



The project is funded by the
European Union

CES-MED

CLEANER ENERGY SAVING MEDITERRANEAN CITIES

Contract No. ENPI 2012/309-311/EuropAid/132630/C/SER/MULTI

CLEANER ENERGY SAVING MEDITERRANEAN CITIES

Introductory Report on Funding Guidelines for the Use of
National and Local Authorities

August 2017



EuropeAid/132630/C/SER/Multi

CLEANER ENERGY SAVING MEDITERRANEAN CITIES

Contract No ENPI 2012/309-311

Introductory Report on Funding Guidelines for the Use of National and Local Authorities

August 2017

Disclaimer. The content of this report does not reflect the official opinion of the European Union. Responsibility for the information and the views expressed lies entirely with the author(s).



This Project is funded by
the European Union



A project implemented by a Consortium
led by Hulla & Co. Human Dynamics KG

Table of Contents

1. INTRODUCTION	7
2. WORKING WITH INTERNATIONAL FINANCING INSTITUTIONS	8
2.1. EU	8
2.2. UNDP	11
2.3. AFD	12
2.4. KfW	13
3. FINANCING MECHANISMS FOR MUNICIPALITIES	15
3.1. Energy Performance Contracting	15
3.2. Property Tax Approaches	16
3.3. Green Bonds and Capital Markets	16
3.4. Secondary Markets	16
3.5. Crowdfunding	16
3.6. Public Private Partnerships	16
4. MUNICIPALITY FUNDING GUIDELINES FOR ALGERIA	18
4.1. Context	18
4.2. National Mechanism for Funding Energy Projects	19
4.3. Municipality Funding Guidelines for Preparation of SEAP	22
4.4. Municipality Funding Guidelines for Implementation of SEAP Actions	23
4.5. National Guidelines for Securing Funding for Municipal Energy Projects	24
5. MUNICIPALITY FUNDING GUIDELINES FOR ISRAEL	26
5.1. Context	26
5.2. Municipality Funding Guidelines for Preparation of SEAP	26
5.3. Municipality Funding Guidelines for Implementation of SEAP Actions	27
5.4. National Guidelines for Securing Funding for Municipal Energy Projects	29
6. MUNICIPALITY FUNDING GUIDELINES FOR JORDAN	30
6.1. Context	30
6.2. Municipality Funding Guidelines for Preparation of SEAP	30
6.3. Municipality Funding Guidelines for Implementation of SEAP Actions	32
6.4. National Guidelines for Securing Funding for Municipal Energy Projects	33
7. MUNICIPALITY FUNDING GUIDELINES FOR LEBANON	35
7.1. Context	35
7.2. National Mechanism for Funding Municipality Projects	35
7.3. Municipality Funding Guidelines for Preparation of SEAP	36
7.4. Municipality Funding Guidelines for Implementation of SEAP Actions	37

7.5. National Guidelines for Securing Funding for Municipal Energy Projects	39
8. MUNICIPALITY FUNDING GUIDELINES FOR MOROCCO.....	40
8.1. Context	40
8.2. Municipality Funding Guidelines for Preparation of SEAP	41
8.3. Municipality Funding Guidelines for Implementation of SEAP Actions	42
8.4. National Guidelines for Securing Funding for Municipal Energy Projects	44
9. MUNICIPALITY FUNDING GUIDELINES FOR PALESTINE	45
9.1. Context	45
9.2. Municipality Funding Guidelines for Preparation of SEAP	46
9.3. Municipality Funding Guidelines for Implementation of SEAP Actions	47
9.4. National Guidelines for Securing Funding for Municipal Energy Projects	48
10. MUNICIPALITY FUNDING GUIDELINES FOR TUNISIA.....	50
10.1. Context	50
10.2. Municipality Funding Guidelines for Preparation of SEAP	51
10.3. Municipality Funding Guidelines for Implementation of SEAP Actions	52
10.4. National Guidelines for Securing Funding for Municipal Energy Projects	53
ANNEX: FUNDING APPLICATION TEMPLATES	55
A.1 Preliminary Review/Checklist of Regional and Local Characteristics of Municipalities	55
A.2 Priority Action Fiche Template.....	59
A.3 Climate Change Project Concept Note Template	62
A.4 ACTE Financial Mechanism for Municipalities in Tunisia	69

List of Abbreviations and Acronyms

ACTE	Tunisian Municipality Alliance for Energy Transition
ADEREE	Moroccan Agency for the Development of Renewable Energies and Energy Efficiency
AFD	Agence Française de Développement
AfDB	African Development Bank
ANME	Tunisian National Agency for Energy
APC	Popular Assembly of Algerian municipality
APRUE	Algerian National Agency for the Promotion and Rationalisation of Energy Use
APW	Algerian Popular Assembly of Wilayas (regional departments)
BDI	Bank Dexia Israel
BdL	Banque du Liban
BMZ	German Federal Ministry for Economic Cooperation and Development
CCFLA	Cities Climate Finance Leadership Alliance
CCU	Lebanese Climate Change Unit
CEDRO	Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon
CFAD	Tunisian Center for Training and Support to Decentralisation
CoM	Covenant of Mayors
CPSCCL	Tunisian Municipality Lending and Support Body
CREG	Algerian Commission for the Regulation of Electricity and Gas
CVDB	Jordanian Cities and Villages Development Bank
DANIDA	Danish International Development Agency
DGCL	Moroccan General Directorate of Local Communities
DGPCL	Tunisian Directorate General of Public and Local Communities
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EIS	Moroccan Society of Energy Investments
ENPI	European Neighborhood Partnership Instrument
EPC	energy performance contracting
EPIC	commercial subsidiary organisation of Algerian municipality

ESCO	energy service company
EU	European Union
FEC	Moroccan Municipality Equipment Fund
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
FFEM	French Fund for the Global Environment
FNMEERC	Algerian National Fund for Energy Efficiency, Renewable Energy and Cogeneratio
FTE	Tunisian Fund for Energy Transition
GCPF	Global Climate Partnership Fund
GEF	Global Environment Facility
GIZ	German Agency for International Cooperation
IFC	International Finance Corporation
IFI	International financing institution
IMF	Lebanese Independent Municipal Fund
JICA	Japan International Cooperation Agency
JSC	Jordanian Joint Services Councils
KfW	Kreditanstalt für Wiederaufbau
LCEC	Lebanese Center for Energy Conservation
LGBC	Lebanon Green Building Council
MDLF	Palestinian Municipal Development and Lending Fund
MEMEE	Moroccan Ministry of Energy, Mines, Water and Environment
MHPV	Moroccan Ministry of Housing and City Policies
MIEW	Israeli Ministry of National Infrastructures, Energy and Water Resources
MoE	Lebanese Ministry of Environment
MoEW	Lebanese Ministry of Energy & Water
MOI	Moroccan Ministry of Interior
MoIM	Lebanese Ministry of Interior and Municipalities
MoLG	Palestinian Ministry of Local Government
MoMA	Jordanian Ministry of Municipal Affairs
NCG	National Coordination Group

NERC	Jordanian National Energy Research Centre
NGO	Non-governmental organisation
PACE	Property Assessed Clean Energy programme
PENRA	Palestinian Energy and Natural Resources Authority
PIC	Tunisian municipal investment plans
PNA	Palestinian National Authority
PPP	Public private partnership
SDIP	Palestinian municipality strategic development and investment plans
SEAP	Sustainable Energy Action Plan
SSM	SEAP Support Mechanism
SUDEP	Sustainable Urban Demonstration Energy Projects
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
WB	World Bank (<i>or International Bank for Reconstruction and Development IBRD</i>)
WHEEL	Warehouse for Energy Efficiency Loans programme

1. Introduction

The regional project CES-MED funded by the European Neighborhood Partnership Instrument (ENPI) was launched in January 2013, and covers 9 countries: Algeria, Egypt, Israel, Jordan, Lebanon, Libya (with which project activities have been suspended), Morocco, Palestine and Tunisia, to respond more actively to sustainable policy challenges. These countries face similar challenges related to urban development, energy supply and environmental arrangement, and the CES-MED project includes in its aims to raise the capacity of their national and local authorities in terms of funding.

This document recommends the general necessary steps for municipalities in each of the CES-MED countries towards securing funding for the preparation of their Sustainable Energy Action Plans (SEAPs), and subsequently facilitate the implementation of actions from these SEAPs. In this context, the document proposes general steps for national authorities towards securing funding for municipal energy projects.

The following sections specifically relating to each of the 7 CES-MED countries addresses:

- Context;
- Municipality Funding Guidelines for Preparation of SEAP;
- Municipality Funding Guidelines for Implementation of SEAP Actions;
- National Guidelines for Securing Funding for Municipal Energy Projects.

Within this document, basic funding application templates are provided as an Annex. For Lebanon, Algeria and Tunisia in particular the national mechanisms for funding municipal energy projects are also summarised, as the CES-MED project contributed to their development.

An overview of external funding from donors and international financing institutions (IFIs) is also provided. The summary of the project cycle of the most active IFIs on sustainable development in the CES-MED countries (EU, UNDP, AFD, KfW) is summarized in Chapter 2, followed in Chapter 3 by a variety of financing mechanisms suitable for municipality sustainable development projects, before proceeding to the general financial guidelines for each country.

This document is complemented by the country specific documents which specify steps for SEAP Support Mechanisms in Algeria, Tunisia and Lebanon, and planned for the remaining countries.

The set of documents completes the 2 initially prepared reports by CES-MED in its first phase for each country, entitled “Recommended National Sustainable Urban and Energy Saving Actions” and “Donors and Funding Initiatives in the Areas of Sustainable Development at the Local Level”.

2. Working with International Financing Institutions

The most active IFIs on sustainable development in the 7 CES-MED countries under consideration are the European Union (EU) - also through the European Investment Bank (EIB), United Nations Development Programme (UNDP), Agence Française de Développement (AFD) and Kreditanstalt für Wiederaufbau (KfW). The sustainable energy focus and project cycle of each of these IFIs is summarized next. It is noted that there are many more IFIs as well as bilateral funding agreements, each with varying operational procedures.

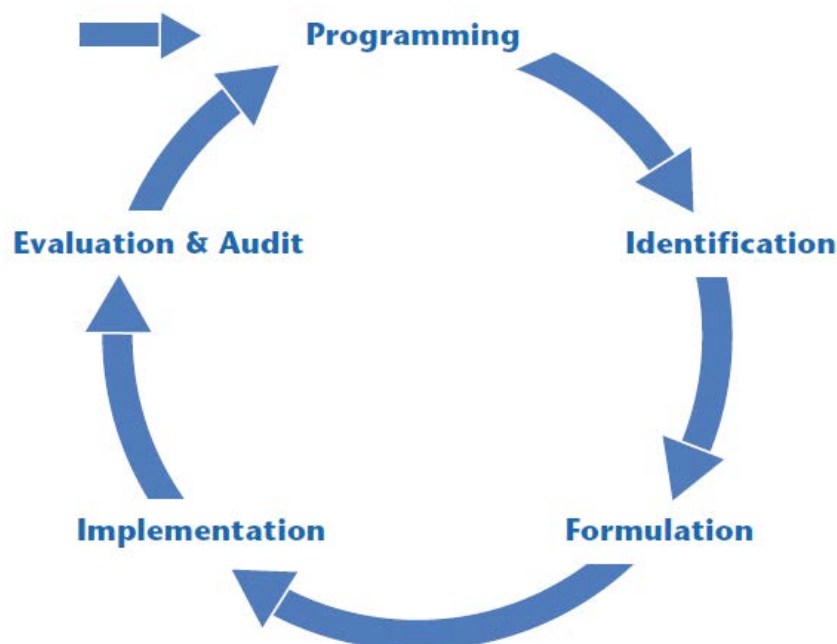
2.1. EU

The EU has been providing continuous support to municipalities in their role as sustainable development actors. In August 2013, the EU launched the Sustainable Urban Demonstration Energy Projects (SUDEP) program to support cities in the EU's Eastern and Southern Neighborhood, including the CES-MED countries under consideration with the exception of Algeria. The objective of the SUDEP programme is the funding of project implementation, with priority given to cities that have prepared SEAPs or are engaged in their preparation. The overall budget for SUDEP stands at 8.25 million Euro, with a minimum grant request of 200,000 Euro and a maximum of 1 million Euro. The SUDEP grants cover a maximum of 80% of eligible costs of each action. Furthermore, in May 2013 the EU released a new policy entitled "Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes", which promotes a more strategic engagement with municipalities, indicating its commitment to further supporting municipalities financially.

The EIB is the EU's bank, with more than 90% of its activities taking place in Europe. EIB's Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is the key player in the financial partnership between Europe and the Mediterranean countries, providing to date over 20 billion Euro of finance to these countries since its inception in October 2002. In 2015, the latest year that has been reported to date, 53.4% of FEMIP financing is directed to the energy sector.

The progressive phases of the EU's project cycle for external assistance projects, which should be followed for each project financed by the EU, are shown graphically below¹.

¹ Project Cycle Management Guidelines, European Commission, March 2004



The *Identification phase* comprises a pre-feasibility study for a sustainable development project included in the medium-term investment plan of a municipality, leading to a project identification fiche (PIF) such as in the example templates presented in Annexes A.2 and A.3. Further on, the *Formulation phase* comprises a detailed feasibility and design study of an initially pre-selected PIF for which co-financing is sought, leading to a Financing Proposal which, if seen to be sufficiently beneficial within the prevailing environment at the time of its assessment, will result in a Financing Agreement. The EU's Quality Frame comprises the following main criteria for the assessment of co-financing proposals.

Relevance (meeting demonstrated and high priority needs):

1. Consistent with, and supportive of, EU development and cooperation policies (*Programming phase*);
2. Consistent with, and supportive of, Partner Government policies and relevant sector programmes (*Programming phase*);
3. Key stakeholders and target groups are clearly identified, equity and institutional capacity issues analysed, and local ownership demonstrated (*Identification phase*);
4. Problems have been appropriately analysed (*Identification phase*);
5. Lessons learned from experience and linkages with other ongoing or planned projects have been assessed and incorporated into strategy selection (*Identification phase*);

Feasibility (well designed for delivering sustainable benefits to target groups):

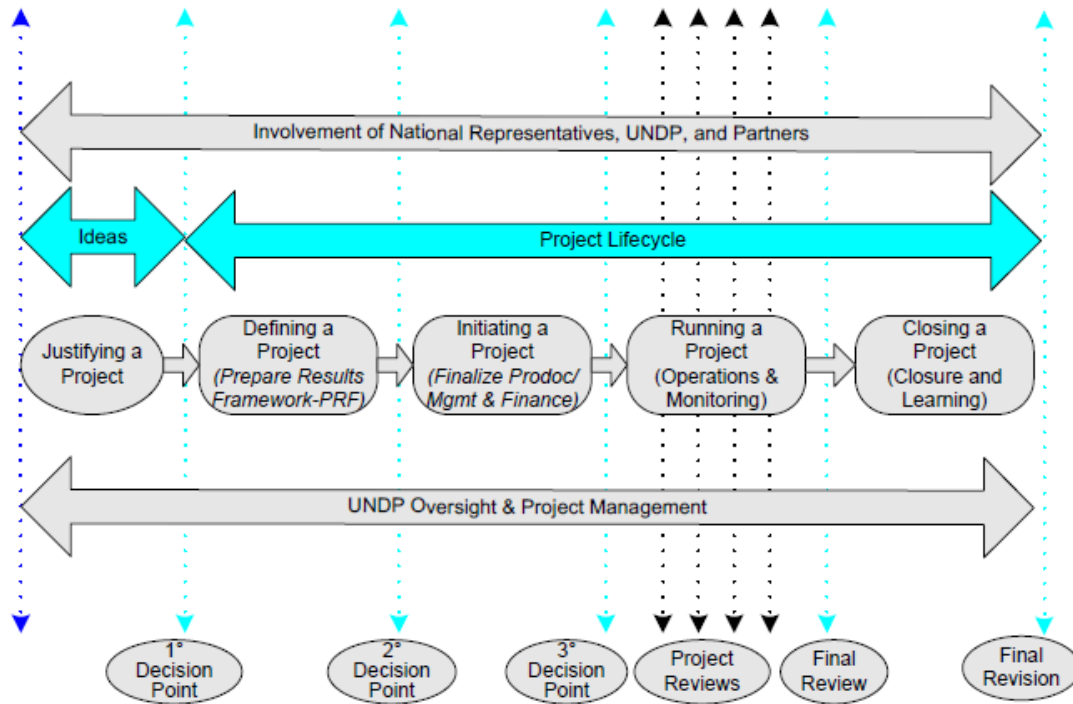
1. The objectives (overall objective, purpose and results) and the work programme (activities) are clear and logical, and address clearly identified needs (*Formulation phase*);
2. The resource and cost implications are clear, the project is financially viable and has a positive economic return (*Formulation phase*);
3. Coordination, management and financing arrangements are clear and support institutional strengthening and local ownership (*Formulation phase*);

4. The monitoring and evaluation system and audit arrangements are clear and practical (*Formulation phase*);
5. Assumptions / risks are identified and appropriate risk management arrangements are in place (*Formulation phase*);
6. The project is environmentally, technically and socially sound and sustainable.

2.2. UNDP

UNDP is the global development network of the United Nations. Its Global Environment Facility (GEF) is an independent fund providing financing to developing countries, including their municipalities, for projects including climate change and mitigation related to the ozone layer. Furthermore, the GEF Small Grants micro-financing program is placed directly at the disposal of non-governmental organisations (NGOs), providing non-repayable grants rather than low interest loans.

The processes of the UNDP's project lifecycle are shown graphically below².



In UNDP's case, the Identification phase corresponding to the EU's project cycle, i.e. the *Justification* and *Definition* processes, lead to 2 sequential decision points:

1. Is the project a correct response to country needs and suitable for UNDP support (*answered by the UNDP Country Office*)?
2. Is the project scope realistic for UNDP to deliver clear and realistic results, with solid management arrangements to implement the project (*answered by the Programme Advisory Committee*)?

