



**GREEN FOR  
GROWTH FUND**

INVESTING IN ENERGY EFFICIENCY  
AND RENEWABLE ENERGY

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# ANNUAL REPORT 2016

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EXPANDING HORIZONS

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# ANNUAL REPORT 2016

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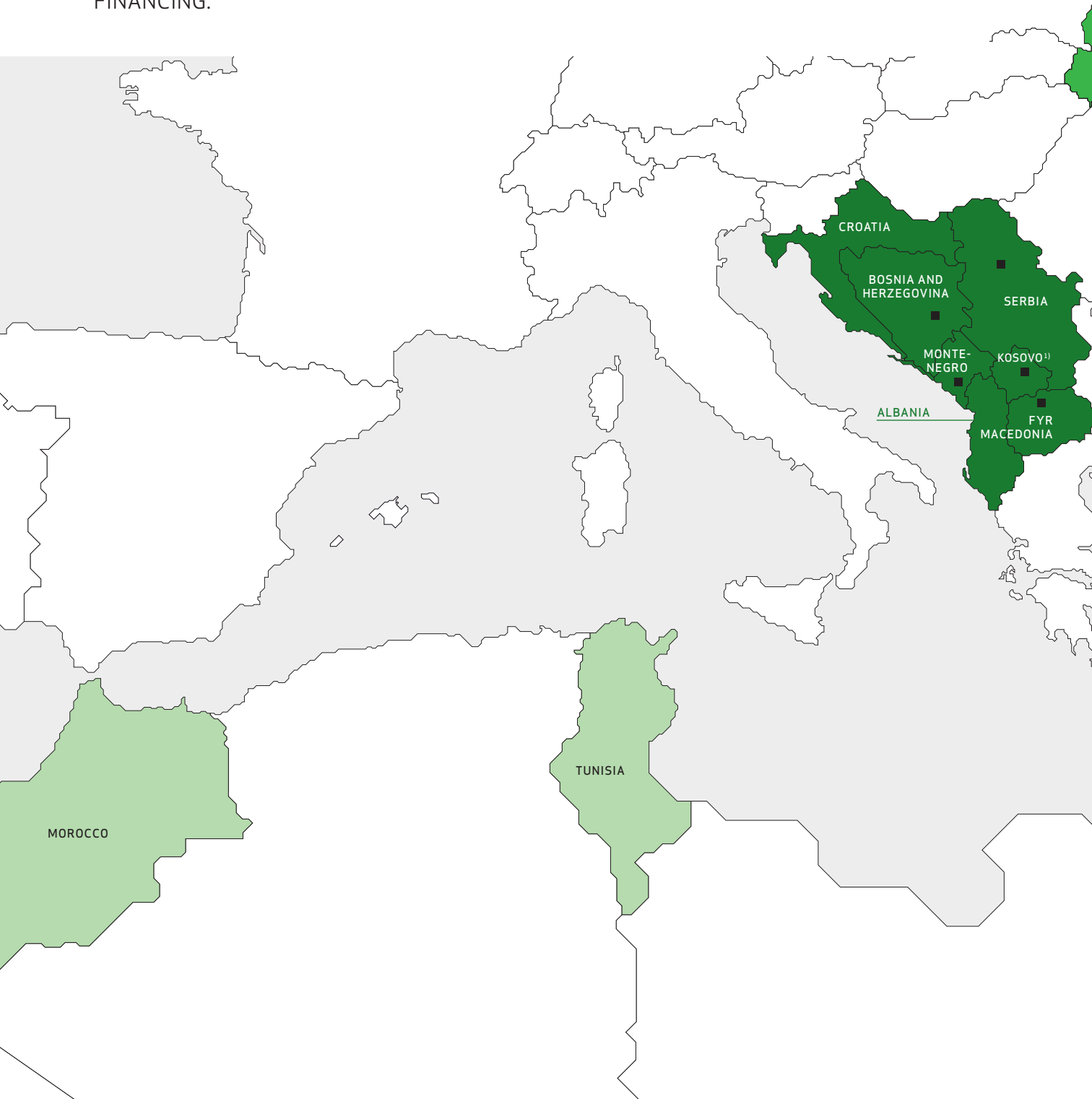
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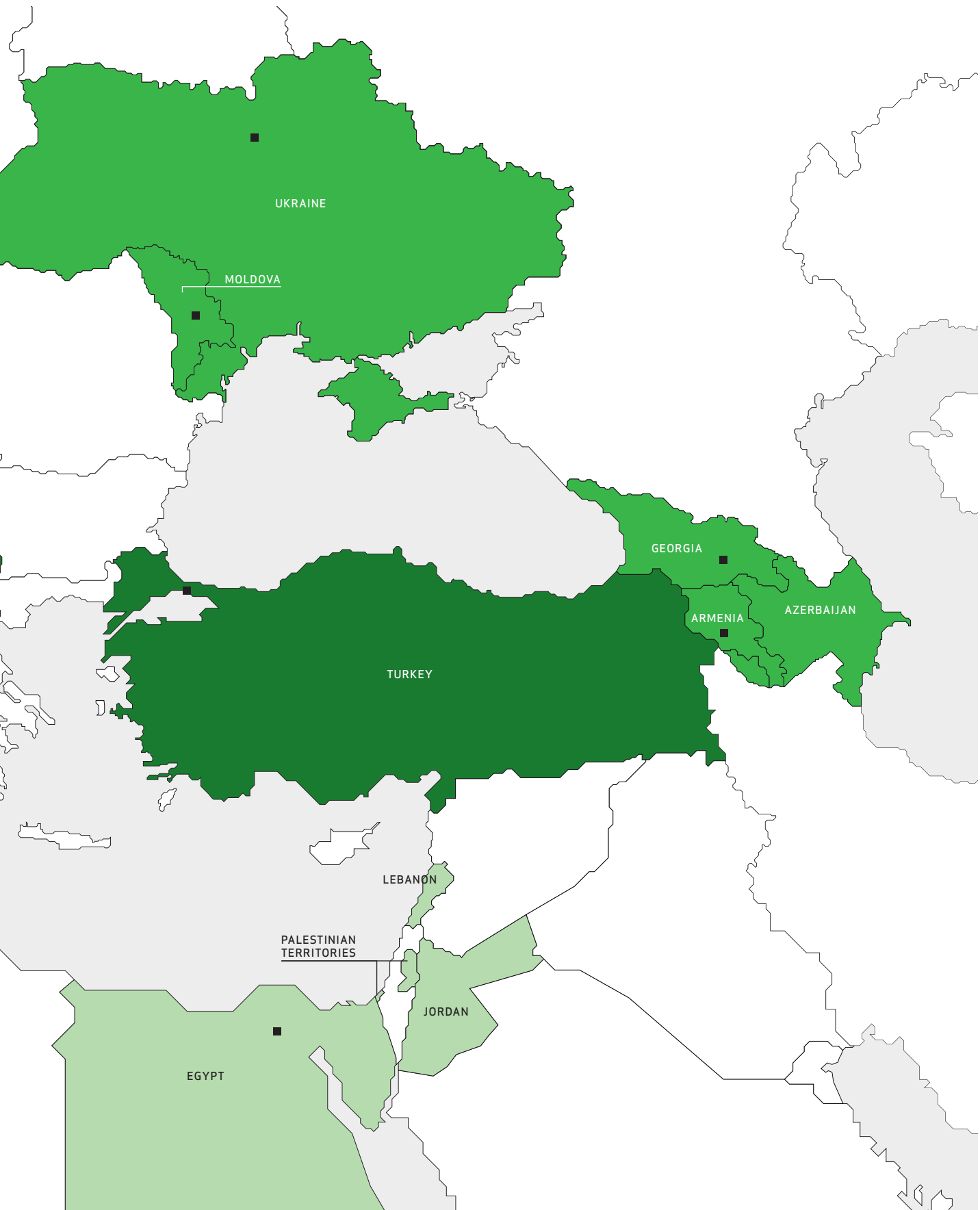
# MISSION

