

1. Project Data

Summary project data			
GEF project ID		2174	
GEF Agency project ID		506396	
GEF Replenishment Phase		GEF 2	
Lead GEF Agency (include all for joint projects)		World Bank & International Finance Corporation	
Project name		Commercializing Energy Efficiency Finance (CEEF), Tranche II	
Country/Countries		Czech Republic, Estonia, Latvia, Lithuania, Slovakia	
Region		ECA	
Focal area		Climate Change	
Operational Program or Strategic Priorities/Objectives		OP 5- Removal of Barriers to Energy Efficiency and Conservation	
Executing agencies involved		World Bank & International Finance Corporation	
NGOs/CBOs involvement		Marginal role, mostly as advisors and participants.	
Private sector involvement		Key role, as beneficiaries, consultants, and key stakeholders.	
CEO Endorsement (FSP) /Approval date (MSP)		Aug 2003	
Effectiveness date / project start		Oct 2002	
Expected date of project completion (at start)		Oct 2015	
Actual date of project completion		June 2010	
Project Financing			
		At Endorsement (US \$M)	At Completion (US \$M)
Project Preparation Grant	GEF funding		
	Co-financing		
GEF Project Grant		6.75	4.33
Co-financing	IA own (IUCN)	76.5	NA
	Government	1.33	NA
	Other multi- /bi-laterals		
	Private sector		
	NGOs/CSOs		
Total GEF funding		6.75	4.33
Total Co-financing		77.83	NA
Total project funding (GEF grant(s) + co-financing)		84.54	NA
Terminal evaluation/review information			
TE completion date		May 2011	
Author of TE		IFC (no author specified)	
TER completion date		January 25, 2016	
TER prepared by		Dania Trespalacios	
TER peer review by (if GEF IEO review)		Molly Watts	

2. Summary of Project Ratings

Criteria	Final PIR	IA Terminal Evaluation	IA Evaluation Office Review	GEF IEO Review
Project Outcomes	B*	S	N/A	S
Sustainability of Outcomes	NR	NR	N/A	L
M&E Design	NR	NR	N/A	S
M&E Implementation	NR	NR	N/A	S
Quality of Implementation	NR	E**	N/A	HS
Quality of Execution	NR	NR	N/A	HS
Quality of the Terminal Evaluation Report	--	--	--	MU

*B- Some Areas of Underperformance

**E- Excellent

3. Project Objectives

3.1 Global Environmental Objectives of the project:

The Global Environmental Objective of this project is to reduce emissions of green house gases through the implementation of energy efficiency projects directly supported by guarantee and technical assistance programs. (PD p. 2)

3.2 Development Objectives of the project:

The Development Objective of this project is to develop a sustainable lending market for energy efficiency projects within the commercial financing industry of the five countries. (Request CEO Endorsement Tranche II p.1)

3.3 Were there any **changes** in the Global Environmental Objectives, Development Objectives, or other activities during implementation?

There were **no changes** to the Global Environmental and Development Objectives of the project. (TE pg. 1)

4. GEF IEO assessment of Outcomes and Sustainability

Please refer to the GEF Terminal Evaluation Review Guidelines for detail on the criteria for ratings. Please justify ratings in the space below each box.

4.1 Relevance	Rating: Satisfactory
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The project is relevant under the GEF's Climate Change focal area, as its aim is to reduce carbon dioxide emissions by increasing the capacity of the energy efficiency markets in five countries. The project contributes to GEF's Operational Program 5, "Removal of Barriers to Energy Efficiency and Conservation".

The five project countries chosen - Czech Republic, Estonia, Latvia, Lithuania, and the Slovak Republic - exhibit conditions that make them ripe for the guarantee instrument proposed under this project. As near-term EU accession countries, they face aggressive schedules for energy price rationalization and environmental emissions regulation. The present period provides a critical but brief window of opportunity to catalyze a substantial deepening of the capacity of

the capital markets to support energy efficient finance in each of these countries. Capital markets in these countries are at a stage where the competitive dynamics encourage the development of new market niches using new financial products, but where – absent a guarantee product and an aggressive and focused technical assistance program – it is unlikely that any substantial lending for energy efficiency projects could be expected to result. A variety of important national, EU, bilateral, EBRD, and World Bank initiatives in the project countries have produced important demonstrations of energy, and have established local capacity to design energy efficiency investments and created a policy environment which supports energy efficiency investment. This project will continue to build on this work. (PD p.7)

