

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 10 November 2021¹

REGIONAL

**Green Cities Framework 2 (GrCF2) –Window II
Extension 2**

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

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ABBREVIATIONS / CURRENCY CONVERSIONS

CDP	Corporate Development Programme
COO	Countries of Operation
COP	UN Climate Change Conference of the Parties
CP	Condition Precedents
CTF	Clean Technology Fund
DCF	Donor Co-Financing
GECA	Green Economy and Climate Action
E5P	Eastern Europe Energy Efficiency and Environment Partnership
ECEPP	EBRD Client e-Procurement Portal
EFSD	European Fund for Sustainable Development
ESDD	Environmental and Social Due Diligence
FOPIP	Financial and Operational Improvement Programme
FW	Framework
GCAP	Green City Action Plan
GCAP 2.1	Green City Action Plan 2.1
GCF	Green Climate Fund
GET	Green Economy Transition
GET 2.1	Green Economy Transition Approach 2021-2025
GHG	Green House Gases
GIF	Global Infrastructure Facility
GIP	Good International Practice
GPSC	World Bank Global Platform for Sustainable Cities
GrCF	Green Cities Framework
GrCF2	Green Cities Framework 2
ICLEI	International Council for Local Environmental Initiatives
MEI	Municipal and Environmental Infrastructure
PIU	Project Implementation Unit
PPPs	Public Private Partnerships
PPR	EBRD's Procurement Policies and Rules
PSC	Public Service Contract
SDGs	UN's Sustainable Development Goals
SIG	Sustainable Infrastructure Group
SSF	Special Shareholder Fund
TC	Technical Co-operation
TI	Transition Impact
WUF	World Urban Forum

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning the Green Cities Framework 2 Window II Extension 2 (**'Extension 2'**), are submitted for consideration by the Board of Directors. The Extension consists of loans, bonds, and guarantees, to sovereigns, municipalities, municipally-owned and private companies as well as other sovereign entities, including state owned enterprises, supporting green urban infrastructure investments. The total amount of Extension 2 will be a further increase of up to EUR 2 billion and will, once again, be available in all of the Bank's Countries of Operation (**'COO'**).

Both GrCF² and GrCF³, have far exceeded expectations as evidenced by a strong portfolio and pipeline. It is proposed that Extension 2 would be for the purpose of providing additional headroom only, with sub-Projects to be financed continuing to be subject to clear and ambitious eligibility targets.

The TC support will include pre-signing feasibility studies, project preparation, Green City Action Plans (**'GCAPs'**), capacity building and implementation support, PPP Advisory, promotion of green finance roadmaps, gender equality, equal economic opportunities for all, civil society and stakeholder engagement capacity building support and Just Transition. The TC component is expected to be funded by the Clean Technology Fund (**'CTF'**), the EBRD Shareholder Special Fund (**'SSF'**); and other bilateral or multilateral donors.

I am satisfied that the Extension is consistent with the Municipal and Environmental Infrastructure (**'MEI'**) Sector Strategy, the Green Economy Transition Approach 2021–2025 (**'GET 2.1'**), the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

I recommend that the Board approves the proposed Extension on the terms of the attached Report.

Odile Renaud-Basso

² GrCF - Regional: Green Cities Framework

³ GrCF2 - Regional: Green Cities Framework 2 (GrCF2)

BOARD DECISION SHEET

REGIONAL – GREEN CITIES FRAMEWORK 2 (GRCF2) – WINDOW II Extension 2 (DTM – 53170)

Transaction / Board Decision	Board approval ⁴ is sought for a further extension of EUR 2 billion to the Green Cities Framework 2 ('GrCF2') Window II Extension 2 ('Extension 2'), which will consist of loans, bonds, and guarantees, to sovereigns, state owned enterprises, municipalities, municipal owned utility companies, private companies, and other sovereign entities supporting green urban infrastructure investments. It is envisaged that some loans will be in local currency. It is requested that the Board of Directors delegates sub-Project approval authority to management for loans up to EUR 25 million equivalent to be funded using the Bank's ordinary resources. Consistent with the current Framework, where a sub-Project is approved on a delegated basis under Extension 2, the approval of donor-funded co-investment grants and concessional co-financing associated with such sub-Project would also be delegated to management, unless the rules of the relevant donor fund or account require otherwise. Such grants and co-financing do not count towards the delegation threshold. This delegated approval authority does not affect any separate approval authority agreed with each donor. Category A sub-Projects under the Bank's Environmental and Social Policy will be submitted to the Board for approval regardless of the size of the Bank financing.
Client	Sovereigns, state owned enterprises, municipalities, municipally owned utility companies, private companies, and other sovereign entities supporting green city investments, for the purpose of investing in green urban infrastructure.
Main Elements of the Proposal	<ul style="list-style-type: none"> - <u>Framework coverage</u> – Extension 2 will cover all COO. - <u>Transition impact</u> – The primary transition quality targeted for the Extension remains Green, as do the secondary transition qualities of Well-governed, Inclusive, Resilient or Competitive. - <u>Additionality</u> – Terms: long term sovereign and non-sovereign financing of urban investments within the parameters of EBRD Green Cities (the 'Programme') including mobilisation of private sector investment; conditionalities: covenants in support of the green agenda, together with improving the operational and financial efficiency of the respective utility companies; EBRD attributes: in support of the GET 2.1, gender SMART additionality, digitalisation and high levels of climate-investment ambition. - <u>Sound banking</u> – Each sub-Project will undergo a due diligence process and be structured to mitigate to the extent possible the identified risks.
Key Risks	Risks are typically associated with a client's creditworthiness, volatility of exchange rate, financial performance, sustainability and implementation capacity. Each sub-Project and client will undergo due diligence, in order to mitigate identified risks to the extent possible.
Strategic Fit Summary	The Extension is compatible with GET 2.1, Strategy for the Promotion of Gender Equality, Economic Inclusion Strategy, and MEI's Strategy.

