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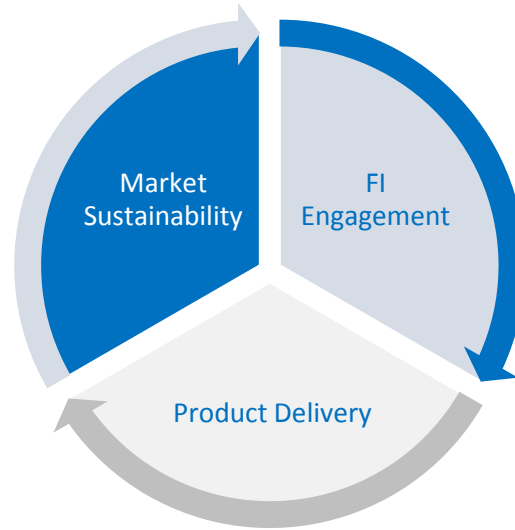
Phase 2 Research Proposed analysis framework

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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

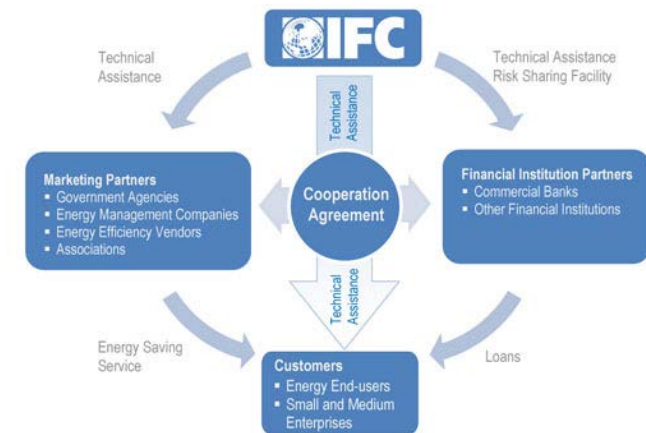
FI Engagement: Potential drivers

- Market opportunity
- Liquidity
- Access to concessional funds
- Grant based technical assistance/capacity building
- CSR/Environmental positioning
- IFI partnership and quality mark



