

 Financing
Energy Efficiency
Investments
in the Western
Balkans

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It is an update of the more detailed Review of Financial Support Facilities for Energy Efficiency and Renewable Energy in the Western Balkans published in June 2011 and its summary published in November 2011.

For more information and electronic copies of these reports, please visit www.wbif.eu

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GLOSSARY

BFSEF	Banking Facility for Sustainable Energy Finance
BmZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry of Economic Cooperation and Development of Germany)
CEB	Council of Europe Development Bank
DG	Directorate General (of the European Commission)
EBRD	European Bank for Reconstruction and Development
E4F	Eastern Europe Energy Efficiency Fund
EC	European Commission
ECS	Energy Community Secretariat
ECT	Energy Community Treaty
EE	Energy efficiency
EE21	Energy Efficiency 21
EED	Energy Efficiency Directive (2012/27/EU)
EEFF	Energy Efficiency Finance Facility
EIB	European Investment Bank
End-borrower	A physical or legal person taking a loan from a commercial bank
ESCO	Energy Service Company (financial intermediary)
EU	European Union
FI	Financial Intermediary
GGF	Green for Growth Fund
IEE2	Intelligent Energy – Europe
IFI	International Financial Institution
IPA	Instrument for Pre Accession (financing)
KfW	Kreditanstalt für Wiederaufbau

MBDP	Macedonian Bank for Development Promotion
MS	Member States
NEEAP	National Energy Efficiency Action Plan
OeEB	Oesterreichische Entwicklungsbank (Development Bank of Austria)
RCC	Regional Cooperation Council
RE	Renewable energy
REC	Regional Environmental Centre
REEP	Regional Energy Efficiency Programme
RENA	Regional Environmental Network for Accession
SE4F	Southeast Europe Energy Efficiency Fund
SEFF	Sustainable Energy Financing Facility
SEETO	South Eastern Europe Transport Observatory
SICAV	Société d'Investissement à Capital Variable
SME	Small and Medium Enterprise
TA	Technical Assistance
ToR	Terms of Reference
UNECE	United Nations Economic Council for Europe
UNMIK	United National Interim Administration Mission in Kosovo
WBIF	Western Balkan Investment Framework
WeBSEFF (WeBSECLF)	Western Balkans Sustainable Energy Financing Facility (previously Western Balkans Sustainable Energy Credit Line Facility)
WeBSEDF	Western Balkans Sustainable Energy Direct Financing Facility
Western Balkans	Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Montenegro, Serbia, Kosovo*

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

1 INTRODUCTION

This summary guide to financing facilities for energy efficiency in the Western Balkans is intended to provide an overview of the range of financing facilities and technical assistance currently available in the region funded by International Financial Institutions (IFIs) and the European Commission (EC). It also highlights some key issues arising for the future development of such valuable sources of investment funds for this increasingly important policy area.

The guide is based on a more detailed paper “Review of financial support facilities for energy efficiency and renewable energy in the Western Balkans and Turkey” published in June 2011. Figures were updated in March 2013. This paper can be downloaded from the website of the Western Balkans Investment Framework – www.wbif.eu



The benefits of energy efficiency

IEA (2012a): Spreading the Net – The Multiple Benefits of Energy Efficiency Improvements, Paris

2

THE CASE FOR ENERGY EFFICIENCY IN THE WESTERN BALKANS

Energy Efficiency helps everyone to spend less

Improving energy efficiency (EE) and increasing the use of renewable energy (RE) in the Western Balkans is both a political and economic priority.

More efficient use of energy by **industry** helps to:

- Reduce costs and make enterprises more competitive;
- Provide opportunities to replace old equipment and modernise production;
- Expand output, or the range of production;
- Improve quality standards and meet demands of export markets.

For **households**, EE helps to:

- Save on monthly expenses;
- Have heat in all the rooms of the home, not just one;
- Reduce the use of air conditioning.

For **municipalities**, becoming more energy efficient will save on the cost of:

- Providing municipal services, such as transport, utilities and waste management;
- Heating and cooling public buildings.

For **governments**, EE and RE is important because it:

- Reduces the amount of imported energy, thus increasing energy security;
- Reduces air pollution and CO2 emissions, thus reducing global warming and helping to meet national targets, Energy Community Treaty commitments and EU Accession obligations.

Table 1 Energy-saving potential in the Western Balkans¹

Sector	Energy-Saving Potential %
Transport	10
Residential	10–35
Public	35–40
Service	10–30
Industrial	5–25

As can be seen from Table 1 there is significant energy-saving potential in all sectors of the economy in the Western Balkans.

Legal Obligations on EE/RE in the Western Balkans

All the Western Balkan Contracting Parties to the Energy Community Treaty² have undertaken to implement the relevant EU directives in the fields of EE and RE with implementation deadlines that vary from 31 December 2011 to January 2017. The Contracting Parties' efforts to transpose and implement the directives are being supported by the Energy Community Secretariat (ECS), and its Energy Efficiency Coordination Group is the main body through which efforts are being coordinated. The parties are in the process of developing and implementing their second National Energy Efficiency Action Plans (NEEAPs) which guide the activities they undertake to meet the commitments under the treaty. They have also committed to implementing awareness campaigns.