⁴ Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	The Green Cities Framework 2 ('GrCF2') Window II Extension 2 ('Extension 2'), will consist of sovereign and non-sovereign loans to governments, state owned enterprises, municipalities, municipally owned and private companies and other sovereign entities, together with bonds, and guarantees supporting green urban infrastructure investments in aggregate amount up to EUR 2 billion. It is envisaged that some loans may be in local currencies. Extension 2 will cover all of the Bank's COO, with a duration to the end of 2023. Amounts de-committed and cancelled from signed sub-Projects will be available to be committed for new sub-Projects within the overall Extension amount.
Existing Exposure	The total amount of committed financing under GrCF2 and its predecessor GrCF is EUR 1,118.8 million. [REDACTED].
Maturity / Exit / Repayment	Tenor, together with grace period, will be determined at the sub-Project level and will typically not exceed 15 years [REDACTED].
Potential AMI eligible financing	AMI eligible co-financing, including primary and/or secondary funded or unfunded sell-downs, will be explored for non-sovereign projects on a sub-Project by sub-Project basis.
Use of Proceeds	<p>The proceeds of the loans, grants, and guarantees where applicable, will focus on urban infrastructure investments.</p> <p>The specific eligibility criteria for the Extension remains unchanged as follows:</p> <ol style="list-style-type: none"> 1. Consistent with the GET 2.1; 2. All investments will fall within the urban infrastructure sector; 3. Employ the minimum level of concessionality where concessional instruments are utilised ; 4. Development of a GCAP will be obligatory for each participating city; 5. Address a priority environmental challenge⁵ identified by the GCAP; 6. All investments will meet specific impact thresholds to be eligible for the Framework⁶:

⁵ A priority environmental challenge is identified in the GCAP methodology through the use of both indicators and stakeholder input. In some cases, it is possible that stakeholder input could identify a priority environmental challenge for their city where the related indicator does not report a problem (i.e. where the indicator performs better than international environmental benchmarks). In this case, any sub-Project addressing such a priority environmental challenge will need to be justified with tangible documentation on a case-by-case basis.

⁶ Please refer to Section 3.1 for detailed eligibility criteria for investments under the Extension.

	<ul style="list-style-type: none"> - All sub-Projects with climate mitigation impacts will reduce GHG emissions by at least 20 per cent or improve energy efficiency by at least 20 per cent; - All sub-Projects with climate adaptation impacts will have a Climate Resilience Benefit Ratio of at least 10 per cent; - All sub-Projects targeting environmental impacts beyond climate change will: <ul style="list-style-type: none"> o employ EU environmental standards, including Best Available Techniques, or where EU standards do not exist, recognised Good International Practice ('GIP') of pollution prevention and control techniques and standards, for example the World Bank Group/IFC Environmental, Health and Safety Guidelines, or o reduce local pollution from the relevant municipal activity by at least 20 per cent, or o improve resource efficiency by at least 20 per cent. <p>Target cities will be those with a population greater than 50,000.</p>
Investment Plan	<p>Extension 2 will continue to focus on the core urban sectors of district energy, energy distribution, low-carbon and climate resilient buildings, nature based solutions, solid waste management, street lighting, urban transport, urban drainage or water and wastewater. Within each of these sectors, Extension 2 will also continue to promote effective integration of resilience/adaptation (including flooding), renewables, digital, circular economy, urban regeneration, gender and inclusion and crowding-in the private sector. Low-carbon and renewable power will be further emphasised under Extension 2, with investments in small-scale or integrated renewables or distribution as highlights. Multi-sector financial structures will be promoted inter alia through sustainability-linked loans and bonds, and green bonds. GCAPs remain at the heart of this programme, with sub-Projects linked clearly to addressing city specific priority climate and environmental challenges and the clear link to Nationally Determined Contributions ('NDCs'). In effect, GCAPs contribute to a city-specific low-carbon pathway.</p>
Financing Plan	[REDACTED]
Key Parties Involved	<ul style="list-style-type: none"> • Government • Governorates or regional authority • State-owned Enterprises active in the municipal sector • Municipality/City • Municipal Utility Companies • Private Companies • Donors
Conditions to subscription / disbursement	<p>Condition precedents ('CP') will be determined individually for each sub-Project.</p>
Key Covenants	<p>All sub-Projects where the City is the borrower will include a covenant requiring the development and submission for approval of a GCAP. When the City is not the borrower, the Bank will seek to obtain a commitment through other means, including a Project Support Agreement, MOU or other commitment with the relevant authority.</p> <p>The remaining covenants will be based on the operating, financial and technical realities of both the City and/or the relevant utility or private company.</p>
Security / Guarantees	<p>Security, where required, will be defined for each sub-Project individually. It is however expected that non-sovereign and private loans will benefit from the following types of security:</p>