Further on, the *Initiation* process corresponding to the EU's Formulation phase comprises a detailed project budget and activity schedule which leads to a final decision point:

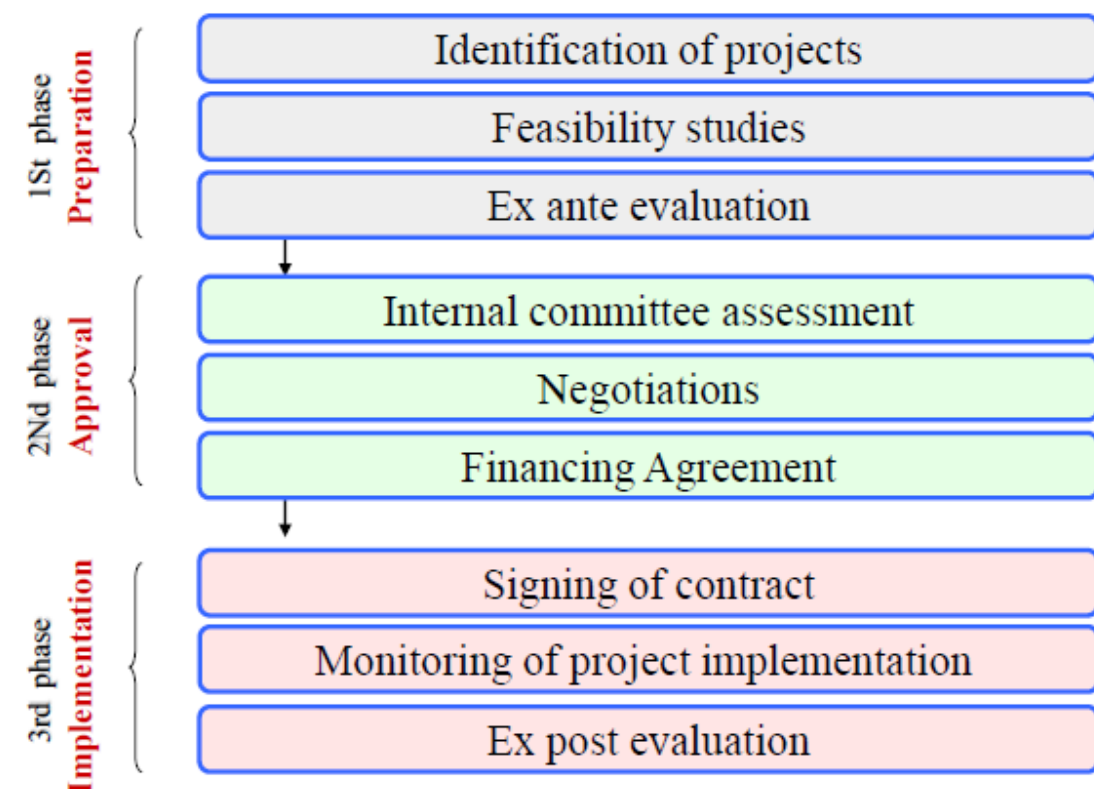
3. Does the design of the project demonstrate a plan to operate and assess progress towards production of deliverables and outputs to ensure success (*answered by the Project Board*)?

² Results Management Guide, UNDP, August 2006

2.3. AFD

AFD is the main French organisation for public aid to developing countries, financing projects related to agriculture, water and sanitation, infrastructure and energy, environment, health, education and finance. The French Fund for the Global Environment (FFEM) is a specific instrument of bilateral funding dedicated to the protection of the environment in developing countries, including their municipalities. It was created by the French Government, whilst contributing to the creation of GEF at the same time, so as to emphasize its priorities in this field.

The phases of AFD's project cycle are shown graphically below³.

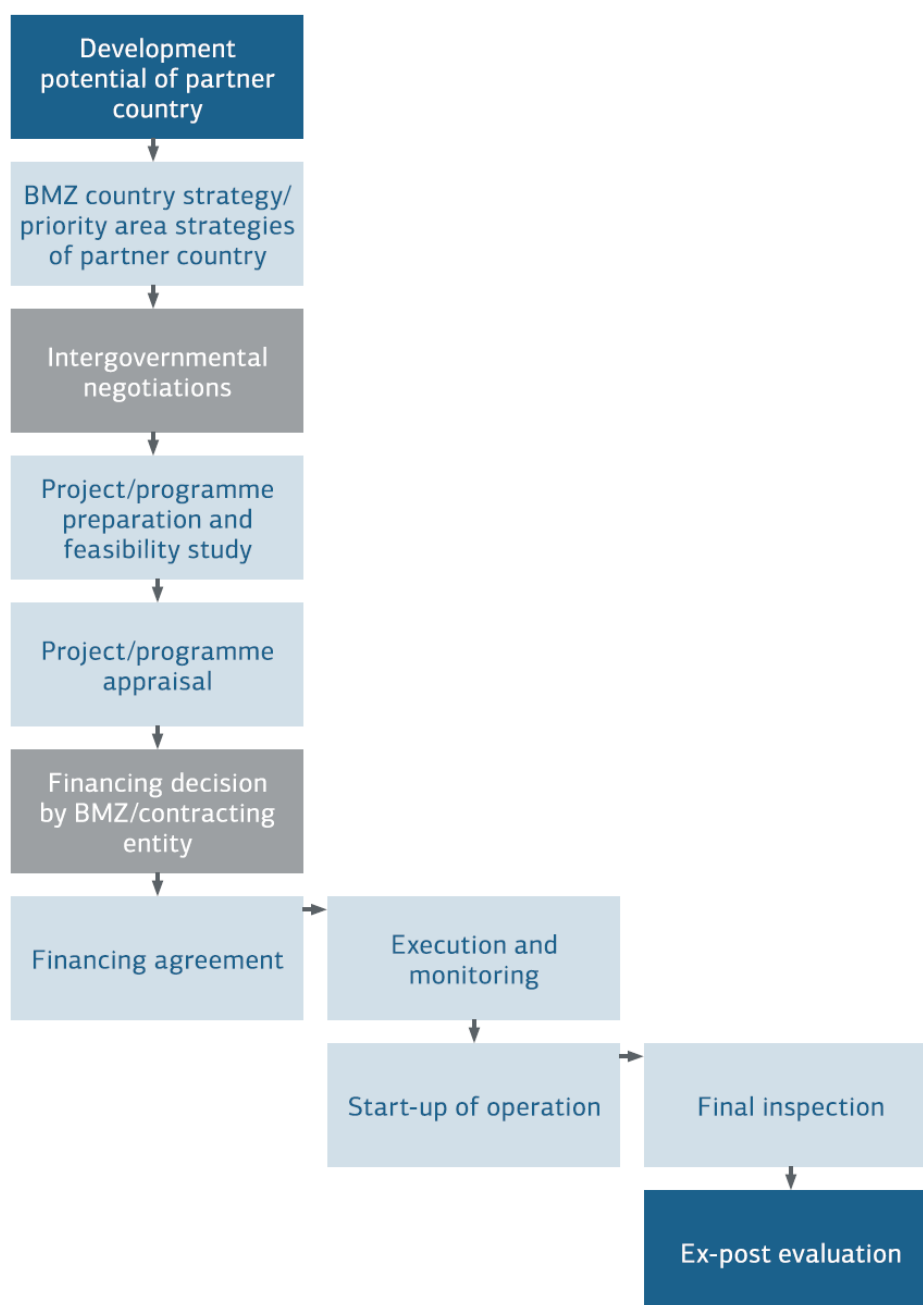


AFD's *Preparation* phase corresponds to the EU's Identification and Formulation phases, and leads to the *Approval* (phase) for the Financing Agreement. Special attention is paid by AFD to the environmental and social impacts of its co-financed projects, as well as to the good use of funds (assessed through independent ex ante and ex post evaluations) and the prevention of corruption in its procurement procedures.

³ Quelles sont les procédures de travail?, AFD, October 2007

2.4. KfW

KfW is a German bank which promotes and supports climate, environment and other projects in more than 100 developing countries around the world. KfW, often in cooperation with the *German Agency for International Cooperation (GIZ)* which operates under the Federal Ministry for Economic Cooperation and Development (BMZ), also supports small and medium-sized enterprises in developing countries. The multi-donor *Global Climate Partnership Fund (GCPF)* has, in particular, been launched by KfW and focuses in Morocco and Tunisia from the CES-MED countries under consideration. The phases (*Preparation, Execution, Inspection*) of KfW's project cycle are shown graphically below⁴.



⁴ The Project Cycle in Financial Cooperation, KfW, September 2014

KfW's *Preparation* phase corresponds to the EU's Identification and Formulation phases. It comprises analysis, conception and on-site audit elements. The following criteria are of paramount importance in KfW's assessment for co-financing a project:

- Legal, institutional and macroeconomic conditions;
- Developmental goals and indicators;
- Impact on the fight against poverty, the social and cultural environment, conflicts, environmental protection and gender equality;
- Economic performance capacity and management capacities of the agency executing the project;
- Economic and technical appropriateness of the project;
- Risks with regard to the sustainability of the project.

3. Financing Mechanisms for Municipalities

The Cities Climate Finance Leadership Alliance (CCFLA), a global platform⁵ launched by the United Nations to facilitate collaboration between public and private sector institutions committed to mobilizing investments into low-emission and climate-resilient urban infrastructure, has proposed 5 measures to improve the flow of financing for municipality sustainable development projects⁶:

1. Engage with national governments to develop a financial policy environment that encourages cities to invest in low-emission and climate-resilient infrastructure;
2. Support cities in developing frameworks to price climate externalities;
3. Develop and encourage project preparation and maximise support for mitigation and adaptation projects;
4. Collaborate with local financial institutions to develop climate finance infrastructure solutions for cities;
5. Create a lab or network of labs to identify catalytic financial instruments and pilot new funding models.

Indeed, the first 3 of these measures are amongst the duties of the National Coordination Group (NCGs) who are meant to prepare for and eventually act as national Covenant of Mayors (CoM) Committees or SEAP Support Mechanisms (SSM) as proposed in the Chapters following for each of the 7 CES-MED countries. The 4th measure is primarily directed to IFIs, encouraging these to channel their funding through local financial institutions (with government guarantees) which are more accessible to municipalities. Finally, the 5th measure stems from the realisation of the need for providing a facilitative environment for the development of new financing mechanisms suitable for municipality sustainable development projects.

The following practical financing mechanisms (forms of finance) currently available for municipality sustainable development projects in the CES-MED countries are summarised next⁷:

1. Energy performance contracting (EPC);
2. Property tax approaches;
3. Green bonds and capital markets;
4. Secondary markets;
5. Crowdfunding;
6. Public private partnerships (PPP).

3.1. Energy Performance Contracting

EPC is a traditional form of packaged financing and capital works, already practiced in many countries, where financial savings from energy conservation measures are used to fund the cost of the measures. The attraction of EPC is that it allows end users (municipalities) to secure energy savings without drawing upon limited capital payments. To be successful for both parties, the EPC contract implies that the funder (contractor) has a stake in the energy savings

⁵ <http://www.citiesclimatefinance.org/>

⁶ The State of City Climate Finance, CCFLA, December 2015

⁷ Innovating Urban Energy, World Energy Council, October 2016

for the end user - client, and hence leading to real and accountable carbon and energy savings. If the savings do not materialise as expected, the EPC contractor will be required to absorb some of the lost savings, being treated as an energy service company (ESCO).

3.2. Property Tax Approaches

An innovative alternative to EPC is to finance energy conservation measures through property tax repayments. This provides property owners (municipalities) with an opportunity to implement improvements without facing large upfront capital costs. These property tax approaches, e.g. the Property Assessed Clean Energy (PACE) programme⁸, originated from municipalities in order to support their carbon reduction targets.

3.3. Green Bonds and Capital Markets

A bond is a financial instrument used for raising capital through the debt capital markets. When a bond is issued to raise capital for projects or activities that have an environmental benefit (renewable energy, low carbon transport etc.), it is labelled as a green bond. The green bond issuer (municipality) can raise a fixed amount of capital from investors over a set period for a specific sustainable development project, repaying the capital when the bond matures and paying an agreed amount of interest each year.

3.4. Secondary Markets

The primary capital market provides initial project financing, such as for green bonds. The resale of these debt or equity shares to new investors creates the secondary market. For energy conservation projects in particular, the secondary capital market is currently expanding due to increasingly ambitious mandatory energy performance policies and regulations which imply an additional investment. A number of innovative initiatives have emerged to help debtors (municipalities) in raising the required capital from the secondary markets, e.g. the Warehouse for Energy Efficiency Loans (WHEEL) revolving fund programme⁹ through which small unsecured loans are purchased and aggregated into diversified pools that can be sold in the capital markets.

3.5. Crowdfunding

Traditionally, a small number of investors (including banks, IFIs and governments) provide large sums of money to finance sustainable development projects. Crowdfunding subverts this approach and uses the power of the internet to allow a large number of stakeholders to invest small capital sums. Projects seeking funding are displayed via an online portal accessible to the general public. Once a project has reached its funding target, it can be commissioned to provide the promised returns to its small investors. As crowdfunding projects are now easy to set up and accessible to all investors, this mechanism has significant and increasing potential for municipal sustainable development projects.

3.6. Public Private Partnerships

Although there is no single internationally accepted definition of PPPs, the basic concept involves a long-term contract between a private party and a government entity with the

⁸ Property Assessed Clean Energy (PACE) Programme, US Department of Energy, 2016

⁹ Warehouse for Energy Efficiency Loans (WHEEL), US National Association of State Energy Officials, 2016

objective of delivering a public asset or service, such as an income-earning municipal sustainable development project. PPPs in parallel pave the way to bring in private sector knowledge to the public and local government sectors.

Municipalities in the CES-MED countries can explore any of the above practical financing mechanisms, which have already been practiced in a number of similar regional environments, in order to obtain an additional source of co-financing for their municipal energy projects.

4. Municipality Funding Guidelines for Algeria

This chapter summarises the national mechanism for funding energy projects in Algeria, and elaborates the necessary steps for Algerian municipalities to secure funding for preparation of their SEAPs, as well as for the subsequent implementation of actions from these SEAPs. Furthermore, it elaborates the necessary steps for Algerian national authorities to secure funding for municipal energy projects. The chapter builds upon the 2 initially prepared reports by CES-MED in its first phase for the preparation¹⁰ and funding¹¹ of SEAPs and municipal energy projects in Algeria.

4.1. Context

Algeria is still not a fully free market economy. It is currently forbidden for any public organisation (including municipalities) to engage in international loan agreements. IFIs are present or active in Algeria only to a very limited extent. Furthermore, being an upper middle income country, Algeria generally attracts less priority from IFIs. It is noted that the present CES-MED project is the only energy-focused activity currently taking place in Algerian municipalities.

A National Coordination Group (NCG) has been formed by the Ministry of Foreign Affairs, which coordinates all public-sector interactions with international bodies, in order to monitor and support the present CES-MED project. This Coordination Group comprises the following parties:

- National Agency for the Promotion and Rationalisation of Energy Use (APRUE), operating under the Ministry of Energy and Mining, which acts as the Focal Point of the CES-MED project;
- Ministry of Foreign Affairs;
- Ministry of the Interior and Local Communities;
- Department of Energy, operating under the Ministry of Energy and Mining;
- Department of the Environment, operating under the Ministry of Land-use Planning and Environment.

Furthermore, a primary category of actors has been identified to be eligible for CoM supporters and coordinators in Algeria, comprising institutions strongly and directly concerned, already informed and sensitised on energy issues at the local level and on the CoM approach. These can potentially support the CoM, as its principles converge with their strategy for the reduction of energy consumption, penetration of renewable energies and overall sustainable development. They comprise:

¹⁰ Actions Nationales Recommandées pour l'Énergie Durable et la Viabilité Urbaine en Algérie, current EU-financed CES-MED project, June 2015

¹¹ Analyse des sources de financements de l'efficacité énergétique et des énergies renouvelables dans les collectivités locales en Algérie, current EU-financed CES-MED project, December 2014

- DG for Energy (from Department of Energy), APRUE and the Commission for the Regulation of Electricity and Gas (CREG);
- DG for Local Communities (from Ministry of the Interior and Local Communities) and the Popular Assembly of wilayas (regional departments - APW).

It is noted that national policy in Algeria reserves only little space for interventions from the private sector. There is currently no platform capable of bringing together stakeholders of the public and private sector (through their professional associations) around an energy policy dialogue.

4.2. National Mechanism for Funding Energy Projects

At the national level, the funding mechanism for energy projects aims to collect, combine and structure the various inputs of funds and guarantees required for large investments, i.e. from national banks, leasing, Islamic finance, the National Agency for the support of employment for young people (ANSEJ), the National Fund of Unemployment Insurance (NCC) and PPPs, ensuring their financial viability.

