



Recommendations for transforming SECAP's into bankable ideas

June 16, 2023



Sources of funding

- Grants
- Loans



Grants: examples of sources

- European Union programmes and instruments:
 - Instrument for pre-accession (IPA)
 - Horizon Europe – EU funding programme for research and innovation
 - Cross border cooperation programmes:
 - IPA Bulgaria-Turkey Cross-border cooperation programme (for limited number of Turkish regions)
 - European Neighbourhood Instrument Black Sea Cross-border cooperation programme (for limited number of Turkish regions)
 - Twinning – instrument for institutional cooperation between Public Administrations of EU Member States and of beneficiary or partner countries.
 - LIFE – EU funding instrument for the environment and climate action.
- Dedicated climate action programmes/projects
 - International Climate Initiative (IKI) – a funding instrument for climate projects in developing countries, however at the time of preparing this text Turkey was still among the eligible countries.
 - Development cooperation programmes (EuropeAid, USAid, Japanese Development Assistance, GIZ, SIDA, etc.).



Loans: examples of sources

- European Union instruments:
 - Just Transition Fund (JTF) – a financial mechanism for Green transition.
 - InvestEU – EU investment facility, providing funding at below the market rates
 - European Bank for Reconstruction and Development - dedicated financing at preferential rates to various climate initiatives.
- European Investment Bank (EIB)
- World Bank (WB)
 - Turkey Country Partnership Framework (CPF)
- KfW Development Bank – international bank specialising in climate actions
 - Climate investment funds – a 10 bln. USD initiative of World Bank and several other development banks.
 - The Global Environment Facility – an international climate initiative, established by 32 countries.
- United Nations:
 - UNDP GEF Small Grants Programme (SGP) - financial and technical support to meet the overall objective of global environmental goals through community-based actions.
- A combination of international and domestic sources:
 - EBRD-funded for “Green Economy Financing Programme”, implemented via the Industrial Development Bank of Turkey (TSKB).
 - Akbank and Iklimsa: lending programme for rooftop solar energy installations.



European Union and its assistance to Türkiye

- Türkiye – candidate for EU membership
- Support for necessary reforms: Instrument for pre-accession (IPA).
- IPA financial assistance for Türkiye for 2014-2020 period



IPA financial assistance for Türkiye for 2014-2020 period

- Under IPA 2014-2020 the EU has allocated €4,453.9 million
- Four specific purposes:
 - Support for political reforms;
 - Support for economic, social, and **territorial development**;
 - Strengthening the ability of the beneficiary country **to fulfil the (future) obligations stemming from EU membership** by supporting progressive alignment with the Union acquis and;
 - Strengthening regional integration and **territorial cooperation**.



Contracting authorities entrusted with implementing the IPA funds

- Ministry of Environment and Urbanisation for the environment and climate action sector;
 - Ministry of Industry and Technology for the competitiveness and innovation sector;
 - Ministry of Transport, Maritime Affairs and Communication for the transport sector;
 - Ministry of Labour, Social Services and Family for the sector education, employment and social policies.
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- The implementation and payments of IPA funds from IPA Regional Development programme (IPARD) in selected provinces is coordinated by the Agriculture and Rural Development Support Institution.



Bankability



Bankability

- ... acceptance by the lending establishment, usually a bank or a fund, of the project idea and its implementation plan as worth risking investors' money



More of ...-bilities

- Bankability
- Fundability
- Eligibility



Bankability: content

What does the lender cares about:

- Compatibility with Fund's values
- Acceptable risk of investing in particular **country and/or its region**
- Acceptable risk of investing in particular **sector of the economy**
- The project will use the proven / reliable **technology**
- The project will be owned by reliable owner and will be run by reliable **operator(s)**
- The project (output) has secured or will be able to secure **long-term contracts**
- All project partners will have their **share of benefit**
- Quality of the **project / application**



Fund's values

- Corporate social responsibility
- Restrictions on what activities could be funded
- Value over profit (sometimes)
- Need to (clearly) see (your) project values and how it matches theirs



Reliability of (project) owner and operator(s)

- Is the owner/operator experienced in the sector / does the institution has administrative capacity to successfully deal with implementation of the project?
- Are they financially viable as an operator?
- How the owner/operator is governed (people, structures, experience, track record of good administration)?