THE MISSION OF THE GREEN FOR GROWTH FUND (GGF) IS TO CONTRIBUTE, IN THE FORM OF A PUBLIC-PRIVATE PARTNERSHIP WITH A LAYERED RISK/RETURN STRUCTURE, TO ENHANCING ENERGY EFFICIENCY AND FOSTERING RENEWABLE ENERGIES IN THE SOUTHEAST EUROPE REGION INCLUDING FOR THE AVOIDANCE OF DOUBT TURKEY AND IN THE EUROPEAN NEIGHBOURHOOD REGION, PREDOMINANTLY THROUGH THE PROVISION OF DEDICATED FINANCING TO BUSINESSES AND HOUSEHOLDS VIA PARTNERING WITH FINANCIAL INSTITUTIONS AND DIRECT FINANCING.



■ Offices of the Advisor Finance in Motion

<sup>1)</sup> This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.



## KEY FIGURES 2016

411.7  
million

Total investor commitments (in EURO)

363.2  
million

Investment portfolio outstanding (in EURO)

43

Partner institutions the GGF has invested  
in to date

55

Partner institutions the GGF has financed and/or  
provided with technical assistance.

190

GGF Technical Assistance Facility projects  
to date

19

Target countries of the GGF

389  
thousand

Metric tons of CO<sub>2</sub> saved annually through GGF-  
funded energy efficiency and renewable energy  
investments

1,548

GWh saved annually through GGF-funded energy  
efficiency and renewable energy investments

16

Investors and donors to date who have committed  
funds to the GGF

## Investors

THE GGF IS SUPPORTED BY LEADING DONORS, INTERNATIONAL FINANCIAL INSTITUTIONS AND PRIVATE INVESTORS.



SAL. OPPENHEIM



## Letter from the Chair

*Dear Investors and Partners*

On behalf of the Board of Directors, it is with great pleasure that I present to you this 2016 Annual Report of the Green for Growth Fund. Reflecting the very busy – and successful – year that was 2016, the report examines a variety of important aspects of the Fund's continued progress.

The GGF's mandate is to combat climate change through a public-private platform seeking to reduce the consumption of energy and the emissions of CO<sub>2</sub> in a range of diverse countries. In this it shares extensive common ground with its leading supporters – the Fund's initiators, the German development bank KfW and the European Investment Bank; its shareholders, the European Commission, the German Ministry for Cooperation and Development, the European Bank for Reconstruction and Development, the International Finance Corporation, and the Dutch and Austrian development banks FMO and OeEB; and, importantly, a growing number of private investors.

The most salient development in 2016 was the GGF **broadening its horizons** to include six countries in the Middle East and North Africa (MENA). Supported by a range of technical assistance activities that laid the foundation for the expansion, the Fund closed its first three investments in the region in 2016. The MENA countries present a unique opportunity for the GGF to adapt its proven approach to a dynamic region demanding creative solutions to meet its growing energy needs.

At the same time, the GGF continues to **take new directions** and **seize opportunities** for financing energy efficiency and renewable energy measures to further develop and leverage its innovative products and approaches. In doing so, the Fund is actively seeking input from its pool of local and international experts to identify the most effective measures and methodologies and tailor them for additional markets, a process exemplified by the

2016 Energy Auditor Roundtable. These best practices apply to environmental and social matters as well, as the GGF continues to support its local partners in achieving international standards.

Through these efforts, the Fund is **realizing its potential** with strong growth across all metrics. Despite challenging conditions in many of its markets, the GGF disbursed EUR 109 million in 2016, increasing its portfolio to EUR 363 million at year-end. One of the Fund's ten new partners is the Gori wind park in Georgia, the GGF's first direct investment in a wind project. Overall, the Fund worked with more than 40 partner institutions in 15 of its 19 markets to finance over 3,000 new projects. This raises the total number of projects financed from inception to nearly 22,000, and they have cut energy use by an amount equivalent to almost one million barrels of oil and created CO<sub>2</sub> savings equal to planting two million broad-leaved trees.

As the GGF looks towards its **future prospects**, the board recognizes the uncertain global environment for climate finance. This situation underscores the clear need for market-oriented solutions that sustainably drive investments to effectively leverage finite sources of donor financing and bring private capital to bear. With private investments projected to surpass EUR 100 million in 2017, the GGF is occupying an even stronger position from which to fund the measures that support the goals outlined in its mandate.

Thank you for your continued interest in and support of our Fund and the work we do.

  
CHRISTOPHER KNOWLES  
Chairman of the Board of Directors







# BROADENING OUR HORIZONS



**The Fund continues its successful support of green finance initiatives in regions both familiar and new.**

# GGF GROWS RAPIDLY WITH LATEST EXPANSION



The push into MENA presents a range of opportunities.

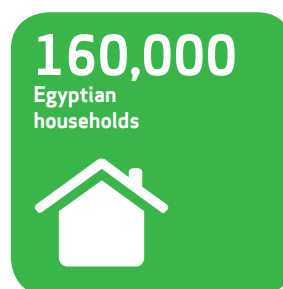
Since its foundation in 2009, the Green for Growth Fund has developed a unique and comprehensive approach to green energy finance, one that combines specialized and tailored technical assistance with patient capital to support investments in energy efficiency (EE) and renewable energy (RE). When it was created, the Fund's mandate encompassed investments in seven Western Balkan markets and Turkey. These initial areas of focus still comprise the GGF's core markets in terms of portfolio, penetration, and environmental impact. The Fund has grown to become the leading source of EE/RE finance in Southeast Europe, according to the Western Balkans Investment Framework, a joint initiative of the EU, international financial institutions, bilateral donors, and the governments of the Western Balkans.