Beyond their own resources, the extent to which municipalities succeed in implementing energy projects depends on their ability to develop adequate institutional arrangements (partnerships, private investments, loans, grants, etc.). For the development of energy projects at the local level a funding mechanism is proposed which aims to raise the main barriers to financial, technical and organizational issues that prevent the natural development of the market. The municipalities must release an annual budget to co-finance any project according to the proposed mechanism. The financially affluent municipalities can finance their projects with own resources. In addition, the proposed funding mechanism comprises the following steps, as also presented graphically next¹²:

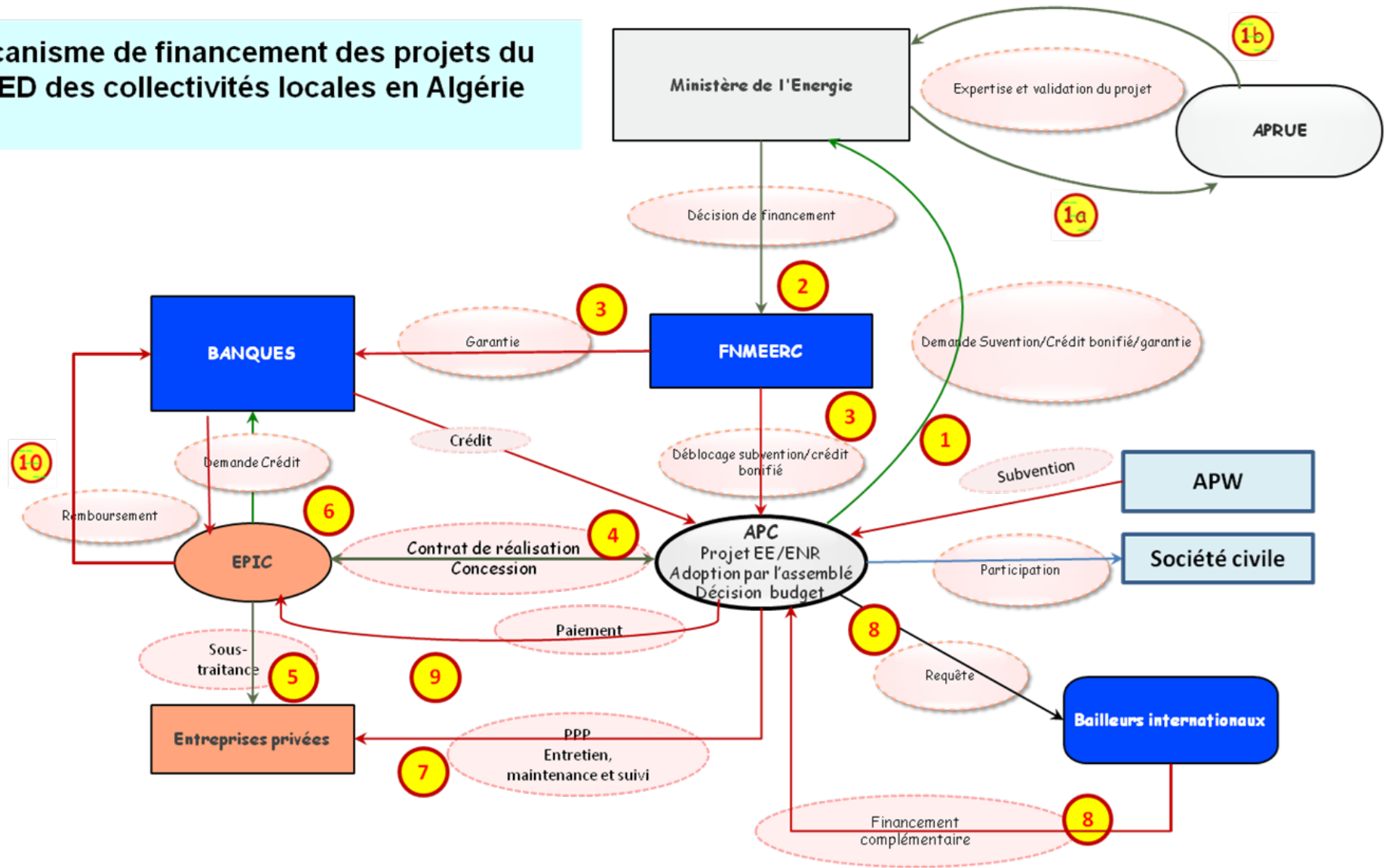
1. Municipality request for grant or subsidised credit or guarantee to the National Fund for Energy Efficiency, Renewable Energy and Cogeneration (FNMEERC);
2. Municipality request for supplementary grant to the APW;
3. FNMEERC and ARW release of grant or subsidised credit or guarantee;
4. Contract for project implementation between the municipality and its commercial subsidiary organisation EPIC (concession contract);
5. EPIC subcontracting for maintenance and monitoring;
6. EPIC request for credit from the bank;
7. Municipality contracting for maintenance and monitoring;

¹² Analyse des sources de financements de l'efficacité énergétique et des énergies renouvelables dans les collectivités locales en Algérie, current EU-financed CES-MED project, December 2016 (supplementary report)

8. Possible request for supplementary funding from international donors by the Popular Assembly of the municipality (APC);
9. APC payment to the EPIC for benefiting from energy savings;
10. EPIC refund of credits granted to the bank.

The Algerian municipalities must release an annual budget to co-finance any project according to the above steps. The techno-economic study of the project must assess the gains made and the return on investment for the local community. A list of necessary further steps for Algerian municipalities to seek possible supplementary international grants (following the above Step 8) is presented in Section 4.4.

Mécanisme de financement des projets du PAED des collectivités locales en Algérie



For the implementation of an energy project in an Algerian municipality the funding process passes through the following steps, as detailed in the CES-MED supplementary financing report for Algeria:

1. Project idea;
2. Study of investment opportunity;
3. Decision making;
4. Adoption of the project and its funding mechanism;
5. Development and approval of the project's budget;
6. Project implementation, monitoring and evaluation.

All the actors involved (municipality departments, APRUE, banks, FNMEERC, international donors, APC and EPIC) have a central role to play for the emergence and funding of municipality projects. They are required to support and facilitate local development through their contribution to the implementation of energy projects.

4.3. Municipality Funding Guidelines for Preparation of SEAP

The economic market for sustainable energy actions (energy efficiency, penetration of renewable energy, etc.) has not yet emerged in Algeria, due to the traditionally low and significantly subsidized price for electricity and fossil fuels. As however electricity prices are increasing in recent years this may soon change, along with the restriction to engage in international loan agreements.

Before embarking on the preparation of a SEAP, Algerian municipalities must first be made aware of the benefits, receive appropriate training, enhance communication and coordination with their stakeholders, and identify and widely publicise good sustainable energy practices from their own municipality or other neighboring ones. The Algerian NCG has an important role to play in promoting this transformation in the municipalities. The NCG is considered most apt to gather future CoM supporters and to lead the way for the creation of a special unit to support SEAPs (SSM) and their implementation at all levels. A first agreement was reached to create an SSM unit in Algeria. It is very important that this is formally established, in order to:

- promote the benefits of sustainable energy actions in municipalities throughout Algeria;
- design and coordinate the necessary training of municipalities;
- promote the practices of stakeholder communication and coordination in municipalities;
- identify and widely publicise good sustainable energy practices in municipalities throughout Algeria;
- support municipalities in formulating and implementing their SEAP, through amassing a library of relevant publications, data and other useful information customised for Algeria;
- promote the provision of financial assistance from the Algerian State to municipalities that have undergone the necessary preparatory actions for developing a SEAP.

The Algerian NCG's main role is to sustain technical assistance to municipalities, in coordination with the Ministry of the Interior and Local Communities, providing training and coaching help desk similar to that provided by CES-MED specifically upon the termination of this project. It is proposed to comprise the following parties:

1. DG for Energy (from Department of Energy);
2. APRUE;
3. CREG;
4. DG for Local Communities (from Ministry of the Interior and Local Communities);
5. APW;
6. Department of the Environment;
7. Coordinator of (private sector) engineering associations.

All Algerian municipalities prepare annual and 5-year investment programs to articulate their development vision and investment priorities. These provide an indication of the relative priority of the energy sector and overall sustainable development (currently minimal) in the municipalities. Once SEAP preparation is included in the investment programme of a municipality, and thus the municipality's commitment to sustainable energy development emphasized, it will be easier to secure funding for this.

An indicative preliminary review / checklist of regional and local characteristics relevant to the preparation of a SEAP by an Algerian municipality is presented in Annex A.1. The initial completion of this checklist will allow the Algerian State through the FNMEERC, or IFIs via the EPIC, to speedily understand and initially prioritise requests for funding the preparation of SEAPs from Algerian municipalities.

4.4. Municipality Funding Guidelines for Implementation of SEAP Actions

Once a municipality SEAP has been prepared, a good first step for this to gain international and also increase its national credibility is to be accepted by the European Commission, allowing the municipality to become a signatory of the CoM. It is noted that SEAPs have already been developed and approved from the municipalities of Batna, Boumerdès and Sidi Bel Abbès in Algeria (prepared through the present CES-MED project). Once included in a municipality's SEAP, an action has good chances of being financed from the Algerian State or IFIs. It is very important for municipalities to focus on their priority investments in order to develop their planning in more detail, rather than to embark on developing a large number of less well prepared investment proposals.

The next necessary step for each action included in the municipality SEAP is its elaboration in the form of a priority action fiche, e.g. as in the practical form applied in the present CES-MED project or in another more elaborate form developed for climate change projects, presented in Annexes A.2 and A.3 respectively.

The following subsequent steps are necessary for municipalities to seek possible alternative direct international grants for the implementation of each SEAP action, with support from the Algerian SSM in coordination with the Ministry of Interior and Local Communities:

1. Prepare SEAP with integrated set of medium term municipal energy actions and priority action fiches (e.g. on street lighting, energy efficiency in buildings, energy

- savings in industrial and tourism facilities, waste management or bicycle lanes as in the Algerian CES-MED municipalities);
2. Identify IFIs potentially placing emphasis on financing the action's type or technology in Algeria (e.g. European Commission, AFD, KfW, GIZ, UNDP, WB, IFC, AfDB) or the wider region;
 3. Check the type of support provided by each of the identified IFIs in Algeria, i.e. Technical Assistance, grant, loans etc.;
 4. Select the IFIs providing the required type of support for each action type;
 5. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
 6. Prioritise the selected IFIs in terms of suitability for the specific action, level of support provided, total available budget for similar actions, strength of local contacts etc.;
 7. Develop a promotion plan for each action to the most suitable IFI;
 8. Communicate the action funding request to the priority IFI (in necessary coordination with the Ministry of Interior and Local Communities);
 9. Establish contact and regular follow up with the priority IFI;
 10. Speedily respond to any clarification requests from the contacted IFI;
 11. Allow time for completion of the IFI's evaluation cycle;
 12. Once concluded evaluation (positively or negatively) propose additional alternative actions for subsequent evaluation.

Indicatively, IFIs currently active in Algeria fully through grants (not loans) include the European Commission, AFD, KfW, GIZ, UNDP, WB, IFC, AfDB, as well as some Arab and Islamic banks. Other potential sources for funding the implementation of municipality SEAP actions are twinned European municipalities, international NGOs and other charity foundations (i.e. out of the formal IFI – government channel). The Algerian NCG has an important role to play in also informing the municipalities on potential sources, types and focus areas of available investment funding in Algeria, including national funding available from around 150 sources for Algerian municipalities.

4.5. National Guidelines for Securing Funding for Municipal Energy Projects

Algeria prepares a medium term (5-year) national investment plan (2015 – 2019 being the current), structured along the lines of 6 major axes:

1. Human Development;
2. Infrastructure (primarily transport sector and spatial planning);
3. Economic Development (including new power plants);
4. Public Sector (including local government);
5. Unemployment Control;
6. Scientific Research and Communication Technologies.

Algeria also has a 20-year (2011 – 2030) Renewable Energy and Energy Efficiency Program, which includes the installation of 22 GW power generation capacity from renewable (primarily solar) energy as well as 9% savings from energy efficiency actions. Based on these development priorities, clear signals are available to the IFIs on funding needs for energy investments in Algeria, including potential municipal energy projects. It is up to the Department of Energy and APRUE to appropriately communicate these priorities to the IFIs,

in order to increase the funds made available for Algeria and/or increase their allocation for energy investments.

The following steps are therefore necessary to secure international funding for the implementation of energy investments in Algeria, including municipal energy projects with support from the SSM:

1. Periodically update the integrated set of reports forming the Algerian energy sector strategy;
2. Identify IFIs potentially placing emphasis on financing energy investments in Algeria (e.g. European Commission, AFD, GIZ, UNDP);
3. Check the type of support provided by each of the identified IFIs, i.e. Technical Assistance, grant, loans etc.;
4. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
5. Prioritise the selected IFIs in terms of suitability for the Algerian energy sector, level and type of support provided, total available budget for energy investments, strength of national relations and contacts etc.;
6. Develop a promotion plan for each priority IFI;
7. Communicate the Algerian energy investments plan to the priority IFIs (in necessary coordination with the Ministry of Interior and Local Communities);
8. Establish contact and regular follow up with the priority IFIs;
9. Speedily respond to any clarification requests from the contacted IFIs;
10. Adjust IFI promotion plan and future energy investment plans according to IFI priorities.

The planned Algerian SSM has a very important role in providing technical assistance to municipalities for preparing and implementing sustainable energy projects, as well for securing co-financing from national sources or IFIs in coordination with the Ministry of Interior and Local Communities.

5. Municipality Funding Guidelines for Israel

This chapter elaborates the necessary steps for Israeli municipalities to secure funding for preparation of their SEAPs, as well as for the subsequent implementation of actions from these SEAPs. Furthermore, it elaborates the necessary steps for Israeli national authorities to secure funding for municipal energy projects. The chapter builds upon the 2 initially prepared reports by CES-MED in its first phase for the preparation¹³ and funding¹⁴ of SEAPs and municipal energy projects in Israel.

5.1. Context

Although there is significant competitive co-financing available from the Government, municipalities require additional funding and financial assistance to implement energy efficiency and sustainable development projects in Israel. The situation is no different for the initial design, development and writing of SEAPs. Most Israeli municipalities do not possess the proper manpower, professional training and experience to design and develop a SEAP on their own.

The following actors have been identified to be eligible as potential coordinators or supporters of the CoM in Israel:

- Ministry of National Infrastructures, Energy and Water Resources (MIEW);
- Ministry of Environmental Protection (MEP);
- Forum 15 (self-government of cities);
- Union of Local Authorities;
- Israel Energy Forum (advocacy);
- Israel Electric Company (IEC);
- Standards Institution of Israel;
- Heschel Sustainability Centre (education and reflective activism);
- Samuel Neaman Institution (national policy research);
- Adam Teva V'Din (environmental advocacy).

5.2. Municipality Funding Guidelines for Preparation of SEAP

All Israeli municipalities prepare medium term (5-year) investment plans to articulate their development vision and investment priorities, 2014 – 2019 being the current. These are subsequently utilized in order to allocate Government funds to the municipalities. They provide an indication of the relative priority of energy sector and overall sustainable

¹³ Recommended National Sustainable Urban and Energy Savings Actions for Israel, current EU-financed CES-MED project, August 2014

¹⁴ Donors and other Funding Initiatives in the Areas of Sustainable Development at the Local Level for Israel, current EU-financed CES-MED project, August 2014

development in the municipalities. For municipalities which place strong priority on the development of their energy sectors, and even those who place smaller relative priority, the inclusion of SEAP preparation in their investment plans is considered a very important first step for funding energy and sustainable development, whether this funding is secured from the Government, IFIs, Bank Dexia Israel (BDI) or other public or private sources. The cost of consultancy support for preparing a municipality SEAP will be only a small portion of each investment plan, and definitely merits being included.

An Israeli CoM Committee (NCG) has an important role to play in convincing municipalities of the benefits of joining the CoM. Even if a smaller relative priority is placed by a municipality on the energy sector, it is important to convince this municipality and its stakeholders that the relatively small cost of preparing a municipality SEAP, in comparison to other priority investments, will have longer-term technical and financial benefits for the municipality, and thus merits being included in their next investment plan. The NCG is considered most apt to gather future CoM supporters and to lead the way for the creation of a special unit to support SEAPs (SSM) and their implementation at all levels. The Israeli NCG comprises of the two thematically related Ministries, the Ministry of National Infrastructures, Energy and Water Resources, and the Ministry of Environmental Protection, with the following primary duties:

- Support municipalities in formulating and implementing their SEAP;
- Assist the preparation of CO₂ emission inventory;
- Support in generating awareness on the benefits of energy investments;
- Provide information on potential sources of financial assistance.

The Israeli NCG may in particular ease the ground for preparing municipality SEAPs, through amassing a library of relevant publications, data and other useful information customised for Israel. The Israeli NCG's main role is to sustain technical assistance to municipalities, providing training and coaching help desk similar to that provided by CES-MED specifically upon the termination of this project. Another source of technical (and maybe even financial) assistance for preparing a municipality SEAP may be from another twinned European municipality.

Once SEAP preparation is included in the investment plan of a municipality, and thus the municipality's commitment to sustainable energy development is emphasised, it will be easier to secure co-financing for this from national sources. Alternative funding sources could be international donor or other IFI projects, e.g. similar to the present CES-MED or SUDEP projects by the European Commission.

An indicative preliminary review / checklist of regional and local characteristics relevant to the preparation of a SEAP by an Israeli municipality is presented in Annex A.1. The initial completion of this checklist will allow IFIs in particular to speedily understand and initially prioritise requests for funding the preparation of SEAPs from municipalities.

5.3. Municipality Funding Guidelines for Implementation of SEAP Actions

Once a municipality SEAP has been prepared, a good first step for this to gain international and increase its national credibility is to be accepted by the European Commission, allowing

the municipality to become a signatory of the CoM. It is noted that SEAPs have already been accepted from the municipalities of Ramla, Shfar'am and Rosh Ha'ayin in Israel (prepared through the present CES-MED project). Once included in a municipality's SEAP as well as its investment plan, an action has good chances of being financed from the Government, BDI or other national sources.

The next necessary step for each action included in the municipality SEAP is its elaboration in the form of a priority action fiche, e.g. as in the practical form applied in the present CES-MED project or in another more elaborate form developed for climate change projects, presented in Annexes A.2 and A.3 respectively. It is very important for municipalities to focus on their priority investments in order to develop their planning in more detail, rather than to embark on developing a large number of less well prepared investment proposals.

The following subsequent steps are necessary for municipalities to secure alternative direct international funding for the implementation of each SEAP action, with support from an Israeli SSM:

1. Prepare SEAP with integrated set of medium term municipal energy actions and priority action fiches (e.g. on street lighting, energy efficient appliances, green buildings, waste recycling, vehicle parking, voluntary commitment campaigns or cycling promotion as in the Israeli CES-MED municipalities);
2. Identify IFIs placing emphasis on financing the action's type or technology in Israel (e.g. European Commission, EIB, UNIDO, Heinrich Boell Foundation);
3. Check the type of support provided by each of the identified IFIs in Israel, i.e. Technical Assistance, grant, loans etc.;
4. Select the IFIs providing the required type of support for each action type;
5. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
6. Prioritise the selected IFIs in terms of suitability for the specific action, level of support provided, total available budget for similar actions, strength of local contacts etc.;
7. Develop a promotion plan for each action to the most suitable IFI;
8. Communicate the action funding request to the priority IFI;
9. Establish contact and regular follow up with the priority IFI;
10. Speedily respond to any clarification requests from the contacted IFI;
11. Allow time for completion of the IFI's evaluation cycle;
12. Once concluded evaluation (positively or negatively), propose additional alternative actions for subsequent evaluation.

