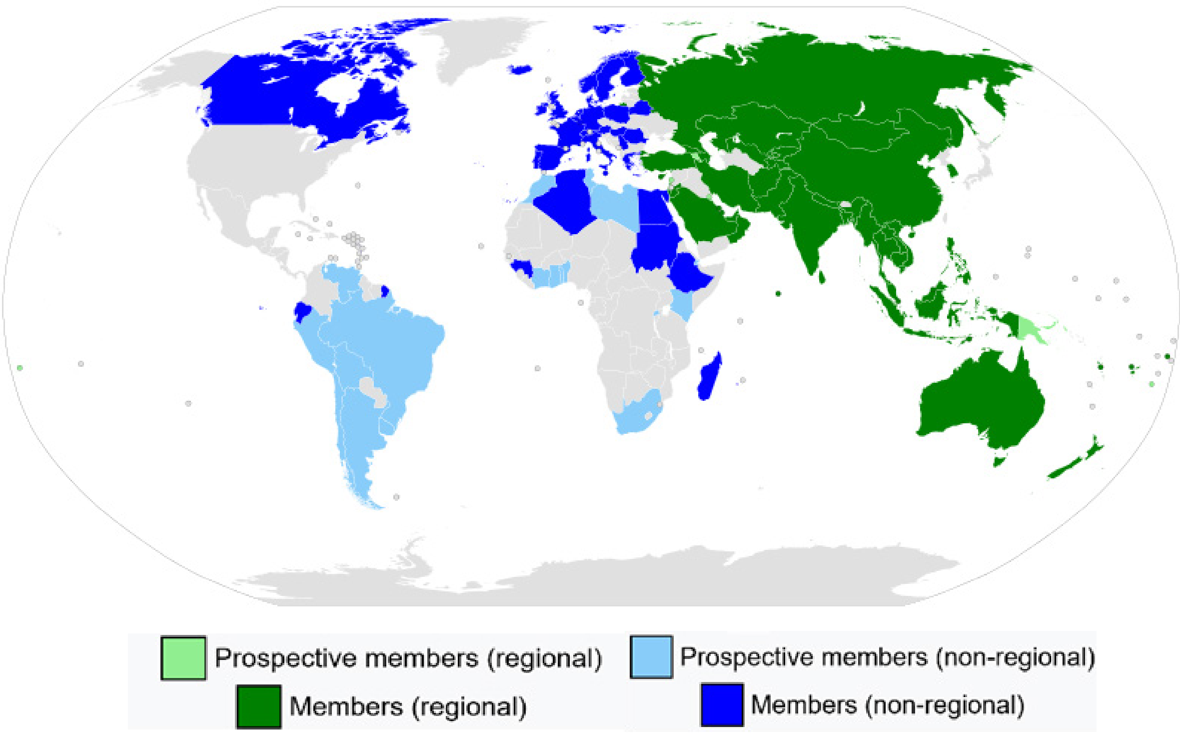
BACKGROUND

AIIB is a multilateral financial institution focused on developing Asia, but with members from all over the world, our investments in infrastructure and other productive sectors seek to foster sustainable economic development, create wealth and improve infrastructure connectivity. It commenced operations in January 2016 and has now grown to 103 approved members from around the world.

GEOGRAPHICAL SCOPE

According to AIIB's Articles of Agreement (AOA), the Bank will "provide or facilitate financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the Asia region." Four countries of CA region (Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan) are regional member of the Bank.

Figure 8. AIIB members and perspective members



IMPLEMENTATION AND PRIORITY FIELDS

AIIB offers sovereign and non-sovereign financing for sound and sustainable projects in energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, and urban development and logistics.

According to the AIIB Corporate Strategy Financing Infrastructure for Tomorrow from September 2020, AIIB will be recognized as an infrastructure financier responding to client demand with agility and deep expertise

[41] Asian Infrastructure Investment Bank. Available at: https://www.aiib.org/en/index.html

in Financing Infrastructure for Tomorrow. AIIB will strengthen its technical capacity and partnerships to deliver quality projects supporting four thematic priorities: green infrastructure, connectivity and regional cooperation, technology-enabled infrastructure and private capital mobilization:

- Green infrastructure financing will be a key area of focus for AIIB's investment portfolio. Green infrastructure includes projects that support climate change efforts and help members meet their other environmental and related development goals, including their Nationally Determined Contributions (NDCs) in line with their Paris Agreement commitments.
- Connectivity and regional cooperation. Given its core mandate to improve infrastructure connectivity and promote regional cooperation, AIIB will prioritize projects that facilitate better domestic and cross-border infrastructure connectivity within Asia and between Asia and the rest of the world. It will also support projects that complement cross-border infrastructure connectivity by generating direct measurable benefits in enhancing regional trade, investment, digital and financial integration across Asian economies and beyond (projects that facilitate better cross-border infrastructure connectivity and projects that complement cross-border infrastructure connectivity, hereafter referred as "cross-border connectivity projects").
- Technology will become an increasing focus of AIIB's investments in the coming years. Capitalizing on its advantage of being established in the digital era, AIIB will support projects where the application of technology delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency or better governance along the full project life cycle.
- AIIB will enhance its private capital mobilization efforts by leveraging its own finance and by promoting infrastructure as an asset class. AIIB will support projects that directly or indirectly mobilize private financing into sectors within its mandate.

FUNDING TYPE

AIIB's main financial support vehicles are sovereign and non-sovereign financing:[42]

- Sovereign-backed financing:
    - A loan to, or guaranteed by, a Member;
    - A guarantee that:
        - covers debt service defaults under a loan that are caused by a Government's failure to meet a specific obligation in relation to the Project or by a borrower's failure to make a payment under the loan;
        - is accompanied by a Member Indemnity.
- Nonsovereign-Backed Financing. Nonsovereign-backed financing means any financing extended by the Bank that is not a sovereign-backed financing; it includes any financing to or for the benefit of a private enterprise or a subsovereign entity (such as a political or administrative subdivision of a Member or a public sector entity) that is not backed by a guarantee or counter-guarantee and indemnity provided by the Member to the Bank.
- Equity Investment. The Bank may make direct equity investments in private or public sector companies. It may invest either in a new enterprise or an existing enterprise. The investment may take a variety of forms, including:
    - Subscriptions to ordinary shares or preference shares (or a combination of both);
    - A loan convertible into equity. The Bank's investment may not exceed thirty percent (30%) of the company's ownership holdings.
    - However:
        - In exceptional circumstances, the Board may decide to approve a higher, but not controlling share;
        - If the Bank's investment is in jeopardy, the Bank may take control of the company in order to safeguard its investment.
- Preparation Advances for Sovereign-Backed Financing. The Bank may decide to make an advance (Preparation Advance) to finance preparatory activities for a Project to be supported by sovereign-backed financing. A Preparation Advance is made only when there is a strong probability that the financing for which it is granted will be extended, but granting a Preparation Advance does not obligate

[42] https://www.aiib.org/en/about-aiib/who-we-are/financing-operations/index.html

the Bank to finance or otherwise support the Project for which it is granted. The maximum aggregate principal amount of all approved Preparation Advances for any given Project may not exceed the lesser of:

- Ten percent (10%) of the total estimated amount of financing for the Project;
- USD10 million equivalent; or,
- The President decides whether to approve each Preparation Advance.

The AIIB Project Preparation Special Fund (the "Fund") also provides grants to support and facilitate the preparation of projects to be financed by AIIB in eligible member countries (International Development Association recipients, including International Development Association Blend countries).

In exceptional circumstances, the Fund's resources may also be used for preparing innovative/complex projects, regional/cross-border projects that have significant regional impact and benefit other members, or non-sovereign backed transactions where there is a demonstrable need.

PROJECT CYCLE

AIIB's project process is guided by its strategic goals and thematic priorities: sustainable infrastructure, cross-country connectivity and private capital mobilization. AIIB screens project ideas and proposals from clients, partners and other stakeholders and seeks to achieve an appropriate balance among borrowers, sectors, sovereign and non-sovereign projects. Projects that meet the preliminary screening criteria are included in the rolling investment program.[43] A brief description of main steps in project preparation and implementation is presented in the Box below.

Figure 9. AIIB Project Cycle

1	**Strategic Programming**	AIIB reviews project ideas and proposals from clients, partners and other stakeholders and seeks to achieve an appropriate balance among borrowers, sectors, sovereign and non-sovereign projects. Projects that meet the preliminary screening criteria are included in the rolling investment program which will be discussed and approved by the Executive Committee on a regular basis.
2	**Project Identification**	As part of the Project Identification phase, the prospective borrower submits documentation pertaining to the proposed project. This documentation may include a brief project summary and/or a preliminary or final feasibility report. Following a review of the information received, AIIB may request that additional research be conducted to facilitate a more thorough assessment of the proposed project.
3	**Project Preparation**	During this phase, AIIB's project team and the borrower's designated agency/agencies will work closely together on project design. In addition, AIIB's project team will make an assessment on the borrower's initial due diligence documents and will work with the borrower's designated agency/agencies to address any identified gaps. Following the project appraisal, the AIIB project team will prepare a Project Document that will include the project objective/impact, rationale, project components, estimated cost, financing plan, implementation arrangement and schedule, project risks and mitigation measures, and any project covenants that were agreed to.

[43] Asian Infrastructure Investment Bank. Available at: https://www.aiib.org/en/projects/process/index.html

4	**Board Approval**	After negotiations with the Borrower, the Project Document is submitted to the AIIB Board. Following the Board approval, the Project Document is posted on AIIB's website with the Borrower's consent. After Board approval, the Borrower's representative and AIIB's Vice President and Chief Investment Officer sign the loan and project agreements at a mutually agreed date. The loan becomes effective only after fulfilling the respective loan effectiveness conditions, if any, and the legal requirements (legal opinion etc.).
5	**Project Implementation**	AIIB focuses on project readiness during the project preparation stage to avoid project start-up implementation delays. This preparation stage includes: procurement readiness and implementation readiness. The Borrower's Project Implementation Office is responsible to implement the project according to the predefined project plan.
6	**Project Completion And Evaluation**	AIIB furnishes a project completion report within 6-12 months after project completion. The AIIB team prepares a Project Completion Report (PCR) on the Project's results, the performance by the Project Participants and AIIB, and the degree of achievement of the Project's development objectives.

G.The German Development Bank (KfW)

This Section is based on the information provided on KfW Development Bank webpage.[44] More information on KfW activities and operating principles is provided in Annex 7.

BACKGROUND

The German "Reconstruction Credit Institute" (Kreditanstalt für Wiederaufbau, KfW) is based in Frankfurt as a Germany's government-owned development bank, owned by the Federal Republic of Germany (80%) and the Federal States of Germany (20%). In 1948, after the World War II, it was formed as a part of the Marshall Plan. Presently, KfW covers over 90% of its borrowing needs in the capital markets, which allows KfW to raise funds on advantageous conditions.

The entirety of KfW falls into several subsidiaries and group units (**Figure 10**): its largest subsidiary, KfW IPEX Bank GmbH, predominantly lends internationally (i.e., financing projects of German and European companies so they can compete in global markets), while a smaller subsidiary, the German Investment Corporation, and one of the group's smaller business units, **KfW Development Bank**, are exclusively active in the international arena, each within their particular business areas.[45]

[44] KfW Development Bank. Available at: https://www.kfw-entwicklungsbank.de/International-financing/KfW-Entwicklungsbank/
[45] Kreditanstalt für Wiederaufbau. Available at: https://www.kfw.de/PDF/Download-Center/Konzernthemen/KfW-at-a-glance/KfW-an-overview.pdf

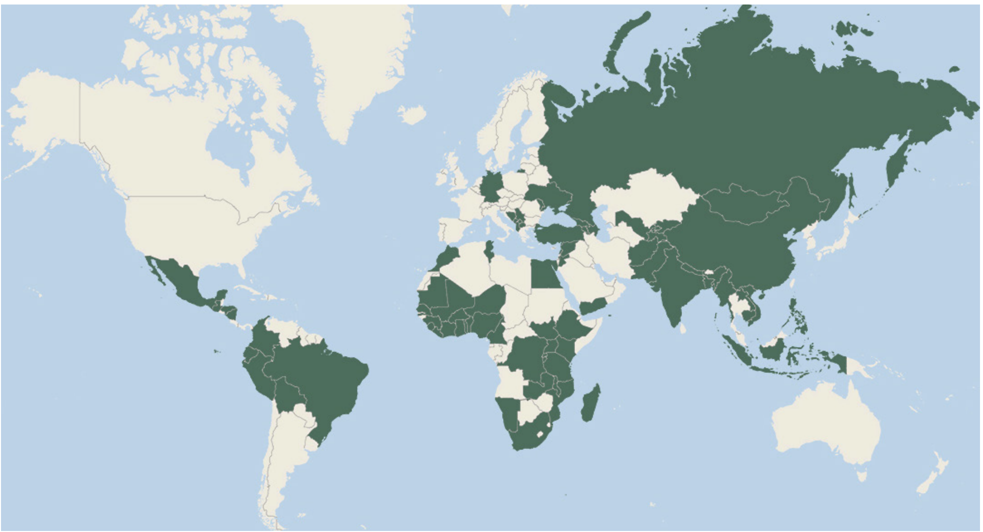
Figure 10. The internal structure of KfW[46]

GEOGRAPHICAL SCOPE

KfW Development Bank cooperates with partners in Africa, Asia, Latin America and South-East Europe.