While the GGF was still growing in its core region, in 2012 the Fund also expanded operations to Armenia, Azerbaijan, Georgia, Moldova, and Ukraine, which are part of the European Neighbourhood Region-East (ENR-East). The Fund has learned much

from the challenges these countries present and has invested in each of them. Furthermore, products developed for these specific environments, including energy-efficient agricultural equipment and housing, have been successfully introduced in other markets, which highlights the GGF's ability to transfer ideas and knowledge between regions.

To further leverage the GGF's approach and maximize energy and CO<sub>2</sub> savings, the Fund initiated a study on the potential of select markets in the Middle East and North Africa (MENA), which lie in the European Neighbourhood Region-South (ENR-South). This region was already a priority for the European Union, the German Ministry for Cooperation and Development, and other GGF stakeholders, and establishing operations there offered an opportunity to complement the Fund's activities in Southeast Europe, Turkey, and the ENR-East. Following promising results from the study, in mid-2016 the GGF board and shareholders approved the expansion of operations to Egypt, Jordan, Lebanon, Morocco, the Palestinian Territories, and Tunisia. This raised the total number of markets the Fund serves

## ENERGY SAVINGS



The annual energy saved by the GGF's investment portfolio (1,548 GWh) equals the yearly primary energy consumption of more than 160,000 Egyptian households.

*"As a founding investor of the GGF, the European Commission has supported the Fund's activities in Southeast Europe, the European Neighbourhood Region-East, and Turkey. We are delighted that in 2016, the Fund reported active investments in all 13 markets in these regions.*

*The GGF is one of the key channels for financing energy efficiency and renewables in the Western Balkans, and the EU has committed additional funding to further this success. We are also pleased with the Fund's expanding reach in the ENR-East, including its first wind project in Georgia. The GGF remains essential to our overall strategy in these regions, and in the new markets in the Middle East and North Africa."*



**KATARINA MATHERNOVA**

Deputy Director-General in charge of Eastern Neighbourhood, Economic Transformation and Relations with IFIs, European Commission

to nineteen, an impressive geographic span that runs from Morocco on the Atlantic coast to Azerbaijan on the Caspian Sea. The expansion has already proven fruitful: By the second half of 2016, the Fund had invested in two financial institutions in Egypt and one in Tunisia and had established a pipeline for investments throughout MENA while maintaining growth

and momentum in Southeast Europe and the ENR-East. By year-end, the number of countries with active GGF investments had grown to 15 – the most to date – and the Fund is continuing to increase diversification and positive environmental impact for a range of financial institutions, corporate clients, and renewable energy projects.

In April 2016, the GGF Technical Assistance Facility organized the Fund's first event in Kosovo<sup>1</sup> for raising awareness about the potential of and investment opportunities in energy efficiency (EE) and renewable energy (RE).

# EXPLORING NEW OPPORTUNITIES IN KOSOVO



A Kosovo workshop focuses on local requirements.

In 2016, a workshop to introduce the GGF in the Kosovar capital Prishtina played host to more than 45 representatives from the financial and energy sectors and international financial institutions (IFIs) in Kosovo. The workshop was designed to explore and promote the benefits of various energy efficiency and renewable energy investments and served as an excellent platform for knowledge sharing by presenting the GGF as a sustainable and reliable long-term partner for local financial institutions and RE project developers.

Kosovo has a significant level of energy savings potential that could be achieved by implementing EE measures in various industrial sectors, a view confirmed by Kosovo's official energy strategy.

The workshop featured presentations and discussions on the EE and RE potential in Kosovo for both the residential and small and medium enterprise (SME) sectors. The participants learned about the latest trends in EE and RE technologies and related investment opportunities that contribute substantially

to energy savings and overall economic growth. Special attention was given to the GGF's role in fostering the development of EE and RE finance in Kosovo through the provision of dedicated funding and tailored technical assistance.

As the agricultural sector is of special importance in Kosovo, the audience emphasized a leading local requirement: targeted financial and non-financial solutions for farmers and food producers wishing to upgrade their agricultural and food-processing equipment, wishing to switch to renewable energy sources, or both. Farmers and food producers see investments in modern, energy-efficient technologies as a way to provide their businesses with a competitive advantage. In addition to higher productivity, modern equipment and machinery consume less energy per production unit, so such investments allow for a significant reduction in operating expenses, which can improve long-term business prospects for farmers and food producers and help them remain ahead of their competitors.

The GGF first became active in Kosovo in 2016 when its local partner institution Agjencioni për Financim në Kosovë (AFK) began providing financial solutions to households and micro-entrepreneurs from rural areas wishing to invest in EE measures.

<sup>1)</sup> This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

**The addition of a new lending partner has allowed the GGF to actively fund all markets in SEE and ENR.**

# ACTIVE ACROSS THE BOARD

The announced partnership with Kosovo's Agjencioni për Financim në Kosovë (AFK) in October 2016 marked an important milestone for the GGF: The Fund could claim active partner institutions in all of its original 13 target markets in Southeast Europe (SEE) and the European Neighborhood Region-East (ENR). The investment followed a further expansion of the geographic reach of the GGF in its core region in June 2016 through a partnership with Alter Modus, the largest microfinance institution in Montenegro. The Fund's resulting geographical spread indicates both the success of the GGF's approach to delivering green energy finance, and the increasing awareness in these



A client is served in the main branch of AFK in Peja, Kosovo.

markets of the benefits of EE and RE investments and the corresponding demand for financial support.

*"The German Ministry for Economic Cooperation and Development continues to support the successful expansion of GGF financing for measures that promote efficient and renewable energy. This growth, combined with the Fund's increased investments in additional partners, regions and technologies, confirms the GGF's ability to leverage public funding, attract private investors, and drive the development of green finance in the regions it serves."*



**DIRK SCHATTSCHNEIDER**  
Head of the Division for South-Eastern and Eastern Europe, South Caucasus, Federal Ministry for Economic Cooperation and Development – BMZ



**A project from the GGF Technical Assistance Facility analyzed the energy efficiency (EE) of homes in Montenegro.**

# A DIAGNOSIS OF ENERGY EFFICIENCY

The GGF's experience with microfinance institutions has shown that loans for upgrading and renovating homes and businesses can have large benefits in terms of comfort, productivity and energy savings for clients. Alter Modus, Montenegro's largest microfinance institution with a market share of 70 %, recognizes the importance of EE financing and the growth potential in this segment. It became a partner institution of the Fund in 2016 with the aim to offer the first EE loan product in the country's microfinance sector. This gave the GGF the opportunity to examine new ways to raise EE awareness. With the support of the GGF Technical Assistance Facility, Alter Modus subsequently embarked on an innovative marketing campaign to make its clients more familiar with the benefits of saving energy.

As part of the campaign, an "Energy Doctor" visited businesses and households across Montenegro at the start of 2016. Building on the idea of a doctor who makes house calls to patients, the Energy Doctor performed "check-ups" on buildings to measure the performance of their insulation systems. A thermal camera measured energy losses, and the data was used to diagnose problems and served as the basis of a prescription in the form of EE measures to cure whatever ailed the building.