Indicatively, IFIs currently active in Israel include the European Commission, EIB, UNIDO and the Heinrich Boell Foundation. Other potential sources for funding the implementation of municipality SEAP actions are twinned European municipalities, NGOs and other charity foundations (i.e. out of the formal donor - government channel), as well as the large Israeli diaspora worldwide. Another possibility is seeking to increase the current municipality revenues through other innovative ways (PPPs, etc.).

5.4. National Guidelines for Securing Funding for Municipal Energy Projects

A 10-year integrated economic, social and environmental master plan for Israel in the 21st century (Israel 2020) has been prepared by reputable Israeli institutions for the Prime Minister's Office. Furthermore, at around the same time (2010), a 10-year policy on the integration of renewable energy sources and a 10-year national energy efficiency programme were developed by MIEW. These documents set Government targets for 10% electricity generation from renewable energy and 20% reduction of electricity consumption by 2020. Nevertheless, since then, the commercial exploitation of Israel's vast offshore gas resources has proven economically feasible, and large scale production is indeed already proceeding rapidly. This is currently favourably changing the development prospects of Israel's energy sector and entire economy.

Based on the above development prospects, clear signals are available to the IFIs on funding needs for energy investments in Israel, including potential municipal energy projects. It is up to MIEW to appropriately communicate these priorities to the IFIs, in order to increase total funds made available for Israel and/or increase their allocation for energy investments.

The following steps are therefore necessary to secure international funding for the implementation of energy investments in Israel, including municipal energy projects with support from the SSM:

1. Periodically update the integrated set of reports forming the Israeli energy sector strategy;
2. Identify IFIs placing emphasis on financing energy investments in Israel (e.g. European Commission, EIB, UNIDO);
3. Check the type of support provided by each of the identified IFIs, i.e. Technical Assistance, grant, loans etc.;
4. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
5. Prioritise the selected IFIs in terms of suitability for the Israeli energy sector, level and type of support provided, total available budget for energy investments, strength of national relations and contacts etc.;
6. Develop a promotion plan for each priority IFI;
7. Communicate the Israeli energy investments plan to the priority IFIs;
8. Establish contact and regular follow up with the priority IFIs;
9. Speedily respond to any clarification requests from the contacted IFIs;
10. Adjust IFI promotion plan and future energy investment plans according to IFI priorities.

An Israeli SSM has a very important role in providing technical assistance to municipalities for preparing, securing co-financing and implementing sustainable energy projects.

6. Municipality Funding Guidelines for Jordan

This chapter elaborates the necessary steps for Jordanian municipalities to secure funding for preparation of their SEAPs, as well as for the subsequent implementation of actions from these SEAPs. Furthermore, it elaborates the necessary steps for Jordanian national authorities to secure funding for municipal energy projects. The chapter builds upon the 2 initially prepared reports by CES-MED in its first phase for the preparation¹⁵ and funding¹⁶ of SEAPs and municipal energy projects in Jordan.

6.1. Context

Jordanian municipalities are unable to fulfill their duties due to lack of financial resources and incentives. Targeted funding or financing programmes are not yet in place in Jordan. Government is not interested to increase the financial burden by taking on new loans for municipalities. The financial health of many municipalities is weak, and they cannot enter directly into loan agreements.

Furthermore, the capacity of Jordanian municipalities to apply for calls for proposal, grants and technical assistance from international donors is weak in general. Jordanian municipalities lack the needed experience, human resources and technical guidance to plan and develop bankable projects and apply to external loans / grants provided by bilateral or multilateral agencies.

The following actors have been identified to be eligible as potential coordinators of the CoM in Jordan:

- Ministry of Municipal Affairs (MoMA);
- National Energy Research Centre (NERC);
- Joint Services Councils (JSC) or future Cities Alliance Councils (in new municipalities law).

6.2. Municipality Funding Guidelines for Preparation of SEAP

All Jordanian municipalities prepare medium term (5-year) strategic development and investment plans to articulate their development vision and investment priorities (2015-2020 period currently in force). These are subsequently utilized in order to allocate Government funds to the municipalities, although in general these represent only a small proportion of overall municipality funds. The 5-year plans provide an indication of the relative priority of energy sector and overall sustainable development in the municipalities, which is currently very low. For municipalities which place strong priority on the development of their energy sectors, and even those who place smaller relative priority, the inclusion of SEAP preparation in their investments list is considered a very important first step for funding energy and sustainable development investments, whether this is secured from national funds, Cities and Villages Development Bank (CVDB), IFIs or other public or private sources. The cost of

¹⁵ Recommended National Sustainable Urban and Energy Savings Actions for Jordan, current EU-financed CES-MED project, June 2015

¹⁶ Donors and other Funding Initiatives in the Areas of Sustainable Development at the Local Level for Palestine, current EU-financed CES-MED project, June 2015

consultancy support for preparing a municipality SEAP will be only a small portion of the investments list, and definitely merits being included in each 5-year plan.

The Jordanian CoM Committee (NCG) has an important role to play in convincing municipalities of the benefits of joining the CoM. Even if a smaller relative priority is placed by a municipality on the energy sector, it is important to convince this municipality and its stakeholders that the relatively small cost of preparing a municipality SEAP, in comparison to other priority investments, will have longer-term technical and financial benefits for the municipality, and thus merits being included in their next 5-year plan. The NCG is considered most apt to gather future CoM supporters and to lead the way for the creation of a special unit to support SEAPs (SSM) and their implementation at all levels.

The Jordanian NCG comprises the following members:

- MOPIC for the international cooperation and planning.
- MoMA to coordinate on Joint Services Councils and Municipality level.
- MEMR to provide input on energy regulation, and data collection related issues.
- MoEnv for waste management related issues.

The NCG's extended set of duties include:

- Promote the benefits of sustainable energy actions in municipalities;
- Design and coordinate the necessary training of municipalities;
- Promote the practices of stakeholder communication and coordination in municipalities;
- Identify and widely publicise good sustainable energy practices in municipalities;
- Encourage the exchange of sustainable energy experience and skills between municipalities;
- Convince municipalities of the benefits of joining the CoM;
- Assist municipalities in preparing the CO₂ emission inventory for their SEAP;
- Support municipalities in formulating and implementing their SEAP actions, through amassing a library of relevant publications, data and other customised information;
- Provide strategic and technical support to the CoM municipalities which do not have the capacity and resources to respond to their political commitment;
- Inform municipalities on potential sources, types and focus areas of available national and international investment funding for their energy projects;
- Promote the provision of financial assistance to municipalities that have undergone the necessary preparatory actions for developing a SEAP.

The Jordanian NCG may in particular ease the ground for preparing municipality SEAPs, through amassing a library of relevant publications, data and other useful information customised for Jordan. The Jordanian NCG's main role is to sustain technical assistance to municipalities, providing training and coaching help desk similar to that provided by CES-MED specifically upon the termination of this project. Another source of technical (and maybe even financial) assistance for preparing a municipality SEAP may be from another twinned European municipality.

Once SEAP preparation is included in the 5-year plan of a municipality, and thus the municipality's commitment to sustainable energy development is emphasised, it will be easier to secure co-financing for this from the CVDB or other national sources. Alternative funding

sources could be international donor or other IFI projects, e.g. similar to the present CES-MED or SUDEP projects by the EU.

An indicative preliminary review / checklist of regional and local characteristics relevant to the preparation of a SEAP by a Jordanian municipality is presented in Annex A.1. The initial completion of this checklist will allow IFIs in particular to speedily understand and initially prioritise requests for funding the preparation of SEAPs from municipalities.

6.3. Municipality Funding Guidelines for Implementation of SEAP Actions

Once a municipality SEAP has been prepared, a good first step for this to gain international and also increase its national credibility is to be accepted by the European Commission, allowing the municipality to become a signatory of the CoM. It is noted that SEAPs are currently being prepared in Jordan through the present CES-MED project for the municipalities of Irbid and Karak as well as Aqaba Special Economic Zone Authority - ASEZA (covering Aqaba), and have already been accepted for the municipality of Sahab. Once included in a municipality's SEAP as well as its 5-year plan, an action has good chances of being financed from the CVDB or other national sources. It is very important for municipalities to focus on their priority investments in order to develop their planning in more detail, rather than to embark on developing a large number of less well prepared investment proposals.

The next necessary step for each action included in the municipality SEAP is its elaboration in the form of a priority action fiche, e.g. as in the practical form applied in the present CES-MED project or in another more elaborate form developed for climate change projects, presented in Annexes A.2 and A.3 respectively.

The following subsequent steps are necessary to secure alternative direct international funding for the implementation of each municipal energy action, with support from a Jordanian SSM:

1. Prepare SEAP with integrated set of medium term municipal energy actions and priority action fiches (e.g. on street lighting, energy efficiency in buildings, green buildings, solar PV, smart transportation and parking, transport fuel efficiency or solid waste management in the Jordanian CES-MED municipalities);
2. Identify IFIs placing emphasis on financing the action's type or technology in Jordan (e.g. European Commission, EIB, EBRD, UNDP, GIZ, KfW, AFD, JICA, USAID, WB, IFC) or the wider region;
3. Check the type of support provided by each of the identified IFIs in Jordan, i.e. Technical Assistance, grant, loans etc.;
4. Select the IFIs providing the required type of support for each action type;
5. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
6. Prioritise the selected IFIs in terms of suitability for the specific action, level of support provided, total available budget for similar actions, strength of local contacts etc.;
7. Develop a promotion plan for each action to the most suitable IFI;
8. Communicate the action funding request to the priority IFI;
9. Establish contact and regular follow up with the priority IFI;
10. Speedily respond to any clarification requests from the contacted IFI;

11. Allow time for completion of the IFI's evaluation cycle;
12. Once concluded evaluation (positively or negatively) propose additional alternative actions for subsequent evaluation.

Indicatively, IFIs currently active in Jordan include the European Commission, EIB, EBRD, UNDP, GIZ, KfW, AFD, JICA, USAID, WB and IFC, as well as a number of Islamic, Arab, Japanese and Korean banks. Other potential sources for funding the implementation of municipality SEAP actions are twinned European municipalities, NGOs and other charity foundations (i.e. out of the formal donor – government channel). Another possibility is seeking to increase the current municipality revenues through other innovative ways, e.g. PPPs, ESCOs, revolving funds, financing guarantees, etc. Direct energy actions that are bankable can be financed in cooperation with the private sector.

6.4. National Guidelines for Securing Funding for Municipal Energy Projects

Jordan has a long term overall national vision and strategy in force (Jordan 2025), structured along the main principles of improving infrastructure (including energy security), enhancing education and health, and strengthening the role of the private sector and civil society institutions.

For the energy sector in particular, Jordan also has a long term Updated Master Strategy in force (2007 – 2020), including investments totalling between 13 – 17 million USD in downstream oil, electrical power, natural gas, renewable energy, energy efficiency and shale oil. Furthermore, Jordan has a medium term National Energy Efficiency Action Plan (2015 – 2017). The National Renewable Action Plan is also currently under development and consideration for approval.

Based on the above development priorities, clear signals are available to the IFIs on funding needs for energy investments in Jordan, including potential municipal energy projects. It is up to the Ministry of Energy & Natural Resources (MENR) to appropriately communicate these priorities to the IFIs, in order to increase total funds made available for Jordan and/or increase their allocation for energy investments.

The following steps are therefore necessary to secure international funding for the implementation of energy investments in Jordan, including municipal energy projects with support from the SSM:

1. Periodically update the integrated set of reports forming the Jordanian energy sector strategy;
2. Identify IFIs placing emphasis on financing energy investments in Jordan (e.g. European Commission, UNDP, GIZ, JICA, USAID, WB);
3. Check the type of support provided by each of the identified IFIs, i.e. Technical Assistance, grant, loans etc.;
4. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
5. Prioritise the selected IFIs in terms of suitability for the Jordanian energy sector, level and type of support provided, total available budget for energy investments, strength of national relations and contacts etc.;

6. Develop a promotion plan for each priority IFI;
7. Communicate the Jordanian energy investments plan to the priority IFIs;
8. Establish contact and regular follow up with the priority IFIs;
9. Speedily respond to any clarification requests from the contacted IFIs;
10. Adjust the IFI promotion plan and future energy investment plans according to IFI priorities.

MoMA will be responsible for securing further international funding for Jordanian municipalities, with the support of the CVDB. A new law emphasizing the decentralization of municipalities is expected to be passed in 2017, including more independency and responsibilities for municipalities on local economic development. This is planned to include focus on environmental and energy sustainability, mandatory support of municipalities to national environmental and energy action plans, additional income generating opportunities for municipalities, as well as possibilities for municipalities to engage in PPP agreements. The new law foresees the Cities Alliance Councils, in order to coordinate certain activities at a higher level or provide support that otherwise would not be available for the smaller municipalities. It will also hopefully clarify the legal lending options for Jordanian municipalities.

A Jordanian SSM has a very important role in providing technical assistance to municipalities for preparing, securing co-financing and implementing sustainable energy projects.

7. Municipality Funding Guidelines for Lebanon

This chapter summarises the national mechanisms for funding municipality projects in Lebanon, and elaborates the necessary steps for Lebanese municipalities to secure funding for preparation of their SEAPs, as well as for the subsequent implementation of actions from these SEAPs. Furthermore, it elaborates the necessary steps for Lebanese national authorities to secure funding for municipal energy projects. The chapter builds upon the 2 initially prepared reports by CES-MED in its first phase for the preparation¹⁷ and funding¹⁸ of SEAPs and municipal energy projects in Lebanon.

7.1. Context

Lebanese municipalities are unable to fulfill their duties due to legal constraints and financial dependency. There are limited opportunities in Lebanon for direct support to municipalities. Lebanese municipalities also lack the needed technical guidance and capacity to apply for external loans and grants provided by bilateral and multilateral agencies, as well as to manage complex and technical projects.

The following actors have been identified to be eligible as potential coordinators of the CoM in Lebanon:

- Ministry of Interior and Municipalities (MoIM);
- Lebanese Center for Energy Conservation (LCEC) / Ministry of Energy & Water (MoEW);
- Climate Change Unit (CCU) / Ministry of Environment (MoE);
- Lebanon Green Building Council (LGBC);
- Country Energy Efficiency and Renewable Energy Demonstration Project for the Recovery of Lebanon (CEDRO – UNDP).

7.2. National Mechanism for Funding Municipality Projects

The Lebanese legal environment relating to municipal funding is based on the Municipal Act 118/1977 which grants financial independence to the municipalities. However, the banking sector in Lebanon is not yet ready and interested in granting municipal loans, leading to an urgent need to develop long term viable funding instruments for the Lebanese municipalities. 3 municipal funding schemes have been proposed¹⁹:

1. PPPs between ESCOs and targeted beneficiaries: A private company targets a subsidized loan from Banque du Liban (BdL), e.g. through the National Energy Efficiency or Renewable Energy Action (NEEREA), including Circular 399 which extends this to villages and rural areas, or the Lebanese Environmental Action (LEA). The municipality commits to pay the sustainable energy loan through the whole loan

¹⁷ Recommended National Sustainable Urban and Energy Savings Actions for Lebanon, current EU-financed CES-MED project, June 2015

¹⁸ Donors and other Funding Initiatives in the Areas of Sustainable Development at the Local Level for Lebanon, current EU-financed CES-MED project, October 2014

¹⁹ Potential to Setup a National Financing Mechanism for Local Authorities in Lebanon, current EU-financed CES-MED project, November 2016

period to the private company, which in turn pays the due loan to its financing institution. There is no need for the development of new legislation, but there will be an extra cost and overhead from the private company for the targeted main loan which will add more financial burden on the municipality.

2. Direct access to existing funding mechanisms by the targeted beneficiaries: There are no explicit legal constraints for Lebanese municipalities to access the subsidized loans offered by BdL or even any other bank, but severe implicit constraints due to fear from a precedent municipality bankruptcy need to be dissipated. It is therefore necessary to develop similar funding mechanisms directly targeting the Lebanese municipalities, or implement necessary changes to the policy, legal and operational environment that governs municipal finance practices in Lebanon.
3. Creation of a Special Municipal Bank or Fund: This is unlikely to be achieved in Lebanon without a parallel strengthening in the legal environment relating to municipal funding. The established Bank or the Fund should have a clear role in the financing of local public investments, regulate the grants and loans given to local authorities besides strengthening the role of municipalities in local development in order to support these in implementing their development projects. The Bank or Fund may also assist the municipalities in allocating priorities for development projects and preparing their investment plans. It could be financed through the national budget or international donors, and also include participation from the municipalities.

7.3. Municipality Funding Guidelines for Preparation of SEAP

All Lebanese municipalities prepare medium term (5-year) strategic development and investment plans to articulate their development vision and investment priorities. These are subsequently utilized in order to allocate Government funds to the municipalities. The 5-year plans provide an indication of the relative priority of energy sector and overall sustainable development in the municipalities, which is currently low. For municipalities which place strong priority on the development of their energy sectors, and even those who place smaller relative priority, the inclusion of SEAP preparation in their investments list is considered a very important first step for funding energy and sustainable development investments, whether this is secured from national funds, the Independent Municipal Fund (IMF), preferential loans from BdL, IFIs or other public or private sources. The cost of consultancy support for preparing a municipality SEAP will be only a small portion of the investments list, and definitely merits being included in each 5-year plan.

The Lebanese CoM Committee (NCG) has an important role to play in convincing municipalities of the benefits of joining the CoM. Even if a smaller relative priority is placed by a municipality on the energy sector, it is important to convince this municipality and its stakeholders that the relatively small cost of preparing a municipality SEAP, in comparison to other priority investments, will have longer-term technical and financial benefits for the municipality, and thus merits being included in their next 5-year plan. The NCG is considered most apt to gather future CoM supporters and to lead the way for the creation of a special unit to support SEAPs (SSM) and their implementation at all levels. Formal support was given from the CES-MED Focal Point to create an SSM unit in Lebanon. The Lebanese NCG has a crucial role to play in the rolling out of the SSM. The NVG's members, besides the engaged CES MED experts, are the following:

- Directorate General of Administrative Local Councils (related to the Ministry of Interior and Municipalities),
- Lebanese Center for Energy Conservation,
- United Nations Development Program,
- Lebanon Green Building Council.