In Asia, KfW Development Bank works with many countries on behalf of the German Federal Government to fight poverty and climate change and protect the environment: these efforts include increasing the use of renewable energy sources and preserving biodiversity. Support is provided for efficient financial institutions that help small and medium-sized enterprises create jobs.[47]

At present, in Central Asia KfW Development Bank has offices in Uzbekistan,[48] Kyrgyzstan[49] and Tajikistan.[50]



IMPLEMENTATION AND PRIORITY FIELDS

KfW finance investments and reform programmes in a range of sectors including health, education, water supply, energy, rural development and financial system development. The type of projects and programmes that we support varies significantly, depending on local needs and the general conditions in place.[51]

[46] KfW Development Bank. KfW presents itself A presentation about KfW and its tasks (2020). Available at: https://www.kfw.de/PDF/Download-Center/Konzernthemen/KfW-at-a-glance/KfW-stellt-sich-vor-GP_deutsch_final.pdf
[47] KfW Development Bank. Available at: https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Asia/
[48] https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Asia/Uzbekistan/
[49] https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Asia/Kirgisistan/
[50] https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Asia/Tajikistan/
[51] https://www.kfw-entwicklungsbank.de/International-financing/KfW-Entwicklungsbank/Topics/

KfW has the following objectives in Central Asia:

- Sustainable economic development;
- Health;

Its partners are governments and (non-)governmental institutions and bilateral & multilateral donors.

It is particularly important for KfW that direct poverty reduction be accompanied by the creation of viable structures. Only in a favourable environment can women and men exercise their political rights, secure their economic livelihood and build their lives in dignity. In this sense, KfW is one of the leading financiers of microcredit in developing countries.

FUNDING TYPE

KfW Development Bank's support is adapted to the various requirements and conditions in the respective partner country. The funding model opted for depends on the size of a country's debt, its economic output and level of development, the performance capacity of the project partner as well as the type of project. The funding models include pure grants and loans from budget funds, but also loans that combine budget funds and KfW's own funds. The conditions for these kinds of loans are particularly favourable (interest, term). KfW also grants loans which are only comprised of KfW's own funds at terms and conditions commensurate to risk.[52]

PROJECT CYCLE

All projects and programmes that are promoted by KfW Development Bank, both financially and in terms of ideas, follow the same project cycle — from conception through to evaluation.[53] Quality is carefully assured at each stage of this cycle. In doing so KfW Development Bank aims to ensure that the projects generate both specific and structural changes.[54]

The **preparation phase** includes *analysis and conception* and is aligned with the country strategies of the German Federal Ministry for Economic Cooperation and Development BMZ. The subsequent *on-site audit* checks the conditions on-site.

The **execution phase** includes the *financing agreement* and *execution* in the technical sense, when the ownership by the partner country is strengthened, e.g. by the local project-executing agency being responsible for all activities.

The **inspection phase** includes the *final inspection* (checking if the population actually accepts the services offered), the *ex-post evaluation* by an independent administrative KfW department and finally *transparent information* via KfW’s transparency portal,[55] providing information about the origin, use and impact of the funds is provided.

An intergovernmental agreement is generally concluded on any project. KfW checks whether the proposed projects are developmentally sound and realisable (see the criteria in Annex 7). Working together with the partner, specialised consulting firms draw up a feasibility study, which provides answers to all of the project's key questions – economic efficiency, developmental impacts and possible risks.

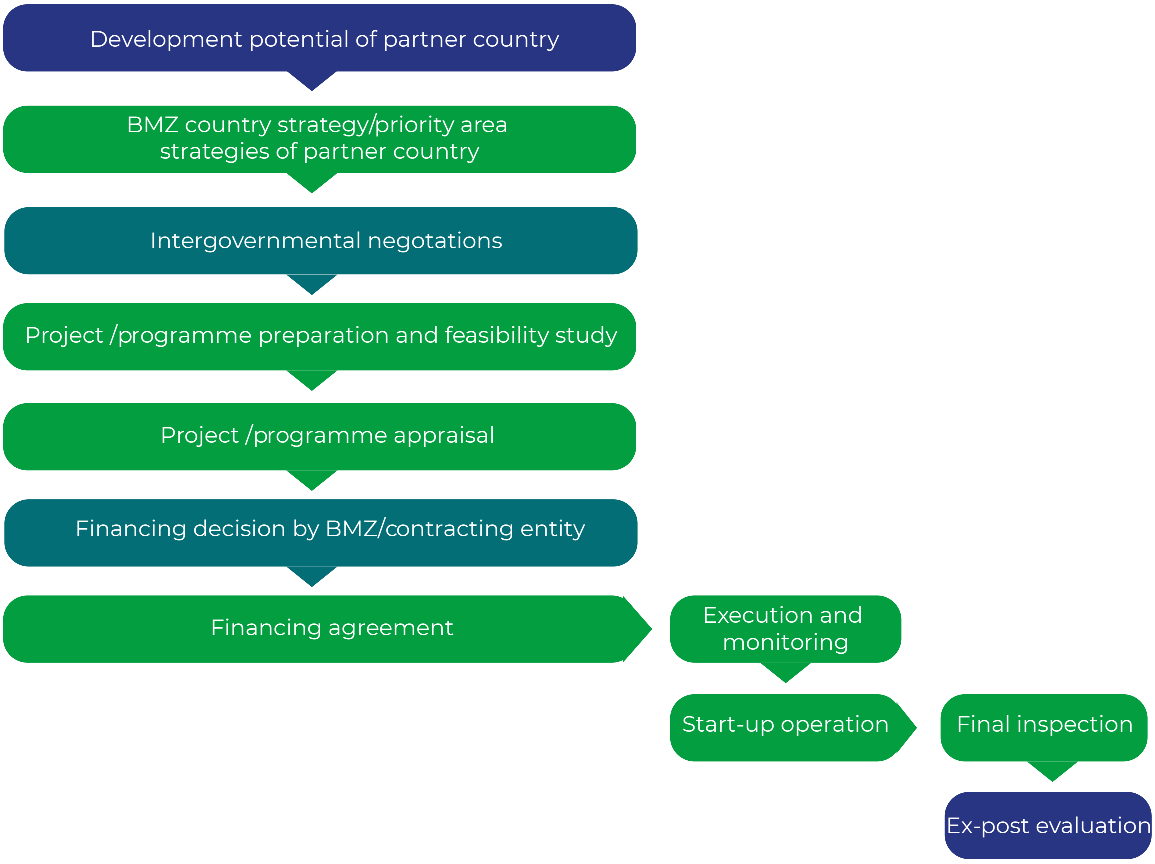
[52] KfW Development Bank. Available at: https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Tasks-and-goals/Unsere-Finanzprodukte/

[53] KfW (2014), From Project Idea through to utilisation – The project cycle in Financial Cooperation. Project cycle flyer. Available at: https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Flyer/Verfahrensflyer_EN.pdf

[54] https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Flyer/Verfahrensflyer_EN.pdf

[55] http://transparenz.kfw-entwicklungsbank.de

Figure 11. KfW Project Cycle



H. The French Development Agency (AFD)

BACKGROUND

Agence française de développement (AFD) is the public agency, established in 1941, that implements France's international development and solidarity policy. Development is one of the three pillars of the country's overseas action, alongside diplomacy and defence. Our mission is to contribute to the economic, social and environmental progress of low and middle-income countries.

In concrete terms, this mission takes the form of providing loans, donations, expertise and in some cases technical assistance. These concern projects with social and environmental impacts in many different areas: climate, biodiversity, peace, education, urban planning, healthcare, digital technology, and more. The final objective is always to improve the day-to-day living conditions of the population and prepare more effectively for the future. AFD's funding projects are therefore solidarity development investments.[56]

The Agence Française de Développement (AFD) funds, supports and accelerates the transitions to a fairer and more sustainable world.

Focusing on climate, biodiversity, peace, education, urban development, health and governance, our teams carry out more than 4,000 projects in France's overseas departments and territories and another 115 countries. In this way, we contribute to the commitment of France and French people to support the sustainable development goals.

GEOGRAPHICAL SCOPE

Consequently, AFD is active in Africa, Asia, the Middle East, Latin America, the Caribbean and the French

[56] Agence Française De Développement. Available at:https://www.afd.fr/en/our-role

overseas territories where it finances and supports projects that improve living conditions for populations, promote economic growth and protect the planet. For Asia, this means a geographic emphasis on former French-Indochina, less on CA.[57] At present, its mandate is limited to Uzbekistan and Kazakhstan.

IMPLEMENTATION AND PRIORITY FIELDS

In keeping with the United Nations Sustainable Development Goals, AFD works in many sectors — energy, healthcare, biodiversity, water, digital technology, professional training, among others — to assist with transitions towards a safer, more equitable, and more sustainable world. Moreover, 50% of AFD grants and loans to foreign countries in 2016 had climate and development as co-benefits.

AFD has made five foundational commitments to promote these five global public goods:[58]

100% Paris agreement. The Paris Agreement now stands at the heart of the AFD Group mandate. The Agency will draw on public and private resources to fund capital investments that protect the Earth from climate change and biodiversity loss: all project funding will finance resilient low-carbon development in keeping with the Paris Agreement.

100% social link. AFD Group will base its actions on their capacity to reinforce social cohesion within populations and between territories, reducing inequalities — particularly gender inequality — and increasing access to education, health and social protection.

3D development thinking. Sustainable development requires peace and stability, which in turn require solutions for the social, political, and environmental causes of conflict that render some regions fragile and unstable. AFD Group pledges to uphold the third “D” in France’s Defense, Diplomacy and Development trinity. Promoting a 3D vision for conflict prevention, the Group will work alongside other development professionals, complementing the work of humanitarian organizations and the French diplomatic and military corps.

Non-sovereign first. Alongside sovereign central governments, non-sovereign entities must also direct their investments toward attaining the Sustainable Development Goals (SDGs). Local governments, public enterprises, civil society organizations, foundations, companies, and financial institutions all have a vital role to play. AFD Group will thus dedicate more funding to all of them in countries where it operates.

Partnership by design. The fifth AFD Group commitment will apply a very simple principle: a project conducted with a third party is always better than one undertaken alone. The United Nations 2030 Agenda for Sustainable Development and the Paris Agreement on climate requires a collective response through partnerships. This will reinforce interventions' comprehensiveness, geographic universality, and relevance at every level, from central governments to civil society. The new AFD Group strategy therefore features a systematic openness to all potential partners.

FUNDING TYPE

AFD has now become a financing company. It was granted this status by the European Central Bank on 30 June 2017. It had previously had the status of a credit institution under French law.

AFD provides the following types of financial support:[59]

- Loans, which terms are determined depending on the type of project and its environment (impact and political, economic, social and environmental context) and the quality of the borrower (sector, rating, guarantees);
- Guarantees for financing for companies and bond issues conducted on the markets by financial

[57] Agence Française De Développement. Available at: https://www.afd.fr/en
[58] Agence Française De Développement. Available at: https://www.afd.fr/en/our-priorities
[59] Agence Française De Développement. Available at: https://www.afd.fr/en/finance-projects

institutions or certain States;
- Grants to finance actions in the social sector (health, education), initiatives for rural and urban development, and infrastructure projects.

I. The Dutch Entrepreneurial Development Bank (FMO)

This Section is based on the information provided by FMO on its webpage.[60]

BACKGROUND

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. is a development bank established in 1970 that focus on investments empowering local entrepreneurs in emerging markets. FMO invests to enhance local prosperity in emerging markets and take risks that the commercial banking sector is not willing to take. FMO focus on the private sector in the following industries: Energy, Financial Institutions and Agribusiness, Food & Water.

The FMO role extends beyond financing, as they challenge and support businesses to meet international environmental, social and governance standards. These businesses, in turn, support job creation, reduce inequality and improve the climate.

FMO has its head office in The Hague, the Netherlands, with local offices in Johannesburg, South Africa, and Nairobi, Kenya. FMO also has a representative office registered in Singapore.

FMO has a public-private ownership structure of 51% of the Dutch state, 42% of Dutch banks and 7% of Employers' associations, trade unions, corporate individual investors. FMO is a licensed bank, supervised by the Dutch Central Bank and the main source of funding is through bonds including Sustainability Bonds and Green Bonds.

GEOGRAPHICAL SCOPE

FMO maintains a wide geographical spread to optimize impact and diversify risks while prioritizing regions and countries where development impact is needed the most. FMO focuses on countries in Africa, Asia and the European Neighbourhood. FMO also continues to invest in Latin America and the Caribbean.

Total committed portfolio in 2019 consists of €9.1 billion for FMO and €1.3 billion of government funds with the following allocation to the regions:
- Latin America and Caribbean: €1.9 billion
- Africa: €3.6 billion
- Eastern Europe & Central Asia: €1.5 billion
- Asia: €2.6 billion
- Non-specific to the region: €0.8 billion.