The EC, IFIs and a number of bilateral donors are active in this sector and energy efficiency is an increasingly important component of external financiers' overall strategies and programmes in the Western Balkans. The level of activity has increased substantially since 2009, as has the level of cooperation and coordination among the donors as evidenced by the increase in multi-donor funds such as the Green for Growth Fund.

¹ Status of Energy Efficiency in the Western Balkans, -A Stocktaking Report, June 15, 2010, Sustainable Development Sector Unit, Europe and Central Asia. Report No. AAA49-7B, World Bank.

² Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and UNMIK on behalf of Kosovo.

Why is financing for EE necessary?

In order to take advantage of these benefits, it is necessary to invest in the EE sector. For example it may be necessary to invest in new equipment that will eliminate inefficiencies, allow greater computerised control of all business processes and take advantage of more modern technological possibilities.

Energy-using equipment in the Western Balkans is often outdated and incapable of taking advantage of the better instrumentation and computerised controls fitted to all modern equipment.

When investing in this new equipment it is important to remember that savings will occur on an annual basis, thus ensuring a return on the initial investment. Furthermore, this long-term return provides a suitable match for loan funding, with the benefit that after the loan is repaid the savings will still occur, permanently reducing costs and/or making available finance for further investments.

What type of financing is available in the Western Balkans?

Finance for EE investments is usually provided through financial intermediaries, for example local banks, and different forms of financing can be packaged together to reduce the risk of the investment and make it more feasible for the borrower.

Credit lines to local banks using funding provided by IFIs at lower interest rates are the most common. Local banks then on-lend these funds to private sector clients (households, SMEs and industrial companies). This does not mean the funds are necessarily cheaper than ordinary loans, but there is often the possibility for both the end user and the local bank to avail of consultancy services and training to develop feasible projects. This helps to reduce the risk to the local banks, making them more willing to lend, and also improves the overall effectiveness of the investment.

In many cases there are grants (subsidies, incentives) that reduce the amount that must be borrowed, sometimes by up to 20%. In other cases guarantee schemes are available to local banks to cover losses and thus reduce their risk, helping to lower interest rates.

IFI CO research carried out in the first half of 2011 identified 25 individual funds offering financial and/or technical assistance to improve EE in the Western Balkans. In March 2013 there were 34 of these funds. They are summarised in the tables and charts below. Fifteen are regional funds – active in each of the countries – and of these regional funds 12 are loan funds (most with their own or associated technical assistance), and three provide technical assistance services only (sometimes with small grants). Two guarantee funds were identified in the region both provided by USAID/SIDA with one in Bosnia and Herzegovina and one in the Former Yugoslav Republic of Macedonia. The total funding available through regional facilities is approximately €1.1 billion (up from €830.36m in 2011), 98% of which is loan funding (including associated technical assistance and grants).

In terms of country specific financial facilities, a total of 19 were identified. As well as funds provided by the EC and the main IFIs, there are loans and technical assistance funds provided by one Western Balkan country – Croatia – and bilateral donors, such as the governments of Italy, Spain and Switzerland. This report focuses on funds and facilities that have EE as their primary objective.

However it is important to note that there are also a number of general SME credit lines active in the region, often financed by EIB, that include EE as one of the eligible activities for borrowing.

Table 2 Overview of the main EE and RE financing facilities in the Western Balkans (2013)

	No.	EUR mil.	% of total
Regional Total	15	1.075,35	69,85%
Regional Loan Funds (with TA and grants)	12	1.062,95	69,04%
Regional TA Programmes and Funds	3	12,40	0,81%
Country Loan Funds (with TA and grants) Total	5	66,66	4,33%
Croatia	1	*	*
Montenegro	1	7,71	0,50%
Serbia	3	56,35	3,66%
Country Mixed/EE Loan Total	6	348,00	22,60%
Bosnia and Herzegovina	2	60,00	3,90%
Montenegro	1	50,00	3,25%
Serbia	3	238,00	15,46%
Country TA Funds Total	2	3,00	0,19%
Montenegro	1	1,50	0,10%
Kosovo	1	1,50	0,10%
Country Grant Funds Total	4	16,53	1,07%
FYRo Macedonia	3	16,33	1,06%
Serbia	1	0,20	0,01%
Country Guarantee Funds Total	2	30,00	1,95%
Bosnia and Herzegovina	1	15,00	0,97%
FYRo Macedonia	1	15,00	0,97%
TOTAL:	34	1.539,54	100,00%

*varies each year according to the State budget

Figure 1 Available EE financing by type of fund (2013) (EUR mil.)