The NCG's extended set of duties include:

- Promote the benefits of sustainable energy actions in municipalities;
- Design and coordinate the necessary training of municipalities;
- Promote the practices of stakeholder communication and coordination in municipalities;
- Identify and widely publicise good sustainable energy practices in municipalities;
- Encourage the exchange of sustainable energy experience and skills between municipalities;
- Convince municipalities of the benefits of joining the CoM;
- Assist municipalities in preparing the CO₂ emission inventory for their SEAP;
- Support municipalities in formulating and implementing their SEAP actions, through amassing a library of relevant publications, data and other customised information;
- Provide strategic and technical support to the CoM municipalities which do not have the capacity and resources to respond to their political commitment;
- Inform municipalities on potential sources, types and focus areas of available national and international investment funding for their energy projects;
- Promote the provision of financial assistance to municipalities that have undergone the necessary preparatory actions for developing a SEAP.

The Lebanese NCG may in particular ease the ground for preparing municipality SEAPs, through amassing a library of relevant publications, data and other useful information customised for Lebanon. The Lebanese NCG's main role is to sustain technical assistance to municipalities, providing training and coaching help desk similar to that provided by CES-MED specifically upon the termination of this project. Another source of technical (and maybe even financial) assistance for preparing a municipality SEAP may be from another twinned European municipality.

Once SEAP preparation is included in the 5-year plan of a municipality, and thus the municipality's commitment to sustainable energy development emphasised, it will be easier to secure co-financing for this from the IMF or other national sources. Alternative funding sources could be international donor or other IFI projects, e.g. similar to the present CES-MED project or SUDEP by the EU.

An indicative preliminary review / checklist of regional and local characteristics relevant to the preparation of a SEAP by a Lebanese municipality is presented in Annex A.1. The initial completion of this checklist will allow IFIs in particular to speedily understand and initially prioritise requests for funding the preparation of SEAPs from municipalities.

7.4. Municipality Funding Guidelines for Implementation of SEAP Actions

Once a municipality SEAP has been prepared, a good first step for this to gain international and also increase its national credibility is to be accepted by the European Commission,

allowing the municipality to become a signatory of the CoM. It is noted that SEAPs have already been prepared through the present CES-MED project for the municipalities of Beirut, Kab Elias and Baakline, as well as from the Lebanese municipality of Menjez. Once included in a municipality's SEAP as well as its 5-year plan, an action has good chances of being financed from the IMF or other national sources. It is very important for municipalities to focus on their priority investments in order to develop their planning in more detail, rather than to embark on developing a large number of less well prepared investment proposals.

The next necessary step for each action included in the municipality SEAP is its elaboration in the form of a priority action fiche, e.g. as in the practical form applied in the present CES-MED project or in another more elaborate form developed for climate change projects, presented in Annexes A.2 and A.3 respectively.

The following subsequent steps are necessary to secure alternative direct international funding for the implementation of each municipal energy action, with support from the Lebanese SSM:

1. Prepare SEAP with integrated set of medium term municipal energy actions and priority action fiches (e.g. on SEAP planning, street lighting, solar water heaters, energy conservation, solid waste management, waste water treatment, water supply regulation, smart transportation or urban vehicle parking as in the Lebanese CES-MED municipalities);
2. Identify IFIs placing emphasis on financing the action's type or technology in Lebanon (e.g. European Commission, USAID, AFD, UNDP) or the wider region;
3. Check the type of support provided by each of the identified IFIs in Lebanon, i.e. Technical Assistance, grant, loans etc.;
4. Select the IFIs providing the required type of support for each action type;
5. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
6. Prioritise the selected IFIs in terms of suitability for the specific action, level of support provided, total available budget for similar actions, strength of local contacts etc.;
7. Develop a promotion plan for each action to the most suitable IFI;
8. Communicate the action funding request to the priority IFI;
9. Establish contact and regular follow up with the priority IFI;
10. Speedily respond to any clarification requests from the contacted IFI;
11. Allow time for completion of the IFI's evaluation cycle;
12. Once concluded evaluation (positively or negatively) propose additional alternative actions for subsequent evaluation.

Indicatively, IFIs currently active in Lebanon include the European Commission, USAID, AFD and UNDP, as well as a number of Islamic and Arab banks. Other potential sources for funding the implementation of municipality SEAP actions are twinned European municipalities, NGOs and several other charity foundations (i.e. out of the formal donor – government channel) active in Lebanon. Another possibility is seeking to increase the current municipality revenues through other innovative ways, e.g. PPPs or ESCOs as discussed earlier in Section 7.2.

7.5. National Guidelines for Securing Funding for Municipal Energy Projects

Lebanon has a medium term National Development Plan in force (2013-2017). For the energy sector in particular, Lebanon has a medium term National Renewable Energy Action Plan (NREAP 2016 – 2020), focusing on achieving 12% renewables penetration by 2020 in the electricity and heating markets through solar, wind, hydro and biomass resources. Furthermore, Lebanon also has a medium term National Energy Efficiency Action Plan (2016 – 2020), targeting overall electricity savings of around 5% in this period.

Based on the above development priorities, clear signals are available to the IFIs on funding needs for energy investments in Lebanon, including potential municipal energy projects. It is up to LCEC and MoWE to appropriately communicate these priorities to the IFIs, in order to increase total funds made available for Lebanon and/or increase their allocation for energy investments.

The following steps are therefore necessary to secure international funding for the implementation of energy investments in Lebanon, including municipal energy projects with support from the SSM:

1. Periodically update the integrated set of reports forming the Lebanese energy sector strategy;
2. Identify IFIs placing emphasis on financing energy investments in Lebanon (e.g. European Commission, USAID, AFD, UNDP);
3. Check the type of support provided by each of the identified IFIs, i.e. Technical Assistance, grant, loans etc.;
4. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
5. Prioritise the selected IFIs in terms of suitability for the Lebanese energy sector, level and type of support provided, total available budget for energy investments, strength of national relations and contacts etc.;
6. Develop a promotion plan for each priority IFI;
7. Communicate the Lebanese energy investments plan to the priority IFIs;
8. Establish contact and regular follow up with the priority IFIs;
9. Speedily respond to any clarification requests from the contacted IFIs;
10. Adjust the IFI promotion plan and future energy investment plans according to IFI priorities.

MoIM will be responsible for securing further international funding for Lebanese municipalities. The current investment needs in the municipalities are pressing, but their mandates often do not allow municipalities to address these. A special central unit is much needed under MoIM to provide the required technical as well as financial support to Lebanese municipalities.

The planned Lebanese SSM has a very important role in providing technical assistance to municipalities for preparing, securing co-financing and implementing sustainable energy projects.

8. Municipality Funding Guidelines for Morocco

This chapter elaborates the necessary steps for Moroccan municipalities to secure funding for preparation of their SEAPs, as well as for the subsequent implementation of actions from these SEAPs. Furthermore, it elaborates the necessary steps for Moroccan national authorities to secure funding for municipal energy projects. The chapter builds upon the 2 initially prepared reports by CES-MED in its first phase for the preparation²⁰ and funding²¹ of SEAPs and municipal energy projects in Morocco.

8.1. Context

The decentralisation process started in 2010 and is currently progressing speedily in Morocco. There are significant funds committed by international donors for infrastructure projects. However, Moroccan municipalities still lack the needed technical guidance and capacity to apply for external loans and grants provided by bilateral and multilateral agencies.

The present CES-MED project has a high visibility in Morocco, enhanced by the presence of the project office in Rabat. A National Coordinating Group (NCG) has been formed, in order to ensure coordination amongst the key actors concerned with the management and sustainable use of energy, as well as to monitor and support the CES-MED project. The NCG has affirmed its commitment to:

- Guide the municipalities in the field of concrete initiatives arising from the CoM, likely to be replicated at the national level;
- Ensure a logistics support to CES-MED actions during the different phases of the project;
- Establish regional offices to support the municipalities;
- Offer targeted technical assistance.

The Moroccan NCG comprises the following parties, which basically meet bi-annually to monitor the CES-MED project:

- *National CES-MED Focal Point*: Ministry of Energy, Mines, Water and Environment (MEMEE);
- *Directorate of City Policies*, Ministry of Housing and City Policies (MHPV);
- *Directorate of Quality and Technical Affairs*, MHPV;
- *Directorate of Studies and Communication*, Municipality Equipment Fund (FEC);
- *General Directorate of Local Communities (DGCL)*, Ministry of Interior (MOI).

Furthermore, the following actors have been identified to be eligible for CoM supporters and coordinators in Morocco, in order to provide strategic, financial and technical support to the signatory municipalities of the CoM which do not have the capacity and resources required to respond to their political commitment:

1. MEMEE;

²⁰ Situation et perspectives de la planification et gestion durables de l'énergie dans les villes du Maroc, current EU-financed CES-MED project, September 2015

²¹ Financement international et national au service du développement énergétique urbain durable au Maroc, current EU-financed CES-MED project, September 2015

2. DGCL / MOI;
3. Agency for the Development of Renewable Energies and Energy Efficiency (ADEREE);
4. Society of Energy Investments (EIS).

It has been recommended that, rather than to limit themselves to the traditional role of supporter, the Moroccan CoM Committee (NCG) is formed to also assume a role of territorial coordinator, bringing together the energy sector stakeholders from each city to coordinate, animate and facilitate the mobilisation of technical and financial support. The corresponding national coordinator would be responsible for facilitating and supporting local energy policies, promoting the progressive appropriation of the planning and sustainable management of energy by territorial communities.

8.2. Municipality Funding Guidelines for Preparation of SEAP

All Moroccan municipalities prepare medium term (6-year) municipal development plans (PCD) to articulate their strategic vision, objectives and investment priorities (now preparing for the 2016-2021 period). The financing of the PCD is however not guaranteed. The ability of a municipality to implement its PCD will depend on its success in mobilising the budgeted resources, drawing from its own resources and seeking supplementary funds from the State as well as through international partnerships. It is noted that State funds currently amount to almost 80% of the total municipality budget, indicating the still remaining high financial dependence of Moroccan municipalities on State transfers and the relative weakness of their tax autonomy.

The PCD elements provide an indication of the (currently low) relative priority of the energy sector and overall sustainable development in Moroccan municipalities. For municipalities which place strong priority on the development of their energy sectors, and even those who place smaller relative priority, the inclusion of SEAP preparation in their PCD investments list is considered a very important first step for funding energy and sustainable development actions, whether this funding is secured from national, IFIs or other public or private sources. The cost of consultancy support for preparing a municipality SEAP will be only a small portion of the overall PCD, and definitely merits being included in each PCD.

The Moroccan NCG has an important role to play in convincing municipalities of the benefits of joining the CoM. Even if a smaller relative priority is placed by a municipality on the energy sector, it is important to convince this municipality and its stakeholders that the relatively small cost of preparing a municipality SEAP, in comparison to other priority PCD investments, will have longer-term technical and financial benefits for the municipality, and thus merits being included in their next PCD revision. The NCG is considered most apt to gather future CoM supporters and to lead the way for the creation of a special unit to support SEAPs (SSM) and their implementation at all levels. A preliminary agreement was reached to create an SSM unit in Morocco. The role of the Moroccan NCG is therefore also very important in providing strategic, financial and technical support to the signatory municipalities of the CoM which do not have the capacity and resources required to respond to their political commitment.

The Moroccan NCG may also ease the ground for preparing municipality SEAPs, through amassing a library of relevant publications, data and other useful information customised for

Morocco. The Moroccan NCG's main role is to sustain technical assistance to municipalities, providing training and coaching help desk similar to that provided by CES-MED specifically upon the termination of this project. Another source of technical (and maybe even financial) assistance for preparing a municipality SEAP may be from another twinned European municipality.

Once SEAP preparation is included in the PCD of a municipality, and thus the municipality's commitment to sustainable energy development emphasised, it will be easier to secure (around 50%) national co-financing for this from the FEC. Alternative funding sources could be international donor or other IFI projects, e.g. similar to the present CES-MED or SUDEP projects by the European Commission.

An indicative preliminary review / checklist of regional and local characteristics relevant to the preparation of a SEAP by a Moroccan municipality is presented in Annex A.1. The initial completion of this checklist will allow IFIs in particular to speedily understand and initially prioritise requests for funding the preparation of SEAPs from municipalities.

8.3. Municipality Funding Guidelines for Implementation of SEAP Actions

Once a municipality SEAP has been prepared, a good first step for this to gain international and also increase its national credibility is to be accepted by the European Commission, allowing the municipality to become a signatory of the CoM. It is noted that SEAPs have already been accepted from the Moroccan municipalities of Agadir, Benslimane and Oujda prepared through the present CES-MED project, as well as from Salé. Once included in a municipality's SEAP as well as its PCD priority investments list, an action has good chances of being financed from the FEC or other national sources, through a large array of sophisticated financing instruments:

- *Direct subsidies*, e.g. via the DGCL, to projects allowing municipalities to improve the quality of a public service;
- *Indirect subsidies*, via the relevant sectoral departments, for measures to improve the environmental quality or reduce the energy consumption of a specific sub-sector;
- *Third party investments*, via the EIS, alongside private investors likely to compensate for the absence of a guarantee of State;
- *Appropriations*, via the FEC, intended exclusively for municipalities;
- *Support to local networks*, e.g. via the DGCL, ADEREE, MEMEE or FEC, for strengthening the capacity of the municipalities.

The next necessary step for each action included in the municipality SEAP is its elaboration in the form of a priority action fiche, e.g. as in the practical form applied in the present CES-MED project or in another more elaborate form developed for climate change projects, presented in Annexes A.2 and A.3 respectively. It is very important for municipalities to focus on their priority investments in order to develop their planning in more detail, rather than to embark on developing a large number of less well prepared investment proposals. The Moroccan NCG may ensure the optimal coordination between IFIs and the State in developing high quality

project pre-feasibility studies, taking into account the local priorities and interests according to the due diligence criteria expected by the IFIs.

The Moroccan NCG may also assume a role of territorial coordinator, bringing together the energy sector stakeholders from each city to coordinate, animate and facilitate the mobilisation of technical and financial support from national sources (e.g. following the regional best practice Jiha-Tinou territorial strategy developed in Morocco). The demonstration of best sustainable development practices in other Moroccan municipalities is also a very powerful tool for promoting their replication.

The following subsequent steps are necessary for municipalities to secure alternative direct international funding for the implementation of each SEAP action, with support from the Moroccan SSM:

1. Prepare SEAP with integrated set of medium term municipal energy actions and priority action fiches (e.g. on street lighting, energy efficiency in buildings, solar PV, biogas energy, geothermal energy or traffic planning as in the Moroccan CES-MED municipalities);
2. Identify IFIs placing emphasis on financing the action's type or technology in Morocco (e.g. European Commission, WB, AfDB, AFD, GIZ) or the wider region;
3. Check the type of support provided by each of the identified IFIs in Morocco, i.e. Technical Assistance, grant, loans etc.;
4. Select the IFIs providing the required type of support for each action type;
5. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
6. Prioritise the selected IFIs in terms of suitability for the specific action, level of support provided, total available budget for similar actions, strength of local contacts etc.;
7. Develop a promotion plan for each action to the most suitable IFI;
8. Communicate the action funding request to the priority IFI;
9. Establish contact and regular follow up with the priority IFI;
10. Speedily respond to any clarification requests from the contacted IFI;
11. Allow time for completion of the IFI's evaluation cycle;
12. Once concluded evaluation (positively or negatively) propose additional alternative actions for subsequent evaluation.

Indicatively, IFIs currently active in Morocco include the European Commission, WB, AfDB, AFD, GIZ, as well as a number of Arab and Islamic banks. Other potential sources for funding the implementation of municipality SEAP actions are twinned European municipalities, international NGOs and other charity foundations (i.e. out of the formal donor - government channel). Another possibility is seeking to increase the current municipality revenues through other innovative ways, e.g. PPPs (delegated management, concession, Society of Local Development models already being applied in Morocco). It is noted that IFIs generally have ample funds committed for Morocco, but report that the available well-developed projects are limited.

The Moroccan NCG has an important role to play in also informing the municipalities on potential sources, types and focus areas of available national and international investment funding for Morocco. In particular, it may support the development of a national platform to

collect and update, on a regular and systematic basis, information relating to funds and funding mechanisms that can be mobilised for energy sector projects in Moroccan municipalities. This information should then be communicated directly to the target beneficiaries, through electronic platforms, guides or other dissemination instruments.

8.4. National Guidelines for Securing Funding for Municipal Energy Projects

Morocco has in place a number of sectoral development plans, each contributing to the overall objectives of improving the Moroccan economy's overall competitiveness, diversifying sources of income and reducing dependence on traditional sectors, developing human resources and creating jobs, and improving the business climate. Among these is the national energy strategy adopted in 2009 in order to improve security of energy supply and availability / affordability, while also addressing environmental and safety concerns. The strategy, to be implemented through legislative changes and other energy sector reforms, increased transparency and competition as well as capacity building, seeks to reach these goals through:

- diversifying energy sources;
- optimizing the electricity mix;
- increasing local production particularly from renewable sources;
- promoting energy efficiency;
- advancing regional integration.

Furthermore, an integrated 2015 – 2020 National Strategy for Sustainable Development (SNDD) was included in the 2015 Financial Economic Report, developed along 7 strategic axes:

1. implement sustainable development through good governance;
2. achieve successful transition to a green economy;
3. improve the management and exploitation of natural resources and strengthen the conservation of biodiversity;
4. accelerate implementation of the national policy to combat climate change;
5. pay particular attention to sensitive territories;
6. promote human development and reduce social and territorial inequalities;
7. strengthen the capacities and promote a culture of sustainable development.

In parallel, the 2012 – 2020 Jiha-Tinou territorial strategy has initiated a speedily implemented decentralisation of the national energy strategy at the level of municipalities in Morocco, seeking to optimise the capacity of local actors to contribute to the energy policy objectives of Morocco, encouraging the control of energy and the use of renewable energies at the local level.