So far the FMO has very limited activity in the CA countries.

IMPLEMENTATION AND PRIORITY FIELDS

FMO focuses on three sectors that are crucial to a country's economic and social progress:

Agribusiness, Food & Water. FMO invests in advanced technologies and applies international standards.

[60] The Dutch Entrepreneurial Development Bank. Available at: http://www.fmo.nl

FMO finances sustainable agribusiness companies throughout the value chain, including those that make agriculture more water-efficient and also invest in forestry.

Energy. FMO invests in renewable energy, as well as in projects that provide access to energy in less developed economies.

Financial Institutions. FMO provides long-term funding, risk capital and local currency financing and focuses on SME financing. FMO also promotes green lines and look for business models that serve the unbanked.

FUNDING TYPE

FMO provides the following types of long-term financial support:

- Direct medium and long-term loans at both fixed and variable interest rates, with a repayment grace period where needed,
- Syndicated loans by bringing together commercial banks, investors and other DFIs to raise larger financing amounts efficiently. FMO receives an arrangement and/or agency fee for these services.
- Equity directly or indirectly (through funds) or co-invest with partners. FMO works with fund managers and investee companies to integrate sustainability into their core operations. FMO provides stable, long-term capital and usually sell stake after five to ten years. FMO receives dividends and accounts for fair value gains or losses during the lifetime of an investment.
- FMO provides guarantees so that they meet the needs of the beneficiary, the market and the targeted creditors. This ensures companies have access to international markets and can participate in global trading.
- Investment management. FMO manages public funds that invest in higher-risk projects that promise substantial development impact. Through FMO IM funds and unfunded risk participations, institutional and other professional investors have access to FMO’s expertise in impact investing in emerging and frontier markets. FMO offers a selection of funds with different market-based, risk-return profiles.
- Advisory and capacity building. Beyond financing, FMO also offers advisory services and technical assistance to support customers in building profitable and sustainable businesses. This consists of support in the design and implementation of ESG risk mitigation measures, masterclasses and events, capacity development and sector initiatives.

As mentioned above under Investment management, FMO manages and works with partners on several funds.

FMO works with the Dutch Fund for Climate and Development. FMO has partnered with SNV Netherlands Development Organisation (SNV), World Wide Fund for Nature (WWF-NL) and Climate Fund Managers (CFM) to manage the Dutch Fund for Climate and Development (DFCD) on behalf of the Dutch Ministry of Foreign Affairs.

The fund will be focusing on several high impact investment themes, including climate-resilient water systems and freshwater ecosystems, forestry, climate-smart agriculture, and restoration of ecosystems to protect the environment.
The fund will be structured with three separate but operationally linked facilities, each with a specific sub-sector focus and role across the project lifecycle.

For the Land Use Facility and the Water Facility, the main investment criteria are:

- Project/company should have climate adaptation/mitigation as principal objective;
- Project/company should have (or develop) activities aimed at vulnerable groups (e.g. women, youth, irregular migrants, smallholder farmers).

- Project/company should be in DFCD-eligible country (OECD DAC list).

The Access to Energy Fund is jointly initiated by the Dutch government and FMO in 2007 to support private sector projects aimed at providing long-term access to energy services in emerging markets and developing countries.

The fund supports energy generation, transmission and distribution projects in developing countries. The fund focuses on sustainable energy solutions, which is a focus area for FMO as a whole.

The fund can finance renewable energy projects in all countries on the OECD DAC country list, which contains all countries and territories eligible to receive official development assistance.

The fund can either directly invest in or lend to a project or motivate a wider range of investor interest. The funding possibilities include:

- Minority shares in equity investments, also for early-stage project development;
- Loans of up to (the equivalent of) € 10 million.

PROJECT CYCLE

Step 1 | Customer selection

FMO identifies investment opportunities within key markets that contribute to three SDGs. In FMO's selection, they check country limits, the exclusion list, the viability of the investment plan and the business itself. FMO also checks if the investment is 'additional'. This means that FMO can provide resources and share best practices that are critical for sustainable development and that otherwise would not have been available to the company or project. High level of ecological importance requiring further assessment.

Step 2 | Clearance in principle

FMO performs an initial assessment of risks and opportunities, define the key terms of customer engagement, and scope any further assessment needs. FMO documents this in a 'clearance in principle' (CiP) proposal, informing the decision to continue preparing for a final investment decision. FMO conducts a Know Your Customer assessment to ensure that the customer complies with anti-money laundering, anti-corruption and anti-terrorist financing regulations. The financing opportunity is also assessed against potential effects on environmental, social and human rights conditions, as well as governance structures.

In practice, FMO is considering investing in a portfolio of renewable energy projects. Before seeking CiP, an early Environmental & Social (E&S) review flagged that some of the customer's assets have received community and NGO complaints related to community water supplies for indigenous groups. The FMO deal team suspended the CiP process to visit the sponsor's existing assets and assess the situation on the ground. The site visit gave the deal team a chance to ascertain whether the sponsor's approach to dealing with the legacy issues and engaging with the community and NGOs met FMO's expectations. This also gave an indication of how the customer would handle any ESG and Human Rights issues that may come up in the projects FMO considers financing. FMO agrees on a set of steps to be completed by the sponsor before FMO would prepare and submit a CiP.

Step 3 | Due diligence

FMO carries out a detailed project assessment. FMO documents the results in a finance proposal informing FMO's final decision to invest. FMO performs a site visit, including visits to key stakeholders. Where needed, FMO engages consultant support in various fields. FMO defines and negotiate further ESG requirements and conduct further human rights contextual risk assessment as informed by the CiP. This includes on-the-ground research and consultation with local civil society.

Step 4 | Decision to invest

FMO's Credit Department evaluates all finance proposals and writes credit advice in support of a final investment decision by the Investment Committee. After approval, FMO discloses proposed investments for 30 days before contracting. This allows stakeholders to share their concerns and feedback.

Step 5 | Contracting & investment disclosure

FMO includes ESG requirements and conditions in its agreements with customers to ensure that they are legally binding. FMO discloses contracted investments during the full tenor of engagement in the 'World Map' on the website.

Step 6 | Disbursement

Disbursement can take place upon achievement of the conditions, ESG and others, set out in the legal agreement. Conditional to making governance improvements.

Step 7 | Monitoring & value creation

Throughout the lifetime of the investment, FMO monitors performance and progress and look for opportunities to add value. FMO continues to work with customers to ensure the implementation of ESG requirements. FMO reviews the customer's and consultant's ESG monitoring, accident and incident reports. FMO conducts customer visits and performs an annual customer credit review. FMO also conducts an ongoing community support check.

ANNEXES

6. ANNEXES

Annex 1.

Project Development – General Guidelines

This general guide to project development is adopted from Environmental Project Development Manual (1997) Environmental Know-how Fund, Phare.

WHAT IS A PROJECT?

A project is 'a proposal for doing something' or 'a scheme of work'. A project aims to reach a specific goal, from a defined starting point, within a given timeframe, with specified inputs (e.g. money, manpower). It is a means by which the ideas and objectives of policy are converted into practical reality.

A project can stand alone or be related to a number of other projects or activities in a programme.

A project may comprise a number of tasks; these tasks are integrated with each other and do not stand alone.

In turn, a task may comprise a number of separate activities.

TYPES OF PROJECT

Hard vs Soft projects

A project may involve 'hard' activities – construction or building works – often referred to as a capital project. Capital projects involve an investment that may have a life of many years.
Examples*: a new water treatment plant, a dam, a waste incinerator.*

Or it may involve 'soft' activities – management, institutional development, training, etc. These projects often may involve continuing expenditure over a period of years, but not give rise to a capital asset.
Examples*: managing a site of special environmental interest, training in environmental awareness. Running an energy advice service.*

A project may also involve a combination of both types. All hard projects have associated operation and maintenance costs.
Examples*: a home insulation programme, a boiler efficiency improvement, controlling pollution from a contaminated site.*

A project may charge for its product or service, thereby generating revenue income. Such a project is described as "revenue earning" or "income generating". A project is economically viable when over time revenues exceed the costs if operation, maintenance and paying back any initial investment.
Examples*: a visitor centre in a country park might charge admission fees and sell souvenirs.*

Environmental project?

All hard and most soft projects have some environmental implications or impacts. It is usually helpful to distinguish between:

- projects having environmental objectives, and
- other projects where objectives are not environmental but which have environmental impacts, or secondary environmental benefits.

From environmental perspective four broad types of project can be identified:

Where an economic activity has a substantial environmental component or impact.
Examples*: electricity generation, building or construction, industrial manufacturing processes.*

Where the objective is to improve the environment, or environmental conditions, and/or human health. These may sometimes be referred to as "green" projects.
Examples*: biodiversity conservation, protection of a valuable landscape, controlling air and water pollution.*

Mixture of the above, where a proposed activity brings economic benefits and at the same time helps to improve the environment. These are often called "win-win" projects.
Examples*: chromium recovery in tanneries, installing cleaner and more efficient engines in the city bus fleet.*

Research projects – which may eventually result in commercial applications having environmental consequences.
Examples*: research on renewable energy sources; research on transportation technologies.*

Project scale and complexity

Projects can vary enormously in scale and complexity both technically and in terms of funding.

At one extreme we could be dealing with a multi-national, trans-border project with aid or assistance from multilateral funders and financing from several major international financial institutions (IFI). It could be trying to help one or several countries in the region to move towards sustainable development.

Examples*: a water management and improvement programme for an international river basin, involving several countries, and funded by the European Union, World Bank and bilateral resources. This could be regarded as one large project or a number of related, but separate, projects.*

At another extreme, a project could be small, focused on only a small part of a country, and involve funds from a single agency only – perhaps from the organisation proposing the project.

Examples*: raising awareness of environmental issues among municipal government staff through training funded by bilateral assistance; carrying out a feasibility study funded by a grant.*

FUNDING TYPES AND SOURCES

The main types of funding that you will need to consider include:

1. Grants
2. Loans – soft (sometimes called "concessional") and commercial
3. Equity

The main differences between these types of funding are in the amount of money and the conditions under which they can be made available. All funds are associated with costs (including grants). The costs if the funds will depend on the conditions under which they are made available.

Grants

A grant is a direct payment to carry out a project. It does not have to be repaid.

Grants are generally only available for smaller projects and those which cannot reasonably be funded on the basis of a loan (commercial or soft loan) or equity funding. Grants are usually given to projects regarded as important from a national or international perspective, and which cannot be funded in any other way.

May funder provide technical assistance through grants? This usually involves transfer of expertise of technology. This can be especially important aspect of institutional strengthening projects.

Bilateral funders sometimes provide grants for pre-feasibility or feasibility studies. This can lower the total costs of obtaining a larger loan from a domestic or international bank for a project, because the studies would otherwise have to be funded from the loan. They may also provide grants to fund part of a project which is also supported by IFI loans.

Advantages of grants:

- no repayment is required

Disadvantages of grants:

- are not available for project which will generate revenue
- funder priorities may require project objectives to be changes

Loans

A loan is money borrowed for a project that has to be repaid to the finder under the specific conditions. This required that the recipient is:

- creditworthy,
- had potential cash flow sufficient to meet the interest payments and to repay the sum borrowed (also known as the principal), and
- can provide security against default.

A loan will usually cover only a part of the total project costs (e.g. 20-50%).

A soft loan (or a concessional loan) is one provided on more favourable terms than could be obtained on the market (e.g. lower interest rates or longer repayment period).

Advantages of grants:

- enables the development of revenue generating process
- loans are often the only form of funding available to private enterprises

Disadvantages of grants:

- can be expensive to obtain and to administer
- local banks may be unwilling (or unable) to accept the risks of a project
- need to have sufficient financial resources to repay the loan

Equity

This is where an investor puts money into a company or a project (usually by buying shares) without a specific claim for direct repayment. In doing so it takes an equity stake. The expectation is that over time there will be a significant return of investment – perhaps as much as 20% – but this is a risk. The return of investment from environmental projects is often below that required by an equity investor.

Your choice of funding will depend on several factors, but especially on:

- the size of the project – the amount of funding required;
- the nature of the project, e.g. whether the project is expected to generate income;
- whether the project is suitable for commercial funding, e.g. whether it will generate enough money to pay back the normal bank loan.

Large projects may be funded through a combination of these types of funding. For example, a large project may be funded by a combination of grants, soft and commercial loans, and equity within the total funding package. Moreover, larger projects are always funded by more than one party – national bank, IFIs and National Environmental Funds tend to provide only a certain percentage (e.g. 20-50%) of the total project costs in order to limit and share the risks (sometimes referred to as “limiting their exposure”).