Reliability of (project) owner and operator(s)

- Project Operator:
 - **Financial viability**
 - **Experience** (institutional memory)
- Project management team
 - **Managerial** (project manager or a team leader, depending on the project size and type it may also include various junior managers and assistants);
 - **Financial** (project financial manager or managers, sometimes public procurement specialist);
 - **Expert** (depending of the nature and scall of the project its activities may require supervision by various line experts, such as IT, environment, legal, etc.);



Ballanced partnership

- Who will/shall and why they will/shall invest in the project?
- Do they have experience with similar project technology?
- Do they have experience in the region?
- Do they have a financial/moral incentive to meet/improve on the base case?
- How will you (anybody) help to fill the knowledge gap?



Project details: draft structure 1

- Project description
- Project financial model



Project details: draft structure 2

- Project description:
 - Geographical location of the project
 - The sector and how the project fits into the sector
 - The technology used by the project
 - Description of the owner/operators
 - Track record of the operators
 - Description of the long-term cash or public benefit generating contracts



Project details: draft structure 3

- Financial model:
 - Revenue
 - Contracted revenues
 - Tax incentives
 - Potential incremental revenue
 - Expenses:
 - Operations and maintenance
 - Management & employees
 - Parts, overhaul / replacement account
 - Fuel
 - Taxes
 - Rent/Lease
 - Cost of financing



What is measured by the donors?

- Compatibility with (their) political goals
- Quality
- Efficiency
- Compatibility with own values
- Visibility



Compatibility with political goals

- Climate actions:
 - ...contribution to reduction of GHGs
 - ...energy reliability
 - ...empowering local communities
- How the proposed action will contribute to these goals?
- Clearly defined problems
- Measurable indicators
- Realistic scenarios



The importance of correct wording

- Funded activities shall comply with donors values and principles
- Go beyond egocentrism (“*I need this and I also want this*”) and see what donor has to report to its stakeholders in its annual report (“the Fund has made an impact on...”)
- Using the right words (read the donor’s manual):
 - “*we want 50 km of new roads*” or “*we will improve commuting conditions for 10,000 people living along 50 km stretch of road*”
 - “*we want 10 MW of solar panels*” or “*we will reduce annual CO₂ emissions by 38,323 kg / save 16,416 liters of petrol*”
 - “*we will cut maintenance costs by training local people to do it*” or “*we will empower representatives of local deprived to do the basic maintenance of the installations by themselves*”
- Spend some time thinking on what does the (potential) donor would like to get from your project (good news, impact for communities, contribution to the global goals, etc.).



Quality

- **Impact:** how the impact of the project correspond to the values of the donor
- **Management:** represent an indicator in which the performance of activities, tasks, processes and procedures related to project implementation is measured. It is usually expressed as **progress in implementing activities** [%] and as **financial execution** [€/year];
- **Intermediate results:** represent an indicator in which progress is measured in the implementation of activities and intermediate milestones that enable the achievement of the final objectives. The achievement of intermediate results is usually measured as **progress in implementing project activities** [%];
- **GHG impact:** a very popular indicator, that describes the impact on emission reduction, in tons of CO₂ equivalent. For example, the project impact on GHG emissions can be measured as saved CO₂ expressed in tons due to energy efficiency actions;
- **Non-GHG impact:** is also often used indicator. In this case, the economic, social and environmental benefits associated with direct projects results are measured in monetary equivalent. For example, the health benefits from the bicycle path can be assessed as the reduction of expenditures, related to healing of lungs patience and the improvement of quality of air.



Efficiency

- Management (team)
- Partnership – are partners experienced in the field? What valuable will they gain from the project?
- Reporting (procedures, persons, timeline)
- Verification (audit, publicity)



Visibility

- How your project will help to boost the positive image of the donor?
- Corporate social responsibility and donor's needs
- Project (activities and results) visibility rules and information of donor's contribution



**Funded by
the European Union**



In place of conclusions

- No universal definition of bankability
- An idea best for you might not be the best for the donor
- Donors also have their limitations other than just the money
- A partner of a donor rather than thinking how to outsmart?
- Asking (in advance) never harms – correct answer can make your donor to (partially) write your application (better)
- Often correct wording helps a lot



Questions?