Before the approval of the second tranche, IFC registered demand for Guarantee Facility Agreements (GFA) totaling \$24 million, including GFAs signed totaling \$9 million, plus negotiations with financial institutions for GFAs representing an additional \$15 million. The demand from financial institutions for the guarantee product developed during the first tranche is adequate to meet the required minimum demand established in the Project Document to trigger full funding of the second and final tranche of the project. (Request for CEO Endorsement Tranche II p.5) These investments signal a high relevance of this project on the part of relevant stakeholders.

4.2 Effectiveness	Rating: Satisfactory
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This project is the second tranche of Commercializing Energy Efficiency Finance (First Tranche GEF ID 1541). The project builds on the model demonstrated in the GEF funded Hungary Energy Efficiency Co-Financing Program (GEF ID 111, 1316), and aims to support the financing of energy efficiency projects that would lead to a decrease in CO₂ emissions. (Project Brief p.1) The objective of this project was to develop a sustainable lending market for energy efficiency projects within the commercial financing industry of the five countries. (Request CEO Endorsement Tranche II p.1) The project had two components: (1) the Partial Guarantee Program, and (2) a Technical Assistance Program for energy services companies and financial institutions. (PD p. 22-28) The TE rates Development Effectiveness as Mostly Successful, and Output, Outcome and Impact Achievements as Satisfactory. (TE p. 8-14)

The project objectives included:

- 1- Promoting entry of domestic financial institutions into the energy efficiency financing market
- 2- Building capacity of domestic financial institutions to provide energy efficiency project finance
- 3- Providing more favorable credit conditions to borrowers
- 4- Promoting financial innovation to establish a range of financial products responsive to the requirements of different sectors, including municipalities, cogeneration, multi-unit residential buildings, institutions, industrial, commercial and small and medium sized enterprises
- 5- Building capacity of the commercial energy efficiency and energy services industry to market, structure, and finance energy efficiency projects
- 6- Expanding deployment of non-grant contingent finance tools for the GEF, thus achieving greater leverage of GEF funds while mainstreaming EE finance within IFC
- 7- Refining and streamlining administrative and management procedures developed under HEECP, including credit review and project preparation procedures used in administering

the guarantee facility and TA program, in order to enable broader scale adoption of the joint IFC and GEF energy efficiency guarantee product in other regions

Regarding the objective to promote the entry of domestic financial institutions into the energy efficiency financing market, overall the program has increased interest of financial institutions to finance sustainable energy projects on commercial terms. The limited number of financial institutions engaged in the Baltic countries is due to a limited market size, availability of other subsidized support schemes, and a less developed energy services sector. Regarding the objective of building greater capacity of domestic financial institutions to provide energy efficient project finance, more than 25% of investment related staff received in-depth training, resulting in a substantial increase of the capacity of financial institutions.

The project achieved the objective of promoting financial innovation in the market to establish a range of financial products to meet market demand: 12 new financial products were provided to clients. The project also built the capacity of the commercial energy services industry to market, structure, and finance energy efficiency projects, and to accelerate development of the energy efficiency market generally. In average more than two companies per month were provided with consulting services in each country, with 600 consultations in total, including energy audits, training seminars, project development support, marketing; workshops and conferences, market surveys, end user seminars, and individual consultations.

The project achieved a greater leverage of GEF funds by using non-grant contingent finance tools. The project also developed a full set of new approaches to administrating and managing the development, approval, and monitoring processes, which were later on disseminated in other regions and projects. (TE p. 22)

An external evaluation prepared by the Danish Management Group concluded that the project achieved significant progress relative to the objective of expanding the availability of commercial financing for energy efficiency projects in the target markets. (TE p. 3) The Danish Management Group confirmed excellent program performance in most monitored areas. The TER reviewer confirms this assessment.

One minor shortcoming pointed out by the TE is that the achievement of individual countries vary significantly, from high performing programs in the Czech Republic to least performing program in Estonia. For this reason, the final PIR rated overall program performance as B, indicating that some areas were underperforming. (TE p. 8) Taking into account the project's overall performance, effectiveness is rated Satisfactory.