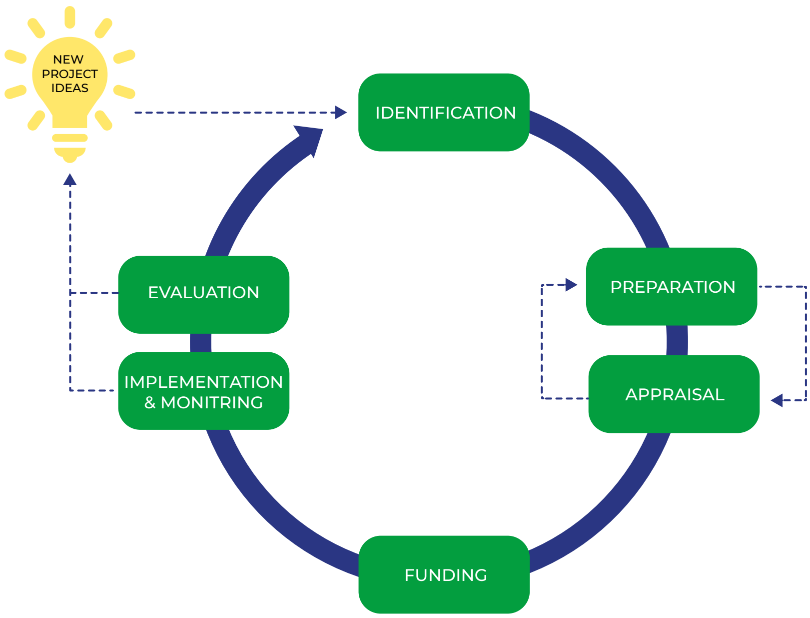
The main sources of funding are likely to include:

- **Domestic** – money from the project proposer, your own government’s budget, commercial lending institutions or national environmental funds;
- **Bilateral Funders** – money provided as assistance from another country;
- **Multilateral Funders** – money provided by a number of countries as part of a programme of assistance;
- **IFIs** – money lent on a commercial basis by international banks and related institutions.

PROJECT CYCLE

Project cycle is a useful way to understand the various stages that any project will probably go through. The same approach will apply when you are dealing with as simple project idea within your own organisation or a complex project supported by a number of external funders.

Different funding agencies use different terms, but the principles behind the process are basically the same.



PROJECT CYCLE STAGE	SHORT DESCRIPTION
Identification	• Definition of the "problem" • Generation of possible project ideas (alternatives)
Preparation	• Development of detailed project proposal
Appraisal	• Project proposal appraisal by the potential funder
Funding	• Formal agreement on funding the project between the funder and the proposer
Implementation and monitoring	• Project is carried our according to the contract or other agreements made • Internal monitoring and external reporting is carried out
Evaluation	• Assessment of project results against its original objectives in terms of its performance, efficiency and impact

The time needed for each stage of project identification, preparation and appraisal varies greatly depending on the size and complexity of a project, the procedures and requirements of the potential funder, and the number of funders involved.

PROJECT IDENTIFICATION

You will probably start the process of project development of one of two positions:

1. You may have a specific environmental problem in mind, and be seeking to develop solutions that will address it, or

2. You may already have a project in mind, and be seeking to develop it and obtain funding.

Project identification process can be divided into 11 logical steps.

	Project identification process step	Comments
1	Define the wider project objectives and justify your project	What is the wider environmental problem that you wish to address? This will provide the justification for your specific project, and allow you to consider alternative solutions.
2	Define the immediate objectives of your project	What the project is directly intended to achieve?
3	Define the project outputs	What measurable results will be achieved by the project?
4	Define project inputs	What resources are needed to generate the outputs?
5	Set out your assumptions	Unrealistic assumption may result in a poor, risky project.
6	Complete a log frame	Apply Logical framework approach for assessment of project idea.

7	Make a preliminary estimate of project cost	Preliminary estimate of project cost you should estimate approximate costs of all inputs defined in Step 4.
8	Identify the key policy documents	Reflect key regional, national and international policies and strategies in order to justify your project to potential funders.
9	Prepare a project description	See the list of elements to be included in the project description, *taking into consideration the requirements of the potential funders.*
10	Identify sources of funding	What type of funding is the best for your project? Are you seeking a grant, a loan, equity, or a combination of these? What is the most likely sources for this funding? Will you require a combination of national and international funding?
11	Contact potential funders	In practice you will probably have been in contact with the potential funder from the project identification stage, in order to understand their funding objectives, priorities, procedures and areas of activity.

Project description

A project description should be brief and concise. The purpose is to “sell” the project idea and get the key people interested.

The project description will

1. be submitted to potential funder,
2. serve as the basis for further, more detailed project preparation.

Content of project description

1. Cover page (the title, project objective, timescale, budget and the name of the project proposer;
2. project name or title;
3. objectives of the project;
4. brief description (including location);
5. justification (why is it needed?);
6. inputs (resources required to carry it out, including project management);
7. expected outputs;
8. assumptions that you have made;
9. how the project outputs will become (self) sustaining;
10. risks in the project and how you will manage them;
11. budget;
12. project team;
13. time table for implementation (including provisional start and end dates);
14. links or coordination with other projects (where appropriate);
15. map or site plan;
16. reporting schedule.

Sources of Project Ideas

Project ideas can be drawn from a number of different sources.

You may already have a clear idea for a project. Most people start with a problem or with something that they want to do. A project is a way of implementing a policy or of solving a problem.

The following are possible sources of project ideas:

- from an analysis of environmental problems and opportunities, a strategy or strategic policy framework has been developed – project ideas may then by invited or generated from a number of agencies, for example, central, regional or municipal government, or non-governmental organisation;
- there may be a need to implement new legislation, e.g. in compliance with international agreements;
- there may be a national call or invitation for project proposals;
- partly or fully developed ideas may already exist;
- ideas may have been generated in the course of evaluating and implementing earlier projects.

In other cases, you may have identified the problem, but do not know yet how to address it. Common ways of generating project ideas and alternatives are:

- by brain-storming with your organisation;
- by adapting good practice used in other regions or countries to suit local conditions;
- by inviting proposals to solve an identified problem from companies known to have the required experience.

Key sources of project ideas include

Immediate problems faces
- Need to comply with license conditions (e.g. for industrial plant)
- Need to reduce fines being paid to regulator
- Need to reduce energy costs
- Need to stop destruction of a conservation area

Ideas formulated in national and international documents
- National Environmental Action Plan (NEAPs)
- Regional Agreements

Project ideas developed by national agencies but not pursued by them
- Project management Units of other Ministries
- Other national funding bodies

Ideas of technical experts
- Universities
- Research Institutes
- Industry
- Consultants

Ideas suggested by national policy documents
- Government and IFI indicative programmes
- Government and IFI sector operations policy programmes
- Regional action programmes of the government or IFIs
- Multi-annual national government programmes
- Private sector initiatives
- Ideas emerging from the evaluation and monitoring of existing projects
- Economic reform programmes, e.g. privatisation, deregulation
- Legislation

Ideas suggested in formal governmental project lists
- Identification missions undertaken by major funders, e.g. World Bank

Ideas suggested by NGOs

Ideas developed "in house"

PROJECT PREPARATION

The project idea is carefully developed to the point where it can be submitted to the potential funder to appraisal. It is vital to understand the interests and requirements of the potential funders, the criteria against which it will be appraised, and to have a clear idea of the type and amount of funding required.

During the project preparation stage a Project Proposal will be developed. A good project proposal will include description of some, or all, of the following elements:

Content of the a Proposal

3. Cover page;
4. summary (including log frame);
5. background of the project;
6. justification for the project – referring to any relevant policy documents;
7. the wider and immediate objectives of the project;
8. the stakeholders concerned;
9. main assumptions- and therefore the risks;
10. its feasibility (i.e. as appropriate the technical, financial, economic, institutional, social and environmental aspects);
11. expected outputs;
12. required inputs;
13. budget;
14. work plan;
15. project management and project team;
16. indications of achievement and means of verifying them;
17. monitoring and reporting arrangements.

The time needed for each stage of the project identification, preparation and appraisal varies greatly. The time taken will depend on the size and complexity of a project, the procedures and requirements of the potential funder, and the number of funders involved.

These approximate estimates of time needed for project identification, preparation and appraisal are summarised in the table below:

Guide to Time Required for Project Preparation

Funding Type→ Project Stage↓	Grant (simple)	Grant (complex)	Loan (small)	Loan (large)
Identification	1 month	3-6 months	3-6 months	3 months – 2 years
Preparation	1-2 months	3-6 months	6-18 months	6 months – 2 years
Appraisal	1-3 months	3-6 months	3-12 months	3 months – 1 years
TOTAL TIME	3-6 months	9-18 months	1-3 years	1-5 years

It is important to check that you have the capacity to complete the preparation of your project. You should think thoroughly about the timescale and resources required. The Table below gives some guidance on the type of preparatory work that will generally be needed for your project. Depending on which funding type is appropriate for your project, you will probably need to prepare the types of documents and supporting analysis listed in the table.

Guide to Work Required for Different types of Application

Funding Type→ Documentation↓	**Grant (simple)**	**Grant (complex)**	**Loan (small)**	**Loan (large)**
Summary + Log Frame	Helpful	Yes	Yes	Yes
Project Proposal	Yes	Yes	Yes	Yes
Work Plan	Yes	Yes	Yes	Yes
EIA/Audit	No	Sometimes	Sometimes	Yes
Feasibility Study, including	Unlikely	Probably	Sometimes	Yes
Technical Evaluation	Unlikely	Probably	Yes	Yes
Financial Analysis	Unlikely	Essential	Essential	Essential
Economic Analysis	Unlikely	Essential	Essential	Essential
Socio-cultural or Stakeholder Analysis	No	Probably	Sometimes	Probably
Institutional Analysis	No	Probably	Sometimes	Probably

WHAT MAKES A GOOD PROJECT PROPOSAL AND A GOOD PROJECT?

Experience suggests that a successful project proposal will usually have the following features:

An executive summary

(this should be capable of being read on its own and giving a good overview of the project)

- a short, clear overview of the project;
- an explanation of how it relates to the priorities of the funder;
- a description of the expected benefits.

A project description

- a comprehensive (but not too long) view of the project and its constituent activities;
- a full explanation of the technical aspects;
- a suggested timescale;
- a work plan with milestones and outputs;
- an explanation of the organisation and staffing.

A description of the financial and economic factors

(this is the main focus of interest for many readers)

- show that the costs and income over time are appropriate for the type of project;
- justify the project’s value in terms of all the main measures.

Identification of options

- show that alternatives have been identified and appraised;
- clearly establish and justify the best option;
- explain whether environmental assessment of options has been done.

Questions of uncertainty and sensitivity

- clearly present the risks;
- show how sensitive different elements of the project are to these risks and assumptions.

Funding

- suggest a realistic budget for the whole life of the project;
- set out the funding support required and indicate when it will be needed.

External funders will generally look carefully to see whether:

- there is sufficient participation by the beneficiaries, i.e. the beneficiaries of the project must be involved in the actual decision-making;
- there has been adequate consultation of stakeholders, i.e. individuals or groups of people affected by the project, or with an interest in it. This means more than just explaining the project to key people or groups who stand to gain or lose;
- where loans are involved, that the borrowers are fully committed to the project, i.e. 'ownership' has been gained because the borrower is responsible for preparation and implementation. This ensures that the project initiative is local or national, i.e. in one's own country;
- risks are adequately assessed and managed;
- capacity-building permeates the whole project, pursued through separate technical assistance where appropriate e.g. staff training;
- project design is adjusted to changing conditions in a timely manner.

Taking into account the above-mentioned considerations, a well-designed project proposal will include the following items:

Checklist for project design

Context and objectives:

- clear description of the social and economic context into which the project fits;
- description of how the individual project related to other existing and planned initiatives;
- clear statement of the problem/target to be addressed;
- direct link between wider, long-term objectives and the immediate objectives of the project.

Beneficiaries and impacts:

- clear statement about who will benefit from the project;
- demonstration of awareness of any negative impacts of the project and how these will be minimised.

Results and realism:

- clear and distinctive objectives setting out what is to be achieved;
- clear outputs – specific in terms of quantity, quality, time and place – with a well-defined target group;
- it will be realistic in terms of objectives, resources and timescale;
- the work programme for the project should be realistic in terms of the time allowed and the scheduling of tasks;
- it will be clear about which activities contribute directly to the project and its outputs.

Project resources and management:

- it should be specific about activities and the resources required to do them. If your proposal has activities for which no resources are allocated, there is something wrong!
- the manpower resources and skills required for the project should be confirmed as available;
- you should have a clear idea about the way in which the project will be managed;
- the basic operating environment should be in order, e.g. accommodation and equipment for the project team;
- you should show that the institutional context for the project is supportive.

Assumptions and commitment:

- the assumptions that you have built-in to the project design should be clearly set out. The more questionable ones should have been analysed and checked;
- you should describe how you will be making a local contribution to the funding of the project. This will show funders that you are fully committed to the project.

Finally, some of the common faults of the project proposal are presented in the box below:

Checklist of the common project faults

Context and objectives:

- the project does not fit the funder's priorities, terms or strategy;
- the project fails to take account of other relevant activities;
- no clear relationship between the immediate objective of the project and the wider, longer-term objectives;
- objectives are vaguely worded, confuse ends with means, and are not distinct from each other (in the worst case, they may be in conflict with each other);
- failure to be clear about the problem and the immediate objective.