	<ul style="list-style-type: none"> • For non-sovereign transactions security may include municipal guarantees, pledge of physical assets, receivables or bank accounts, where prevailing legislation allows and in conformity with the World Bank negative pledge. • Depending on the risk profile debt to some municipalities and utility companies (with Public Service Contracts) may be unsecured. • For private sector clients, a standard security package will be adopted, and defined at the level of sub-Project.
Other material agreements	<ul style="list-style-type: none"> • For sub-Projects where the municipality is not the borrower, Project Support Agreement or other relevant documentation supporting inter alia the GCAP with the respective municipality. • Public Service Contract ('PSC') between the utility Company and the municipality, when applicable. • Grant agreements with relevant donor⁷. • Other agreements to be determined for each sub-Project dependent on the investment.
Associated Donor Funded TC and co-investment grants/concessional finance	<p>A. Technical Cooperation ('TC')</p> <ul style="list-style-type: none"> • Trigger investments under Extension 2 will continue to benefit from a TC to formulate GCAPs, applying the GCAP 2.1 methodology. <p>In addition, sub-Projects are expected to benefit from TC support which might include:</p> <ul style="list-style-type: none"> • Project preparation: to develop affordable, cost effective and bankable investment programmes including, financial, technical, environmental, social, gender and economic inclusion aspects as appropriate. In addition, where applicable, PPP Advisory support TC will be utilised, in close coordination with the PPP Unit within SI3P. • Post signing TCs: covering project implementation support, to facilitate the timely and effective implementation of each sub-Project; capacity building support to build the capacity of city administrators and key stakeholders (such as through CDPs and FOPIPs), as well as promoting economic inclusion, equal economic opportunities, Just Transition, civil society and stakeholder engagement capacity building support; and Green Finance Roadmaps to facilitate and provide a pathway for cities to access green finance and capital markets, if applicable. <p>The need for deploying such TC support will be assessed at the level of the sub-Project and will be submitted for Grant review (if not already pre-approved) and funding approval, in line with the standard processes related to the sub-Project and included in the relevant internal approval documentation.</p> <p>Client contributions: The clients will be responsible for paying all VAT and other indirect taxes that are applied to the post-signing TC assignments as a parallel cost sharing contribution to the sub-Project [REDACTED]. Public sector clients will also maintain dedicated PIU staff, which they will fund, for the duration of the individual sub-Projects.</p> <p>B. Co-investment grants / Concessional Finance (Non-TC)⁸</p> <p>Where appropriate, concessional finance including non-TC grants will be applied to address affordability issues, externalities or compensate for the costs of achieving higher standards to deliver transformative climate change mitigation and adaptation outcomes. The need and level of concessionality will</p>

⁷ Applicable for Capex grants.

⁸ This is not exhaustive and other sources of non-TC concessional grants and loans will continue to be sought.

	be assessed for each sub-Project during project structuring in line with the Bank's guideline for the use of concessional finance products in EBRD operations and will be presented in the relevant approval documentation. Further, the Bank will adhere to agreements on concessional resources including the CTF.
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[REDACTED]

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Urban action is critical to tackling the climate emergency and COVID-19 pandemic. The world has already warmed 1°C above pre-industrial levels. In keeping with the Paris Agreement, to limit global warming to +1.5°C, CO₂ emissions must be reduced to net zero by around 2050. Cities have a major role to play, given that they account for three-quarters of global energy related CO₂ emissions and 55 percent of the world's population (68 percent by 2050). Cities are also at high risk from some of the devastating impacts of climate change, such as flooding. The UN's Sustainable Development Goals ('SDGs') highlight the importance of cities (see Goal 11 *Sustainable Cities and Communities* and Goal 13 *Climate Action*).

The Bank's main delivery tool for such actions is the Green Cities Framework 2 (GrCF2). So far, it provided in excess of EUR 1 billion in green city financing to 53 sub-Projects in 33 cities, spanning 21 countries, generating significant CO₂ savings, equivalent each year to taking 254,300 cars off the road. An overview of progress so far is presented in Annex 1, which also serves as reporting to the Board. The programme continues to exceed expectations and by the end of this year Window II will be fully booked. It is proposed that Extension 2 would be for the purpose of providing additional finance only to support a strong pipeline [REDACTED], whilst leaving the 5 year timeframe of the GrCF2 unchanged, expiring by end of 2023.

A number of factors have contributed to this need for Extension 2. First, the move into larger countries (Egypt, Turkey, Ukraine and Kazakhstan), leading to engagement in more cities and, in turn, a growing numbers of transition and investment opportunities. Second, expansion to the power sector with investments in renewables and distribution grids, as evidenced by the recently signed GrCF2 ENA Investment Programme (OpID 52868) in Yerevan and Gyumri, Armenia support for the private sector. Third, the impact of the GCAPs in generating follow on investments, ending the project-by-project approach, with the cities of Sarajevo and Tbilisi exemplifying this. Fourth, the expansion of urban PPPs, like the 6th October Dry Port (OpID 51830) in Egypt, and using this financial structure to promote new technologies and infrastructure such as EV charging, urban transit and digital solutions for street lighting. Finally, the 'network effect', drawing cities in to the low carbon/green agenda through investment support and the GCAPs.