A GGF representative joined a check-up in a suburb of Podgorica, where a household on the third floor of a family house lacked proper insulation and was warmed by only electric heaters. Although the home's January electricity bill was three times the national average, it remained cold in winter. The owner of the household qualified for the energy audit after responding correctly to a question posted on the campaign's



The "Energy Doctor" measures energy losses of households in Montenegro.

Facebook page as a part of a game about energy savings knowledge. During the campaign, the doctor's visits and resulting prescriptions – often solutions such as insulation and window replacement – led numerous homeowners to request Alter Modus financing for such EE measures.

The Energy Doctor was just part of a broader campaign that ran on the slogan "Step-up Efficiently" ("Tvoj energetska iskorak") that was delivered via multiple marketing and advertising activities and platforms, including radio, TV, billboards, and online. In the nine towns in Montenegro with Alter Modus branches, the style of the campaign corresponded to the overall strategy of the company, which uses direct contact with clients. This meant the campaign's promotional team (local consultants and Alter Modus staff) spent time directly promoting energy saving measures. Residents could receive information about EE measures at campaign stands, and the team distributed specially designed educational leaflets and promotional materials. The overall campaign encouraged its target group – the general public, with a focus on entrepreneurs and small and medium enterprises – to make long-lasting and thus sustainable investments in EE measures.

As the GGF expands its geographical coverage, it has also been examining changing legislation and new technologies to support its mission.

# ENTERING NEW AREAS

## CO<sub>2</sub> SAVINGS

**2 million**  
broad leaf trees



The annual CO<sub>2</sub> emissions saved by the GGF (389,434 tCO<sub>2</sub>) equal planting 2 million broad leaf trees every year.



Looking  
at new  
opportunities

As in previous years, in 2016 the GGF continued to expand into new areas of energy efficiency and renewable energy financing, while adhering to strict eligibility, reporting, and environmental criteria. In order to proactively assess and support new energy and CO<sub>2</sub> saving measures, the Fund is constantly observing and assessing its target regions – be this for changes in national regulation that open the path for certain projects, or technologies that are seeing demand in new markets.

In renewable energy, the GGF provided direct financing for the first wind park in Georgia – and the Caucasus – in late 2016, a milestone for the country that marks the beginning of a much larger deployment of wind in the country and region (for more, see p. 24). Along with the entry into Georgia, the GGF also provided finance for its first commercial renewable energy project in FYR Macedonia through its partner financial institution.

On the energy efficiency front, new microfinance partners in Montenegro and Kosovo<sup>1)</sup> started the GGF's engagement in home improvement, agricultural, and micro, small and medium

enterprise (MSME) financing in those countries. In 2016, the first funding also flowed to the GGF's corporate investment for green apartment development in Georgia. As a result, construction has started on these energy-efficient homes, and the first apartments have been successfully sold. Additionally, as part of efforts to continue exploring new measures, the GGF Technical Assistance Committee launched studies on the untapped lending potential in key markets in the Western Balkans as a way to locate financing gaps where the GGF could play a role. The results will be used to guide the GGF's strategy and focus in the future.

As the Fund continues to examine new opportunities for energy financing, it is clear there are strong links to other areas of what can be considered “green” finance, be this in relation to water management, resource efficiency or waste management. Whether pump power consumption avoided by reducing water supply losses, more efficient production processes using recycled inputs, or waste separated and treated to avoid or manage methane production, a large potential for saving energy and reducing greenhouse-gas emissions still exists. Some such measures are well-established in the GGF portfolio. One example, drip irrigation, reduces water and pumping needs for agricultural producers, which is of particular importance in the markets included in the 2016 expansion into the Middle East and North Africa. But it will also be important to continue to explore additional areas of activity that can deliver both environmental impact and local benefits.

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A low-angle, upward-looking photograph of several palm trees. The fronds are long and thin, creating a dense, crisscrossing pattern against a bright, hazy sky. The lighting is warm, suggesting a sunrise or sunset. A semi-transparent green rectangular overlay is positioned in the upper-middle section of the image, containing the text "TAKING NEW DIRECTIONS" in white, uppercase, sans-serif font. The text is split across two lines: "TAKING NEW" on the top line and "DIRECTIONS" on the bottom line.

# TAKING NEW DIRECTIONS



**The economic and social benefits of energy efficiency (EE) continue to gain in awareness in the GGF's markets, with the result that EE investments remain a majority share of financing in 2016.**

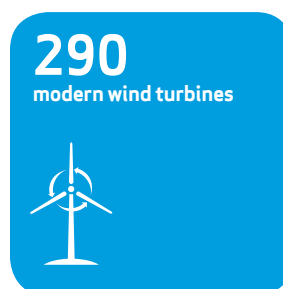
# INCREASING MOMENTUM FOR ENERGY EFFICIENCY

Policy makers, business leaders, and individuals increasingly understand that energy savings can be achieved alongside other, often primary, objectives, be they building renovations to improve comfort levels, machinery upgrades to improve product quality and reduce electricity bills, cleaner and more efficient agricultural equipment that can increase yields, or other similar investments.

Financing of EE projects remains the largest part of the GGF portfolio, accounting for approximately 60% of financing provided in 2016. Fund partners on-lent the financing with more than 2,750 sub-loans to a range of clients that included households, small and medium enterprises (SMEs), and agricultural producers. Since the inception of the Fund, more than 20,000 sub-loans have been provided to end-borrowers for EE alone.

Expansion of the GGF to the Middle East and North Africa (MENA) meant measures in Southeast Europe and the European Neighborhood Region-East needed to be revised and localized to suit a different regional context. For example, agricultural equipment such as tractors may be used for different types of crops. Additionally, agricultural producers in the region are less likely to work with equipment dedicated to harvesting. Both factors need to be taken into account when assessing the impact of replacing older agricultural equipment. This process of localization has been supported by the GGF Technical Assistance Facility (TAF) to ensure new partners in the region can report eligible investments. The TAF also kicked off a revision of marketing and outreach materials previously developed for SMEs to ensure they reflect the local environment in MENA countries.

## ENERGY SAVINGS



The annual energy saved by the GGF's investment portfolio (1,548 GWh) equals the yearly electricity production of almost 300 onshore wind turbines.

In the GGF's original two regions, EE financing continued to be effectively delivered for both smaller standard projects – such as building renovations and insulation, or small-scale rooftop solar systems – and for more technically complex non-standard projects typically implemented by SMEs upgrading production processes and work premises. GGF local energy consultants provided 69 energy assessments to partner financial institutions in 2016 to assess the eligibility and impacts of such projects. As an example, included in the assessments were audits of residential apartment buildings in Georgia as part of the GGF's first financing of energy-efficient building construction.