Beneficiaries and impacts:

- unclear who are the intended beneficiaries of the project;
- failure to appreciate the negative aspects of a project and to suggest appropriate measures.

Results and realism:

- being over-optimistic about what can be achieved;
- outputs confuse ends with means, or are not specified in sufficient detail.

Work plan, management and resources:

- the work plan or programme is unclear, the resources or the time required has been underestimated;
- not enough time has been allowed for the completion of tasks – implementation often takes longer than planned;
- tasks are not defined in sufficient detail and do not contribute to the achievement of outputs;
- insufficient allowance has been made for project management, or the management structure is poorly thought out;
- local institutional capacity and leadership are inadequate to carry out the project;
- inputs are inadequate or unrealistic.

Assumptions:

- the assumptions are not clear and not fully explained.

LOG FRAME ANALYSIS

Log Frame Analysis (LFA), also known as Logical Framework Approach, Logical Framework Analysis, Log frame or Project Framework, is a technique widely used in project identification. The LFA should be thought of as an "aid to thinking".[61] It allows information to be analysed and organised in a structured way, so that important questions can be asked, weaknesses identified and decision- makers can make informed decisions based on their improved understanding of the project rationale, its intended objectives and the means by which objectives will be achieved. It also provides the bases on which resources requirements (inputs) and costs (budget) are determined.

Log Frame Analysis is a useful technique because it:

- develops a structured set of project ideas by clarifying objectives and desired outputs;
- helps compare alternatives or options, including the option of doing nothing;
- helps develop a realistic project which matches available resources;
- provides a clear, brief and logical description of the proposed projects;
- helps the identification of possible risks to project implementation;
- provides a useful basis for project appraisal;
- is recognised, and sometimes required, by many potential funders.

[61] Aid Delivery Methods, Volume 1: Project Cycle Management Guidelines, EC, March 2004. Available at: https://europa.eu/capacity4dev/iesf/documents/aid-delivery-methods-project-cycle-management-guidelines-europeaid-2004

There are many varieties of log frame analysis, but the broad principles are the same for all of them. The typical LFA matrix is presented in the table below:

Simplified Log Frame

HORIZONTAL LOGIC→	**Indicators**	**Means of Verification**	**Most Important Assumptions**
VERTICAL LOGIC ↓	Factors that will indicate whether the project is running effectively. Used to: • measures progress towards immediate and wider objectives; • assess inputs and measure outputs; • indicate changes in the development of the project.	The means by which changes in the value of selected indicators can be measured (e.g. reports, monitoring campaigns, interviews, company records).	The initial hypotheses built into the project. Usually factors outside control of the project but which may pose a risk to its success.
Wider Objective (Long term objectives/Overall Objective) *Months or years after the project has been completed, to what extent will the problem have been addressed?*	How to measure Wider Objective, including Quantity, Quality, and Time?	How will you check the measurement?	What assumptions are you making?
Immediate Objectives (Short term objectives/Purpose) *The situation immediately after a project has been completed. This should reflect the project outputs.*	How to measure Immediate Objective, including Quantity, Quality, and Time?	How will you check the measurement?	What assumptions are you making?
Outputs (Results) *What will the tangible measurable result of the project?*	How to measure outputs produced, including Quantity, Quality, Time?	How will you check the measurement?	What assumptions are you making?
Inputs (Activities) *All the resources needed to carry out a specified activity within the work plan, including staff and overheads, equipment, materials, supplies, travel costs etc.*	How to measure inputs?	How will you check the measurement?	What assumptions are you making?

Additional information on LFA is available in EC prepared guidelines *"Aid Delivery Methods, Volume1: Project Cycle Management Guidelines*"[62] (March 2004).

Other analysis techniques that could be required or considered during the project preparation are SWOT Analysis, Technical Evaluation, Cost Benefit Analysis (CBA), Risk Assessment (and Management), Stakeholder Analysis or Socio-cultural Analysis, Institutional Analysis, Environmental Impact Assessment (EIA), Environmental Audit or Environmental Due Diligence, and Multi-Criteria Analysis.

[62] Available at: https://ec.europa.eu/europeaid/sites/devco/files/methodology-aid-delivery-methods-project-cycle-management-200403_en_2.pdf

Annex 2.

EIB's Environmental and Social Standards

The **EIB Statement on Environmental and Social Principles and Standards** sets the policy context for the protection of the environment and human well-being. An **EIB Environmental and Social Handbook** provides an operational translation of those standards on over 200 pages grouped across **10 thematic areas:**[63]

EIB's ENVIRONMENTAL AND SOCIAL STANDARDS

1. Assessment and management of environmental and social impacts and risks: The first standard underscores the importance of managing environmental and social impacts and risks throughout the life of an EIB project through the application of the precautionary principle. The standard's requirements allow for the development of an effective environmental and social management and reporting system that is objective and encourages continual improvements and developments. The standard includes requirements for stakeholder engagement and disclosure throughout the life of the project.

2. Pollution prevention and abatement: The objective of the second standard is to avoid and minimise pollution from EIB-supported operations. It outlines a project-level approach to resource efficiency and pollution prevention and control in line with best available techniques and internationally disseminated practices.

3. Biodiversity and ecosystems: The objective of the second standard is to avoid and minimise pollution from EIB-supported operations. It outlines a project-level approach to resource efficiency and pollution prevention and control in line with best available techniques and internationally disseminated practices.

4. Climate-related standards: The EIB acknowledges the intrinsic value of biodiversity and that its operations may have a potential impact on biodiversity and ecosystems. This standard outlines the approach and measures the promoter has to take to protect and conserve all levels of biodiversity. The standard applies to all habitats (marine and terrestrial) whether or not previously disturbed or legally protected. It focuses on major threats and supports the sustainable use of renewable natural resources and the equitable sharing of benefits from the project's use of natural resources.

5. Cultural heritage: Through its projects, the EIB recognises the central role of cultural heritage within individual and collective identity, in supporting sustainable development and in promoting cultural diversity. Consistent with the applicable international conventions and declarations, this standard aims at the identification, management and protection of tangible and intangible cultural heritage that may be affected by project activities. It emphasises the need for the implementation of a "chance-find procedure", which outlines the actions to be taken if previously unknown cultural heritage is encountered.

6. Involuntary resettlement: EIB projects sometimes necessitate land acquisition, expropriation and/or restrictions on land use, resulting in the temporary or permanent resettlement of people from their original places of residence or their economic activities or subsistence practices. Standard 6 is rooted in the respect and protection of the rights to property and to adequate housing, and of the standard of living of all affected people and communities. It seeks to mitigate any adverse impacts arising from their loss of assets or restrictions on land use. It also aims to assist all affected persons to improve or at least restore their former livelihoods and living standards and adequately compensate for incurred losses.

7. Rights and interests of vulnerable groups: The EIB seeks to protect all vulnerable project-affected individuals and groups, whilst seeking that these populations duly benefit from EIB operations. The standard requires that there is full respect for the dignity, human rights, aspiration, cultures and customary livelihoods of vulnerable groups including indigenous peoples. It requires the free, prior and informed consent of affected indigenous groups.

8. Labour standards: Good labour practices and the use of appropriate codes of conduct are important to ensure the fair treatment, non-discrimination and equality of opportunity of workers. This standard aims at ensuring that promoters of EIB projects comply with the core labour standards of the International

[63] http://www.eib.org/infocentre/publications/all/environmental-and-social-standards-overview.htm , http://www.eib.org/infocentre/publications/all/environmental-and-social-principles-and-standards.htm, http://www.eib.org/infocentre/publications/all/environmental-and-social-practices-handbook.htm

Labour Organisation (ILO) and with national labour and employment laws. The standard also requires the establishment, maintenance and improvement of worker-management relationships.

9. Occupational and public health, safety and security: The EIB expects promoters to protect and secure public and occupational health, safety and security and promote the dignity of the affected community in relation to project-related activities, with particular attention to vulnerable groups. The standard also requires promoters to adhere to the international norms and relevant human rights principles when using security services.

10. Stakeholder engagement: As a public institution, the EIB actively promotes the right to access to information, as well as public consultation and participation. Standard 10 requires promoters to uphold an open, transparent and accountable dialogue with all project-affected communities and relevant stakeholders in an effective and appropriate manner. The value of public participation in the decision-making process is stressed throughout the preparation, implementation and monitoring phases of a project. The right to access to remedy, including through grievance resolution, is actively required.

Annex 3.

EBRD Environmental and Social Policy

EBRD's **Environmental and Social Policy**[64] dates back to 2008 and was renewed in May 2014 and includes "Integrating environmental and social considerations into the project cycle" (Section C on page 3).

As item *36* on page 5, it lists the following **10 Performance Requirements (PRs)** that are then provided in much more detail (several pages per PR) in the appendix on page 11ff (extracts included below).

36 Projects are expected to meet good international practice (GIP) related to environmental and social sustainability.

To help clients and/or their projects achieve this, the EBRD has defined specific PRs for key areas of environmental and social sustainability as listed below, including their objectives:[65]

- **PR 1** – Assessment and Management of Environmental and Social Impacts and Issues: identify and evaluate environmental and social impacts and issues of the project; adopt a mitigation hierarchy approach to address adverse environmental or social impacts and issues to workers, affected communities, and the environment from project activities; promote improved environmental and social performance of clients through the effective use of management systems; develop an Environmental and Social Management System (ESMS) tailored to the nature of the project, for assessing and managing environmental and social issues and impacts in a manner consistent with relevant PRs.
- **PR 2** – Labour and Working Conditions: respect and protect the fundamental principles and rights of workers; promote the decent work agenda, including fair treatment, non-discrimination and equal opportunities of workers; establish, maintain and improve a sound worker-management relationship; promote compliance with any collective agreements to which the client is a party, national labour and employment laws; protect and promote the safety and health of workers, especially by promoting safe and healthy working conditions; prevent the use of forced labour and child labour (as defined by the ILO) as it relates to project activities.
- **PR 3** – Resource Efficiency, Pollution Prevention and Control: identify project-related opportunities for energy, water and resource efficiency improvements and waste minimisation; adopt the mitigation hierarchy approach to addressing adverse impacts on human health and the environment arising from the resource use and pollution released from the project; promote the reduction of project-related greenhouse gas emissions.
- **PR 4** – Health and Safety: protect and promote the safety and health of workers by ensuring safe and healthy working conditions and implementing a health and safety management system, appropriate to the relevant issues and risks associated with the project; anticipate, assess, and prevent or minimise adverse impacts on the health and safety of project-affected communities and consumers during the project life cycle from both routine and non-routine circumstances.
- **PR 5** – Land Acquisition, Involuntary Resettlement and Economic Displacement: avoid or, when unavoidable, minimise, involuntary resettlement by exploring alternative project designs; mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of and access to assets and land by: (i) providing compensation for loss of assets at replacement cost, and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation and the informed participation of those affected; restore or, where possible, improve the livelihoods and standards of living of displaced persons to pre-displacement levels; improve living conditions among physically displaced persons through the provision of adequate housing, incl.

[64] http://www.ebrd.com/news/publications/policies/environmental-and-social-policy-2008.html, http://www.ebrd.com/documents/comms-and-bis/pdf-environmental-and-social-policy-2008.pdf, http://www.ebrd.com/downloads/policies/pip/pipe.pdf

[65] Direct investment projects must meet PRs 1 to 8 and 10; FI projects must meet PRs 2, 9 and the occupational health and safety requirements of PR 4. Each PR defines, in its objectives, the desired outcomes, followed by specific requirements for projects to help clients achieve these outcomes. Compliance with relevant national law is an integral part of all PRs.

security of tenure at resettlement sites.

- **PR 6** – Biodiversity Conservation and Sustainable Management of Living Natural Resources: protect and conserve biodiversity using a precautionary approach; adopt the mitigation hierarchy approach, with the aim of achieving no net loss of biodiversity, and where appropriate, a net gain of biodiversity; promote good international practice (GIP) in the sustainable management and use of living natural resources.
- **PR 7** – Indigenous Peoples: to ensure that the transition process fosters full respect for the dignity, human rights, aspirations, cultures and natural resource-based livelihoods of Indigenous Peoples – [and 8 other specific objectives with presumably less relevance to CA].
- **PR 8** – Cultural Heritage: support the protection and conservation of cultural heritage; adopt the mitigation hierarchy approach to protecting cultural heritage from adverse impacts arising from the project; promote the equitable sharing of benefits from the use of cultural heritage in business activities; promote the awareness and appreciation of cultural heritage where possible.
- **PR 9** – Financial Intermediaries (FIs): enable the FIs to manage environmental and social risks associated with their business activities and to promote good environmental and social business practices among their clients; establish a practical way in which the FIs can promote and achieve environmentally and socially sustainable business practices consistent with this PR through their investments, in line with good international practice in the commercial financial sector; promote good environmental and human resource management within the FIs.
- **PR 10** – Information Disclosure and Stakeholder Engagement: outline a systematic approach to stakeholder engagement that will help clients build and maintain a constructive relationship with their stakeholders, in particular the directly affected communities; promote improved environmental and social performance of clients through effective engagement with the project's stakeholders; promote and provide means for adequate engagement with affected communities throughout the project cycle on issues that could potentially affect them and to ensure that meaningful environmental and social information is disclosed to the project's stakeholders; ensure that grievances from affected communities and other stakeholders are responded to and managed appropriately.