Extension 2 will continue to focus on the core urban sectors of district energy, energy distribution, low-carbon and climate resilient buildings, nature based solutions, solid waste management, street lighting, urban transport, urban drainage or water and wastewater. Within each of these sectors Extension 2 will also continue to promote effective integration of resilience/adaptation (including flooding), renewables, digital, circular economy, urban regeneration, gender and inclusion and crowding-in the private sector. Low-carbon and renewable power will be further emphasised under Extension 2, with investments in small-scale or integrated renewables or distribution as highlights.

Multi-sector financial structures will also be promoted inter alia through sustainability-linked loans and bonds, and green bonds. GCAPs remain at the heart of this programme, with sub-Projects linked clearly to addressing city specific priority climate and environmental challenges and the clear link to NDCs, taking gender and inclusion aspects into consideration. In effect, GCAPs contribute to a city-specific gender-responsive low-carbon pathway and the programme as a whole ticks all the boxes of the Bank's Strategic and Capital Framework (SCF).

EBRD Green Cities has proven a key means of attracting donor funds. To date, EUR 271 million has been mobilised, both for capex grants, concessional loans and TC, with the main funding sources being the Green Climate Fund ('GCF')[REDACTED], Clean Technology Fund ('CTF'), Eastern Europe Energy Efficiency and Environment Partnership ('E5P'), together with many bi-lateral donors and the SSF [REDACTED].

Moreover, the programme with a current network of 51 cities, provides the ideal forum for knowledge sharing and outreach, achieved through an annual event, webinars and dedicated sessions at high profile external events including the UN Framework Convention on Climate Change's Conference of the Parties ('COP'), the World Urban Forum ('WUF') and the Global Infrastructure Facility ('GIF'). The Programme also includes a dedicated EBRD Green Cities website (www.ebrdgreencities.com), a Green City Officers network and significant stakeholder engagement embedded in the GCAP process. Partnerships are also critical and include the Global Covenant of Mayors, International Council for Local Environmental Initiatives ('ICLEI'), C40⁹, the World Bank Global Platform for Sustainable Cities ('GPSC'), Cities Climate Finance Leadership Alliance ('CCFLA'), EU's 100 Climate Neutral Cities and most recently UN Energy through the Green Cities Energy Compact.

1.2 TRANSITION IMPACT

The overall objective of Extension 2 is to continue to help Green Cities to scale up their green ambitions and achieve significant environmental improvements. Through the GCAP process, the Bank will assist beneficiary cities in identifying and addressing priority environmental challenges in a cost-efficient and sustainable manner. GCAPs also help in building capacity, setting standards and changing the mind-set of policy makers and residents. With a growing network of cities, the EBRD Green Cities programme is becoming a community facilitating exchange of information and ideas further supporting cities' transitions to greener futures.

The primary transition quality targeted for the Extension remains Green, as do the secondary transition qualities of Well-governed, Inclusive, Resilient or Competitive. Further details of the objectives and targets for the alternative secondary transition qualities are presented in the tables below.

The baseline ETI of 70 will continue for sub-Projects under Extension 2, [REDACTED].

To date, EBRD Green Cities has demonstrated its efficacy in delivering transition impact to its network of cities. The number of cities and the roll-out of GCAPs has

⁹ The Warsaw GCAP is being undertaken in co-operation with C40

grown beyond expectations and the implementation of the finalised GCAPs has also made good progress to date. A transition monitoring review has been undertaken for both GrCF and GrCF2. It is recognised that implementing GCAPs takes time. [REDACTED].

Primary Quality: Green

Obj. No.	Objective	Details
1.1	<i>The extended Framework will help improve the identification, planning and supervision of green activities.</i>	GCAPs, together with additional policy efforts where necessary, will be promoted in all cities supported under the extended Framework. This will help build capacity and set new standards for evidence based diagnostics, planning, consultation, supervision and monitoring of green activities.
1.2	<i>The extended Framework and all its sub-Projects will scale up the green ambition within the respective Green Cities.</i>	EBRD's proceeds will be used for green investments and every sub-Project under the extended Framework will meet the eligibility criteria for investments. Through multiple interventions in each city, including follow-on investments and policy initiatives, the scale and synergies are expected to bring significant environmental benefits.
1.3	<i>A significant scale of environmental benefits to be achieved and verified for the respective cities under the extended Framework.</i>	Significant environmental improvements are expected to materialise on the back of the activities promoted under the extended Framework. These benefits will be verified through the initial assessment of the environmental performance and shortcomings and the monitoring framework set up for each of the Green Cities as part of the GCAP methodology.