4.3 Efficiency	Rating: Satisfactory
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The TE rates Efficiency as Excellent, and justifies this rating with the high positive cost-benefit ratio, a highly economical use of resources, and reasonable efficiency compared to alternative options. (TE p. 14) The activities sponsored by the project cost US \$ 5.33 million, but the value of sustainable energy activities reaches US \$329.5 million. The TE states that there were 3.11 million metric tons of green house gas emissions avoided during the life of the project, and that advisory services were delivered in an efficient manner, and had a relatively high impact. The cost ratio, according to the TE, is over 1:61 and cost per 1 metric ton of avoided CO₂e is \$1.71. Although the project was extended by two years beyond its planned closing date, the original budget was not changed.

GEF funding of US \$18.42 million (during both project tranches) was leveraged by IFC investment up to 5 times, or up to US \$87 million, which led to further leverage from private sector in the form of equity and private commercial financing up to 17.9 times, or US \$329.5 million in value of guaranteed and leveraged projects. With no defaults reported at the time of TE writing, it is expected that the majority of GEF's US \$18.42 million investment will be returned back to the GEF. Alternative projects would have used donor funding to subsidize sponsors or financial institutions directly in the form of grants. Based on evidence presented in the TE, the efficiency of this project is rated Satisfactory.

4.4 Sustainability	Rating: Likely
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The TE does not rate sustainability. The TER rates sustainability as Likely.

Financial Sustainability- Likely

At the time of CEO Endorsement of the second tranche, the Technical Assistance program of the project was fully funded and fully operational in all five countries, in part because of the support of relevant stakeholders. (Request for CEO Endorsement Tranche II p.4) Most notable for financial sustainability is that the project activities were not funded directly with project grants, but were set up with non-grant contingent finance tools. (TE p. 21)

Sociopolitical Sustainability- Likely

The TE does not mention any sociopolitical risks in the five countries where the project was implemented. Notably, stakeholders in the private sector confirmed their interest in the benefits of the project activities, which are likely to continue after project end.

Sustainability of Institutional Frameworks and Governance - Likely

The project did not establish new regulations or new institutions, and did not attempt to modify existing institutions. Instead, the project built the capacity of existing institutions, and increased the available tools to these. The best evidence of the sustainability of these achievements is the fact that partner financial institutions continue in sustainable energy lending after the project's completion, and in several cases play a role as market leaders. (TE p. 20)

Environmental Sustainability- Likely

The TE does not discuss any environmental risks that can undermine the future flow of project environmental benefits.

5. Processes and factors affecting attainment of project outcomes

5.1 Co-financing. To what extent was the reported co-financing essential to the achievement of GEF objectives? If there was a difference in the level of expected co-financing and actual co-financing, then what were the reasons for it? Did the extent of materialization of co-financing affect project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

Co-financing was extremely important to the achievement of this project. GEF funds were not used as direct grants to implement projects, but rather used to arrange projects that would provide their own financial funding, via financial tools. The project worked predominantly with private sector partners to implement Partial Guarantee Programs and Technical Assistance Programs. At the start of the project, co-financing upwards of US \$77 million was pledged, from

various government and private sector partners. The TE does not clarify exactly how much co-financing finally materialized, but does report that private commercial financing reached US \$329.5 million, up to 17.9 times the value of GEF investment.

5.2 Project extensions and/or delays. If there were delays in project implementation and completion, then what were the reasons for it? Did the delay affect the project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

The TE reports that the project was extended by two years beyond its planned closing date. (TE p. 14) However, the original closing date of the project was October 2015, yet the project closed in 2010 or 2011, and the TE was written in 2011. This discrepancy is not explained in the TE.

The TE reports that the original approach for guarantee products was changed during project implementation to respond to improved macroeconomic/pricing conditions in the target markets. These changes were done ad hoc and in a slow manner, since they were not envisioned at the original project design. which led to project implementation delays and lost opportunities. (TE p. 4)

The TER reviewer is unable to conclude whether the overall project timeline was extended. It seems that the original project objectives were achieved.