Annex 4.

KfW's Sustainability concept

KfW's Sustainability concept

The bank[66] defines its sustainability principles that apply in general for all KfW business areas and subsidiary companies. They are detailed in specific guidelines and apply throughout the KfW organisation as well as for all projects and investments. This way KfW guarantees a sustainable approach for all funded projects worldwide and avoids risks for people and the environment.

The projects and programmes of KfW Development Bank help people in partner countries gain access to clean drinking water and sufficient food. They improve the standards of medical care, education, social security and access to sustainable energy. What is more, they offer solutions for climate change, resource shortages and threats to biodiversity all whilst increasing use of land and resources in view of rising population numbers. This goes hand in hand with changes in economic and social structures.

To drive this change forward towards a "*green economy*", it is also important to spread the use of eco-friendly technologies in partner countries. In this context, KfW provides effective, efficient and targeted solutions with its projects that meet sustainability criteria and with its specific development approaches.

Furthermore, KfW Development Bank pursues the objective of actively supporting the implementation of international human rights with the instruments at its disposal to do so. In this regard the KfW Group has issued a declaration on human rights in its business operations.[67]

KfW Sustainability Guidelines

The KfW Sustainability Guideline (updated in 2021)[81] inform that based on its Statement on Environmental Protection and Sustainable Development to the German parliament, KfW Group has introduced a set of sustainability policies that are aligned with the sustainability strategy of the German Federal Government.

A guide on how to include aspects of sustainability in public procurement procedures for Financial Cooperation projects[68] provides **detailed principles** for its measures to be financed:

- to avoid, reduce or limit environmental pollution and environmental damage including climate-damaging emissions and pollution;
- to preserve and protect biodiversity and tropical rainforests and to sustainably manage natural resources;
- to consider probable and foreseeable impacts of climate change including utilising the potential to adapt to climate change. In this context climate change is understood as climate variability and long-term climate change;
- to avoid adverse impacts on the living conditions of communities, in particular indigenous peoples and other vulnerable groups, as well as to ensure the rights, living conditions and values of indigenous peoples;
- to avoid and minimise involuntary resettlement and forced eviction of people and their living space as well as to mitigate adverse social and economic impacts through changes in land use by reinstating the previous living conditions of the affected population;
- to ensure and support occupational health and safety as well as health protection in the workplace;
- to condemn forced labour and child labour, ban discrimination in respect of employment .

KfW Group does not offer financing of coal-fired power stations and exploration and mining of coal, however

[66] https://www.kfw.de/PDF/Download-Center/Konzernthemen/KfW-at-a-glance/KfW-an-overview.pdf
[67] https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Richtlinien/Nachhaltigkeitsrichtlinie_EN.pdf
[68] https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Richtlinien/Toolbox-zur-Nachhaltigen-Auftragsvergabe-EN.pdf

in developing countries, heating stations and cogeneration facilities (CHP) essentially fired with coal can be co-financed in individual cases based on a rigid assessment, if there is a particularly high sustainability contribution, major environmental hazards are reduced, and if there demonstrably is no more climate-friendly alternative. Investments in power transmission grids with significant coal-based power feed-in will only be pursued in countries and regions with an ambitious national climate protection policy or strategy (NDC), or where the investments are targeted at reducing the share of coal-based power in the relevant grid.

Nuclear energy is not supported, due to its risks.[69]

Environmental and Social Due Diligence (ESDD) and Climate Assessment

The objective of the Environmental and Social Due Diligence (ESDD) and Climate Assessments is to anticipate and appraise any foreseeable impacts and risks a FC measure may have on the environment, social factors (including human rights) and the climate. Both are a core element of the assessment procedure of KfW Development Bank (Details see in the Sustainability Guideline). This includes an appraisal of the project's environmental and social management system (ESMS).

Environmental and social compatibility

Environmental and social impacts as well as sustainability are key principles for the promotion and development activity at KfW Development Bank. The sustainability guidelines are compulsory and embedded into the processes of the entire business area. These guidelines form the basis for the integrated environmental, climate and social impact assessment (ESIA) that every new project and follow-up project of the development bank is subject to, depending on the risk category.

Generally speaking, KfW Development Bank only promotes projects that do not have a negative impact on the environment, the climate and social issues at all, or only to a justifiable extent. Projects and programmes that are likely to have unacceptable effects are already ruled out during the early planning phase.

Against a background of rising climate risks and the growing number of ways to reduce greenhouse gas emissions, KfW supplemented its existing ESIA guidelines with a systematic climate change assessment. This examines whether flooding, lengthy droughts or other impacts of climate change could jeopardise a project. Positive impacts of a project with regard to cutting down on CO_2 emissions for the benefit of our climate can also be optimised in the planning phase.[70,71]

Principles for Responsible Investment[72]

The United Nations-backed Principles for Responsible Investment (PRI) are in essence a set of global best practices for responsible investment. They reflect the view that environmental, social and governance (ESG) issues increasingly affect the performance of investment portfolios.

The 6 principles of the UN initiative “Principles for Responsible Investment” (PRI) are:

1. KfW will incorporate ESG issues into investment analysis and decision-making processes.
2. KfW will be active owners and incorporate ESG issues into its ownership policies and practices.
3. KfW will seek appropriate disclosure on ESG issues by the entities in which KfW invests.
4. KfW will promote acceptance and implementation of the Principles within the investment industry.

[69] https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Richtlinien/Nachhaltigkeitsrichtlinie_EN.pdf
[70] https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Flyer/Verfahrensflyer_EN.pdf
[71] https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Tasks-and-goals/Unsere-Arbeitsweise/
[72] https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/Principles-for-Responsible-Investment-(PRI)/

5. KfW will work together to enhance its effectiveness in implementing the Principles.

6. KfW will report on its activities and progress towards implementing the Principles.

The Environmental, Social and Governance (ESG) criteria

KfW uses taking into consideration a variety of individual criteria, which are grouped into the ESG criteria (Environment, Social und Governance).[73] Additionally, KfW has exclusion criteria.[74]

A: ESG criteria for companies

Environment

- Climate change strategy
- Environmental management system
- Environmental impact of products and services
- Carbon intensity
- Energy efficiency
- Water efficiency

Social

- Equal opportunities
- Freedom of association
- Health and safety
- Human rights
- Customer and product responsibility
- Social impact of products and services
- Supply chain management

Governance

- Business ethics
- Compliance
- Board independence
- Executive compensation
- Shareholder democracy
- Shareholder structure
- Taxes

B: Exclusion criteria for producing enterprises and financial services providers

- Production or activities involving harmful or exploitative forms of forced labour or child labour as defined in the ILO core labour standards.
- Production, use of or trade in pesticides/herbicides or other hazardous substances that are subject to international bans.
- Trade in animals or animal products that are subject to the provisions of CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).
- Production of cosmetics etc. involving testing on animals.
- Commercial logging operations for use in primary tropical moist forests.
- Investments which could be associated with the destruction** or significant impairment of areas particularly worthy of protection (without adequate compensation in accordance with international

[73] https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/

[74] https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Exclusion-Criteria/

standards).

- Production or trade in controversial weapons or important components for the production of controversial weapons (anti-personnel mines, biological and chemical weapons, cluster bombs, radioactive ammunition, nuclear weapons).
- Production or trade in radioactive material. This does not apply to the procurement of medical equipment, quality control equipment or other application for which the radioactive source is insignificant and/or adequately shielded.
- Nuclear power plants (apart from measures that reduce environmental hazards of existing assets) and mines with uranium as an essential source of extraction.
- Prospection, exploration and mining of coal; land-based means of transport and related infrastructure essentially used for coal; power plants, heating stations and cogeneration facilities essentially fired with coal, as well as associated stub lines***.
- Non-conventional prospection, exploration and extraction of oil from bituminous shale, tar sands or oil sands.
- Production or trade in tobacco.
- Controversial forms of gambling: operation of casinos, production of devices or other equipment for casinos or betting offices or companies that generate turnover via online betting (so-called "short odds" are defined as "controversial forms of gambling").
- Any business activity involving pornography.

A detailed report “toolbox for sustainable procurement” adds more support.[75]

[75] https://www.kfw-entwicklungsbank.de/PDF/Download-Center/PDF-Dokumente-Richtlinien/Toolbox-zur-Nachhaltigen-Auftragsvergabe-EN.pdf

Annex 5.

World Bank (WB) focus sectors[76]

Agriculture

Agricultural Extension, Research, and Other Support Activities
Crops
Fisheries
Forestry
Irrigation and Drainage
Livestock
Other Agriculture, Fishing and Forestry
Public Administration – Agriculture, Fishing & Forestry

Education

Adult, Basic and Continuing Education
Early Childhood Education
Other Education
Primary Education
Public Administration – Education
Secondary Education
Tertiary Education
Workforce Development/Skills

Energy & Extractives

Energy Transmission and Distribution
Mining
Non-Renewable Energy Generation
Oil and Gas
Other Energy and Extractives
Public Administration – Energy and Extractives
Renewable Energy Biomass
Renewable Energy Geothermal
Renewable Energy Hydro
Renewable Energy Solar
Renewable Energy Wind

Financial Sector

Banking Institutions
Capital Markets
Insurance and Pension
Other Non-bank Financial Institutions
Public Administration – Financial Sector

Health

Health
Health Facilities and Construction
Public Administration – Health

Industry & Trade/Ser

Agricultural markets, commercialization and agri-business
Housing Construction
Manufacturing
Other Industry, Trade and Services
Public Administration – Industry, Trade and Services
Services
Tourism
Trade

Info & Communication

ICT Infrastructure
ICT Services
Other Information and Communications Technologies
Public Administration – Information and Communications Technologies

Public Admin

Central Government (Central Agencies)
Law and Justice
Other Public Administration
Sub-National Government

Social Protection

Public Administration – Social Protection
Social Protection

Transportation

Aviation
Other Transportation
Ports/Waterways
Public Administration – Transportation
Railways
Rural and Inter-Urban Roads
Urban Transport

[76] http://projects.worldbank.org/sector

Water/Sanit/Waste

Other Water Supply, Sanitation and Waste Management
Public Administration – Water, Sanitation and Waste Management
Sanitation
Waste Management
Water Supply

Annex 6.

World Bank (WB) Environmental and Social Standards (ESS)

In August 2016, the Environmental and Social Policies for WB Projects led to the adoption of a new set of environment and social policies called the **Environmental and Social Framework** (ESF), containing ten elaborate **Environmental and Social Standards (ESS)**:[77]

- **ESS1**: Assessment and Management of Environmental and Social Risks and Impacts: ESS1 sets out the *Borrower's* responsibilities for assessing, managing and monitoring environmental and social risks and impacts *associated with each stage* of a project supported by the Bank through Investment Project Financing, in order to achieve environmental and social outcomes consistent with the Environmental and Social Standards (ESSs). ESS1 *includes* an Environmental and Social Assessment, an Environmental and Social Commitment Plan; and Management of Contractors.
- **ESS2**: Labour and Working Conditions: ESS2 recognises the importance of employment creation and *income generation* in the pursuit of poverty reduction and *inclusive* economic growth. Borrowers can promote sound worker-management *relationships* and enhance the development benefits of a project by treating workers in the project *fairly* and providing safe and *healthy* working conditions. ESS2 includes *non-discrimination* and *equal opportunity*, *worker's organisations*, protection regarding *child labour* and minimum age, and Occupational Health and Safety (OHS).
- **ESS3**: Resource Efficiency and Pollution Prevention and Management: ESS3 recognises that economic activity and urbanisation often generate *pollution to air, water, and land*, and consume *finite resources* that may *threaten people*, *ecosystem services* and the *environment* at the local, regional, and global levels. The current and projected atmospheric concentration of *greenhouse gases* (GHG) threatens the welfare of current and future generations. At the same time, more *efficient and effective resource use*, pollution prevention and GHG emission *avoidance*, and *mitigation* technologies and practices have become more accessible and achievable. ESS3 includes resource efficiency (water, energy, material), air pollution and pesticides.
- **ESS4**: Community Health and Safety: ESS4 recognises that project activities, equipment, and infrastructure can increase *community exposure to risks and impacts*. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration or intensification of impacts due to project activities. ESS4 includes ecosystem services, *community exposure to health issues*, infrastructure and equipment design and safety, especially for *water dams*.
- **ESS5**: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement: ESS5 recognises that *project-related land acquisition* and *restrictions on land use* can have adverse impacts on communities and persons. Project-related land acquisition or restrictions on land use may cause *physical displacement* (relocation, loss of residential land or loss of shelter), *economic displacement* (loss of land, assets or access to assets, leading to loss of income sources or other means of livelihood), or both. The term *"involuntary resettlement"* refers to these impacts. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in displacement.
- **ESS6**: Biodiversity Conservation and Sustainable Management of Living Natural Resources: ESS6 recognises that protecting and conserving biodiversity and sustainably managing living natural resources are fundamental to *sustainable development*. *Biodiversity* is defined as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems. Biodiversity often underpins *ecosystem services valued by humans*. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services.
- **ESS7**: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities: Such terms include "indigenous ethnic minorities," "vulnerable and marginalized groups", or "minority nationalities".