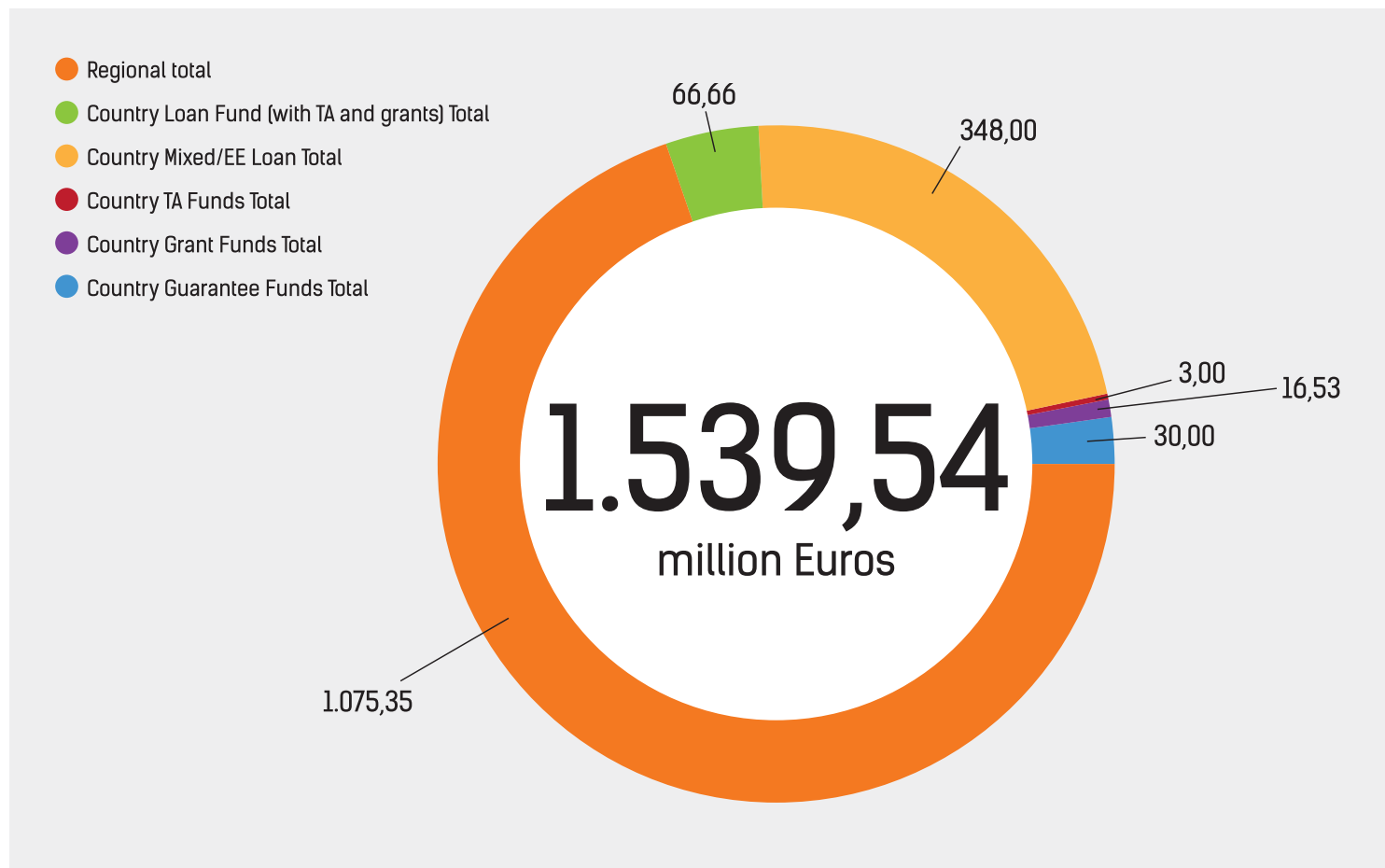
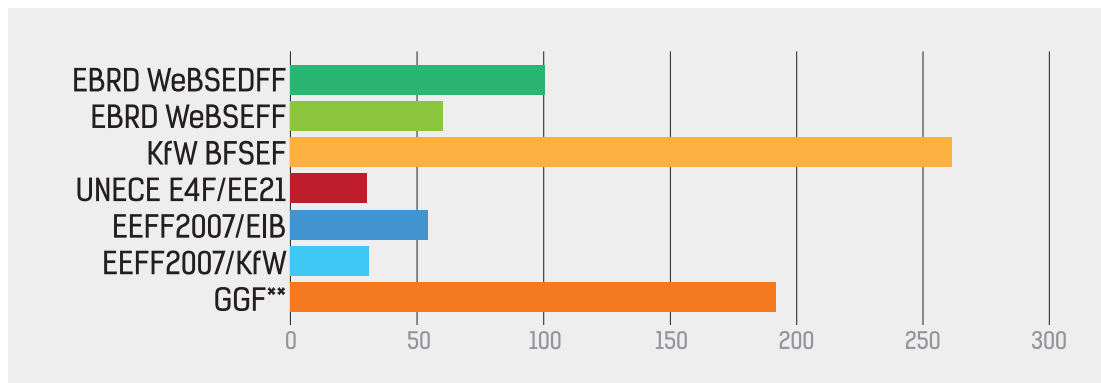
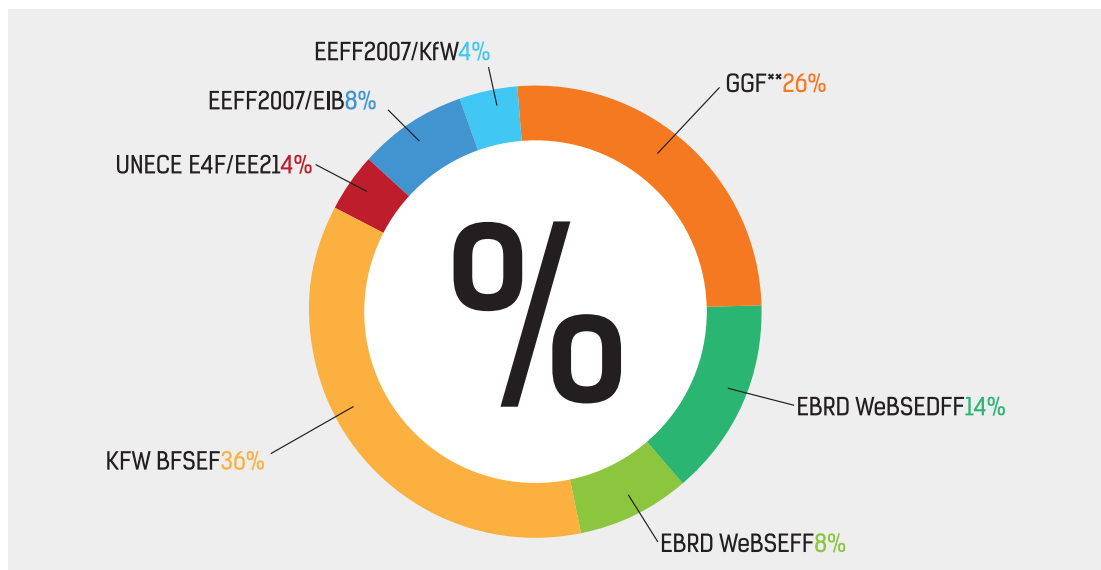