Secondary Quality: Well-Governed | Inclusive | Resilient | Competitive

Obj. No.	Objective	Details
2.1	<i>The extended Framework and its sub-projects will help promote wider sustainable urban development.</i>	All sub-Projects under the Framework will target additional Transition Qualities aimed at sustainable green and urban development - either through the a) Well-governed, b) Inclusive, c) Resilient or d) Competitive Transition Qualities. These sustainability efforts may be further underpinned by technical cooperation and support when needed.
2.1a	Well-Governed: <i>To help strengthen the contractual and regulatory set-up.</i>	Sub-Projects can implement one or more Well-governed dimensions from the following list: <ul style="list-style-type: none"> • Introduce a well-defined service contract between the relevant authority and the publicly or privately owned infrastructure operator. • Introduce a formal cost recovery tariff methodology • Introduce a well-defined Corporate Governance Action Plan. • Introduce improved/certified standards and capacity for procurement and management. • Pursue relevant priority policy actions.

2.1b	Inclusive: <i>To help promoting an inclusive urban development with equal influence and economic opportunities for all residents.</i>	Sub-Projects can implement one or more Inclusive dimensions from the following list: <ul style="list-style-type: none"> • Introduce verified equal opportunities policies and practices, (including care responsibilities support), increasing the company’s female workforce share, with a focus on strengthening women’s representation in executive levels. • Creating new economic opportunities through increased access to services. • Introduce new standards and policies for infrastructure design or delivery in line with MDB best practice to accommodate previously excluded target groups. • Introduce new, replicable and accredited training programmes improving skills for a number of people from inclusion target groups in partnership with (local) vocational schools or universities. • Introduce improved policy practices to unlock inclusive growth (e.g. to support municipal childcare solutions, universal access principles, etc.).
2.1c	Resilient: <i>To help mitigating socioeconomic risks affecting the city’s current and future residents and urban functioning.</i>	Sub-Projects implement one or more socioeconomic Resilience dimensions from the following list: <ul style="list-style-type: none"> • Tariff increases leading to a substantial reduction of the cost recovery gap. • The city develops and implements a green finance roadmap. • Improve access to new and diverse sources of funding. • Pursue relevant policy actions or improve capacity in areas such as risk assessment, warning systems and response planning.
2.1d	Competitive: <i>To help implement smart solutions and economic efficiency or benefits.</i>	Sub-Projects implement one or more urban solutions that meet the dimensions listed below: <ul style="list-style-type: none"> • Introduce new technological/digital solution as a first in the relevant sector in the country, and where the (socio-) economic benefits are significant. • Introduce a well-defined Restructuring Action Plan, e.g. CDP or FOPIP that targets significant cost efficiencies through operational or organisational restructuring. • Introduce better land planning or urban regeneration bringing substantial urban land into productive use. • Pursue relevant priority policy actions.

1.3 ADDITIONALITY

A summary of additionality features is presented in Table 1 below. Whenever required, an enhanced approach to additionality will be presented for sub-operations under the Framework.

Additionality dimension	Verification and/or counterfactual results	Timing
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Terms	The Bank's additionality varies by region. The market for long-term borrowing is, in many instances, extremely limited, with local Banks unable to offer debt to match asset life, while other International Financial Institutions ('IFIs') have limited resources for municipal lending, especially non-sovereign where there is no recourse to the State. Moreover, a key feature of Green Cities, which will be enhanced as Extension 2 is rolled out, is the mobilisation of concessional loans and grants, primarily from CTF. In addition, GrCF2 will promote the mobilisation of private sector investment (primarily through the power sector and urban PPPs).	At sub- Project signing.
EBRD attributes	Green Cities is now recognised as a leading player in city financing, with an ever expanding programme comprising 53 sub-Projects, a growing network of Green Cities (now at 51) and multiple tools for global outreach including an annual knowledge sharing events, attendance at high profile climate events including COP and WUF, a Green Cities Officer (GCO) network and a dedicated website www.ebrdgreencities.com . Moreover, the programme is able to harness the skills of the SIG banking teams with their municipal finance experience spanning more than 25 years and equally the climate finance skills of GECA.	On-going throughout FW.
Conditionalities	All sub-Projects will include conditionalities required of all urban infrastructure projects, including those related to cost recovery, TI and environmental performance. The legal documentation for all trigger investment includes a covenant related to the preparation of the GCAP and its submission for approval by the City Assembly, to minimise the risk that the GCAP fails to be implemented.	Sub-Project implementation.
Standard-setting / Non-financial additionality	Extension 2 will continue to support clients to achieve higher inclusion and gender standards, together with supporting Paris Alignment and digitalisation.	Sub-Project implementation.

1.4 SOUND BANKING - KEY RISKS

A sound banking analysis will be undertaken for each sub-Project separately.

Risks are typically associated with a client's creditworthiness, volatility of exchange rate, financial performance and sustainability. Each sub-Project and client will undergo due diligence, in order to mitigate identified risks to the extent possible.

Another common risk is related to implementation. Capacity of each client to implement the sub-Project and carry out procurement in an efficient and timely manner will be assessed as part of the due diligence. In case of any identified risks, the team will propose risk mitigation measures such as involvement of an independent consultant and use of internationally recognised forms of contract.

2. MEASURING / MONITORING SUCCESS

The TI objectives of Extension 2 are detailed in Table 2 below. While most of the data on transition impact achievements will be collected at the sub-Project level, this information will be aggregated and presented at a higher level of the respective cities and/or at the framework level.