The TAF also launched a number of new research projects in 2016 to support the activities of the GGF. These included research into topics such as methods to calculate building energy performance for countries without national standards, hybrid generator technologies, and a comparison of energy efficiency labels and standards for appliances across markets. By continuing to adapt and innovate, the GGF is positioning itself at the forefront of EE financing in its markets and demonstrating the benefits of saving energy.



**A Berlin round table for energy experts served as an excellent opportunity to share knowledge that increased the ability of consultants to promote GGF investments.**

# ENHANCING EXPERTISE



GGF Energy Consultants learn about successfully implemented EE measures at a Berlin power generation plant.

The GGF hosted its first round table with energy experts from six markets in Southeast Europe and the European Neighbourhood Region-East who advise the Fund's partner institutions and conduct energy assessments of sub-borrowers. In October 2016, the manager of the GGF Technical Assistance Facility (TAF), in cooperation with the GGF's technical advisor, organized the highly successful event to increase knowledge levels among leading energy experts who have worked for the Fund in GGF regions and facilitate the implementation of energy saving projects. To capture the overall picture of the current cooperation and make the event as effective and useful as possible, the TAF conducted a survey of the energy consultants and representatives from GGF partner institutions in attendance.

The full-day round table covered a range of themes such as confirmatory and holistic energy assessment requirements and case studies, loan portfolio screenings, the Fund's environmental and social requirements for commercial renewable energy projects, and the features of eSave, an online tool for monitoring and reporting the energy savings and CO<sub>2</sub> emission reductions of fund investments. The participants actively contributed to discussions, exchanged their experiences, shared ideas,

and provided feedback on cooperation with the GGF and its partner institutions. Prior to the round table, participants visited the Adlershof high-technology site in Berlin, which is called the "City of Science, Technology and Media," and the trip included a guided tour of the city's BTB Heizkraftwerk Adlershof utility company.

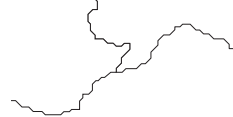
The outlook is definitely encouraging. The GGF TAF is considering scheduling similar workshops regularly for its key service providers and partners across all GGF target regions. Such events are expected to be dedicated to specific topics and provide motivation and support for energy consultants acting in the Fund's interest on-site.

## CO<sub>2</sub> SAVINGS

**120,000**  
garbage truckloads



The annual CO<sub>2</sub> emissions saved by GGF (389,434 tCO<sub>2</sub>) equal 120,000 garbage truckloads of waste recycled instead of landfilled.



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**When a Turkish heavy industry company wanted to upgrade its technology, a lease funded by the GGF helped the manufacturer slash energy use and CO<sub>2</sub> output, too.**

# CUTTING ENERGY USE, CO<sub>2</sub>, AND METAL



Metal cutting remains a core manufacturing process for the heavy machinery industry and the focus of Turkish firm Nimsan Dişli. The company, based in Bornova, İzmir, makes gears, heavy-duty gearboxes, and a variety of other such products. Established in 2008 and managed by technicians with nearly 20 years of experience in the sector, Nimsan Dişli was ready for a change as it was relying on metal-cutting technology nearly three decades old in the form of a milling machine made in 1980.

The company's management team first examined and considered the available technology options before deciding on a new

milling machine with up-to-date features. The price tag, like the parts the machine was expected to produce, was hefty: The cost for the milling unit and auxiliary equipment would be EUR 360,000.

Nimsan Dişli also examined its financing choices, and the company opted for a lease, the first in its corporate history. For many companies and small business owners, leasing is preferable to buying equipment outright with cash or a bank loan. For its lease, Nimsan Dişli selected Turkey's Finans Leasing, a decision that brought the GGF into the equation. Finans Leasing first began working with the Fund in 2015 and has proven itself to

## ENERGY SAVINGS

**5,000**  
tanker truckloads



The annual energy saved by the GGF's investment portfolio (1,548 GWh) equals more than 5,000 tanker truckloads worth of gasoline per year.

BULGARIA

GREECE

TURKEY

SYRIA

BORNOVA, IZMIR



The GGF helped reduce the company's energy use while raising the level of its metal processing technology.

be a strong partner with impressive results in on-lending for investments in renewable energy and energy efficiency.

One challenging aspect of the deal was the time required to produce and install the machinery: After the leasing agreement for the milling machine was signed, Nimsan Dişli had to wait five months before it received the equipment, which then took another month to ready for machining.

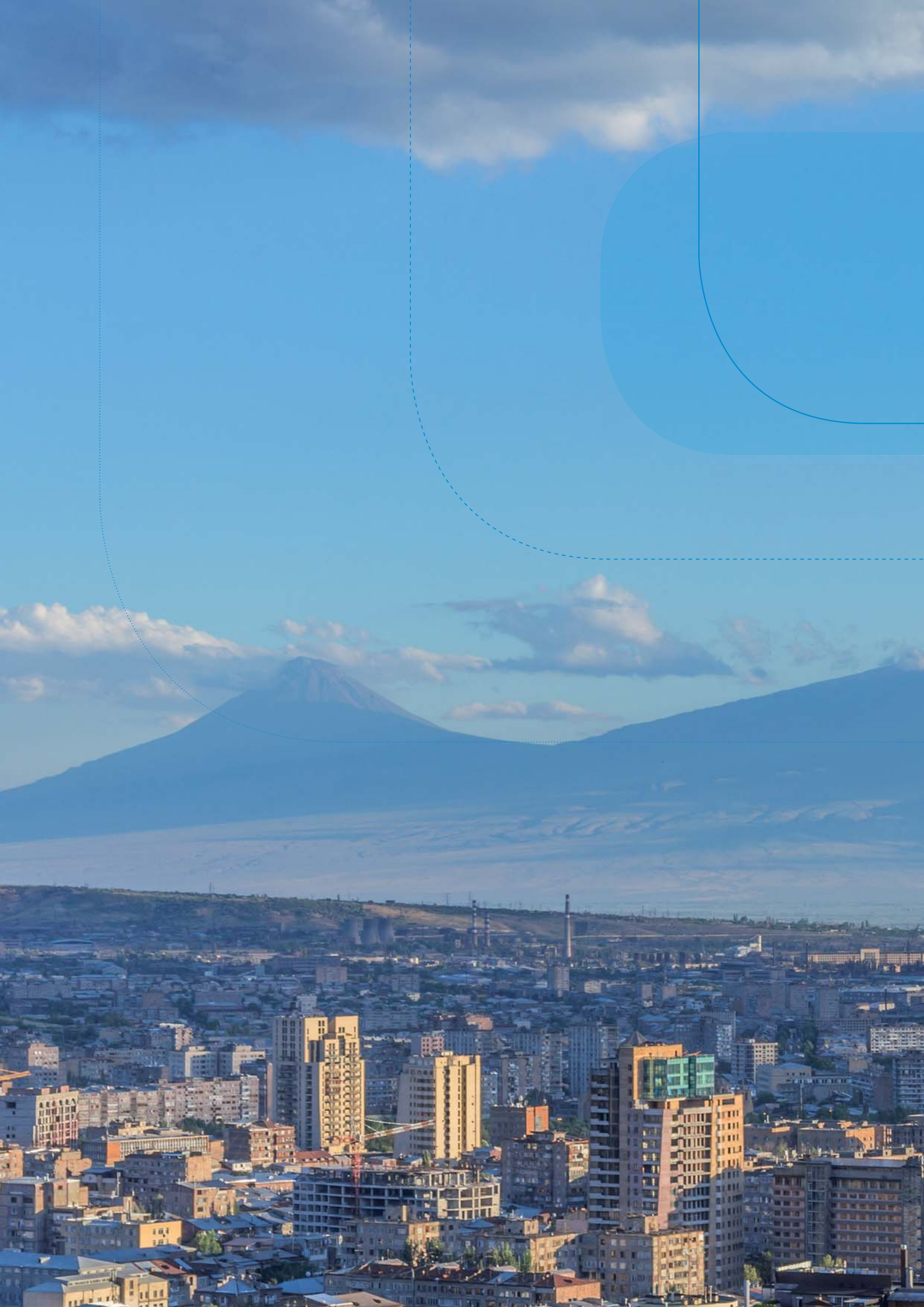
However, the upgrade was worth the wait. With a top-of-the-line mill on the shop floor, Nimsan Dişli has been attracting a different clientele, especially those customers with higher technical requirements. The new machine is also increasing