Figure 2 Amount of regional loan funds³ in Euro millions



**GGF: as of November 2012; aim is to increase to 400 M€ by 2015; structure of fund is variable since it is an investment fund.

Figure 3 Share of regional EE loan financing by facility (2013)



³ Associated funds for TA and grants excluded



3

DETAILS OF THE DIFFERENT FINANCING FACILITIES AVAILABLE

This section provides details on facilities that are available on a regional basis, i.e. across the Western Balkans. Most of the financing facilities are provided by IFIs and are available as loans that can be accessed through local banks. In general, the target borrower is industry, particularly small and medium sized enterprises. The EC has become increasingly active in this sector and provides grant financing that allows for technical assistance or incentives to be provided as part of an overall financing package for EE investments. The EC is also active in promoting the availability of financing for EE investments in the public sector.

3.1 EBRD Regional Energy Efficiency Programme (REEP)

The Regional Energy Efficiency Programme for the Western Balkans (REEPWB) is the newest EE financing facility available to the region. It is expected to start its activities in 2013. It aims to realise the EE potential of the Western Balkans by providing a combination

of financing instruments, technical assistance and policy support to create a sustainable market for energy efficiency in the region. It covers Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia.

REEP supports energy efficiency for both private and public sectors, and encourages the public sector to take a leadership role as stipulated in the countries' NEEAPs.

REEP is supported by the WBIF, a joint initiative between the EU and other international partners, by a €20m allocation from the EC and an additional €3.35m from bilateral donors through the European Western Balkans Joint Fund.

The programme is built on the success of two forerunners: the Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDFF); and the Western Balkans Sustainable Energy Financing Facility (WeBSEFF). Both these previous programmes successfully combined investment financing, technical assistance and investment incentives to foster a strong portfolio of energy efficiency and renewable energy projects. They also benefited from a comprehensive institutional capacity building component, providing targeted consultancy support to address specific weaknesses in the regulatory framework for renewable energy. This led to a significant improvement in the investment environment for renewable energy across the whole region.

The new REEPWB seeks to benefit from this experience by replicating the model while modifying it to best support the participating countries to achieve their sustainable energy objectives as set out in their NEEAPS. REEPWB is made up of three complementary windows of work. These are:

1. Policy dialogue window

A total of €6m for technical assistance has been set aside for this window which will facilitate intensive policy dialogue with all the authorities in the region. The work aims to enhance the regulatory frameworks and overcome market barriers to encourage investment in energy efficiency and allow ESCO markets to emerge.

2. Credit line facility window (WeBSEFF II)

This window of work consists of a €75m credit line framework. The credit lines will be extended to local financial institutions for on-lending to smaller scale energy efficiency and renewable energy projects. This finance is accessible by both public and private sector borrowers. In addition, the WBIF provides €11.5m grant funding for technical assistance and investment incentives.

3. Direct financing facility window (WeBSEDFF)

A total of €50m has been allocated to replenish WeBSEDFF funding. This will be invested in both medium scale renewable energy and energy efficiency improvements in industrial enterprises. Furthermore, the facility intends to provide financing to ESCO projects. Grants to the amount of €6.35m will fund technical assistance and investment incentives.