[77] https://www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards , https://www.worldbank.org/en/projects-operations/environmental-and-social-framework

- **ESS8**: Cultural Heritage: ESS8 recognises that cultural heritage provides continuity in tangible and intangible forms between the past, present and future. People *identify with cultural heritage* as a reflection and expression of their *constantly evolving values*, beliefs, knowledge and traditions. Cultural heritage, in its many manifestations, is important as a source of valuable scientific and historical information, as an *economic and social asset* for development, and as an integral part of people's *cultural identity* and practice. ESS8 sets out measures designed to protect cultural heritage throughout the project life cycle.
- **ESS9**: Financial Intermediaries: ESS9 recognises that *strong domestic capital* and *financial markets* and *access to finance* are important for economic development, growth and poverty reduction. The Bank is committed to *supporting sustainable financial sector development* and enhancing the role of *domestic capital* and financial markets.
- **ESS10**: Stakeholder Engagement and Information Disclosure: This ESS recognises the importance of *open and transparent engagement* between the Borrower and project stakeholders as an essential element of good international practice. *Effective stakeholder engagement* can improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation. ESS10 (and other ESS) include the respective *grievance mechanisms*.

The Environmental and Social Framework (ESF) enables the World Bank and Borrowers to better manage environmental and social risks of projects and to improve development outcomes. It was launched on 1 October 2018.[92]

Annex 7.

Asian Development Bank (ADB) focus areas[78]

INFRASTRUCTURE	
Energy	With Asia and the Pacific's energy demand projected to double by 2030, about 200 million people without electricity and more than 1.7 billion people without access to clean cooking, ADB is committed to helping its developing member countries achieve access to clean energy for all.
Digital Technology	Digital technology has boosted growth, expanded opportunities, and improved service delivery in much of the world. ADB's initiatives are empowering the poor to use digital technology to help lift themselves out of poverty.
Transport	ADB assists member countries in developing Asia to building transport infrastructure and services which contribute towards low-carbon, safe, accessible, and affordable transport systems.
Urban Development	Asia's rapidly developing cities face inadequate basic services, environmental degradation, and increasing poverty. ADB works to support the transformation of developing cities in the Asia and Pacific region into safe, sustainable urban centers.
Water	Many countries are in a water crisis in Asia and the Pacific, and their expanding populations have growing demands for water. ADB is working to increase investments for better water services and resource management in cities and rural communities.
OTHER FOCUS AREAS	
Agriculture and Food Security	ADB's efforts and strategy to achieve food security in the region emphasizes the integration of agricultural productivity, market connectivity, and resilience against shocks and climate change impacts as the three pillars to achieve sustainable food security.
Climate Change and Disaster Risk Management	The Asia and Pacific region is at extreme risk of undoing its economic and social development gains due to unchecked disasters and unabated climate change.
Education	Most developing countries in Asia and the Pacific have increased primary education enrollment rates in the last three decades, but daunting challenges remain. ADB is assisting its developing member countries achieve the goal of quality education for all.
Environment	Environmental sustainability is a prerequisite for economic growth and poverty reduction in Asia and the Pacific. Environmentally sustainable growth is a key strategic development agenda in ADB, and environment is a core area for support.

[78] https://www.adb.org/focus-areas

Finance Sector Development	The financial system is the lifeline of a country's economy. ADB supports general financial sector and capital market development for microfinance, small and medium-sized enterprises, and regulatory reforms in its developing member countries.
Gender and Development	Gender equality and women's empowerment are essential for meeting Asia and the Pacific's aspirations of inclusive and sustainable development. ADB recognizes that to reduce poverty rates, helping women and girls must be a priority in its work.
Governance and Public Management	Good governance is critical for development. ADB promotes good governance processes and practices for inclusive, participatory, and sustainable development in Asia and the Pacific.
Health	Good health boosts learning, worker productivity, and income. ADB is committed to improving health in Asia and the Pacific by supporting better governance, more water and sanitation infrastructure, and regional collaboration.
Public-Private Partnerships (PPP)	ADB's Office of Public–Private Partnership helps governments use the financing, efficiency and quality of the private sector for projects that benefit society.
Regional Cooperation and Integration	Regional Cooperation and Integration (RCI) promotes growth and narrows development gaps between ADB's developing member countries by building high quality cross-border infrastructure, closer trade integration, intraregional supply chains, and stronger financial links, and motivating provision of regional public goods, enabling slow-moving economies to speed their own expansion.
Social Development and Poverty	Despite the extraordinary gains made in living standards, hundreds of millions are still excluded from the benefits of rapid economic growth. ADB envisions an Asia and Pacific that is inclusive, where the region's gains and opportunities are shared by all.
Sustainable Development Goals	The SDGs represent a universal call to end poverty, protect the planet, and ensure peace and prosperity for all. ADB supports the enhanced ambitions the SDGs embody, and is fully committed to helping to meet them.

Annex 8.

Asian Development Bank (ADB) Environmental and Social Criteria

The environmental and social quality criteria at ADB are best described through the so-called "safeguards"[79] that are used by ADB. According to its "PCB Handbook",[80] they are referred to in the cycle stage "preparation". These documents prepared in 2009 include primarily a "**Safeguard Policy Statement** (SPS)"[81] including "Strategy 2030",[82] "Strategy 2030 Operational Plans Overview[83]" (earlier "Environment Operational Directions 2013–2020",[84] a "Social Protection Operational Plan 2014–2020"[85]) and a "Social Protection Strategy";[86] as well also "Access to Information"[87] and an "Accountability Mechanism"[88] are provided by ADB. Relevant key aspects follow.

ADB's "Strategy 2030 Operational Plans Overview" state following Strategic Operational Priorities:

- Addressing Remaining Poverty and Reducing Inequalities
- Accelerating Progress in Gender Equality
- Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing
- Environmental Sustainability
- Making Cities More Livable
- Promoting Rural Development and Food Security
- Strengthening Governance and Institutional Capacity
- Fostering Regional Cooperation and Integration

To support these operational directions, following Common Operational Approaches are proposed:

- Using a Country-Focused Approach
- Applying Differentiated Approaches
- Delivering Integrated Solutions
- Taking Multisector Approaches
- Promoting Digital Development and Innovative Technologies
- Expanding Private Sector Operations
- Developing Capacity
- Adding Value

This report also provides a matrix that matches each operational plan with sustainability (p. 8).

At present, no single document presents the environmental and social quality criteria (as for WB).

The text coming closest to environmental criteria is the "environmental safeguards" pasted in overleaf.

[79] https://www.adb.org/site/safeguards/overview
[80] https://www.adb.org/sites/default/files/page/82563/project-cycle.pdf
[81] https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf
[82] https://www.adb.org/sites/default/files/related/157961/strategy-2030-policypaper.pdf
[83] https://www.adb.org/sites/default/files/institutional-document/495946/strategy-2030-operational-plans-overview.pdf
[84] https://www.adb.org/documents/environment-operational-directions-2013-2020 and https://www.adb.org/sites/default/files/institutional-document/33869/environment-operational-directions-2013-2020.pdf
[85] https://www.adb.org/documents/social-protection-operational-plan-2014-2020, https://www.adb.org/sites/default/files/institutional-document/42704/files/social-protection-operational-plan.pdf
[86] https://www.adb.org/documents/social-protection-strategy, https://www.adb.org/sites/default/files/institutional-document/32100/social-protection.pdf
[87] https://www.adb.org/site/disclosure/main
[88] https://www.adb.org/site/accountability-mechanism/main

Environmental Safeguards

Objectives: To ensure the environmental soundness and sustainability of projects and to support the integration of environmental considerations into the project decision-making process.

Policy Principles

1. **Use a screening process** for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment so that appropriate studies are undertaken commensurate with the significance of potential impacts and risks.
2. **Conduct an environmental assessment** for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues), and physical cultural resources in the context of the project's area of influence. Assess potential transboundary and global impacts, including climate change. Use strategic environmental assessment where appropriate.
3. **Examine alternatives** to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.
4. **Avoid**, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts by means of environmental planning and management. Prepare an environmental management plan (EMP) that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Key considerations for EMP preparation include mitigation of potential adverse impacts to the level of no significant harm to third parties, and the polluter pays principle.
5. **Carry out meaningful consultation with affected people** and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned nongovernment organizations, early in the project preparation process and ensure that their views and concerns are made known to and understood by decision makers and taken into account. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment. Establish a grievance redress mechanism to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.
6. **Disclose a draft environmental assessment** (including the EMP) in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental assessment, and its updates if any, to affected people and other stakeholders.
7. **Implement the EMP and monitor its effectiveness**. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
8. **Do not implement project activities in areas of critical habitats**, unless (i) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, (ii) there is no reduction in the population of any recognized endangered or critically endangered species, and (iii) any lesser impacts are mitigated. If a project is located within a legally protected area, implement additional programs to promote and enhance the conservation aims of the protected area. In an area of natural habitats, there must be no significant conversion or degradation, unless (i) alternatives are not available, (ii) the overall benefits from the project substantially outweigh the environmental costs, and (iii) any conversion or degradation is appropriately mitigated. Use a precautionary approach to the use, development, and management of renewable natural resources.

9. **Apply pollution prevention and control technologies** and practices consistent with international good practices as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gases emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phase outs. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.

10. **Provide workers with safe and healthy working conditions** and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures to avoid, and where avoidance is not possible, to minimize, adverse impacts and risks to the health and safety of local communities.

11. **Conserve physical cultural resources** and avoid destroying or damaging them by using field-based surveys that employ qualified and experienced experts during environmental assessment. Provide for the use of "chance find" procedures that include a pre-approved management and conservation approach for materials that may be discovered during project.

Annex 9.

Asian Infrastructure Investment Bank (AIIB) Environmental and Social Framework[89]

In February 2016, amended February 2019 and May 2021, AIIB issued a document of 93 pages including three Environmental and Social Standards (ESS 1 – ESS 3) to be included in the project process and requirements for each ESS:[90]

***Environmental and Social Standards** (ESS 1 to ESS 3):*

ESS 1: Environmental and Social Assessment and Management: To achieve the environmental and social soundness and sustainability of Projects and to support the integration of environmental and social considerations into the Project decision-making process and implementation. Environmental and Social Standard (ESS) 1 applies if the Project is likely to have adverse environmental risks and impacts or social risks and impacts (or both). The scope of the environmental and social assessment and management measures are proportional to the risks and impacts of the Project. ESS 1 provides both for quality environmental and social assessment and for management of risks and impacts through effective mitigation and monitoring measures during the course of Project implementation

ESS 2: Land Acquisition and Involuntary Resettlement: The objectives of this ESS 2 are: (a) to avoid Involuntary Resettlement wherever feasible; (b) to minimize Involuntary Resettlement by exploring Project alternatives; (c) where avoidance of Involuntary Resettlement is not feasible, to enhance, or at least restore, the livelihoods of all displaced persons in real terms relative to pre-Project levels and to provide resettlement assistance; (d) to understand and address gender-related risks and differential impacts of Involuntary Resettlement; (e) to improve the overall socioeconomic status of the displaced poor and other vulnerable groups; and (f) to conceive and implement resettlement activities as sustainable development programs, providing sufficient resources to enable the persons displaced by the Project to share in Project benefits.

ESS 2 applies if the Project would or may involve Involuntary Resettlement (including Involuntary Resettlement of the past or foreseeable future that the Bank determines is directly linked to the Project).

ESS 3: Indigenous Peoples: The objectives of this Environmental and Social Standard (ESS) 3 are to design and implement Projects in a way that fosters full respect for Indigenous Peoples' identity, dignity, human rights, economies and cultures, as defined by the Indigenous Peoples themselves, so that they: (a) receive culturally appropriate social and economic benefits; (b) do not suffer adverse impacts as a result of Projects; and (c) can participate actively in Projects that affect them.

ESS 3 applies if Indigenous Peoples are present in, or have a collective attachment to, the proposed area of the Project, and are likely to be affected by the Project. The term Indigenous Peoples is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:2 (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats, ancestral territories or areas of seasonal use or occupation in the Project area and to the natural resources in these areas; (c) customary cultural, economic, social or political institutions that are distinct or separate from those of the dominant society or culture; and (d) a distinct language or dialect, often different from the official language or languages of the country or region in which they live. In considering these characteristics, national legislation, customary law and any international conventions to which the Member in whose territory the Project is located is a party

[89] https://www.aiib.org/en/policies-strategies/framework-agreements/environmental-social-framework.html, https://www.aiib.org/en/policies-strategies/_download/environment-framework/20160226043633542.pdf

[90] https://www.aiib.org/en/projects/process/index.html

may be taken into account. A group that has lost collective attachment to geographically distinct habitats or ancestral territories in the Project area because of forced severance remains eligible for coverage as an Indigenous People, under ESS 3.

