Phase 2 Research
Proposed analysis framework

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Key success factors

- **FI Engagement**
  - Access to finance
  - Concessionality
  - Technical advisory
  - Market positioning
  - Business development
  - Minimal resource demand

- **Product Delivery**
  - Resources and staffing
  - Skills and capacity building
  - Product design and promotion
  - Effective pipeline development
  - Adoption of tools and methods
  - Robust appraisal and reporting

- **Market Sustainability**
  - Strong investment climate
  - Environmental policy support
  - Access to finance
  - Effective donor support
FI Engagement: Potential drivers

• Market opportunity
• Liquidity
• Access to concessional funds
• Grant based technical assistance/capacity building
• CSR/Environmental positioning
• IFI partnership and quality mark
Product Delivery: Key Success Factors

• Resources and staffing
• Skills and capacity building
• Product design and promotion
• Effective pipeline development
• Adoption of tools and methods
• Robust appraisal and reporting
Market Sustainability

- Strong investment climate
- Environmental policy support
- Access to finance
- Effective donor support
Phase 2: Analysis of Individual Credit Lines

- Testing hypothesis
- 2-3 credit line case studies
- Scoping key success factors
- Assessing barriers
- Identifying best practice
- Potential for regulatory support
Research Approach

• Data collection (desk research and data questionnaires)

• Semi-structured interviews

• Market and regulatory review
Data collection

• Data considerations
  • Maturity of local banking sector
  • Maturity of environmental legislation
  • Profile of local financial institution
  • IFI credit line profile
  • FI loan profile (to end borrower)
  • Credit line performance and impact
## Data Collection (1): Banking Sector

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting Credit Index</td>
<td>World Bank Doing business report</td>
</tr>
<tr>
<td>Financial market development index</td>
<td>World Economic Forum Global Competitiveness Report</td>
</tr>
<tr>
<td>Domestic credit provided by the banking sector as a share of GDP</td>
<td>EBRD Structural change indicators (Banking sector depth and financial sector development)</td>
</tr>
<tr>
<td>Domestic credit to households (% of GDP)</td>
<td>EBRD?</td>
</tr>
<tr>
<td>Ratio of bank capital to assets</td>
<td>EBRD? (Bank solvency and resiliency)</td>
</tr>
<tr>
<td>Ratio of bank non-performing loans to total gross loans</td>
<td>EBRD? (Credit portfolio quality and efficiency)</td>
</tr>
<tr>
<td>Interest rate spread</td>
<td>Source? (Financial sector efficiency in intermediation)</td>
</tr>
<tr>
<td>Risk premium on lending</td>
<td>Source? (Perceived private sector risk premium)</td>
</tr>
<tr>
<td>Asset share of foreign-owned banks and state-owned banks</td>
<td>EBRD?  Level of international/private sector participation</td>
</tr>
</tbody>
</table>
# Data Collection (2): Environmental Regulation

## Maturity of environmental regulation

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Intensity</td>
<td>MWh/$ GDP (benchmarked)</td>
</tr>
<tr>
<td>Carbon intensity</td>
<td>tCO₂E/$ GDP (benchmarked)</td>
</tr>
</tbody>
</table>
| Energy pricing                                | Energy prices (benchmarked)  
Overview of renewable energy and fossil fuel subsidies (by segment)                                                                            |
| Energy efficiency regulation                  | Minimum Standards (buildings, industrial equipment, fuel efficiency)  
Demand side management, awareness programmes                                                                                                    |
| Energy (resource) efficiency incentives       | Tax and other fiscal incentives (e.g. accelerated depreciation, reduced custom duties, tax credits)                                             |
| Other support                                 | Other relevant environmental or resource efficiency legislation                                                                                |
## Data Collection (3): FI Profile

<table>
<thead>
<tr>
<th>Profile of borrowing Financial Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of institution</strong></td>
</tr>
</tbody>
</table>
| **Share capital** | Called up share capital  
Main shareholders, % of International shareholders |
| **Main product segments** | Product lines and key market segments  
% share of revenue by product |
| **No employees** | # |
| **No. of branches** | # |
| **Geographical coverage** | Regions of operation |
| **Social and environmental policies** | E.g. international environmental and social standards, Climate change strategy |
| **Environmental products** | E.g. energy efficiency loans, resource efficiency, water, renewable energy |
| **Previous engagement with IFIs** | Overview of previous engagement with IFIs |
### Data Collection (4): IFI credit line profile

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose of IFI credit line</td>
<td>General description of credit line</td>
</tr>
<tr>
<td>Eligibility criteria</td>
<td>Copy of eligibility criteria applied to FI</td>
</tr>
<tr>
<td>Duration of IFI credit line</td>
<td>Years</td>
</tr>
<tr>
<td>Total value of IFI credit line</td>
<td>$m</td>
</tr>
<tr>
<td>Other debt leveraged (domestic)</td>
<td>$m, origin of funds</td>
</tr>
<tr>
<td>Other debt leveraged (international)</td>
<td>$m, origin of funds</td>
</tr>
<tr>
<td>Donor or other public funds associated</td>
<td>$m, origin of funds, use of funds</td>
</tr>
<tr>
<td>Ex-ante indicators</td>
<td>Performance and reporting indicators associated with the credit line</td>
</tr>
</tbody>
</table>
# Data Collection (5): FI loan product profile