Table 3 EBRD Regional Energy Efficiency Programme (REEP)

Website	www.ebrd.com / www.websedff.com / www.webseff.com					
Contact person	Daniela Diedrich-Ristic, Associate Manager, Energy Efficiency and Climate Change – ddiedric@ebrd.com Karina Saroukhanian, Senior Banker – saroukhk@ebrd.com					
Countries of operation	Albania, Bosnia and Herzegovina, Croatia, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia					
Target end users	private businesses, public sector					
Start date	2013					
Types of finance	Loan Funds		TA Funds		Grants	
	Previous Fund	REEP	Previous Fund	REEP	Previous Fund	REEP
Financing source	EBRD	EBRD	EBRD SSF/EC/ other donors	WBIF/EBRD/ WB Joint Fund	EC/EBRD	WBIF/WB Joint Fund/other donors
Window 1: Policy Dialogue	-	-	€3,5m	€6m	-	€9,15m ⁴
Window 2: Credit Line (WeBSEFF)	€60m	€75m	€3,7m	€2,35m	€13,5m (IPA 2007)	€9,15m
Window 3: Direct Financing (WeBSEDF)	€50m	€50m	€2,3m	€2m	€8m (IPA 2009,EBRD)	€5m

3.2 Green for Growth Fund

This fund is the latest model for combined funds for EE/RE in the Western Balkans. The fund uses an innovative financial structure to encourage the involvement of private sector investors, where contributors (donors, IFIs and private investors) own shares in the fund. The aim is to serve all the main groups of potential borrowers – SMEs, private households, energy service companies, etc. – with appropriate mixes of loans, grants, TA and guarantees, providing innovative financial mechanisms as necessary.

⁴ Preliminary allocation subject to change once the actual portfolio distribution between public and private sector finance is known.

Table 4 Green for Growth Fund

Website	www.ggf.lu			
Contact person	Finance in Motion GmbH: energy_investments@finance-in-motion.com			
Countries of operation	Albania, Bosnia and Herzegovina, Croatia, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia			
Target end users	Private households, SMEs, energy service companies, renewable energy companies			
Start date	2009			
Types of finance	Loan/Investment funds	TA Funds		Grants
Financing source	EC/IFIs/Bilateral donors & private sector		EC/BmZ/OeEB	Same as loan
Initial funds commitments⁵	EBRD	€25m	€6,50m (EC: 5m, BmZ: 1m, OeEB: 0,5m)	Included in loan funds
	EIB	€25m		
	KfW	€25m		
	IFC	€25m		
	EC (EIF)	€38,6m		
	Oppenheim	€0,3m		
	BmZ (KfW)	€8m		
	Total	€146,9 m		
Investments via financial institutions				
Households & SMEs	Max €0,5m (standard and non-standard applications)			
Industry/Municipalities	Max €10m			
Investments via non financial institutions				
Energy Service Supply Companies	Max €10m			
ESCOs ⁶	Max €10m			
Investments in renewable energy	Projects not larger than €50m with GGF participation not larger than €10m. Min size €2–3m			

⁵ At inception in 2009. As of November 2012, total amount was 191 M€ (GGF is a closed-end investment company). Aim is to increase to 400 M€ by 2015.

⁶ ESCOs (Energy Service Companies) are private sector companies which act as financial intermediaries to implement energy-efficiency measures on behalf of public sector clients. They may be eligible for preferential financing from IFIs, particularly if they operate energy performance contracts with their public sector clients, sharing the savings.

3.3 Other Regional Loan Funds

Table 5 EIB/EC Credit Line⁷

Website	www.eib.org		
Contact person	MONTGOMERY-WADE Emeline - e.montgomery-wade@eib.org		
Countries of operation	Western Balkans		
Target end users	SMEs		
Start date	2010		
Types of finance	Loan Funds	TA Funds	Grants
Financing source	EIB	EIB/EC	EC: grants (via IPA 2007)
Total funds	€14m	€0,7m	€2,8m
For individual sub-borrowers	Up to €12,5m		15% –20%

Table 6 CEB/KfW/EC Facility

Website	www.kfw.de		
Contact person	ee-finance@kfw.de		
Countries of operation	Albania, Bosnia and Herzegovina, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia		
Target end users	SMEs, Municipalities		
Start date	2009		
Types of finance	Loan Funds	TA Funds	Grants
Financing source	KfW	N/A	EC
Total funds	€30,80m	N/A	€7,70m
For individual sub-borrowers	Up to 50.000 €		20%

⁷ Amounts indicated in the table are for Western Balkans only. Credit line covers Turkey as well.