5.3 Country ownership. Assess the extent to which country ownership has affected project outcomes and sustainability? Describe the ways in which it affected outcomes and sustainability, highlighting the causal links:

Country ownership of this project, particularly in the private sector, was high. The project could not have been successful without the participation of a significant portion of the energy services sector in each of the five target countries. At the time of CEO Endorsement, the Technical Assistance program of the project was fully funded and fully operational in all five countries, in part because of the support of relevant stakeholders. (Request for CEO Endorsement Tranche II p.4) Most notable for stakeholder support is that the project activities were not funded directly with project grants, but were set up with non-grant contingent finance tools. (TE p. 21)

6. Assessment of project's Monitoring and Evaluation system

Please justify ratings in the space below each box.

6.1 M&E Design at entry	Rating: Satisfactory
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The CEEF Monitoring and Evaluation Program was substantially advanced at the start of the second Tranche. IFC integrated the M&E efforts in both the CEEF and earlier HEECP programs. Responding in part to the rapid development of market-based carbon mitigation activities in the European market, and the interests of partner Financial Institutions and Energy Service Companies, IFC sought to promote learning and innovation in the development of an M&E program infrastructure and protocol which potentially supports the trading of Carbon credits for energy efficiency transactions in the future – thus further leveraging the GEF funds. (Request for CEO Endorsement Tranche II p.4)

The Request for CEO Endorsement for Tranche II includes a detailed and revised M&E plan, which includes specific output indicators, delegated responsibilities for M&E tasks, a plan to ensure the M&E information informs project management during implementation, and a robust Logical Framework. (Request for CEO Endorsement, Tranche II p.9-15)

6.2 M&E Implementation	Rating: Satisfactory
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The TE does not rate M&E implementation, and does not report adequately on M&E activities. The TE does report that, in some cases, targets were not set for some non-key indicators, and that, because of a long project implementation and its merger with the GEF project HEECP in 2005, developmental impact indicators were modified during project implementation. Some indicators were changed to better track project results and were updated to comply with the last set of standard indicators developed sustainable energy advisory projects. The TE uses the GEF Project Appraisal Document as a benchmark to outline major project targets. (TE p. 19)

The TE reports that the IFC commissioned the Danish Management Group to perform an independent evaluation of the project in 2010. The project adjusted indicators during implementation, making them more specific, or including the impacts of the project beyond GEF funding. (TE pg. 19) The TE also reports that the project was compliant with all standards and guidelines at the respective stages of approval. (TE p. 3)

It seems that the project adhered to the original Logical Framework during implementation, and that some sort of M&E plan was followed, adjusting indicators to reflect changing conditions or to enable specific measurements. The evidence provided by six Project Implementation Reports, and by the Summary of Supervision Performance Ratings in the TE, suggest that there was timely tracking of results and progress toward project objectives throughout the project. There is no evidence of a Mid Term Review, and it seems IFC PIRs did not assign ratings to most GEF relevant categories. For these minor shortcomings, M&E implementation is rated Satisfactory.

7. Assessment of project implementation and execution

Please justify ratings in the space below each box.

7.1 Quality of Project Implementation	Rating: Highly Satisfactory
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See section below.

7.2 Quality of Project Execution	Rating: Highly Satisfactory
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The implementing and executing agency for this project was the International Finance Corporation (IFC). The TE rates the IFC's role and contributions as Excellent, due to the IFC's innovative, catalytic and adaptive role during implementation. (TE p. 14) This TER concurs, and rates the quality of project execution as Highly Satisfactory.

IFC's program implementation infrastructure is anchored by five local CEEF program offices with a local program management and Technical Assistance presence in each project country. The project team was divided into the Baltic Team (for Latvia, Lithuania and Estonia) and the

Check Republic/Slovakia Team. In addition to this nine-person field-based project team, a diverse team of local and international engineering, energy efficiency market, and project finance specialists were deployed as part of the Finnish, US, and Spanish-managed consultant teams, for direct support of the local project teams in their work with energy service companies and financial institutions to develop transactions and support market development. Finally, a team of IFC financial markets specialists and energy efficiency market technical experts would provide advice and guidance – and managerial supervision – to the local field implementation team. (Request for CEO Endorsement Tranche II p. 2)