Annex 10.

Case studies

CASE STUDY 1	
Project title	Additional sub-project under the Support to the Kyrgyz Republic for Water and Wastewater Investments: Kyzyl-Kiya Water Project
Country	Kyrgyz Republic
Year	2017 (expected start)
Total budget	EUR 7.42 million
IFCA contribution	EUR 3.52 million
Lead finance institution	EBRD
Co-financiers	EIB, EBRD bilateral donors / SSF
Type of support	Investment Grant
Adopted from	IFCA 2016 Operational Report[91]

Project description

The Support to the Kyrgyz Republic for Water and Wastewater Investments programme, approved by the DCI Board in 2015 with an IFCA contribution of €11.2 million, is providing grant co-financing to support projects that will benefit municipalities and their water companies across Kyrgyzstan by addressing urgently needed infrastructure rehabilitation needs. The programme focuses on ensuring safe and high-quality water supply, wastewater disposal and sanitation, and improving management practices in the sector. It also addresses the financial and economic sustainability of water utilities. Towards these aims, other priorities of the programme include improving transparency, trust and accountability and optimising technical standards. This additional sub-project involves a sovereign loan to the Kyrgyz Republic, which is to be on-lent to the city of Kyzyl-kiya to enable the municipal enterprise Kyzylkiya Suukanal to rehabilitate water supply services in the city. The project will also include significant technical co-operation to support implementation, including engineering design services, procurement and contract supervision alongside a Corporate Development and Stakeholder Participation Programme to enhance the company's sustainability and efficiency.

The rehabilitation of some of the most deteriorated sections of the water supply network in Kyzyl-kiya will reduce water losses and energy consumption, making an important contribution towards economical and responsible groundwater resource management. The project aims at reducing water losses from 78% at present to 30%, or to reduce total water production from 13.7 million m3 to 5.2 million m3 while raising water sales from 3.0 to 3.6 million m3. Additional strategic network extensions will contribute to increasing the connection rate.

These actions will not only improve the cost/revenue situation at the company by reducing power consumption, but will prevent over-exploitation of the groundwater resources, making the water supply system more resilient to the impacts of climate change. Reduced energy consumption will also help balance out expected energy price hikes. The project will also reduce public health risks, which is a key prerequisite for development and poverty reduction, as a sustainable water supply and wastewater management programme will contribute to a healthy environment and to economic growth.

[91] https://ec.europa.eu/europeaid/sites/devco/files/ifca-aif-ifp_report_2017_web.pdf

CASE STUDY 2	
Project title	Ust-Kamenogorsk DH Modernisation
Country	Kazakhstan
Year	2017 (approval)
Total budget	KZT 5.0 billion
EBRD contribution	KZT 3.0 billion
Lead finance institution	EBRD
Type of support	Technical assistance
Adopted from	EBRD[92] and USTKAMENOGORSKIYE TEPLOVYIE SETI JSC[93] web page

Project description

Financing modernisation of the district heating system in Ust-Kamenogorsk. Components of the project includes:

- automation of the central heating stations (the "CHS") and pumping stations;
- procurement of special vehicles to improve operational efficiency;
- rehabilitation and construction of the networks operated by the Company; and
- modernisation of the DH system in Menovnoye settlement.

Project Objectives

The project is expected to result in more efficient energy use through reduction of heat losses in the system and automation of the CHSs. Renewal of the Company's special vehicle fleet, in conjunction with the rehabilitation of the networks, will allow better use of its workforce improving operational efficiency.

The project includes development of the Public Service Contract to define clearly, and on a performance-basis the expected level of service to be performed in exchange for any support mechanism needed on affordability grounds. The Project includes an analysis of the specific methodology on the establishment of cost reflective tariffs for user groups. The Project carries out a Financial and Operational Performance Improvement Programme ("FOPIP") as a part of the overall Corporate Development Programme ("CDP") supported by TCs with the objective of raising managerial, financial and operational performance at the Company level. Before signing the loan a Feasibility Study, including: (i) a technical review of the proposed operation to improve the district heating services in the city, demand, revenue and operational cost projections was prepared. Also following documents were prepared:

- technical and functional specifications of the PIP components;
- financial and economic analysis of the Company, the City and the Oblast with consideration of the proposed investments, including cost estimates and the preparation of the financial model for the Company;
- environmental and social due diligence;
- analysis of the proposed potential for climate resilience.

[92] https://www.ebrd.com/work-with-us/projects/psd/ustkamenogorsk-dh-modernisation.html
[93] https://ukteplo.kz/company/projects/proekt-modernizatsii-sistemy-tsentralizovannogo-teplosnabzheniya-g-ust-kamenogorsk/

CASE STUDY 3	
Project title	Improvement of solid waste management system in the City of Samarkand
Country	Uzbekistan
Year	2014 (approval)
Total budget	EUR 28.6 million
IFCA contribution	EUR 8 million
Lead finance institution	Agence Française de Développement (AFD)
Type of support	Technical assistance
Adopted from	IFCA 2016 Operational Report[94]

Project description

Improvement of solid waste management is a key priority for urban sustainable development of Samarkand – Uzbekistan's second largest city, whose current solid waste management system presents major flaws and inefficiencies.

The project helps to modernise municipal waste collection and disposal, as well as to improve waste recycling. The financing will cover:

- landfill compliant to modern standards, connected with landfill gas treatment units;
- semi-mechanical sorting plant on the landfill site; and
- acquisition of waste collection vehicles for Samarkand's Municipality.

In order to ease implementation and sustainability of the project, it will include a substantial technical assistance component to local authorities, consisting of:

- pre-investment phase technical assistance enabling optimal project preparation, through detailed feasibility studies and comprehensive environment and social impact assessment;
- investment phase technical assistance for procurement and operations monitoring; and
- capacity building actions.

The project includes campaigns to encourage the reduction of locally generated waste. Moreover it will form a pilot project demonstrating landfill modernisation and waste valorization, with potentially replicable components in important secondary cities of Uzbekistan.

CASE STUDY 4	
Project title	Community Agriculture & Watershed Management Project
Country	Tajikistan
Year	2004 – approval, 2012 – closing data
Total budget	EUR 13.58 million (USD 16.75 million)
Lead finance institution	International Development Association
Type of support	loans and grants
Adopted from	World Bank[95]

[94] https://ec.europa.eu/europeaid/sites/devco/files/ifca-aif-ifp_report_2017_web.pdf
[95] http://projects.worldbank.org/P077454/community-agriculture-watershed-management-project?lang=en&tab=details

Project description

The objective of the project was to build productive assets of rural communities in selected mountain watersheds in ways that sustainably increase productivity and curtail degradation of fragile lands and ecosystems.

There were three components:

Component I. Rural Production Investment Rural Production Investment Rural Production Investment (appraisal USD 11.9 million, actual USD 10.69 million). This component was to support:

(i) Farm Productivity Improvement through socially mobilizing individuals and groups of farming households with further support to investment in productivity enhancing and income generating activities.

(ii) Land Resource Management through support to local population to adopt more sustainable use of fragile lands and to provide land use certificates.

(iii) Rural Infrastructure through productive investments to rehabilitate rural infrastructure, including drinking water, small irrigation, access track rehabilitation, and small power generation.

Component II. Institutional Support and Capacity Building Institutional Support and Capacity Building Institutional Support and Capacity Building (appraisal USD 4.3 million, actual USD 4.90 million). This component was designed to support:

(i) Research and demonstration by providing help to scientific institutions and line ministries to provide technical services including training to communities. It included support for seed and seedling production, livestock breeding and animal health and husbandry improvements, and market and enterprise analysis and development.

(ii) Community Mobilization and Subprojects Preparation, including training and facilitation for the local Government Development Committees as well as households and common interest groups with support of local facilitators. It also included support for small confidence building mobilization grants and information and experience sharing.

Component III. Project Management Project Management Project Management (appraisal USD 3.6 million and actual USD 3.72 million). This component supported project implementation at both national level and for each of the Project watershed areas.

The outputs of the project include:

- 3,845 sub-projects, directly benefiting over 43,000 households (target 32,000), were financed by the project, involving a total investment of USD 7.4 million. 1,208 of these sub-projects (USD 1.8 million of investment, 11,379 beneficiary households) had the objective of raising farm productivity. They included livestock development, small enterprises for agro-processing, apiculture, poultry farming and horticulture. There were 2,060 projects in land resource management (USD 4.3 million investment 32,134 beneficiary households). Activities included terracing for horticulture, pasture improvement, conversion of slope land and tree planting, woodlots and vineyards. Over 930,000 trees were planted in a total area of 2,644 hectares. There were 577 rural infrastructure projects (USD 1.4 million investment, 34,299 beneficiary households), including drinking water supply, road rehabilitation, construction and repair of small bridges, rehabilitation of small hydropower stations, repair and rehabilitation of irrigation canals, and river bank protection . More than 50% of households in the project area participated in the selection and implementation of sub-projects.
- 9,175 rural people received technical training (target 8,000).
- 30 small demonstration plots were developed to assist farmers in improving production techniques.

CASE STUDY 5	
Project title	Community Agriculture & Watershed Management Project
Country	Kazakhstan
Year	2007 – approval, 2016 – closing data
Total budget	EUR 32.48 million (USD 40.09 million)
Lead finance institution	International Bank For Reconstruction And Development
Type of support	Loan
Adopted from	World Bank[96]

Project description

The main project objectives were to: "(i) prevent the groundwater contamination plume's further migration towards the residential areas, the city's sources of drinking water supply and eventually into Irtysh River; and (ii) strengthen institutional mechanisms for groundwater quality monitoring to enable control of ongoing groundwater pollution from local municipal and industrial sources.

The Project had three components, activities of which were revised after restructurings in 2014.

- Containment of High-priority Sources of Groundwater Contamination (estimated cost at appraisal was USD 19.36 million, including USD 12.23 million of IBRD and USD 7.13 million contribution from the Government of Kazakhstan (GoK). The actual cost of the component was USD 11.25 million). This component aimed to rehabilitate seven contaminated waste dump sites and slurry ponds in and near Ust-Kamenogorsk city, selected based on a level of risk posed to groundwater pollution. The financial resources were also to be used to neutralize pollution sources and to re-cultivate and cover the existing dumps and slurry ponds to prevent further infiltration of hazardous waste into the aquifer.
- Remediation of Current Contaminated Groundwater Sites (estimated cost at appraisal was USD 20.13 million, including USD 12.06 million of IBRD financing and USD 8.07 million of GoK financing. The actual cost was USD 6.47 million). The component included investments to establish the pump and treatment groundwater remediation system. It also incorporated activities to establish a monitoring network to undertake groundwater sampling and contamination analysis, and to measure the effectiveness of the remediation system. It was agreed after the restructuring in December 2014 to cancel the investment in a pump and treatment groundwater remediation system due to the groundwater pollution monitoring results, which were below those estimated at appraisal and in line with the international allowable level' standards, including the WHO limits.
- Project Management and Monitoring (estimated cost at appraisal was USD 0.60 million to be fully financed by the GoK. The actual cost of the component reached USD 1 million). This component included activities to ensure proper Project management, to provide technical assistance on the supervision of construction, monitoring and evaluation activities, and to implement the environmental management plan.

[96] http://projects.worldbank.org/P078342/ust-kamenogorsk-environmental-remediation-project?lang=en&tab=financial

Annex 11.

Contact details of IFIs' offices including Central Asian countries

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http://www.eib.org/infocentre/contact/index.htm

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)
EBRD Kazakhstan contacts:
http://www.ebrd.com/kazakhstan.html

Almaty Resident Office
41 Kazybek Bi street, Park Palace Business Centre, 3-rd Entrance, 3-rd Floor, 050010, Almaty.
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Nur-Sultan Resident Office
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EBRD Kyrgyz Republic contacts:
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Bishkek Resident Office
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EBRD Tajikistan contacts:
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EBRD Turkmenistan contacts:

http://www.ebrd.com/turkmenistan.html

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EBRD Uzbekistan contacts:
http://www.ebrd.com/uzbekistan.html

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GERMAN DEVELOPMENT BANK (KFW)
https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Regional-offices.html

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KfW Office in Uzbekistan
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FRENCH DEVELOPMENT AGENCY (AFD)
https://www.afd.fr/en
https://www.afd.fr/en/our-agency-uzbekistan

AFD regional office in Tashkent, Uzbekistan
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WORLD BANK (WB)
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Lilia Burunciuc, Regional Director for Central Asia.

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ASIAN DEVELOPMENT BANK (ADB)

Kazakhstan Resident Mission (KARM) – Asian Development Bank (ADB)
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https://www.adb.org/countries/kazakhstan/contacts

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Turkmenistan Resident Mission (TKRM) – Asian Development Bank (ADB),
82, 1972 (Ataturk) Street, Berkarar Business Center Building, Office M1, Ashgabat 744036, Turkmenistan,
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https://www.adb.org/countries/turkmenistan/contacts

ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

AIIB Headquarters:
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GREEN CLIMATE FUND (GCF)

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