Table 7 KfW – Banking Facility for Sustainable Energy Finance

Website	www.kfw.de		
Contact person	se-finance@kfw.de		
Countries of operation	Bosnia and Herzegovina, Kosovo, Former Yugoslav Republic of Macedonia, Montenegro, Serbia		
Target end users	SMEs, Private households, Municipalities		
Start date	January 2008		
Types of finance	Loan Funds	TA Funds	Grants
Financing source	KfW	KfW	KfW
Total funds	€142m	€9m	€3m
For individual sub-borrowers	Up to €1,5m		

Table 8 UNECE – E4F/EE21

Website	www.unece.org www.teei.info		
Contact person	Bernard Jamet – Bernard.Jamet@unep.fr		
Countries of operation	Bosnia and Herzegovina, Kosovo, Former Yugoslav Republic of Macedonia, Montenegro, Serbia		
Target end users	Financing for EE/RE projects or companies developing, manufacturing, distributing or installing EE/RE equipment or services		
Start date	2011		
Types of finance	Loan Funds	TA Funds	Grants
Financing source	UNECE/E4F	UNECE/EE21	UNECE
Total funds	€250m (€30m allocated to Western Balkans)	€6,15m	
For individual sub-borrowers	Production of EE and RE equipment		

3.4 Technical Assistance Funds

In addition to funds aimed at promoting and financing specific investment projects, there are some technical assistance-only funds that are available to support governments, and in particular Ministries of Energy and Environment, on policy and legislation issues and are not aimed at individual borrowers.

The funds listed under table 9 below are regional funds which are open to Western Balkan governments as of March 2013⁸ – for a comprehensive list of past and on-going energy efficiency projects since 2007 please refer to the online database available at www.wbif.eu/projects.

Table 9 Technical Assistance Funds

Name	Financier	Objective	Fund value	Activities	Dates	Contact details
GIZ Open Regional Fund	GIZ Italian Government	Energy consumption in Southeast Europe is made more sustainable through more efficient energy utilisation/ Regional networks of energy-relevant institutions are acting as Drivers for Innovation	€8.8m	Energy efficiency, distribution direct to end beneficiaries	July 2008 – September 2015	Mr Johannes Elle Email: johannes.elle@giz.de
CEI Trust Fund Italian Government at EBRD		Energy Efficiency (EE) where the CEI intends to support region-wide projects aiming at promoting a sustainable energy development strategy by enhancing regional co-operation on energy efficiency and the development of investment projects. Special attention will be paid to industrial and residential areas as well as to technology transfer.	€36.5m (Italian grant)	Energy efficiency, renewable energy	1992– not limited	dovier@cei-es.org Mr Guido Paolucci Email: paoluccg@ebrd.com

⁸The USAID-funded project SYNENERGY closed at the end of October 2012 and is therefore not included here.



4

ACCESSING EE LOANS IN THE WESTERN BALKANS

Table 10 below gives an indication of interest rates in Western Balkan countries as of March 2013. Rates are generally quite high, though grace periods can help making quick-win investments pay for themselves before loan repayment is due.

Table 10 Publicly available information on indicative interest rates and other conditions for loans (March 2013)

Country	Households	Companies	Duration of loan	Grace period	Collateral
Albania	11–16%	12–15%	5–15 years	Generally none	Mortgage for over 5 years
Bosnia and Herzegovina	8.5%	No info	Up to 10 years	1–3 years	No info
Croatia	7–9%	4.5–9%	2–30 years	6 months–3 years	Various, up to 130% of loan
Kosovo	10.90%	13.20%	Up to 10 years	None	various
FYRo Macedonia	No info	5.5–9%	5–10 years	1 year, (up to 3 for renewable projects)	various
Montenegro	No info	6%, 8–13.5%	7–12 years	Up to 2 years	various
Serbia	9%, 5.9–14% depending on EURIBOR	5–7.5%, 10.27% depending on EURIBOR	2–15 years	Up to 2 years; 4 years for municipalities	various

Where can you find funds in local banks?

Table 11 lists the 50 banks that were identified as clearly advertising loans for dedicated EE facilities⁹. In addition, the table includes details of banks that offer EIB financed credit lines for SME investments as these include EE as an eligible activity. Potential borrowers in Croatia, the Former Yugoslav Republic of Macedonia and Serbia are the best served, with a choice in Croatia of 19 banks, Serbia 14 banks and the Former Yugoslav Republic of Macedonia of six banks. Some banks in Croatia have their own EE/RE lending products. No ESCOs and only one leasing company were directly identified as active in this area.

Table 11 Banks advertising identified EE funds, by country

Country	Bank Name	Name of product/ financing source	Website of bank
Albania	Procredit Bank	Energy efficiency loans	www.procreditbank.com.al
	Tirana Bank	SME loans (EIB)	www.tiranabank.al
Bosnia & Herzegovina	Raiffeisen Bank	Energy efficiency loans	www.raiffeisenbank.ba
	UniCredit bank	Energy efficiency loans	www.unicreditbank.ba
Croatia	HBOR and 17 local banks listed below	Environmental Protection, Energy Efficiency and Renewable Energy Resources	www.hbor.hr
	Banco Popolare Croatia d.d., Zagreb		www.bpc.hr
	Banka Kovanica d.d., Varaždin		www.kovanica.hr
	Credo Banka d.d., Split		www.credobanka.hr
	Croatia Banka d.d., Zagreb		www.croatiabanka.hr
	Erste & Steiermärkische Bank		www.erstebank.hr
	Hrvatska Poštanska Banka d.d., Zagreb		www.hpb.hr
	Hypo-Alpe-Adria Bank d.d., Zagreb		www.hypo-alpe-adria.hr
	Imex Banka d.d., Zagreb		www.imexbanka.hr
	Istarska Kreditna Banka		www.ikb.hr
	Karlovačka banka d.d., Karlovac		www.kaba.hr