Due to the different market demands (i.e. much lower demand in the Baltic states than in other countries), the management structure, staffing and staff roles were reconsidered in the course of implementation moving from country/sub-regions-centered functions to more centralized regional function. The aim was to respond to actual market demand determined by interest of local FIs as investment partners and by existing investment opportunities. (TE p.4)

The TE reports that the project pioneered a decentralization approach in sustainable energy financing. In response to a very slow project start, which threatened the achievement of outcomes, the project substantially adjusted its approach during the course of project implementation. The original design of the guarantee approval procedures required approval from a Supervisory Committee based in Washington, D.C. During implementation, the approval authority was delegated to the field in order to streamline and speed up the process. Eventually, proven financial institutions with sufficient track record were given authority to assess credit quality on their own, and to include individual or portfolio projects in the guaranteed pool without an additional approval from IFC. There was also a shift from Advisory Services delivered by external consultants to a mixed approach combining local staff and consultants. These changes substantially streamlined approval and delivery processes, and resulted in faster guarantee portfolio growth. (TE p. 5)

IFC developed a new commercial approach to sustainable energy funding that relied on a private sector role in an area which was traditionally viewed as a target for different subsidized financial schemes. This was the first known attempt to finance sustainable energy projects in the target markets on commercial terms while utilizing parallel investments and advisory services. IFC had an innovative and catalytic role in providing integrated advisory and investment incentives for attracting private financing to the sustainable energy sector. (TE p. 14)

8. Assessment of Project Impacts

8.1 Environmental Change. Describe the changes in environmental stress and environmental status that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The TE reports that the project achieved a total annual reduction of 310,543 metric tons of CO₂ (TE p. 3) Another calculation in the TE reports that there were 3.11 million metric tons of green house gas emissions avoided during the project life. (TE p. 14)

8.2 Socioeconomic change. Describe any changes in human well-being (income, education, health, community relationships, etc.) that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The TE does not report any changes in human well-being.

8.3 Capacity and governance changes. Describe notable changes in capacities and governance that can lead to large-scale action (both mass and legislative) bringing about positive environmental change. "Capacities" include awareness, knowledge, skills, infrastructure, and environmental monitoring systems, among others. "Governance" refers to decision-making processes, structures and systems, including access to and use of information, and thus would include laws, administrative bodies, trust-building and conflict resolution processes, information-sharing systems, etc. Indicate how project activities contributed to/ hindered these changes, as well as how contextual factors have influenced these changes.

a) Capacities- The TE reports the following changes in capacity:

- 14 local financial intermediaries, commercial banks and leasing companies, took part in the program providing financing for energy efficiency and renewable energy projects under and outside of the guarantee facility. (TE p.3)
- 526 staff from financial institutions were trained in sustainable energy finance, which represents more than 25% of financial institutions investment related staff. In addition, advisory services were provided to 600 project developers and energy services companies. (TE p. 3)
- 2,319 people participated in training events, seminars, workshops and conferences. The project provided substantial technical assistance to financial institutions and energy services companies, and they appear to have benefited from this TA. (TE p. 3)
- The targeted technical assistance with partner financial institutions and local stakeholders led to development of a second mortgage guarantee product, which increased financing for energy efficiency improvements in the housing sector. (TE p. 6)
- The projects outputs include: advisory services given to 600 entities, 60 consultative workshops, trainings events, seminars, and conferences held with 2319 participants, concessional investment given to 340 entities, 18 new financial products, 73 entities receiving in-depth advisory services. (TE p. 19)
- The program has increased interest of financial institutions to finance sustainable energy projects on commercial terms. The limited number of financial institutions engaged in the Baltic countries is due to a limited market size, availability of other subsidized support schemes, and a less developed energy services sector. Regarding the objective of building greater capacity of domestic financial institutions to provide energy efficient project finance, more than 25% of investment related staff received in-depth training, resulting in a substantial increase of the capacity of financial institutions. (TE p. 20)
- The project achieved the objective of promoting financial innovation in the market to establish a range of financial products to meet market demand: 12 new financial products were provided to clients. The project also built the capacity of the commercial energy services industry to market, structure, and finance energy efficiency projects, and to accelerate development of the energy efficiency market generally. In average more than two companies per month were provided with consulting services in each country, with 600 consultations in total, including energy audits, training seminars, project development

support, marketing; workshops and conferences, market surveys, end user seminars, and individual consultations. (TE p. 20)

b) Governance - The TE did not report changes in governance.