demand for company services, and production output has risen, too. The technological standard of the milling machine and its auxiliary equipment is rare for the region, another aspect fueling growth.

Additionally, the amount of energy the new milling machine requires is significantly lower than that of its predecessor. Electricity consumption has plummeted to 35,000 kWh/year from more than 150,000 kWh/year, which has also resulted in a 77% reduction of CO<sub>2</sub> emissions.

Nimsan Dişli expects to grow its business further with the significant savings achieved through this investment and is considering a further investment by leasing a similar machine of this type.





# SEIZING OPPORTUNITIES





**2016 marked the strongest year in renewable energy (RE) development since the Fund's inception, and the growth is expected to continue in 2017.**

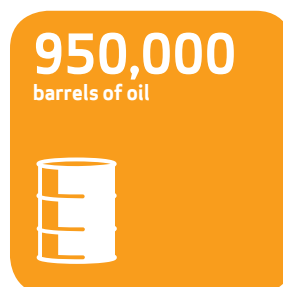
# RENEWABLE ENERGY GROWTH CONTINUES

In 2016, the Green for Growth Fund invested a record amount in renewable energy. Through its partnership with financial institutions in the regions the Fund serves, the GGF directed EUR 38 million to RE projects, and in addition concluded its first direct investment in wind power technology. And the trends point to another record-breaking year in 2017.

In Albania, Croatia, Georgia, FYR Macedonia, and Turkey, GGF funding supported local financial institutions investing in new hydropower and photovoltaic solar (PV) projects in the markets. The growing RE sector in each of these countries represents both their maturing RE regulatory frameworks and the growing ability of local financial institutions to fund such projects. This success is in no small part also due to capacity-building support from the GGF Technical Assistance Facility; it includes to a significant extent environmental and social (E&S) capacity building, and all RE projects are supported by an external E&S expert.

The GGF also realized its first direct investment in wind power technology through a USD 4 million contribution to the Qartli Wind Project, a 20.7 MW wind farm in Georgia. The financing consortium for the project was led by the European Bank for Reconstruction and Development (EBRD), and the Qartli Wind Project is the first wind farm in both Georgia and the Caucasus region. The GGF was proud to support this landmark RE production facility not only because of the value the wind farm added to the Georgian energy market, but also because of how it demonstrates the viability of RE investments in the region.

## ENERGY SAVINGS



The annual energy saved by the GGF's investment portfolio (1,548 GWh) equals almost one million barrels of oil.

All of the markets in which the GGF operates have set national targets for increasing the amount of renewable energy in their total energy supply, and real progress is being made with the development of supporting regulations. The success of such regulations can be measured in part by the number of projects actually implemented. In the case of countries such as Serbia and Montenegro, the very first RE production sites funded on the basis of international best-practice project finance are being built. In Ukraine, international developers are reviewing the viability of projects both old and new. In Georgia, the list of projects being implemented continues to grow. In Egypt, the laws required for the implementation of RE finance have finally been approved, and many new projects are expected to commence in 2017.

In all cases, the GGF will continue to search for ways to support the growth of RE in the regions it serves through direct and indirect financing and with the valuable support of the GGF Technical Assistance Facility.

**The Lengarica Small Hydropower Project has finished the last phase of its afforestation and environmental rehabilitation initiative by planting more than 48,000 trees over approximately 24 hectares.**

# COMPLETING THE CYCLE AT LENGARICA



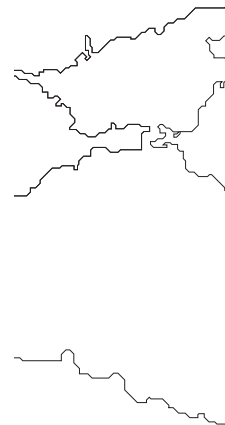
Reforestation and additional tree-planting marks the end of the construction phase of the Lengarica project.

Enso Hydro, the owner of the GGF-supported Lengarica Hydropower Project in Albania, has completed the project's ambitious afforestation and ecological restoration initiative, which was carried out in close cooperation with local authorities. More than 48,000 trees indigenous to the area were planted over some 24 hectares (ha), an area corresponding to approximately 20 football pitches.

Biodiversity conservation and sustainable management of living natural resources are key environmental and social requirements of the GGF and consequently major criteria for the eligibility of projects. The Lengarica initiative was a cornerstone of the environmental and social monitoring and action plan put in place by the GGF and OeEB, the Development Bank of Austria, as a requirement for the lenders' financial commitment to this 8.9 MW run-of-river hydropower plant.

Tailored to the specific environmental characteristics of the site, the initiative was prepared in close collaboration with EMC, the independent Environment Institute of the Albanian Ministry of Environment. In a first phase, and at the same pace as construction progressed, soil improvement work was conducted, and some 44,000 two-year-old, locally purchased Mediterranean pine trees were planted over an area of approximately 20 ha.

Following the completion of construction, preparations for the last phase of the environmental initiative began, mainly soil improvement and grass seeding, important transitory measures prior to the autumn 2016 planting season. As soon as climate conditions allowed, final planting of around 640 oriental plane trees started close to the Lengarica River, and nearly 4,000 oak trees were planted in non-riverine habitats over an additional area of some 4 ha. After the initiative's completion, Enso Hydro committed to carefully monitoring the success of the planting. For the GGF, this marked another important milestone in the project's life cycle.