⁹ Identified through desk research March 2013

Country	Bank Name	Name of product/ financing source	Website of bank
	OTP banka Hrvatska d.d., Zadar		www.otpbanka.hr
	Partner banka d.d., Zagreb		www.paba.hr
	Podravska banka d.d., Koprivnica		www.poba.hr
	Privredna banka Zagreb d.d., Zagreb		www.pbz.hr
	Slatinska banka d.d., Slatina		www.slatinska-banka.hr
	Société Générale-Splitska banka d.d., Split		www.splitskabanka.hr
	Volksbank d.d. Zagreb		www.volksbank.hr
	Zagrebačka banka d.d., Zagreb		www.zaba.hr
FYRo Macedonia	Komercijalna Banka	SME investment loans from EIB	www.kb.com.mk
	Halkbank		www.halkbank.mk
	Ohridska Banka	Credit line from MBDP for participation in sustainable energy project through financing energy efficiency projects and renewable energy sources projects	www.ohridskabanka.mk
	NLB Tutunska Banka	Credit line from MBDP for participation in sustainable energy project through financing energy efficiency projects and renewable energy sources projects	www.nlbtb.com.mk
	Unibank ad Skopje	Loan for energy efficiency	www.unibank.com.mk
	ProCredit Bank	EKO Loans	www.pcb.com.mk
Kosovo (UNSCR 1244)	ProCredit Bank Kosovo	EKO Loans	www.procreditbank-kos.com
	Raiffeisen Bank	BIO Loan	www.raiffeisen-kosovo.com

Country	Bank Name	Name of product/ financing source	Website of bank
Montenegro	Crnogorska Komercijalna Banka	CKB Green loans	www.ckb.me
	Atlasmont Banka		www.atlasbanka.com
	First Financial Bank	European loans	www.ffbank.org
	Hipotekarna Banka	EIB loans for SMEs	www.hipotekarnabanka.com
	Erste Bank	No specific product name	www.erstebank.me
	NLB Montenegrobanka	NLB EKO loan from KfW fund	www.nlb.me
Serbia	Banca Intesa	Credits for energy efficiency	www.bancaintesabeograd.rs
	Cacanska Banka	Hit energy loans	www.cacanskabanka.rs
	Erste Bank	EIB Credit Line	www.erstebank.rs
	KBC Banka	Long-term credit for permanent assets infrastructural projects from EIB credit line	www.kbcbanka.rs
	Komercijalna Banka	EIB Credit Line	www.kombank.com
	OTP Bank	EIB Credit Line	www.otpbanka.rs
	Privredna Banka Beograd	EIB Credit Line	www.pbb-banka.com
	ProCredit Bank	Energy efficiency loans	www.procreditbank.rs
	ProCredit Leasing	Leasing for energy efficiency	www.procreditleasing.rs
	Raiffeisen Bank	Green loans/energy efficiency loans	www.raiffeisenbank.rs
	Société Générale Bank	Credits for energy efficiency	www.societegenerale.rs
	Sberbank		www.sberbank.rs
	UniCredit Bank	EIB Credit Line	www.unicreditbank.rs
	Volksbank	Green Volksbank loans	www.volksbank.rs



5

SOME SELECTED FINDINGS AND RECOMMENDATIONS FOR IMPROVING EE FINANCING FACILITIES

National Energy Efficiency Action Plans (NEEAPs)

All the Contracting Parties with the exception of Bosnia and Herzegovina now have NEEAPs that have been approved by their respective governments, and are developing their second NEEAPs due in June 2013. These NEEAPs are intended to **set energy savings targets** and propose **concrete measures and actions** at the level of each Contracting Party that contribute to meeting the

agreed targets. Under their first NEEAP, each Contracting Party sets an **overall national indicative savings target of 9%** or higher, to be achieved and measured in 2018, and an intermediate national indicative savings target to be achieved in 2012. To date, all parties, except for the Former Yugoslav Republic of Macedonia, have taken 9% as their savings target for 2018.

NEEAPs cover both public and private sector economic activities and are specifically focused on industry, public buildings, transport and households.

Based on the assessment of this first set of NEEAPs carried out by the ECS in 2011, one of the main issues is the lack of information on the costs that will be incurred in order to reach the targets. While the current financial facilities available in the region can clearly contribute to meeting these costs, it is likely that additional financing and different forms of financing will be required, for example through specific taxes, national EE funds, or using incentives such as energy price reforms¹⁰.