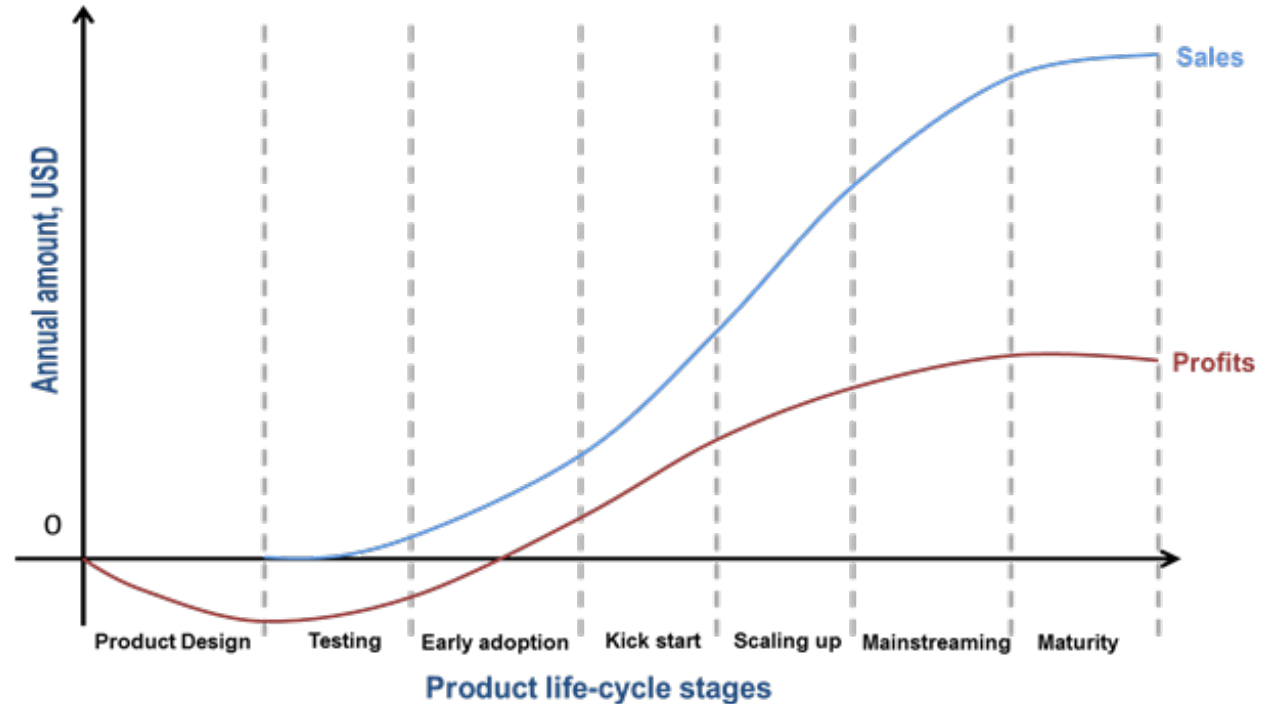
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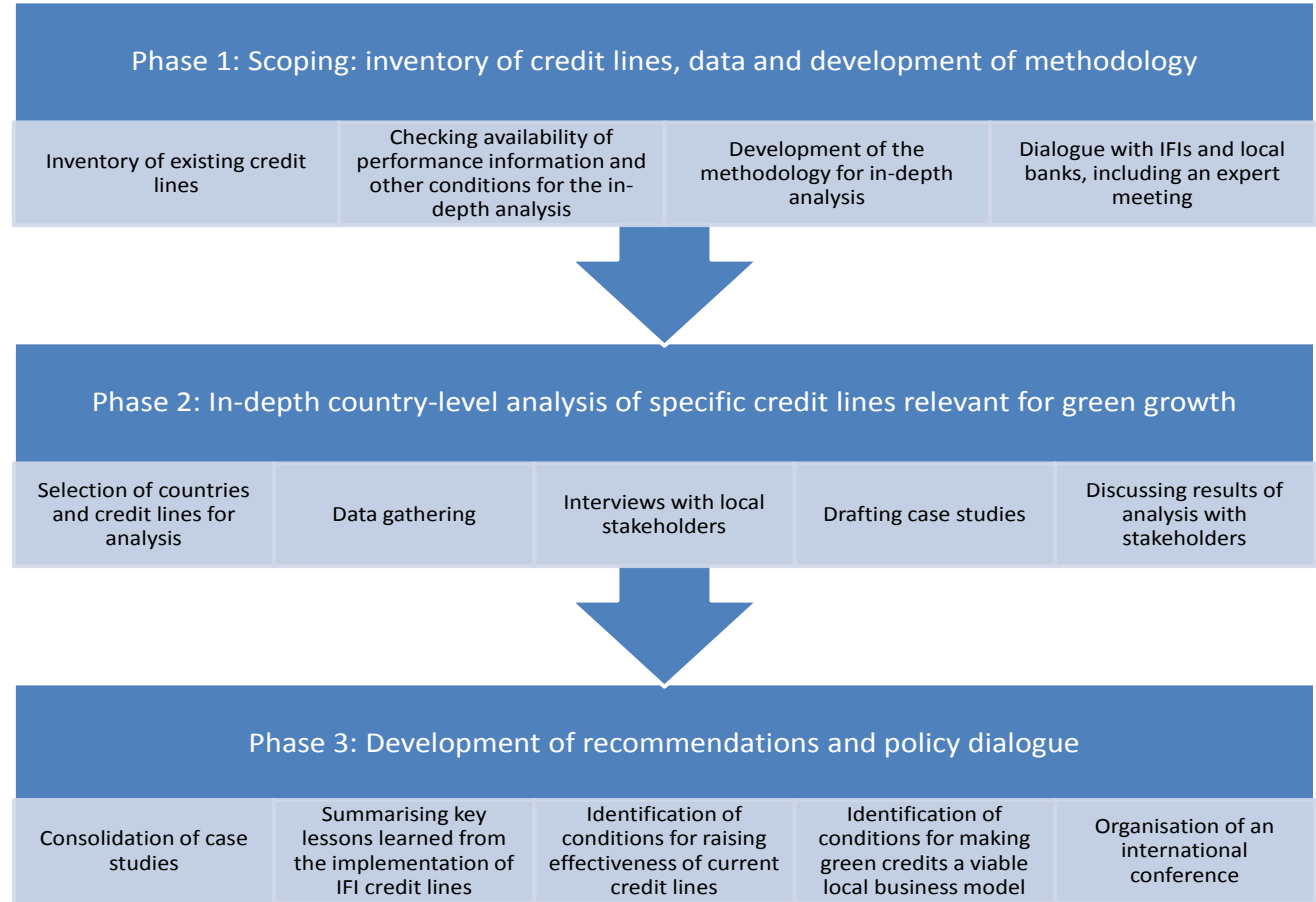
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Phase 2: Analysis of Individual Credit Lines

- 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

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

Data Collection (2): Environmental Regulation

Maturity of environmental regulation	
Energy Intensity	MWh/\$ GDP (benchmarked)
Carbon intensity	tCO ₂ E/\$ GDP (benchmarked)
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

Profile of borrowing Financial Institution	
Type of institution	E.g. Bank, leasing company
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

IFI credit line profile	
Purpose of IFI credit line	General description of credit line
Eligibility criteria	Copy of eligibility criteria applied to FI
Duration of IFI credit line	Years
Total value of IFI credit line	\$m
Other debt leveraged (domestic)	\$m, origin of funds
Other debt leveraged (international)	\$m, origin of funds
Donor or other public funds associated	\$m, origin of funds, use of funds
Ex-ante indicators	Performance and reporting indicators associated with the credit line

Data Collection (5): FI loan product profile

FI loan product profile	
Customer profile (s)	(e.g. MSME, SME, corporate, residential, housing, municipal, other)
Project profile	Profile of projects, eligibility criteria (if additional to IFI)
Number of sub-borrowers	No of sub-borrowers
Approval rate	% of applications approved
Typical turnover of sub-borrowers (where applicable)	\$m
Project profile	Data on use of funds (split by industry or type or technology)
Loan value	\$m, (range and average value)
Repayment period	years, (range and average value)
Interest rate	% (range and average value)
Collateral requirements	Typical % of loan value, description
Variation of terms with products for similar customer segments	Description of variation

Data Collection (6): Performance and Impact

Credit line performance and impact	
Time to fully disburse credit line	Years
Default rate	% of non-performing loans
Default rate on comparable segment	% of non-performing loans
Environmental impact indicators	tCO ₂ e avoided MWh saved, MW installed, other resource savings
Ex-post monitoring	Description of reporting and impact assessment ex-post
Product line continuation post disbursement	Yes/No

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

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 3rd 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)