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**The Qartli Wind Farm – the first wind project in Georgia and the Caucasus, and the GGF’s first direct investment in wind – serves as a model for launching the development of the wind sector in the region.**

# USING THE GREAT WINDS OF THE CAUCASUS



At the October 2016 opening ceremony for a new wind power facility outside Gori, Georgia, dignitaries, international guests, and those who had helped arrange the funding for the project watched as the 20.7 MW Qartli Wind Farm was pieced together to completion in time-lapse on a big screen display. These guests then turned to the finished production site, which was ready to generate sustainable power for Georgia thanks to financing from the Green for Growth Fund.

The Qartli facility, the first wind farm in both Georgia and the Caucasus, signifies the GGF’s commitment and engagement in the sector. The European Bank for Reconstruction and Development (EBRD) led the Qartli project debt investment with a USD 10 million commitment; the GGF and two other partners each contributed USD 4 million.

The wind farm comprises six 3.45 MW Vestas V117 turbines and was realized by Qartli Windfarm JSC, a special purpose vehicle established for constructing and operating the project. The wind farm is owned by the Georgian Energy Development Fund (GEDF), a state-run company that aims to promote and facilitate investment in renewable energy projects across Georgia, and by the Georgian Oil and Gas Corporation, which is also state-owned. The farm was a milestone for GEDF, which



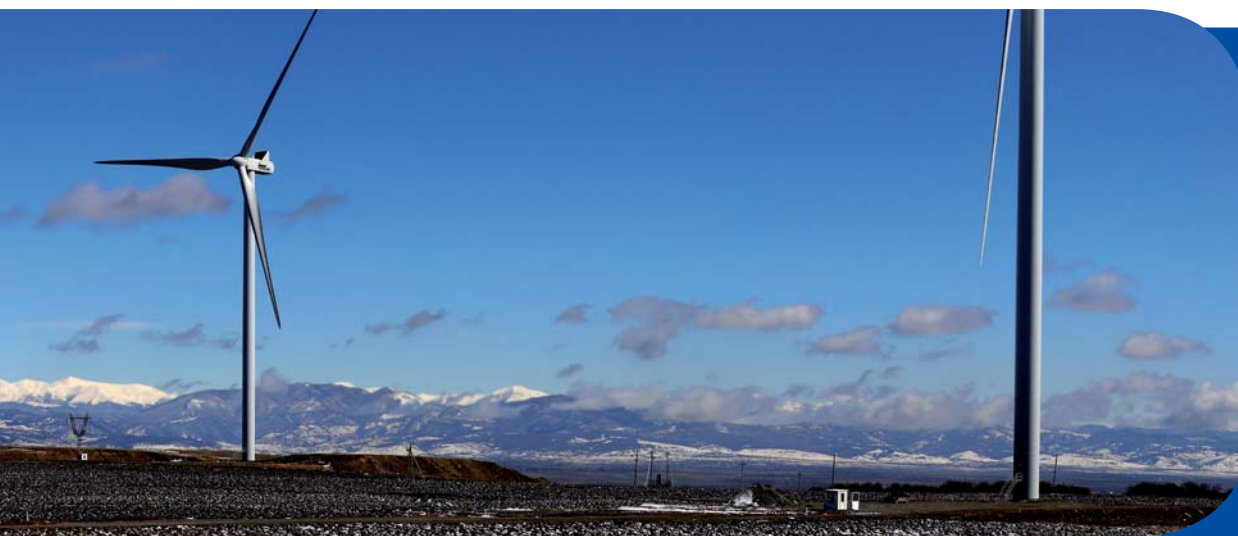


## CO<sub>2</sub> SAVINGS

**1,000**  
soccer fields



The annual CO<sub>2</sub> emissions saved by GGF (389,434 tCO<sub>2</sub>) equal planting pines in an area of 1,000 soccer fields every year.



The GGF's role in the project ensured the birth of wind power in the region.

led the project as a way to kick-start the country's wind power sector and demonstrate that a wind venture could be commercially financed in Georgia.

While wind is a well-tested and reliable source of electricity, the technology still faces barriers to entry in many countries. For example, in Georgia, one problem was a lack of cranes tall enough to service the turbines once they were erected. The area where the facility is located also suffered from a shortfall of trained technicians who could operate the plant or make necessary repairs. In addition, the local grid operator needed to evaluate how wind power could be integrated into

the national network. The Qartli project provided important lessons on dealing with these and other challenges as it helped launch the technology in both the country and the region.

Today, other developers in the sector and the region are showing increased interest, and thanks to this investment, expectations are that additional wind projects will follow. The GGF aims to support more wind projects in 2017, including, if the opportunity arises, in Georgia.





# REALIZING OUR POTENTIAL







## POSITIONING THE FUND

**The ongoing expansion into new markets and new technologies has provided the Green for Growth Fund with a broad range of experience, which makes it an ideal partner.**



The Green for Growth Fund has emerged as a leading source of financing for energy efficiency (EE) and renewable energy (RE). At the same time, given its growing body of expertise in project finance, environmental and social matters, catalyzing the financial sector, and technical assistance, the Fund has become a highly sought-after source of information at international conferences, industry events, and for panels at governing institutions. In 2016 alone, the Fund participated in 15 conferences and events across all three of its regions of operation.

Perhaps most importantly, the GGF brought the knowledge it has accumulated over its more than seven years of operation to its newest region, the Middle East and North Africa (MENA). The Fund has positioned itself in the region as a driver in the nascent MENA green finance market by contributing to key events such as the Morocco-based EIB MED Conference Climate Action in the Mediterranean and the Climate Finance Day, the Beirut Energy Forum, and the Tunisia Renewable Energy & Power Infrastructure Investment Conference. The Fund's engagement in regional and global climate change events culminated with its participation in the COP22 in Marrakesh, Morocco.

The GGF remained committed to its core region of the Western Balkans and Turkey by again sponsoring the Balkan Energy Finance Forum and participating in panels and discussions at numerous other regional events. This region is also the heart of the European Energy Community; while the GGF is not a formal member of the Community (a status reserved for states), it continues to play an active role in both the EE and RE working groups. These bodies increasingly serve not only as platforms for cooperation with the Energy Community member states, but also as primary sources of EE/RE finance from organizations such as the GGF, the EBRD's Sustainable Energy Finance Facilities (and their successors), the IFC and World Bank, the German development bank KfW, and other key participants. This cooperation has been part of the Fund's mission since its inception, and it benefits the entire market through the coordination of resources and capacity building and the spreading of best practices between the financiers and their recipients. Such open, transparent sharing of information enables the GGF and its peers to fulfill their missions of achieving environmental impact and mitigating climate change.

# ENVIRONMENTAL IMPACT

**The GGF has now provided finance to more than 20,000 projects while maintaining outstanding levels of impact in terms of reducing energy use and CO<sub>2</sub> emissions.**

Since inception, the GGF has been successfully increasing its development impact by supporting its partner institutions across the Fund's core regions to place energy efficiency (EE) and renewable energy (RE) loans with end-clients. In 2016, the Fund expanded its lending activity to all of the 13 markets it serves in Southeast Europe and the European Neighbourhood Region-East by partnering with new institutions in Kosovo<sup>1</sup> and Montenegro.