8.4 Unintended impacts. Describe any impacts not targeted by the project, whether positive or negative, affecting either ecological or social aspects. Indicate the factors that contributed to these unintended impacts occurring.

The TE does not describe any unintended impacts.

8.5 Adoption of GEF initiatives at scale. Identify any initiatives (e.g. technologies, approaches, financing instruments, implementing bodies, legal frameworks, information systems) that have been mainstreamed, replicated and/or scaled up by government and other stakeholders by project end. Include the extent to which this broader adoption has taken place, e.g. if plans and resources have been established but no actual adoption has taken place, or if market change and large-scale environmental benefits have begun to occur. Indicate how project activities and other contextual factors contributed to these taking place. If broader adoption has not taken place as expected, indicate which factors (both project-related and contextual) have hindered this from happening.

- **Replication- Adopted.** The following projects were developed based on the experience of this project: SEFP in Russia(521184), CHUEE in China(529295), SEFP in the Philippines (549585), RE mezzanine finance in Lithuania (558985), RSF with CS in the Czech Republic (29025), as also many other projects in the Balkans. The project provided many important lessons that have helped shape similar IFC programs in other countries. (TE p. 3)
- **Sustaining - Adopted.** IFC signed investment #29025 with Ceska Sporitelna in July 2010, and there are agreements in the pipeline: #27284 with RB in Hungary and #29026 with Dexia in Slovakia. (TE p. 6)

9. Lessons and recommendations

9.1 Briefly describe the key lessons, good practices, or approaches mentioned in the terminal evaluation report that could have application for other GEF projects.

9.2 Briefly describe the recommendations given in the terminal evaluation.

The TE lists the following lessons learned, and relevant recommendations (TE p.4-6):

- Because of the complexity of sustainable energy finance markets, a country/market specific approach is a must for these types of regional programs. Despite the fact that the 6 country markets seemed to be very similar from macroeconomic and sustainable energy point of view, it turned out that there were very different demands, and therefore also results of the project country by country, ranging from 61% of total guaranteed portfolio in Hungary to no guarantee issued in Estonia.
- Because of rapid changes in market demand, a plan for changes in product offering, structure, and staffing is necessary to react properly. Due to the different market demands (i.e. much lower demand in the Baltic states than in other countries), the management structure, staffing and staff roles were reconsidered in the course of implementation moving from country/sub-regions-centered functions to more centralized regional function. It seems that, especially in smaller markets, it is difficult to justify full-fledge staffing, and

therefore, a regional approach with ad-hoc assignments according to different market opportunities is more efficient.

- Pricing of advisory services should be determined by level of maturity and competition in individual markets. Advisory services provided on 50/50 cost-shared basis were replaced towards the end of program by advisory services “purchased” by partner financial institutions in the market at full price. The lesson suggests that a full-cost recovery of advisory services is possible and should be required as a test of energy financing sustainability. On the other hand, if market distortions exist in the market, it will be difficult to apply this principle.
- Pricing of the guarantee product must be responsive to the market and therefore should have a built-in mechanism of price-adjustment with changing market conditions. The original approach was to base guarantee pricing on the financial market conditions for different countries. During implementation, the pricing of guarantee was unified (decreased) to boost the demand and also to respond to improved macroeconomic/pricing conditions in the target markets. Unfortunately the changes in guarantee product pricing were done ad hoc since they were not envisioned at the original project design. Therefore, it took a while to introduce them, which led to project implementation delays and lost opportunities.
- Moving decision making closer to the client and delegating project approval authority to financial institutions is a must for an impactful sustainable energy financing project. This project pioneered this approach, undergoing substantial adjustments in the course of implementation. The major reason for these adjustments was a very slow project start, which threatened the achievement of successful results. The original design of the guarantee approval procedures required approval from a Supervisory Committee based in Washington, D.C. During implementation, the approval authority was delegated to the field in order to streamline and speed up the process. Eventually, proven financial institutions with sufficient track record were given authority to assess credit quality on their own, and to include individual or portfolio projects in the guaranteed pool without an additional approval from IFC. There was also a shift from Advisory Services delivered by external consultants to a mixed approach combining local staff and consultants. These changes substantially streamlined approval and delivery processes, and resulted in faster guarantee portfolio growth. Without a substantial delegation of authority to reliable financial institutions, it is impossible to apply a wholesale approach in sustainable energy finance to access market with relatively small size projects.
- Local presence and a mixture of technical and financial backgrounds is a precondition for a successful sustainable energy financing project. This is particularly important for advisory services that have been recently introduced and need increased coordination and communication. It is difficult if impossible to achieve impact with product financing or advisory services alone. Project teams should be purposefully designed to include local, regional and global staff, and financial and technical specialists. Moreover, the team composition and staff roles should not be viewed within market/country boundary constraints, since there are few markets where a permanent sustainable energy financing specialist presence would be justified. Staff should be deployed at regional level, ready for different market opportunities as they arise. This would lead to certain specialization and exposure to different markets, and finally to a creation of opportunities for development, and future deployment of the staff after a program completion.
- Only products and services customized to a concrete market, and a concrete partner strategy delivered in a timely manner, can generate a strong client commitment and result in client satisfaction. The program was based on an assumption that a financial product (the partial credit guarantee), in combination with targeted advisory services, would meet the