Table 2: Transition Impact Monitoring Indicators and Benchmarks							
Primary quality: Green							
Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details (FW)	Baseline (FW)	Target (FW)	Due date (FW)	Donor
1.1	Number of recommended policy or strategy agreed by relevant stakeholder(s)	Recommended policy or strategy agreed by relevant stakeholder(s)	<p>New Green City Action Plans: [REDACTED] new GCAPs finalised and submitted for approval by relevant authorities, and includes priority actions and a monitoring strategy in each participating City.</p> <p>Baseline target of the GrCF and GrCF2 combined is [REDACTED] GCAPs.</p>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Performance or action plan implemented by the client	Performance or action plan implemented by the client	<p>Strong follow-on support: [REDACTED] transactions (under GrCF2 and future extensions) are follow-on investments addressing priority environmental challenges identified in the GCAPs.</p>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Performance or action plan implemented by the client	Performance or action plan implemented by the client	<p>Multiple green investments: Each participating city makes [REDACTED] investments (with or without EBRD financing) that address priority environmental</p>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

			challenges identified by the GCAP, where all EBRD financed projects will meet the extended Framework's eligibility criteria for investments.				
1.4	Performance or action plan implemented by the client	Performance or action plan implemented by the client	Effective GCAP implementation: The Framework achieves at least 50 per cent of all verifiable targets, set in the GCAP [REDACTED] (including both investments and well-defined policy measures).	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Improved environmental standards	Improved environmental standards	Environmental impact: The Framework achieves significant environmental improvements for at least one priority environmental challenge, i.e. the promotion or protection of certain performance levels (colour codes) for priority environmental challenges as specified in the GCAPs.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Qualities:

Below is a list of monitoring indicators and minimum thresholds relevant for the alternative secondary qualities.

As a minimum, each sub-operation will:

- need to pursue and present one secondary quality;
- be associated with one or more monitoring benchmark(s) with a clear ambition ensuring clear monitoring and verification mechanism.

Additional indicators may be agreed depending on the specificities of the sub-Project.

Secondary quality (1): Well-governed							
Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	Donor

PUBLIC

2.1	Number of tariff reforms in target segment adopted by authorities	Tariff reform in target segment adopted by authorities	A formal cost recovery tariff methodology is introduced, approved and respected by the authorities.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of Public service contract or Public Service Obligation signed and implemented	Public service contract or Public Service Obligation signed and implemented	A new service contract in line with international practice is developed and signed (not a revision to an existing PSC) and respected by the parties during the first 2 years of the contract – and where such contract is not a norm in the country	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Number of corporate governance improvements: Commitment to Corporate Governance	Corporate governance improved: Commitment to Corporate Governance	Develop and implement a well-defined Corporate Governance Action Plan that addresses most of the corporate governance issues identified in the company.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Improved standards	Improved procurement standards	Introduce or significantly improve procurement standards/capacity in line with best international practices or certification requirements (e.g.CIPS certification or Management ISO).	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.5	Number of institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	Promote and help implement priority policy actions, as identified in the GCAP, enabling governance or land planning improvements.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary quality (2): Inclusive

Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	Donor
3.1	Number of stakeholders with practices improved (e.g. inclusive infrastructure services/desi	Practices of the relevant stakeholder improved (e.g. inclusive infrastructure services/design, inclusive HR policies and	Relevant stakeholders will develop and adapt new or substantially improved policies and practices to accommodate previously excluded target groups, on topics such as infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	gn, inclusive HR policies and practices, equal opportunities, inclusive procurement practices))	practices, equal opportunities, inclusive procurement practices))	service delivery and design (accessibility, safety and security, etc.), HR policies and practices, support for equal opportunities and/or inclusive procurement approaches.				
3.2	Number of beneficiaries with improved access to services	Expanded access to infrastructure (e.g. water/wastewater, ICT, transportation, waste, healthcare, other services)	The sub-Project will create new economic opportunities among the target groups (e.g. by enabling reallocation of time towards economic activities or education) through increased access to services and infrastructure. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3.3	Number of training programs developed and implemented	Tailored training programme developed and implemented	The sub-Project will introduce a new, replicable and accredited training programme in partnership with local training institutions. Training numbers will be set in line with client's workforce size and training needs. [REDACTED] Gender-disaggregated data will be reported and, where relevant, specific targets for female participants will be set.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3.4	Number of institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	Promote and help implement priority policy actions, as identified in the GCAP, to unlock inclusive growth.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Secondary quality (3): Resilient							
Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	Donor
4.1	Number of tariffs reaching target level with EBRD assistance	Tariffs reached the target level with EBRD assistance	Tariff increases leading to a substantial [REDACTED] reduction in the cost recovery gap.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

4.2	Number of recommended policy or strategy agreed by relevant stakeholder(s)	Recommended policy or strategy agreed by relevant stakeholder(s)	The city develops and implements a green finance roadmap to address the key elements (e.g. obtain credit rating) required to access green finance markets, including green bonds.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4.3	Number of clients introducing new financing instrument or method: green bonds	New financing instrument or method introduced: green bonds	Improved access to new sources of financing or funding e.g. demonstrated access to fully commercial bank debt or access to bond markets for the first time; or introduction of land value capture or congestion charges.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4.4	Number of institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	Promote and help implement priority policy actions, as identified in the GCAP, to enhance urban resilience (including better risk assessment and mitigation, warning systems or emergency response planning).	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary quality (4): Competitive