Based on the above development priorities, clear signals are available to the IFIs on funding needs for municipal energy investments in Morocco. It is up to MEMEE to appropriately communicate these priorities and strong environmental emissions targets to the IFIs, in order to increase total funds made available for Moroccan municipalities and increase their allocation for energy investments.

The following steps are therefore necessary to secure international funding for the implementation of energy investments in Morocco, including municipal energy projects with support from the SSM:

1. Periodically update the integrated set of reports forming the Moroccan energy sector strategy;
2. Identify IFIs placing emphasis on financing energy investments in Morocco (e.g. European Commission, WB, AfDB, AFD, GIZ);
3. Check the type of support provided by each of the identified IFIs, i.e. Technical Assistance, grant, loans etc.;
4. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
5. Prioritise the selected IFIs in terms of suitability for the Moroccan energy sector, level and type of support provided, total available budget for energy investments, strength of national relations and contacts etc.;
6. Develop a promotion plan for each priority IFI;
7. Communicate the Moroccan energy investments plan to the priority IFIs;
8. Establish contact and regular follow up with the priority IFIs;
9. Speedily respond to any clarification requests from the contacted IFIs;
10. Adjust IFI promotion plan and future energy investment plans according to IFI priorities.

The planned Moroccan SSM has a very important role in providing technical assistance to municipalities for preparing, securing co-financing and implementing sustainable energy projects.

9. Municipality Funding Guidelines for Palestine

This chapter elaborates the necessary steps for Palestinian municipalities to secure funding for preparation of their SEAPs, as well as for the subsequent implementation of actions from these SEAPs. Furthermore, it elaborates the necessary steps for Palestinian national authorities to secure funding for municipal energy projects. The chapter builds upon the 2 initially prepared reports by CES-MED in its first phase for the preparation²² and funding²³ of SEAPs and municipal energy projects in Palestine.

9.1. Context

Besides the political and practical barriers from Israel, Palestinian municipalities are unable to fulfil their duties due to lack of financial resources and incentives, as well as limited experience and human resources. Palestinians in the West Bank and Gaza Strip receive one of the highest levels of aid in the world, which is offered to the Palestinian National Authority (PNA) and other Palestinian NGOs by the international community, including international NGOs. However, municipalities lack the political capacity as well as technical guidance and capacity needed to apply for external loans and grants provided by bilateral and multilateral agencies.

²² Recommended National Sustainable Urban and Energy Savings Actions for Palestine, current EU-financed CES-MED project, June 2015

²³²³ Donors and other Funding Initiatives in the Areas of Sustainable Development at the Local Level for Palestine, current EU-financed CES-MED project, December 2014

Within the present CES-MED project a Committee (NCG) has been formed. The NCG represents the key national authorities. Its initial role has been to support the preparation of the SEAPs, and is planned to develop to cover support to all municipalities in their quest to prepare SEAPs and similar plans. The NCG is considered most apt to gather future CoM supporters and to lead the way for the creation of a special unit to support SEAPs (SSM) and their implementation at all levels. The Palestinian NCG is considered eligible to become CoM supporter and coordinator, with the following duties:

- Facilitate and support municipalities in formulating and implementing their SEAPs;
- Assist the preparation of CO₂ emission inventory and of SEAPs.

The Palestinian NCG (CoM Committee) comprises the following parties:

1. Ministry of Local Government (MoLG);
2. Municipal Development and Lending Fund (MDLF);
3. Palestinian Energy and Natural Resources Authority (PENRA);
4. Energy Research Centre (ERC) of Najah National University;
5. Northern Electricity Distribution Company (NEDCO) as coordinator of the Palestinian electricity distribution companies.

9.2. Municipality Funding Guidelines for Preparation of SEAP

All Palestinian municipalities prepare medium term (5-year) strategic development and investment plans (SDIP) to articulate their development vision and investment priorities. These SDIP are subsequently utilized in order to allocate MDLF funds to the municipalities. They provide an indication of the relative priority of energy sector and overall sustainable development in the municipalities. For municipalities which place strong priority on the development of their energy sectors, and even those who place smaller relative priority, the inclusion of SEAP preparation in their SDIP investments list is considered a very important first step for funding energy and sustainable development investments, whether this funding is secured from national, MDLF, IFIs or other public or private sources. The cost of consultancy support for preparing a municipality SEAP will be only a small portion of the SDIP investments list, and definitely merits being included in each SDIP.

The Palestinian NCG has been assigned an important role to play in convincing municipalities of the benefits of joining the CoM. But even when this is achieved, the most important prerequisite for joining the CoM is having a SEAP prepared and approved. Even if a smaller relative priority is placed by a Palestinian municipality on the energy sector, it is the Palestinian NCG's role to convince this municipality and its stakeholders that the relatively small cost of preparing a municipality SEAP, in comparison to other priority SDIP investments, will have longer-term technical and financial benefits for the municipality, and thus merits being included in their next SDIP.

Furthermore, the Palestinian NCG may also ease the ground for preparing municipality SEAPs, through amassing a library of relevant publications, data and other useful information

customized for Palestine, as well as providing training and coaching help desk similar to that provided by CES-MED specifically upon the termination of this project. In fact, the NCG's main role is to sustain technical assistance to municipalities led by national authorities.

The MoLG has agreed to set up a Palestinian SSM and take an active role in energizing this very important tool, and maybe also consider enhancing its current 5-party membership with 2 additional bodies:

1. Ministry of Environmental Affairs;
2. Coordinator of (private sector) engineering associations.

Once SEAP preparation is included in the SDIP of a municipality, and thus the municipality's greater commitment to sustainable energy development emphasized, it will be easier to secure funding for this. The development of a number of municipality SDIPs in Palestine through funding and other technical assistance provided through the MDLF to date indicates the possibility of necessary support from MDLF or other national sources for preparing municipality SEAPs. Alternative funding sources could be international donor or other IFI projects, e.g. similar to the present CES-MED or SUDEP projects by the European Commission, or DANIDA which emphasizes municipality support in Palestine by Denmark.

An indicative preliminary review / checklist of regional and local characteristics relevant to the preparation of a SEAP by a Palestinian municipality is presented in Annex A.1. The initial completion of this checklist will allow IFIs in particular to speedily understand and initially prioritise requests for funding the preparation of SEAPs from Palestinian municipalities.

9.3. Municipality Funding Guidelines for Implementation of SEAP Actions

Once a municipality SEAP has been prepared, a good first step for this to gain international and also increase its national credibility is to be accepted by the European Commission, allowing the municipality to become a signatory of the CoM. It is noted that SEAPs have already been accepted from the municipalities of Nablus, Hebron and Tulkarem in the West Bank (prepared through the present CES-MED project), as well as from the municipality of Abasan Al-Kabira in the Gaza Strip. Once included in a municipality's SEAP as well as its SDIP priority investments list, an action has good chances of being financed from the MDLF or other national sources. It is particularly noted that in the new MDLF funding phase additional emphasis will be placed on well developed innovative projects, which should cover a large portion of SEAP actions. It is therefore very important for municipalities to focus on their priority investments in order to develop their planning in more detail, rather than to embark on developing a large number of less well prepared investment proposals.

The next necessary step for each action included in the municipality SEAP is its elaboration in the form of a priority action fiche, e.g. as in the practical form applied in the present CES-MED project or in another more elaborate form developed for climate change projects, presented in Annexes A.2 and A.3 respectively.

The following subsequent steps are necessary for municipalities to secure alternative direct international funding for the implementation of each SEAP action, with support from the Palestinian SSM:

1. Prepare SEAP with integrated set of medium term municipal energy actions and priority action fiches (e.g. on street lighting, solar PV, electricity grid, water distribution, urban mobility, waste to energy or environmental awareness as in the Palestinian CES-MED municipalities);
2. Identify IFIs placing emphasis on financing the action's type or technology in Palestine (e.g. European Commission, AFD, KfW, DANIDA, JICA, WB, USAID, Czech Republic, Spain, Belgium) or the wider region;
3. Check the type of support provided by each of the identified IFIs in Palestine, i.e. Technical Assistance, grant, loans etc.;
4. Select the IFIs providing the required type of support for each action type;
5. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
6. Prioritise the selected IFIs in terms of suitability for the specific action, level of support provided, total available budget for similar actions, strength of local contacts etc.;
7. Develop a promotion plan for each action to the most suitable IFI;
8. Communicate the action funding request to the priority IFI;
9. Establish contact and regular follow up with the priority IFI;
10. Speedily respond to any clarification requests from the contacted IFI;
11. Allow time for completion of the IFI's evaluation cycle;
12. Once concluded evaluation (positively or negatively) propose additional alternative actions for subsequent evaluation.

Indicatively, IFIs currently active in Palestine include the European Commission, AFD, KfW, DANIDA, JICA, WB, USAID, Czech Republic, Spain, Belgium, as well as a number of Arab and Islamic banks. Other potential sources for funding the implementation of municipality SEAP actions are twinned European municipalities, NGOs and other charity foundations (i.e. out of the formal donor - government channel), as well as the extended Palestinian diaspora who always remember their homeland municipality. Another possibility is seeking to increase the current municipality revenues through other innovative ways (PPPs etc.). The Palestinian NCG has an important role to play in also informing the municipalities on potential sources, types and focus areas of available investment funding in Palestine.

The employment of an economist, financial expert or funding specialist in the larger municipalities may significantly enhance efforts to secure financing for well documented actions included in the SDIP or SEAP, with support from the Palestinian SSM.

9.4. National Guidelines for Securing Funding for Municipal Energy Projects

The State of Palestine prepares a medium term (3-year) National Development Plan (NDP 2014 – 2016 being the current), structured along the lines of 4 key development sectors:

1. Economic development and employment;
2. Good governance and institution building;
3. Social protection and development;
4. Infrastructure (including energy investments).

For the energy sector in particular, NDP 2014 – 2016 includes 53.3 million USD total operating expenditure and 118.3 million USD total development expenditure. Energy investments focus on the diversification of energy sources, promotion of clean and renewable energy,

integration of public electricity distribution grids, and better organization and regulation of the energy sector.

Based on the above development priorities, further elaborated in the Palestinian Energy Sector Strategy as well as the related CES-MED report on preparing municipality energy projects in Palestine, clear signals are available to the IFIs on funding needs for energy investments in Palestine, including potential municipal energy projects. It is up to PENRA to appropriately communicate these priorities to the IFIs, in order to increase total funds made available for Palestine and/or increase their allocation for energy investments.

The following steps are therefore necessary to secure international funding for the implementation of energy investments in Palestine, including municipal energy projects with support from the SSM:

1. Periodically update the integrated set of reports forming the Palestinian energy sector strategy;
2. Identify IFIs placing emphasis on financing energy investments in Palestine (e.g. European Commission, AFD, KfW, DANIDA, JICA, WB, USAID);
3. Check the type of support provided by each of the identified IFIs, i.e. Technical Assistance, grant, loans etc.;
4. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
5. Prioritise the selected IFIs in terms of suitability for the Palestinian energy sector, level and type of support provided, total available budget for energy investments, strength of national relations and contacts etc.;
6. Develop a promotion plan for each priority IFI;
7. Communicate the Palestinian energy investments plan to the priority IFIs;
8. Establish contact and regular follow up with the priority IFIs;
9. Speedily respond to any clarification requests from the contacted IFIs;
10. Adjust the IFI promotion plan and future energy investment plans according to IFI priorities.

MoLG will be responsible for securing further international funding for Palestinian municipalities, with the support of the MDLF. A new 5-year (2017 - 2022) strategy for local economic development is currently in preparation, which will be adopted by the PNA. This will focus on enhancing the local business and infrastructure environment, promoting fiscal decentralization and supporting the technical competence of municipalities in preparing and monitoring the implementation of infrastructure projects. Furthermore, renewable energy sources and energy efficiency will be key focus elements, receiving higher co-financing proportions, in the new MDLF funding phase.

There is currently no specific fund for renewable energy and energy efficiency investments in Palestine, contrary to normal practice in most countries. Furthermore, there are financial difficulties to pay the current subsidized tariffs for the Palestinian Solar Initiative. In the (yet to be approved) new 5-year energy strategy for Palestine, it is proposed that a national fund for renewable and energy efficiency projects should be established. It is further proposed that studies for the design of financial support instruments, like tax exemptions or tax rebates for energy equipment and/or systems, should be initiated, and that PENRA should work together

with the national financing institutions, IFIs and the private sector to design appropriate co-financing programmes for renewable energy and energy efficiency projects. It is noted that renewable energy in particular is becoming a key focus area of IFIs in Palestine.

The Palestinian SSM has a very important role in providing technical assistance to municipalities for preparing, securing co-financing and implementing sustainable energy projects.

10. Municipality Funding Guidelines for Tunisia

This chapter elaborates the necessary steps for Tunisian municipalities to secure funding for preparation of their SEAPs, as well as for the subsequent implementation of actions from these SEAPs. Furthermore, it elaborates the necessary steps for Tunisian national authorities to secure funding for municipal energy projects. The chapter builds upon the 2 initially prepared reports by CES-MED in its first phase for the preparation²⁴ and funding²⁵ of SEAPs and municipal energy projects in Tunisia.

10.1. Context

A strong decentralisation shift is currently being initiated in Tunisia, starting with the forthcoming municipal elections for the first time. There are multiple available funding sources and opportunities to develop sustainable energy programs for municipalities in Tunisia. However, access to these sources and opportunities remain difficult for Tunisian municipalities, due to insufficient means and skills in developing bankable projects. It is also noted that the majority of Tunisian municipalities still encounter difficulties in accessing bank finance due to unavailability of strong guarantees, although this is soon expected to change as part of the decentralization process.

The following actors have been identified to be eligible as supporters and coordinators for the CoM in Tunisia:

1. CES-MED Focal Point: National Agency for Energy (ANME);
2. Directorate General of Public and Local Communities (DGPCL);
3. Municipality Lending and Support Body (CPSCL);
4. Center for Training and Support to Decentralisation (CFAD);
5. Tunisian Corporation of Electricity and Gas (STEG);
6. National Agency for Protection of the Environment (ANPE);
7. National Agency for Management of Waste (ANGED).

²⁴ Actions Nationales Recommandées pour l'Énergie Durable et la Viabilité Urbaine en Tunisie, current EU-financed CES-MED project, June 2015

²⁵ Les activités des Institutions Financières Internationales en Tunisie, current EU-financed CES-MED project, November 2014

10.2. Municipality Funding Guidelines for Preparation of SEAP

All Tunisian municipalities prepare medium term (5-year) municipal investment plans (PIC) to articulate their strategic development priorities. The PIC elements provide an indication of the relative priority of energy and overall sustainable development investments in Tunisian municipalities (currently absent, focusing primarily on road infrastructure). For municipalities which place strong priority on the development of their energy sectors, and even those who place smaller relative priority, the inclusion of SEAP preparation in their PIC investments list is considered a very important first step for funding energy and sustainable development actions, whether this funding is secured from national, IFIs or other public or private sources. The cost of consultancy support for preparing a municipality SEAP will be only a small portion of the overall PIC, and definitely merits being included in each PIC.

A Tunisian CoM Committee (NCG) has an important role to play in convincing municipalities of the benefits of joining the CoM. Even if a smaller relative priority is placed by a municipality on the energy sector, it is important to convince this municipality and its stakeholders that the relatively small cost of preparing a municipality SEAP, in comparison to other priority PIC investments, will have longer-term technical and financial benefits for the municipality, and thus merits being included in their next PIC. The NCG is considered most apt to gather future CoM supporters and to lead the way for the creation of a special unit to support SEAPs (SSM) and their implementation at all levels. The Tunisian NCG comprises of the following members:

- Ministry of Foreign Affairs;
- Directorate General of Local Authorities;
- ANME;
- Local Authorities' Loan Fund.

Its primary duties are:

- Support municipalities in formulating and implementing their SEAP;
- Assist the preparation of CO₂ emission inventory;
- Provide information on potential sources of financial assistance;
- Encourage the cooperation, exchange of experience and skills between the municipalities in the field of sustainable energy.

The Tunisian NCG may in particular ease the ground for preparing municipality SEAPs, through amassing a library of relevant publications, data and other useful information customised for Tunisia. The Tunisian NCG's main role is to sustain technical assistance to municipalities, providing training and coaching help desk similar to that provided by CES-MED specifically upon the termination of this project. Another source of technical (and maybe even financial) assistance for preparing a municipality SEAP may be from another twinned European municipality.

Once SEAP preparation is included in the PIC of a municipality, and thus the municipality's commitment to sustainable energy development emphasised, it will be easier to secure co-

financing for this from CPSCL, the newly formed Fund for Energy Transition (FTE)²⁶ designed in the present CES-MED project for the Municipality Alliance for Energy Transition (ACTE) programme or other national sources. Alternative funding sources could be international donor or other IFI projects, e.g. similar to the present CES-MED or SUDEP projects by the European Commission.

An indicative preliminary review / checklist of regional and local characteristics relevant to the preparation of a SEAP by a Tunisian municipality is presented in Annex A.1. The initial completion of this checklist will allow IFIs in particular to speedily understand and initially prioritise requests for funding the preparation of SEAPs from municipalities.

10.3. Municipality Funding Guidelines for Implementation of SEAP Actions

Once a municipality SEAP has been prepared, a good first step for this to gain international and also increase its national credibility is to be accepted by the European Commission, allowing the municipality to become a signatory of the CoM. It is noted that SEAPs have already been accepted from the Tunisian municipalities of Kairouan, Sfax and Sousse prepared through the present CES-MED project. Once included in a municipality's SEAP as well as its PIC priority investments list, an action has good chances of being financed from national sources. It is however noted that some financially strong (from own sources) Tunisian municipalities do not receive any national funds towards the gradual implementation of their PIC.

The next necessary step for each action included in the municipality SEAP is its elaboration in the form of a priority action fiche, e.g. as in the practical form applied in the present CES-MED project or in another more elaborate form developed for climate change projects, presented in Annexes A.2 and A.3 respectively. It is very important for municipalities to focus on their priority investments in order to develop their planning in more detail, rather than to embark on developing a large number of less well prepared investment proposals.