Private Sector is the Main Beneficiary of Current Funds

The vast majority of the financial facilities identified are aimed at the private sector and the most active loan facilities are those that package together loans, technical assistance and grants, probably because financial intermediaries and end borrowers find them easier to access and use. The availability of financing for EE could be improved through the greater user of new banking products and different types of financial intermediaries (e.g. ESCOs and leasing companies). This will require further work on the legislative and regulatory environment.

More support needed in the public sector

In October 2012 the EU adopted a new Energy Efficiency Directive, 2012/27EU.

The ECS is currently considering the implications for the Contracting Parties to adopt this directive under the Energy Community Treaty as quickly as possible, preferably at the Ministerial Council in October 2013.

EED is largely a recast of the Directive on energy end use efficiency and energy services (ESD) 2006/32/EC. There are some new provisions which need to be adapted for EnC (as proposed by ECS):

¹⁰ For more details regarding possible options for the financing of NEEAPs, please refer to the Food-for-Thought paper prepared by the IFI Coordination Office in April 2013 and available from www.wbif.eu/Energy

- **Article 5:** the obligation to annually retrofit 2% (adjusted from 3%) of the buildings owned by public bodies (for first three years);
- This needs new financing resources (no structural funds available);
- **Article 7:** the energy saving obligations imposed on energy distributors and retail energy sales companies to save 1.5% of their annual energy sales may have to be adjusted;
- **Article 9(1) and 9(2):** the cost of the roll-out of smart meters for household consumers likely to have an impact on the timeline for implementation.

Other adaptations are still being discussed.

With these new obligations, new initiatives (both financing facilities and technical assistance programmes) are now needed to assist the public sector, and in particular to support municipalities, in view of the large scope for EE savings there. Specific efforts have been made in this respect with the launch of the EBRD REEP Fund and World Bank projects supporting energy efficiency in public buildings. In most countries, municipalities are becoming signatories of the EU's Covenant of Mayors, which includes making Sustainable Energy Action Plans, and sharing knowledge and experience in their implementation.

Moving from grants to loans in the public sector

Funds supplied as loans have the following advantages:

- Capital is preserved, since it can be re-lent as soon as loans are partly or fully repaid;
- The “subsidy mentality” of grants is removed.

Direct lending of IFIs to the public sector has been successful. Examples include World Bank financed projects in Serbia for schools and hospitals that utilised sovereign guarantees. Energy service agreements for individual schools through lending to an energy efficiency fund are under consideration in Macedonia with the World Bank.

More flexible funding facilities required

In order to promote greater take-up of the financing packages available under the current facilities, external financiers should be encouraged to:

- Learn from the experience of large funds, such as JEREMIE and JESSICA, being operated by the EU as loan funds instead of using EU Structural Funds as grants;

- Develop more flexibility in the structure of funding;
- Provide more training for local banks to better assess risk and collateral requirements;
- Match the duration of funding availability with the validity period of the NEEAPs;
- Reduce the complexity and set-up time for funds, while providing the necessary safeguards to manage public funds.

More non-loan facilities needed for:

- Households with inadequate or uncertain income (reliant on seasonal income or remittances);
- Housing associations where the legal framework may not be adequate to take loans, and majority decision-making is needed;
- Smaller municipalities which cannot take sovereign loans.

Prioritising EE in state budgets

In the public sector, loan finance for EE has to be evaluated against all the other needs for finance in the country. It is vital that discussions on financing mechanisms for EE are conducted by a cross-ministerial team which includes representatives of the ministries of energy, transport, environment, economy and finance.

Better marketing of EE

In general it is not easy to find information on the availability of funds or their terms and conditions. More **visibility and reporting** of successes are needed for all the funds, especially as the more recently established funds begin to deliver results.

The Western Balkans has made a good start with developing NEEAPs, and end users are beginning to use the funds provided in the region for EE in the private sector (mainly SMEs and private households). However, EE is still a vague and rather unknown concept for many in the region. More could be done by better marketing of EE, stressing the benefits of modernisation and improvement, quality comfort, greater efficiency and better quality of production leading to more competitive products, and so on.

6 RESOURCES

Energy Community Secretariat

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BELGIUM
Tel: + 3222114028
info@ificoord.eu
www.wbif.eu/energy

LINKS

Energy in Central and Eastern Europe
www.enercee.net

World Bank
www.worldbank.org

EBRD energy efficiency resource page
www.ebrd.com/pages/sector/energyefficiency

EIB energy efficiency resource page
www.eib.org/projects/priorities/energy/index.htm

International Energy Agency (IEA) energy efficiency resource page
www.iea.org/topics/energyefficiency

Energy Sector Management Assistance Program (ESMAP)
www.esmap.org

USEFUL PUBLICATIONS (available from websites listed above)

- Review of Financial Support Facilities Available for Energy Efficiency and Renewable Energy in the Western Balkans – IFI Coordination Office, 2011
- Status of Energy Efficiency in the Western Balkans – A Stocktaking Report – World Bank, 2010
- Promoting Energy Efficiency Investments – IEA, 2008
- Energy Efficiency Governance Handbook – IEA, 2010



WBIF Policy and Strategy Discussions

Financing Energy Efficiency Investments in the Western Balkans

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