<table>
<thead>
<tr>
<th><strong>FI loan product profile</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer profile (s)</strong></td>
</tr>
<tr>
<td><strong>Project profile</strong></td>
</tr>
<tr>
<td><strong>Number of sub-borrowers</strong></td>
</tr>
<tr>
<td><strong>Approval rate</strong></td>
</tr>
<tr>
<td><strong>Typical turnover of sub-borrowers (where applicable)</strong></td>
</tr>
<tr>
<td><strong>Project profile</strong></td>
</tr>
<tr>
<td><strong>Loan value</strong></td>
</tr>
<tr>
<td><strong>Repayment period</strong></td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
</tr>
<tr>
<td><strong>Collateral requirements</strong></td>
</tr>
<tr>
<td><strong>Variation of terms with products for similar customer segments</strong></td>
</tr>
</tbody>
</table>
# Data Collection (6): Performance and Impact

<table>
<thead>
<tr>
<th>Credit line performance and impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time to fully disburse credit line</strong></td>
</tr>
<tr>
<td><strong>Default rate</strong></td>
</tr>
<tr>
<td><strong>Default rate on comparable segment</strong></td>
</tr>
<tr>
<td><strong>Environmental impact indicators</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Ex-post monitoring</strong></td>
</tr>
<tr>
<td><strong>Product line continuation post disbursement</strong></td>
</tr>
</tbody>
</table>
**Stakeholder Interviews**

- **7 Thematic Areas**
  - Financial institution motivation
  - FI product considerations
  - FI capacity and training
  - Market response/product take up
  - End user implementation
  - Monitoring and reporting
  - Sustainability

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### IFI staff and consultants
- IFI Financial Markets Product staff
- IFI Technical assistance and product advisory staff
- IFI Consultants (capacity building, technical and monitoring, reporting and verification)

### FI staff
- Senior management (executive team)
- Product managers (e.g. energy efficiency, innovative products)
- Loan officers (central Headquarters and regional)
- Marketing officer (product promotion and communication)
- Shareholders and board members (strategic direction, accountability)

### End borrowers
- Senior management (decision makers)
- Financial department (profitability)
- Technical/engineering (productivity, environmental)

### Policy makers
- Ministry of Finance (subsidies, fiscal position)
- Ministry of Environment (legislation, regulation)
- Ministry of Energy (energy pricing, strategy)

### Influencers
- Donors
- NGOs and campaign organisations
- Academics and research community
Stakeholder Interviews (1): FI motivation

• Strategic drivers for the FI?
• Product fit in the corporate strategy?
• (International) shareholder or board level support?
• Other environmental or resource efficiency products?
• Influenced by FI environmental or CSR policy?
• Role of concessionality and availability of grant funds?
• Key regulatory or market trends?
• Access to (subsidised) technical assistance?
Stakeholder Interviews (2): FI Product design

• Differences between environmental credit line and other products?
  • Interest rate, tenor, collateral?
• Innovative design features?
• Use of project finance and cash flow assessment?
• Use of technical eligibility criteria?
• Provision of technical support to end borrowers?
• End borrower reporting requirements?
Stakeholder Interviews (3): FI Capacity

• Additional resource requirements (staff, finance)?
• Level of staff capacity to understand product and appraise applications?
• Level and format of training provided?
• Use of new tools or methodologies in appraisal and reporting?
• Marketing strategy?
• Use of 3\textsuperscript{rd} party (IFI/consultant) expertise in delivering product?
Stakeholder Interviews (4): Market response

• Speed of disbursement vs. other credit products?
• Most important/attractive features for end borrowers?
• Potential alternative credit options/other FIs offering similar products?
• Differences in profile of borrowers vs. similar segments?
• Challenges in explaining product benefits to borrowers?
• Importance of environment/climate benefits?
• Ease of application procedures?
• Importance of technical assistance or incentives in creating demand?
• Importance of regulation in creating demand?
• Potential options for improving product take up?
Stakeholder Interviews (5): Implementation

• Challenges in fulfilling technical eligibility criteria?
• Procurement and installation challenges?
• Equipment performance meets standards?
• Importance of TA provided?
Stakeholder Interviews (6): M&E

• Indicators to track performance and delivery
• Monitoring and verification processes?
• Ease of compliance with reporting requirements?
Stakeholder Interviews (7): Sustainability

• Profitability/development costs of credit line vs. other products?
• Default rates and NPLs?
• Opportunity costs?
• Product continuation post-disbursement? Other external support?
• New market entrants/increased competition?
• Interest/support from regulators?
• Market/regulatory trends that (could) provide support? Role of EU?
• Role of long term concessional/donor funds?
Policy and Market Analysis

• Investment climate:
  • investor protection, intellectual property rights and technology development, contract enforcement, public governance;

• Policy support:
  • pricing of externalities (e.g. CO2), removal of fossil fuel subsidies, long term targets (e.g. energy efficiency, RE, GHG emissions), investment incentives and other fiscal instruments, and streamlined permitting and licensing;

• Access to finance:
  • Availability and cost of finance for potential borrower groups. Level of banking sector competition
Selecting country level case studies

• Potential selection criteria
  • Sector coverage (SME vs. Residential vs. RE)
  • Market profile and opportunity to scale (large energy intensive vs. small SME)
  • Policy environment (supportive vs. regressive)
  • Sustainability post disbursement (continuation vs. non – continuation)
  • Fis receiving support by multiple IFIs (multiple IFIs vs. single IFI)
  • Willingness to participate (both FI and supporting IFI)