The following subsequent steps are necessary for municipalities to secure alternative direct international funding for the implementation of each SEAP action, with support from a Tunisian SSM:

1. Prepare SEAP with integrated set of medium term municipal energy actions and priority action fiches (e.g. on street lighting, energy efficiency in buildings, solar PV, urban travel or environmental mitigation as in the Tunisian CES-MED municipalities);
2. Identify IFIs placing emphasis on financing the action's type or technology in Tunisia (e.g. European Commission, EIB, UNDP, KfW, AFD) or the wider region;
3. Check the type of support provided by each of the identified IFIs in Tunisia, i.e. Technical Assistance, grant, loans etc.;
4. Select the IFIs providing the required type of support for each action type;
5. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
6. Prioritise the selected IFIs in terms of suitability for the specific action, level of support provided, total available budget for similar actions, strength of local contacts etc.;
7. Develop a promotion plan for each action to the most suitable IFI;

²⁶ Le mécanisme financier ACTE, current EU-financed CES-MED project, May 2017

8. Communicate the action funding request to the priority IFI;
9. Establish contact and regular follow up with the priority IFI;
10. Speedily respond to any clarification requests from the contacted IFI;
11. Allow time for completion of the IFI's evaluation cycle;
12. Once concluded evaluation (positively or negatively) propose additional alternative actions for subsequent evaluation.

Indicatively, IFIs currently active in Tunisia include the European Commission, EIB, UNDP, KfW, AFD, as well as a number of Arab and Islamic banks. Other potential sources for funding the implementation of municipality SEAP actions are twinned European municipalities, international NGOs and other charity foundations (i.e. out of the formal donor – government channel). Another possibility is seeking to increase the current municipality revenues through other innovative ways (e.g. PPPs).

10.4. National Guidelines for Securing Funding for Municipal Energy Projects

Tunisia prepares a medium term (5-year) national strategic development plan (TUNISIA 2020 covering the 2016 – 2020 period being the current), structured along the lines of 5 pillars:

1. Good governance, public administration reform and anti-corruption measures;
2. Transition from a low-cost country to an economic hub;
3. Human development and social inclusion;
4. Fulfilment of regional ambitions;
5. Green economy and sustainable development.

Subsequently, the 2030 energy strategy adopted in November 2016 aims at rebuilding the reserve of energies and strengthening Tunisia's capacity to guarantee energy independence in terms of fossil energy and primary energy production through the revision of the role of the state which is called to simplify procedures for granting permits. The strategy aims to improve energy intensity by 3% per year during 2016-2030, save 17% of consumed energy by 2020, and produce 30% of Tunisia's electricity from renewable energy sources by 2030.

Furthermore, the ACTE programme was launched in May 2015 by ANME, CPSCL and DGPCl in order to strengthen the capacity of Tunisian municipalities to contribute towards the energy transition, energy efficiency and the use of renewable energies²⁷. This is summarized in Annex A.4, based on the related deliverables from the present CES-MED project.

Based on the above development priorities, clear signals are now available to the IFIs on funding needs for municipal energy investments in Tunisia. It is up to the Ministries of Energy, Mines & Renewable Energy (MEMER), Local Affairs & Environment (MALE) and Development, and Investment & International Cooperation (MDICI - focal point for all IFIs) to appropriately communicate these priorities to the IFIs, in order to increase total funds made available for Tunisian municipalities and increase their allocation for energy investments.

The following steps are therefore necessary to secure international funding for the implementation of energy investments in Tunisia, including municipal energy projects with support from the SSM:

²⁷ Manuel des procédures du programme ACTE destiné aux municipalités, current EU-financed CES-MED project, May 2017

1. Periodically update the integrated set of reports forming the Tunisian energy sector strategy;
2. Identify IFIs placing emphasis on financing energy investments in Tunisia (e.g. European Commission, EIB, UNDP, KfW, AFD);
3. Check the type of support provided by each of the identified IFIs, i.e. Technical Assistance, grant, loans etc.;
4. Research the operations, specific active programme conditions and relevant future programme plans of each selected IFI;
5. Prioritise the selected IFIs in terms of suitability for the Tunisian energy sector, level and type of support provided, total available budget for energy investments, strength of national relations and contacts etc.;
6. Develop a promotion plan for each priority IFI;
7. Communicate the Tunisian energy investments plan to the priority IFIs;
8. Establish contact and regular follow up with the priority IFIs;
9. Speedily respond to any clarification requests from the contacted IFIs;
10. Adjust IFI promotion plan and future energy investment plans according to IFI priorities.

A Tunisian SSM has a very important role in providing technical assistance to municipalities for preparing, securing co-financing and implementing sustainable energy projects.

Annex: Funding Application Templates

A.1 Preliminary Review/Checklist of Regional and Local Characteristics of Municipalities

The following checklist of municipality characteristics is useful to judge data adequacy (baseline review)²⁸ and prioritise requests for funding the preparation of SEAPs. In order to facilitate municipalities in initiating a completion of this (maybe data demanding) checklist, the most important information for a preliminary review is highlighted in bold / italics characters. In order to further ease response to this checklist, some answers may be qualitative (e.g. through selection from limited alternatives).

Energy structure and CO₂ emissions

- ***Level and evolution of energy consumption and CO₂ emissions by sector and by energy carrier.***

Renewable energies

- ***Typology of existing facilities of production of renewable energies.***
- ***Renewable energy production and trends.***
- Use of agricultural and forest biomass as renewable energy sources.
- Existence of bio-energetic crops.
- Degree of self-supplying with renewable energies.
- ***Potentialities for renewable energy production: solar thermal and photovoltaic, wind, mini-hydraulics, biomass, others.***

Energy consumption and energy management in the local administration

- ***Level and change in the energy consumption of the local administration by sector (buildings and equipment, public lighting, waste management, waste water treatment, etc.) and by energy carrier.***
- Assessment of the energy efficiency of buildings and t using efficiency indexes of energy consumption (for example: kWh/m², kWh/m² – user, kWh/m² hours of use) - this allows identifying the buildings where there are more improvement potentialities.
- ***Characterisation of the largest energy consumers among municipal buildings and equipment/facilities, and analysis of key variables (for instance: type of construction, heating, cooling, ventilation, lighting, kitchen, maintenance, solar hot water, implementation of best practices etc.).***
- Assessing the types of lamps, lighting and energy-related issues in public lighting.
- Assessment of energy efficiency using efficiency indexes of energy consumption.

²⁸ How to develop a Sustainable Energy Action Plan (SEAP) – Guidebook, Covenant of Mayors – European Union, 2010

- Degree and adequacy of energy management in public buildings/equipment and public lighting.
- Established initiatives for improving energy saving and efficiency and results obtained to date.
- **Identification of potentialities for improvement in energy savings and efficiency in buildings, equipment/facilities and public lighting.**

Energy consumption of the municipal fleet

- **Evaluation of the composition of the municipal fleet (own vehicles and of externalised services), annual energy consumption.**
- Composition of the urban public transport fleet, annual energy consumption.
- Degree of the energy management of the municipal fleet and public transport.
- Established initiatives for improving reducing energy consumption and results obtained to date.
- **Identification of potentialities for improvement in energy efficiency.**

Energy infrastructures

- **Existence of electricity production plants, as well as district heating/cooling plants.**
- Characteristics of the electricity and gas distribution networks, as well as any district heat/cold distribution network.
- Established initiatives for improving energy efficiency of the plants and of the distribution network and results obtained to date.
- **Identification of potentialities for improvement in energy efficiency.**

Buildings

- **Typology of the existing building stock: usage (residential, commerce, services, social etc.), age, thermal insulation and other energy-related characteristics, energy consumption and trends, protection status, rate of renovation, tenancy, etc.**
- Characteristics and energy performance of new constructions and major renovations.
- What are the minimal legal energy requirements for new constructions and major renovations, and are they met in practice?
- Existence of initiatives for the promotion of energy efficiency and renewables in the various categories of buildings.
- What results have been achieved, and **what are the opportunities?**

Industry

- **Importance of industry sector in the energy balance and CO₂ emissions - is it a target sector?**

- Existence of public and private initiatives address to promote energy saving and efficiency in industry, and key results achieved.
- Degree of integration of energy/carbon management in industry businesses?
- **Opportunities and potentialities on energy saving and efficiency in industry.**

Transport and mobility

- **Characteristics of the demand of mobility and modes of transport** - benchmarking and **major trends.**
- **What are the main characteristics of the public transportation network, and what is their degree of development and adequacy?**
- How is the use of public transportation developing?
- Are there problems with congestion and/or air quality?
- Adequacy of public space for pedestrians and bicycles.
- Management initiatives and mobility planning - initiatives to promote public transport, bicycle and pedestrian.

Urban planning

- **Characteristics of existing and projected 'urban spaces', linked to mobility: urban density, diversity of uses (residential, economic activity, shopping etc.)** and building profiles.
- Degree of dispersion and compactness of urban development.
- Availability and location of the main services and facilities (educational, health, cultural, commercial, green space etc.) and proximity to the population.
- Degree and adequacy of integration of energy-efficiency criteria in urban development planning.
- Degree and adequacy of integration of sustainable mobility criteria in urban planning.

Public procurement

- **Existence of a specific policy commitment on green public procurement.**
- Degree of implementation of energy and climate change criteria in public procurement.
- Existence of specific procedures, usage of specific tools.

Awareness

- Development and adequacy of the activities of communication and awareness to the population and stakeholders with reference to energy efficiency.
- **Level of awareness of the population and stakeholders with reference to energy efficiency and potential savings.**
- Existence of initiatives and tools to facilitate the participation of citizens and stakeholders in the SEAP process and the energy and climate change policies of the local authority.

Skills and expertise

- ***Existence of adequate skills and expertise among the municipal staff: technical expertise, project management, data management, financial management and development of investment projects***, communication skills, green public procurement etc.?
- Is there a plan for training staff in those fields?

A.2 Priority Action Fiche Template

The following template, applied within the present CES-MED project, is useful for elaborating municipality energy investment actions. For better understanding, this is presented completed (in italics) indicatively for a *municipality street lighting efficiency improvement action*.

HEBRON – Priority action # 1 for SEAP		
1. General Presentation		
Title: <i>STREET LIGHTING EFFICIENCY IMPROVEMENT</i>	# 1	Area(s) of Intervention: A
Summary of the Action		Location: HEBRON
<p><i>Street lighting in Hebron consumes 5,860 MWh of electricity per year (2014 ref) representing a cost of 750K€ per year.</i></p> <p><i>The system uses 235 HPS 400W units; 2,535 HPS 250W units; 1,347 150W lamps; 1,318 100W lamps; 587 70W lamps.</i></p> <p><i>Some initial tests have been made to explore ways to reduce energy consumption in street lighting. Using LED devices allows for 50 % energy saving. This replacement doesn't require additional expertise from the Municipality services.</i></p> <p><i>The plan is to contract a loan to start replacing lamps, and continue the replacement process using savings from reduced consumption and after 5 years reimburse the initial loan.</i></p>		Start date: 2016
		Project lifetime: 5 years
		End date: 2021
		Estimated cost €
		400K€ initial investment (to be reimbursed after 5 years)
General Objectives of the project		Status of the Action
<p><i>Replacing low efficiency street lamps to reduce energy consumption and cost, while improving street lighting quality.</i></p> <p><i>Reduction in electricity consumption will reduce GHG linked to this electricity consumption.</i></p>		<p>New</p> <p>Planned</p> <p>Under implementation</p> <p><i>Following previous action</i></p>
Principal partners and stakeholders		Contact person in the local authority
<i>Hebron Street Lighting unit</i>		<i>Nader Betar – Hebron counsellor</i>
2. Technical Description		
Link to municipal development plan		
<p><i>The street lighting improvement is one of the change processes to be promoted to demonstrate possible reduction in energy consumption in public services. Even if street lighting remains a rather small consumption centre, it is highly symbolic to demonstrate that the right choice can result in close to 50% energy consumption reduction.</i></p>		
Implementation plan		
<p><i><u>Component 1:</u> The project consists in replacing all old lamps with LED ones. This should be done in a dynamic way (reaching a critical mass of streets concerned with the change) in order to emphasize the fact that change is possible and will benefit the entire city. The following investment plan could be proposed. It depends on an initial loan of 400,000 € to be contracted to change close to 50% of all lamps in year 1. The savings will be reinvested in new replacement. After 5 years the Municipality will be able to reimburse the initial loan.</i></p>		

		A1	A2	A3	A4	A5	Total 5Y
Investment	400,000 €		200,000 €	200,000 €	100,000 €		900,000 €
No. units replaced		2,759	1,379	1,379	690		
New lamp		2,759	4,138	5,517	6,207	6,207	
Still to be replaced	6,000	3,241	1,862	483			
Usual lighting cost	750,000 €	750,000 €	750,000 €	750,000 €	750,000 €	750,000 €	4,500,000 €
Actual lighting cost	750,000 €	577,562€	491,379 €	405,172 €	387,931 €	387,500 €	2,969,397 €
						Net saving	630,603 €

Assumptions: Average cost per LED lamp 145€ - Average consumption per lamp (before replacement): 125€/y
Energy saving for each lamp replaced by a LED one: 50%

Component 2: Design a street lighting strategic plan identifying areas of differentiated usage, where lighting would be then adapted to the actual needs per specific area.

Main roads, avenue and city entrances where high intensity lighting should be necessary at least between sunset and midnight and before sunrise. Note that lighting intensity could be easily reduced, even in these areas between midnight and few hours before sunrise.

Secondary streets where reduced lighting intensity should ensure safety while allowing low energy consumption.

Specific areas (parks, narrow streets, pedestrian areas, etc.) where motion sensors should be installed to light up when people are around and avoid lighting when nobody is there.

Components 2 and 1 should be implemented at the same time, the former giving guidance to inform and structure the replacement plan.

3. Organisation and Procedures

Formal approval	Staff allocated to prepare, implement, monitor action
City council needs to decide for the implementation of the plan.	Nader Betar – City council member To be identified - Street lighting chief manager
Staff training needs	Role of Partners
The street lighting team need to receive a proper training on two subjects: Technical maintenance of LED lamps; Understanding of strategic street lighting design and implementation.	HEPCO will be invited to participate in the project's implementation. Local groups representing citizens should be invited to specific workshop to design the strategic street lighting plan, in order to take into account their recommendations in designing the plan, but also to convince them that a different lighting system (and at time less lighting intensity) will not disturb their life and will offer more collective benefit.

4. Summary and Awareness Raising (AR) Actions

A communication plan need to be develop to highlight the benefits of the strategic street lighting plan and use it as a show case to demonstrate the benefit of promoting energy savings.

5. Assumptions and Risks

As tests have already been implemented and as the technology is now mature enough, risks are rather limited.

The design of the strategic lighting plan is probably the more complex aspect of the project, however the only risk would be to "limit" the saving to the 50% technical reduction allowed by the sole lamp replacement, when a more strategic approach (with differentiated approach per area) could result in saving going far beyond 50%.

6. Key Success Factors	
<p><i>High cost of electricity means that any saving will be a significant incentive;</i> <i>The time length of LED lamps (3 to four times higher than usual lamps) make the investment more attractive;</i> <i>Public participation can help designing an ambitious street lighting plan.</i></p>	
7. Cost Estimates	
Technical support for designing the strategic plan	30,000 €
Training for Municipality staff	5,000 €
Rolling fund (possibly loan to be reimbursed after 5 years): <i>Hebron electrical department, managing street lighting, would set up a tight budget monitoring mechanism to precisely measure reduction in electricity consumption. The money saved would be invested again in lamp replacement. This set up can allow replacement of all lamps over time (5 to 7 years depending on technical choices) and ensures full replenishment of the initial investment fund.</i>	400,000 €
Approximate annual cost saving (after initial investment reimbursement): <i>Taking into account that the Municipality should reserve 40K€ per year to build a fund that would be used to renew lamps after 10 years.</i>	320,000 €/year
Return on Investment (draft calculation)	<i>The loan could be paid back in year 5.</i> <i>The project then generates significant cost saving every year.</i>
8. Available and Foreseen Sources of Funding	
Local authority's own resources: <i>The Municipality allocates staff from its street lighting unit.</i>	National Funds and Programs
International Financial Institutions	EU Funds & Programs and other external funds
Public Private Partnerships (available or to raise)	Lined up private investments
Loans and potential borrower: <i>AFD could be providing the loan, offering to cover cost of loan interests.</i>	Expected annual cost savings to City budget: 320,000 €
9. Project Energy Estimates in 2020 (or other set year)	
Energy savings (MWh/y)	3,422 MWh/year
Renewable energy production (MWh/y)	not relevant
CO ₂ reduction (tCO ₂ /a)	
Reference Year	2014
Target Year	2020
Percentage of net reduction on the territory	0.56 %
Reduction as related to BAU scenario	2,487 tCO ₂ eq/year
Per capita calculated reduction	0.01 tCO ₂ equivalent

A.3 Climate Change Project Concept Note Template

The following concept note template, developed recently for climate change projects in particular²⁹, is useful for elaborating municipality energy investment actions in more detail.

1. General information about the programme/ project

1.1 Basic information

This section gives the title and location of the proposed programme/ project and details of the concept note's applicant for the application process.

Programme/ Project title:

Country/Region:

Accredited Entity:

National Designated Authority:

Primary Implementing Institution:

[Note: This should be the institution leading the proposal and eventually the implementation of the project.]

Executing entity / beneficiary:

[Note: This can list all other institutions that will support and participate in the implementation of the proposed project.]

Contact person:

Email:

Phone:

Key considerations when developing funding concepts & proposals:

- Information about particular decision-making processes or criteria by the relevant multilaterals or bilateral financing sources should be gathered
- There are differences in the sources of finance for climate action programmes and projects with regard to specific objectives, target countries and regions, technology and sector focus, financing mechanisms used, and proposal requirements.
- It is important to make a strong case for justifying the need for financing by the targeted fund of the project being proposed.
- There are a number of common principles for securing public and private climate change (adaptation) financing that include focusing on the project sponsor (creditworthiness, reputation and experience), return on investment, making use of collaborative action, communicating the rationale for action, and building local capacity.
- Improving the enabling environment for investment by providing the appropriate administrative framework and developing the capacity to absorb resources can improve a country's ability to attract finance and its ability to use that investment effectively.
- Both public and private funders will be attracted by investment climates that promise stability and good governance.