Obj. No.	FW Monitoring Indicator	Corresponding Sub-Project Monitoring Indicator	Details	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	Donor
5.1	Number of clients introducing new or updated technology	New or updated technology introduced	Successfully implemented new technological/digital solution as one of the three first cases in the relevant sector in the country and where this either results in significant cost savings [REDACTED] or a significant service improvement.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5.2	Number of institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	Promote key policy principles enabling digitalisation of information and services.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5.3	Total area of land under sustainable land	Area of land under sustainable land management practices (ha)	Numbers of hectares of urban land moved into economically productive and sustainable use: the	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	management practices (ha)		project brings to productive and sustainable use a substantial amount of land [REDACTED].				
5.4	Number of institution-level capacity strengthened in target area	Institution-level capacity strengthened in target area	Promote and help implement priority policy actions, as identified in the GCAP, to enable digitalisation of information and services.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5.5	Number of PPP contracts OR Concessions awarded	PPP contract or concession awarded	PPP-style contract successfully signed and implemented with no material disputes or material unexpected financial losses among the parties.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline (Sub-Project)	Target (Sub-Project)	Due date (Sub-Project)	Donor
Gender SMART indicator	Number of Cities in which Gender-responsive GCAPs	The GCAP agreed by the relevant City includes a gender assessment, which aggregates the analysis and information gathered throughout the GCAP development, and the recommendations to address gender and inclusion in the City that are the results of the analysis.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

3.1 INDIVIDUAL SUB-PROJECTS AND ELIGIBILITY

The key objectives and activities of Extension 2 remain to:

- Help cities identify and prioritise environmental challenges and possible solutions;
- Help cities plan and prepare investments, reforms and other activities necessary to address identified environmental challenges;
- Invest in urban infrastructure aimed at addressing environmental challenges in cities for the period 2018-2023; and
- Conduct policy dialogue targeting legal/institutional reforms promoting environmental improvements in a financially sustainable manner.

The eligibility criteria for investments under Extension 2 remain unchanged:

1. Are consistent with the GET 2.1.
2. Sectors: Fall within the urban infrastructure sectors including district energy, low-carbon and climate resilient buildings, nature based solutions, renewable energy, solid waste management, street lighting, urban transport, urban climate resilience, urban drainage, urban regeneration, or water and wastewater.
3. Concessionality: Employ the minimum level of concessionality to address financing requirements, market entry barriers or incremental costs in line with the EBRD's internal process for utilising concessional instruments.
4. GCAP: All 'trigger' sub-Projects will require the development of a GCAP based on the GCAP methodology. In addition, cities will be required to identify city staff responsible for the process of developing and implementing a GCAP.
5. Priority environmental challenges: All Green Cities investments subsequent to the development of a GCAP will address a priority environmental challenge¹⁰ identified by the city specific GCAP. Priority environmental challenges will be selected by the city stemming from the GCAP's indicators measuring urban environmental performance.
6. Impact thresholds:
 - i) All sub-Projects with climate mitigation impacts will reduce GHG emissions by at least 20 percent or improve energy efficiency by at least 20 percent.
 - ii) All sub-Projects with climate adaptation impacts will have a Climate Resilience Outcomes Ratio of at least 10 percent.
 - iii) All sub-Projects targeting environmental impacts beyond climate change will:
 - a) employ EU environmental standards, including Best Available Techniques, or where EU standards do not exist, recognised GIP of

¹⁰ A priority environmental challenge is identified in the GCAP methodology through the use of both indicators and stakeholder input.

- pollution prevention and control techniques and standards, for example the World Bank Group/IFC Environmental, Health and Safety Guidelines¹¹, or
- b) reduce local pollution from the relevant municipal activity by at least 20 percent, or
 - c) improve resource efficiency by at least 20 percent.

The Extension will target cities with a population above 50,000.

3.2 BORROWERS

The borrowers under Extension 2 will continue to be sovereigns, state owned enterprises (including banks), municipalities and municipal utility companies, private companies and sovereign entities, supporting green City urban infrastructure investments. Under sovereign loans, the responsibility for repayment will typically rest with the municipality or utility company and require on-lending arrangements but this may not always be the case. A detailed description of each borrower and repayment responsibility will be provided at the sub-Project level.

3.3 GUARANTOR

Some sub-Projects may include a guarantor. For sovereign transactions, any loan directly to the municipality or the utility company may be guaranteed by the state. For non-sovereign transactions, any loan to the utility company may be guaranteed by the relevant municipality. Moreover, the GrCF2 will seek to deploy, when appropriate, guarantee instruments such as the European Fund for Sustainable Development (EFSD).

4. MARKET CONTEXT

The operating environment is rapidly changing, with Paris Alignment and related adherence to NDCs, prompting cities to prioritise investment in green solutions, but also to recognise the importance of climate resilience (of both their citizens and assets), progression to digital and the role of gender and inclusion.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 FINANCIAL PROJECTIONS

Financial projections will be provided at the sub-Project level.

