

Conclusions

EBRD InvestEU Framework for Sustainable Transition

INVEU-ICR-0011-2023 – Sustainable Infrastructure Window

Short description of the financing or investment operation and its objectives

Name of financial intermediaries	N/A
Type of the final recipients	Public sector clients such as municipalities or municipal owned companies to finance sustainable and environmental investments e.g. a mid-Cap providing urban or public transport services.
Countries of implementation	EBRD 12 EU Countries of Operations: Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia ("EU12 CoOs").
Implementing partner	European Bank for Reconstruction and Development (EBRD)

The Framework will support investments in the eligible sectors within EBRD's Green Cities Programme ("Programme"). The Programme aims at identifying and addressing environmental challenges in cities through strategic planning, policy and investments. The focus will be on green and sustainable investments addressing common barriers in the selected cities. The Framework targets public and public focused investments predominantly in the municipal, transport and energy sectors, to be undertaken by e.g. municipalities, municipal owned companies or utilities.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 24 March 2023 for the above-mentioned operation.

The Framework addresses common market failures in the selected countries such as high energy intensity, high upfront cost and accessibility of advanced and environmentally friendly technologies, lack of incentives for sustainable solutions and limited consideration of climate risks (transitional risk and physical risks). The Framework focusses on green and sustainable investments, contributing to the climate and environmental objectives of the InvestEU. Through the Programme's own eligibility criteria it will be ensured that all sub-projects will give rise to environmental benefits at the municipal level and will support tackle of local climate mitigation and adaptation challenges.

Additionality of sub-project under the Framework will be multi-faceted and its sources may vary, depending on market failures and needs of clients pursuing the relevant policy objectives. Firstly, including the guarantee in financial structures will offer the possibility of achieving greater flexibility by shifting the financing profile towards longer term financing (extended

Conclusions

maturities) and lower interest rates which will make it more viable for clients to invest in low carbon, climate resilient and other green measures, and ultimately to undertake more ambitious projects.

Secondly, the InvestEU guarantee will allow supporting operations that carry a higher risk profile than the risk generally accepted by EBRD.

Furthermore, the use of the guarantee may result in a more favourable margin for borrowers, mitigating market failures and/or helping EBRD to convince clients to increase the ambition of their climate and environmental investments and as such creating financing opportunities not existing in EU12 COOs otherwise.