needs of market participants, i.e. financial institutions, energy service companies, developers, and end users. This happened only partially, for different reasons. The program could not compete with subsidized guarantee schemes in Estonia, or with grants from EU accession funds, or even with EBRD subsidized commercial funding. On the other hand, IFC was not able to react promptly on the clients' request to offer equity/quasi-equity financial products to address the market gap. As a result, full client commitment and satisfaction was recorded only in a few cases (Ceska Sporitelna and GE Money in Check Rrepublic, Dexia in Slovakia).

Activities, which led to higher client satisfaction include:

- Streamlining of the guarantee approval process
- Delegation of authority and responsibility to the field to facilitate responsiveness to market needs
- Development of customized financial products targeted at specific markets
- Modification of guarantee agreements to meet some of the needs required by participating financial institutions
- Providing customized technical assistance to increase the knowledge and understanding of stakeholders and to help develop new products.

On the other hand, the program was able to achieve results and satisfactions also in the least favorable market environment in Estonia, where IFC guarantee product was not feasible. The targeted technical assistance with partner financial institutions and local stakeholders led to development of a second mortgage guarantee product, which increased financing for energy efficiency improvements in the housing sector. Since it is quite difficult to estimate a market development several years in advance, flexibility in use of different advisory and financial tools should be kept as an option in order to respond to market development. This would lead also to higher client satisfaction.

10. Quality of the Terminal Evaluation Report

Criteria	GEF IEO comments	Rating
To what extent does the report contain an assessment of relevant outcomes and impacts of the project and the achievement of the objectives?	The TE reports adequately on the project's outcomes, outputs and impacts, in comparison to the original Logical Framework. It discusses the shortcomings and the major achievements of the project.	S
To what extent is the report internally consistent, the evidence presented complete and convincing, and ratings well substantiated?	The TE does not provide ratings to many of the GEF relevant categories, and does not adequately address M&E, sustainability, the role of the World Bank, or the final Co-financing. There is uncertainty regarding whether the project was extended or not.	U
To what extent does the report properly assess project sustainability and/or project exit strategy?	The TE comments on sustainability, but does not explicitly discuss the subject, nor provide ratings, and does not discuss a project exit strategy.	U
To what extent are the lessons learned supported by the evidence presented and are they comprehensive?	The lessons learned are supported by evidence, comprehensive, easily understood, and offer relevant recommendations.	S
Does the report include the actual project costs (total and per activity) and actual co-financing used?	The TE includes the actual project costs, in total and per activity, but does not provide sufficient information on co-financing.	MU
Assess the quality of the report's evaluation of project M&E systems:	The TE does not discuss the project's M&E.	U
Overall TE Rating		MU

11. Note any additional sources of information used in the preparation of the terminal evaluation report (excluding PIRs, TEs, and PADs).

No additional sources of information were used in the preparation of this TER, other than PIRs, TE, and PD.