5.2 SENSITIVITY ANALYSIS

Sensitivity analysis will be provided at the sub-Project level.

¹¹ This criteria is expected to apply to sub-Projects involving, among others: district heating boilers; solid waste management, treatment and incineration facilities; and wastewater treatment. It should be noted that in some cases, employing EU standards and BAT or GIP could improve the efficiency and reduce emissions by less than 15 percent, but the overall environmental benefits would be of a substantial scale.

5.3 PROJECTED PROFITABILITY FOR THE BANK

Projected profitability will be calculated and presented separately for each sub-Project. [REDACTED].

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Extension 2 is not/will not be categorised. Each sub-Project will be categorised and will undergo separate Environmental and Social Due Diligence ('ESDD'). The sub-Projects under Extension 2 will comply with the Green Cities eligibility criteria. Each sub-Project will be screened for alignment with the Paris Agreement. GET share will be confirmed for each sub-project separately at Final Review stage. All sub-Projects categorised as "A" will be submitted to Board for approval regardless of the size of the loan.

6.2 PROCUREMENT

Procurement will be categorised for each sub-Project, depending on the Client and the relevant project implementation arrangements and remains unchanged. Goods, works and services for public sector clients will be procured in accordance with the Bank's Procurement Policies and Rules ('PPR') for the public sector, using the Bank's electronic procurement portal ('ECEPP'). For private sector clients, acceptable procedures to the Bank's private procurement procedures will apply. In exceptional cases, when sub-Projects under Extension 2 are expected to be co-financed with other financial institutions, subject to the approval of the Board of Directors, the Bank may agree to the application of alternative procurement rules as applied by other institutions. The specific procurement and implementation arrangements for each individual sub-project will be subject to review and sign-off.

6.3 INTEGRITY

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues will be taken with respect to each sub-Project. The files containing the integrity checklists and other required documentation will be properly and accurately completed to proceed with each sub-Project.

Integrity checks will be conducted separately for each sub-Project, according to the Bank's procedures.

ANNEXES TO OPERATION REPORT

ANNEX 1	EBRD Green Cities Achievements and Portfolio
ANNEX 2	Donor Funding

ANNEX 1- EBRD Green Cities Achievements and Portfolio

1. EBRD Green Cities Achievements

Table 1: EBRD Green Cities Achievements

Achievements		Additional Info	
EBRD Green Cities Portfolio	Green Cities	51 cities	Benefitting 71 million citizens
	Total ABI	EUR 1,140 million	53 Projects in 33 Cities across 21 Countries, [REDACTED]
	GET % ABI	98.7%	EUR 1,124.8 m
	Follow on investments	46%	24 out of the 53 projects signed to date are follow-on investments
	[REDACTED]	[REDACTED]	[REDACTED].
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
Total donor funding	EUR 271 million	Including TCs (GCAPs and others), Investment Grants and Concessional Loans. [REDACTED]	
Green Impacts	Annual CO₂ eq. savings	1,169 kt CO₂ eq. / yr	Equivalent to annually removal 254,300 cars off the road
	Annual water savings or wastewater treated	209 million m³ / yr	Equivalent to annual water consumption of 3.984 million people (EU avg)
	Annual energy savings	3,902,065 GJ / yr	Equivalent to annual electricity consumption of 240,900 households (EU avg)
	Annual material savings	382,645 t / yr	Equivalent to annual municipal solid waste of 777,730 people (EU avg)
Green City Action Plans ('GCAPs')	# of GCAPs	35 GCAPs in different phases	18 GCAPs have been adopted, 1 completed, 12 initiated, and 4 under procurement
	Stakeholders engaged	>81,000 people	Through GCAP outreach
	GCAPs actions implementation	>70% of GCAP actions started / showing progress	The GCAP actions comprise Policy and Investment actions across sectors including: Land use and Biodiversity, Solid Waste, Water, Industry, Energy, Buildings, Urban Transport. Climate Adaptation and Resilience [REDACTED].
	GCAP investment actions per city	>9 GCAP investment actions on avg.	For the 19 cities with an adopted or completed GCAP, avg investments per city is 9.1 investments, including both projects with EBRD under EBRD Green Cities and GCAP investment actions that the cities are working to finance from other organisations, and their own budget. [REDACTED]
Visibility and Outreach	EBRD Green Cities webinars series	7 webinars >2,000 participants	Topics covered: 2020 - response to the Covid19 pandemic, transition to recovery that is green , digital , inclusive and resilient ; 2021 - Women Leading on Green . Featured Cities representatives from 10 Green Cities.
	EBRD Green Cities annual events	2 annual events ~ 1,000 participant	London, 2019; Online, 2021 2021 keynote by Dr Fatih Birol, ED of the IEA
	International events	COP, WUF, LCAW	COP23 (2017), COP24 ('18), COP25 ('19), COP26 ('21) World Urban Forum (2020). London Climate Action Week (2019, '20)
	Green City Officers network	4 quarterly meetings since Q4 2020	Green City Officers network aims to facilitate collaboration, learning and climate leadership among city officials in the Green Cities network

[REDACTED]

ANNEX 2 – Donor Funding

[REDACTED]