1.2 Profile of the programme/ project

This section provides the profile of the proposed programme/ project: what type of climate project, budget size and time period.

[Note: The amount should include all budgeted activities listed in Section 2.2 (including management costs). The figure should thus match the 'total amount of financing requested by the project' of the project logical framework.]

Focus: mitigation / adaptation / cross-cutting

Programme/ project type: *Describe what sector/result area the programme/ project addresses. E.g. for mitigation: Energy access and power generation; Low emission transport; Buildings, cities, industries and appliances; Forestry and land use. E.g. for adaptation: Most vulnerable people and communities; Health and well-being, and food and water security; Infrastructure and built environment; Ecosystems and ecosystem services.*

[Note: Most financing sources address a wide range of mitigation/adaptation technologies and/or shifts in management and planning approaches (e.g. the most common being

²⁹ EU-financed ClimaSouth project supporting climate change mitigation and adaptation

renewable energy and energy efficiency in the context of mitigation). Some of the sources are more narrowly focused, such as on forestry.]

Implementing partner(s): Public / private / public private partnership

[*Note: The basics should be clarified in writing so that agreements can be made as soon as (or in advance of, with a condition precedent) funding is made available, depending on the particular situation of the project. Organizations and entities implementing projects on the ground include government bodies, national institutions, international organisations, local communities, non-governmental organisations, academic and research institutions and private sector entities.*]

Estimated implementation start and end date:

Current status: Indicate status during proposal submission, e.g. pre-feasibility, feasibility, key contracts etc.

2. Programme/project details

2.1 Description of the programme/project

This section provides the description of the programme/project objectives and activities.

[*Note: Formulate a clear, overall objective and specific objectives and related activities and outcomes which should be measurable as well as budgets can be allocated to them accordingly*]

Programme/ project objectives: Describe clearly and accurately the overall objective(s)

[*Note: This should outline in one or maximum two sentences the overarching objective of the proposed project.*]

Programme/ project design: Describe what activities will be implemented and describe their specific objectives

[*Note: Depending on the project activity, different approaches to implementation may therefore be chosen (e.g. land management strategies to*

Key considerations with regard to funding sources:

- The mobilisation and use of national financial resources should be considered from the beginning as it will also help with getting international support as well as better determine where such support is most needed and required.
- Negotiating in parallel and on different elements of the programme/project is not unusual – including the development costs – as they may be funded by different sources.
- Blending of various different financial sources such as government budget lines, NGO and community groups contributions next to development assistance and climate finance (bilateral or multilateral) may be required to get a programme/ project off the ground (see below).
- Furthermore, innovative finance mechanisms should be investigated and be brought into play, if possible. Any chance to engage the private sector with regards to bringing equity or debt funding to the project through profitable activities of the project.
- Climate action projects, in particular adaptation projects, will often be financed through collaboration between private sources of capital, public donors, non-governmental organisations (NGOs), and local institutions (both public and private). Similarly, the financing for these projects will likely include a mix of private, public, and philanthropic funds. One of the key strategies for seeking funding for adaptation projects is to structure projects to take advantage of both of these sources of funding.
- The key difference between public and private financing is the investor's motivation. The primary motivation for suppliers of private finance is to maximise private return on their investment (directly or indirectly). Public sector financing, on the other hand, does not necessarily need to be 'profitable' but is generally motivated by a desire to maximise 'economic returns'³⁰ per invested dollar.

³⁰ Economic returns on investment are the returns on investment from perspective of the national economy, rather than from the narrow perspective of commercial investors.

respond to disasters and/or sequester carbon, plantation of trees to protect against certain vulnerabilities and/or sequester carbon, assess in more detail a climate risk, for example to forestry or agricultural production). One or more “typical” adaptation/ mitigation activity/ies should be identified and the approach to implementation

should be clear and transparent.]

Programme/ project rationale:

Describe why the activities are being undertaken. Specify the location and implementation context of the programme/ project.

[*Note: It is crucial to the realization of the project that the definition of the project objective is clear - How is resilience/reduction of GHG emissions enhanced or how is the current level of resilience at least maintained/further release of GHG emissions avoided? - and realistic in the face of any given constraints: can the project be financed? In what timeframe can the project be completed? Is there a buy in and support from the stakeholders? The aim of the project as well as its positive and negative impacts should be clearly defined.*]

Rationale for involvement of financing source:

Describe how the programme/ project is consistent with the strategic objectives of the financing source, and why its contribution is critical for the programme/ project

[*Note: Consider which fund(s)/funding sources you are going to target and whether your project will address the respective priorities and objectives*]

2.2 Financing/cost information

This section gives information on the financing of the programme/ project.

[*Note: Some projects require funding for the further preparation of the programme/ project. A well-prepared first concept is still required to ask for a (small) grant for further preparation*]

Blending public and private finance sources:

- The major sources of financing for climate change mitigation activities include multilateral, bilateral and private financing sources.
- Most likely, many climate change adaptation projects will also (need to) be financed by a mix of public and private funds.
- When identifying private sector funding opportunities, it is important to understand equity and debt, and understand their main motivation (see above) and risk profiles.
- The attraction of foundations and social investors for developing countries is that unlike traditional private finance, these investors may accept lower returns as a trade-off for making a positive social impact.
- Developing countries can create conditions to attract investments by reducing risks or increasing rewards.
- Most private finance for adaptation in developing countries is likely to come from domestic sources. Adaptation actions that will attract private sector capital are those that can produce reliable market returns in the short run or high returns over a longer time frame.
- Developed country financial institutions tend to invest directly in some assets, but these are typically large projects that involve entities with substantial financial resources such as national or state governments or large private firms.
- Specific arrangements such as project finance and public private partnerships may be needed to attract international investors.
- Developed country financial institutions also channel funds through financial institutions in the recipient country for smaller projects.
- Developing country governments can increase the amount of international private finance that is available domestically. Strategies include encouraging local financial institutions to explore relationships with developed country institutions that have appropriate funds; using public private partnership project finance where appropriate; and encouraging foreign direct investment.
- In addition, developing countries should work with investors to identify the barriers to investment and design projects or implement measures that minimise those barriers.

Total investment costs: €/€/\$... provide an estimate of the total project costs (in € or US\$)

Budget use: specified and broken down in categories such as:

- Development costs of the programme/ project
- Implementation costs, including evaluation and monitoring
- Costs for each activity
- Other relevant categories, such as: programme management, including normal staff, office, travel and start-up expenses; Engineering services and other technical assistance; External consultants; Marketing; Training; Use of funds for concessional co-finance, such as loan loss reserves or other credit enhancements or direct capital subsidies

[*Note:* Project management costs are the budgeted costs for general administrative services which are not directly related to any of the project outcomes and outputs.]

Requested amount from financing source: €/€/\$... indicate the amount for each financial instrument (senior loan, subordinated loan, equity, guarantee, reimbursable grant, grant)

Exit strategy (finances): Describe what happens after the programme/ project is implemented with support from the financing source.

[*Note:* What is the approach when the objectives of the proposal are met and the related investment by the funding source has been completely used up? This will mostly be related to the longevity of the project beyond the involvement of the funding source (see below). Even in the case the proposed project is a one-off, short term intervention triggering certain follow-on measures, the investing party/ies would like to know what are these measures and how are they achieved.]

Co-financing: Indicate the sources of co-financing, and the type of co-financing (senior loan, subordinated loan, equity, guarantee, reimbursable grant, grant) and amount of co-financing from each source.

[*Note:* Successful new projects often build on an existing programme/ project infrastructure with secured funding (e.g. adding an adaptation/mitigation component to an existing development project-see also programmatic approach by the GEF/AF/GCF). Other programmes/ projects need to look for funding this as well. This is related to full cost financing offered by multilaterals and whether further co-finance is required to implement the project.]

2.3 Expected results and benefits

This section outlines the expected results and benefits from the programme/ project.

[*Note:* In order to prove the impact the project actually had, it is important to establish a baseline scenario that describes what would have happened if the project did not exist (the establishment of the baseline scenario can at this stage be qualitative rather than quantitative).]

Baseline conditions: describe the baseline conditions in absence of the activities, including key issues, barriers and challenges. Examples are: baseline scenario and trends of GHG emissions (mitigation) or vulnerabilities (adaptation); level of exposure to climate risks for beneficiary country and groups; fiscal or balance of payment gap that prevents from addressing the needs; shortcomings of local capital market; needs for strengthening institutions and implementation capacity

[*Note:* This section should contain a brief description of the starting situation and the relevant development activities that would/should be implemented in the absence of climate change in the targeted sector and region.]

Specific attention to be paid to climate impacts, catalysing impacts and sustainability of impacts:

Climate impact potential: Specify the expected mitigation/adaptation impacts, such as total tonnes of CO₂eq avoided or reduced per annum, total number of direct and indirect beneficiaries, number of beneficiaries relative to total population. For mitigation, specific attention to be paid to: baseline emissions, expected avoided emissions. For adaptation, specific attention to be paid to: ecological and socio-economic context of the programme/project and its perspectives to climate change, forms of vulnerability and existing resilience capacity, which vulnerabilities will the programme/project limit.

[*Note:* This section should give a concise description of each of the specific adaptation/mitigation activities/investments that the project would implement, how they build on to existing development activities (i.e. the baseline activities identified above), how they will be implemented in practice, and what impacts they are expected to have in terms of reducing the climate change vulnerabilities or improving the GHG emissions profile described above. This section should demonstrate to the donor how the project will lead to concrete and measurable impacts in the targeted sector and/or region. The discussion can take its starting point in the differentiation between 'investment activities' and 'capacity building activities'.]

Catalysing impact potential: Specify the potential for scaling-up and replication, knowledge and learning, contribution to enabling environment and regulatory or policy framework

[*Note:* For instance, many programmes seek to demonstrate successful financing mechanisms and business models, engage commercial parties and then promote a commercially self-sustaining market dynamic, so that market actors will continue to develop, implement and finance energy efficiency/renewable energy projects after the programme is completed. This is an attractive strategy for funders. The plan of the programme to achieve this result should be discussed, along with strategies for replication. A budget for replication could constitute a second phase of a programme.]

Sustainable development potential: Specify the expected economic, social and environmental co-benefits (impacts on job creation, technology transfer, economic activities, increased resilience, improved nutrition, etc.)

Sustainability of impacts: Specify how the programme/project activities will continue after its completion, e.g. whether and how market actors will continue to develop, implement and finance activities

[*Note:* This section should demonstrate to the funder how the project interventions have been designed in a way that insures that adaptation/mitigation benefits are sustained beyond the lifetime of the funder's involvement. This discussion could include elements both of financial, social and environmental sustainability as relevant.]

2.4 Implementation and management plan

This section outlines the implementation and management plan for the programme/project.

Implementing entity: Describe who will implement the programme/project and their comparative advantage(s) compared to other potential implementing entities. Describe their experience and credibility. Describe the project management/organisational structure: specify the specific roles and responsibilities of each of the implementing entities, their level of involvement in the project design and implementation, and underlying contractual arrangements. Describe who will take care of the monitoring process.

[*Note:* This section should clearly outline the institutional setup of the proposed project (i.e. who will do what and when, what will be the management structure for the project, how will the activities of different executing partners be coordinated etc.). The comparative advantage of the implementing institution(s) (compared to other potential implementing institutions) should also be outlined here.]

Embedding: Describe how the programme/ project will be coordinated or mainstreamed with related ongoing activities

[**Note:** This section should briefly identify all relevant related initiatives/projects that are currently being carried out in the targeted sector and region, and discuss how the proposed project will ensure that its activities are appropriately linked and coordinated with these. The aim is to assure the potential donor that the project will not overlap, duplicate or negatively impact any other development activities and that all potential synergies and appropriate collaboration with existing activities are fully exploited. This question is partly linked with question of the baseline scenario described above, as the project will need to coordinate/cooperate with any relevant business-as-usual development activity underpinning the proposed adaptation/mitigation project (see above)].

Specific attention to be paid to country ownership and stakeholder engagement:

Country ownership: Describe how the ownership of the beneficiary country is constituted. This can include: coherence and alignment with the country's national climate strategy and priorities in mitigation or adaptation (including national communications, Nationally

Determined Contributions (NDC) or Intended Nationally Determined Contributions (INDC)) as well as relevant national legislation and regulations; government permission or endorsement to implement the programme/ project

Stakeholder engagement: Describe the process and feedback received from civil society organizations and other relevant stakeholders

[**Note:** Extensive consultations with the stakeholder groups are advised, starting with the project planning stage. Developing and implementing an adaptation/mitigation measure should draw interest from a number of stakeholders.]

Demonstrate ownership and coherence & alignment with national climate strategy and priorities:

- Depending on the adaptation/mitigation measure, be it a sector-wide policy or a specific project for a certain region, different political decision-making processes will be required to make the implementation happen. At the same time, it is also crucial to ensure that these processes are aligned with host country policy on adaptation.
- To ensure the project will be supported from the wider political community the appropriate decision-makers will have to be identified at the local, regional and national levels. By working with these individuals, it needs to be determined if and how the adaptation can be integrated into existing frameworks for the long-run.
- It is important to consider the work done on existing adaptation/mitigation plans such as the National Adaptation Programs of Action (NAPA), Nationally Appropriate Mitigation Actions (NAMA), National Communications to the UNFCCC and the UNCCD. Projects within the respective priority categories are very likely to gain political or even financial support by public institutions.
- The backing of a public institution or the government can also help to access funding at international level.

2.5 Risk analysis

This section outlines the foreseen risks and measures to mitigate these risks.

[**Note:** All programmes involve certain risks, in programme implementation and also in market conditions that are outside the programme's control. For instance, for EE/RE project development and finance programmes, the biggest implementation risks typically concern marketing success and the long sales and development time required to get projects ready for investment. This is also a main focus of technical assistance efforts and programme activities.]

2.6 Evaluation and impact metrics

This section provides information on the M&E and MRV methodology.

Monitoring progress: *Describe who takes care of the monitoring*

process (see implementation and management plan); when will the monitoring take place; indicators used for monitoring progress and implementation for each activity

Feedback mechanisms: *Describe how feedback on implementation and progress will be used to strengthen performance and management of the programme/ project*

Measurement, Reporting and Verification methodology: *Describe the methodology for measurement, reporting and verification of the outcomes and outputs of the activities, including the indicators used; describe if and how the net GHG emission reductions can be measured and tracked (mitigation) or what measurable indicators are used to assess the success of the activities (adaptation)*

Monitoring and evaluation

Monitoring and evaluation (M&E) are integral to the implementation of the programme/project. The M&E plan should be developed early, to ensure that a baseline is established and begin collecting data needed for the evaluation. A programme's M&E framework will serve several purposes: 1. Monitor progress towards programme objectives 2. Strengthen programme performance and management by providing feedback on implementation 3. Provide a base for reporting and technical and financial accountability. M&E will evaluate the programme's direct impacts: total projects supported by the programme and their related GHG emissions reductions, for example. Other key indicators measures should also be defined, including indirect market development impacts. In order to capture market transformation effects, an M&E plan should assess the programme's indirect impacts and demonstration effects. This is often done through interviews with programme stakeholders, both participants and non-participants.

A.4 ACTE Financial Mechanism for Municipalities in Tunisia

The Municipality Alliance for Energy Transition (ACTE) programme was launched in May 2015 by ANME, CPSCL and DGPCCL in order to strengthen the capacity of Tunisian municipalities to contribute towards the energy transition, energy efficiency and the use of renewable energies. The ACTE programme is summarized next, based on the related deliverables from the present CES-MED project which supported its detailed design.

The **objective** of the ACTE programme is for the Tunisian municipalities to gain the ability to contribute actively towards the achievement of the country's national energy objectives, through the implementation of sustainable energy strategies within their territories. 3 main **results** are expected for the programme's implementation:

1. Tunisian municipalities will develop an integrated sustainable energy plan in a participatory manner, taking into account their energy consumption characteristics;
2. Tunisian municipalities will develop, implement and manage sustainable energy projects in a competent manner, gaining the strong added value of climate (reduction of greenhouse gas emissions) and socio-economic (reduction of the energy bill, generation of income and creation of jobs) benefits;
3. Tunisian municipalities will become engaged in an active sharing of experiences, approaches and technical solutions with their counterparts in Tunisia and other neighbouring countries.

The Tunisian municipalities will be provided with **support** for the development and implementation of their sustainable energy actions through:

1. technical assistance from ANME and its national experts;
2. legal and institutional framework support for structuring sustainable energy projects, e.g. through ESCOs or other forms of PPP;
3. capacity-building support from CFAD and ANME;
4. financial support (premiums and credits) granted from the FTE, CPSCL or other national sources.

The following **activities** will in particular be supported financially through the ACTE programme:

Activity	Grant ³¹
Energy audits (buildings, public lighting, vehicle parkings)	70% of the cost of the audit, capped at 30,000 TND
Intangible investments (technical assistance, training, studies)	70% of the investment cost, capped at 70,000 TND
Investments in energy-efficient equipment (efficient lighting, thermal insulation, monitoring & control equipment)	20% of the investment cost, between 100,000 and 250,000 TND
Pilot projects	50% of the investment cost, capped at 100,000 TND
Cogeneration (buildings, pools)	20% of the investment cost, capped at 500,000 TND

³¹ Exchange rate on 31.5.2017: 1 EUR = 2.72 TND

Collective solar thermal systems (swimming pools, Omnisport halls)	30% of the investment cost, capped at 150 TND/m ²
Photovoltaic installations connected to the network	30% of the investment cost, capped at 5,000 TND per building
Production of biogas	40% of the investment cost, capped at 20,000 TND
Production of biogas for electricity generation	20% of the investment cost, capped at 100,000 TND
Substitution to natural gas in the tertiary sector (buildings, swimming pools, Omnisport halls)	20% of the investment cost, capped at 400,000 TND



The European Union is made up of 28 Member States who have decided to gradually link together their knowhow, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms.

The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders. The European Commission is the EU's executive body

Disclaimer: The information and views set out in this booklet are those of the author(s) and do not necessarily reflect the official opinion of the European Union.

Neither the European Union institutions and bodies nor any person acting on their behalf may be held responsible for the use which may be made of the information contained therein.