As well as expanding geographically, the GGF continues to increase the number of EE and RE sub-loans it has financed, which have surpassed 22,000 since the Fund was created. Even when reaching such a large number of end-clients with loans disbursed by numerous partners in multiple markets, the Fund is still able to collect detailed data on individual sub-loans across the entire portfolio. This is made possible by the eSave online monitoring and reporting tool for energy savings, which is provided to partner institutions for collecting information on each project.

The majority of the GGF portfolio consists of EE measures, in particular process-related equipment for businesses and building improvements such as external insulation and replacement windows or doors for households and firms. RE measures include both small-scale systems, such as solar hot water systems or rooftop photovoltaic, and commercial-scale systems for providing power to the grid, the bulk of the GGF's financing for RE.

## CO<sub>2</sub> REDUCTION AND ENERGY SAVINGS (SINCE INCEPTION)

As at 31 December 2016

Since its inception, the GGF has financed measures that are reducing energy consumption by more than 1,548 GWh annually and lowering CO<sub>2</sub> emissions by nearly 390,000 metric tons each year. These reductions in energy consumption and CO<sub>2</sub> emissions are more than double the GGF's 20% reduction target for individual measures, and the financed projects will continue to produce crucial environmental benefits and economic savings during their lifetime.

MEASURE	CO <sub>2</sub> reduction (tCO <sub>2</sub> /year)	CO <sub>2</sub> reduction (%)	Energy savings (MWh/year)	Energy savings (%)
Agricultural equipment	27,575	25	117,395	27
Buildings	173,445	61	692,690	56
Complex heat supply and distribution systems	7,789	52	30,325	45
Energy service and supply business <sup>2</sup>	-	0	-	0
Household devices	573	38	1,658	38
Improvements in processes, process-related equipment	64,760	33	256,632	34
Lighting	77	40	213	40
Vehicles	3,214	21	9,345	13
<b>Sub-total Energy Efficiency</b>	<b>277,433</b>	<b>-</b>	<b>1,108,258</b>	<b>-</b>
Use of RE by households and businesses	13,239	93	50,736	94
Use of RE for commercial energy generation	98,762	100	389,442	100
<b>Sub-total Renewable Energy</b>	<b>112,001</b>	<b>-</b>	<b>440,178</b>	<b>-</b>
<b>Total</b>	<b>389,434</b>	<b>53</b>	<b>1,548,436</b>	<b>51</b>

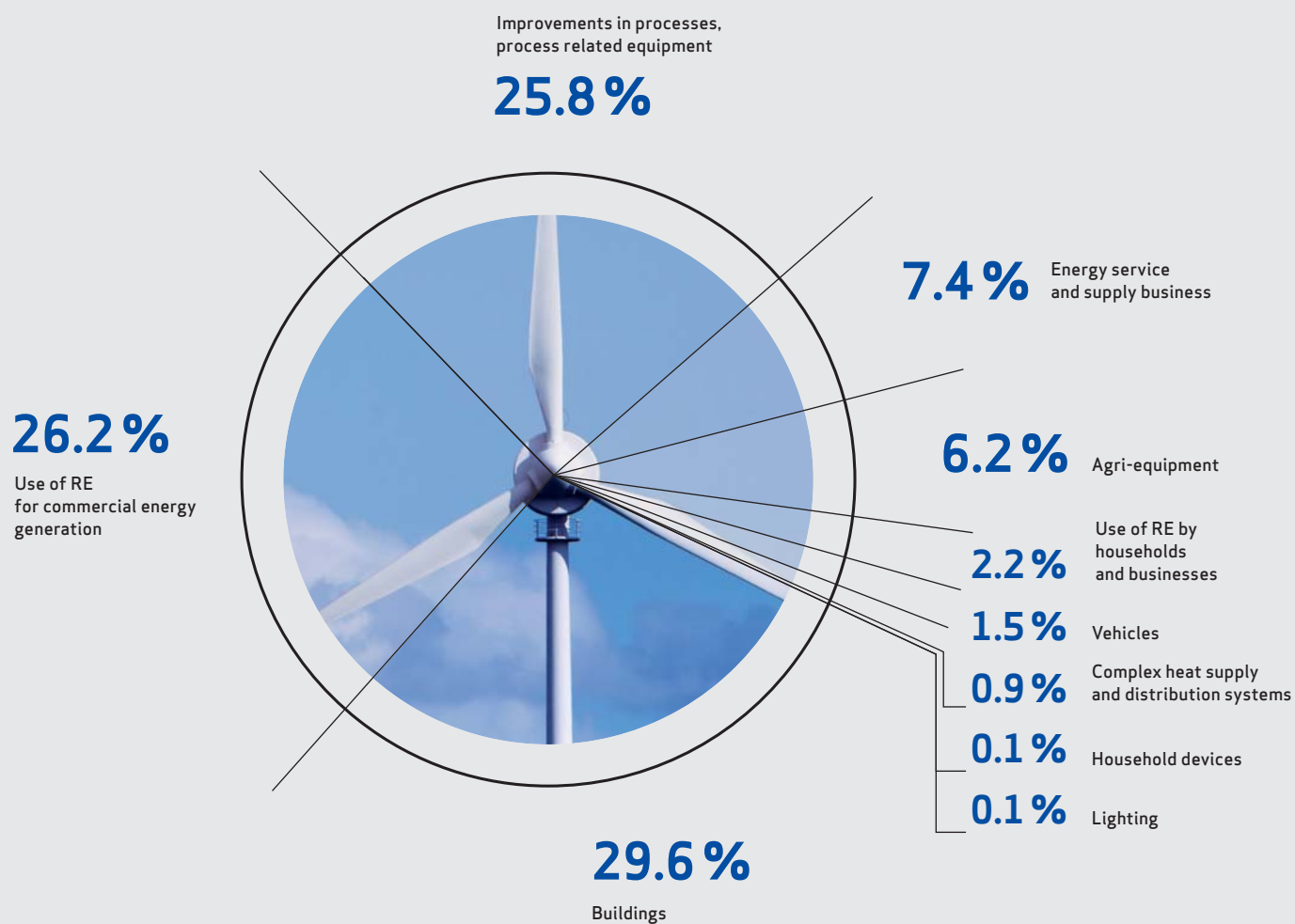
<sup>1)</sup> This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

<sup>2)</sup> The supply of energy-efficient equipment is eligible for financing by the GGF. However, to ensure that there is no double counting of savings when this equipment is actually purchased and installed, the GGF takes the conservative approach of assigning no savings to the financing of the supplier. Savings are assessed and calculated only from the point at which the equipment is put into operation by the end-user.

# MEASURES FINANCED

## MEASURES FINANCED

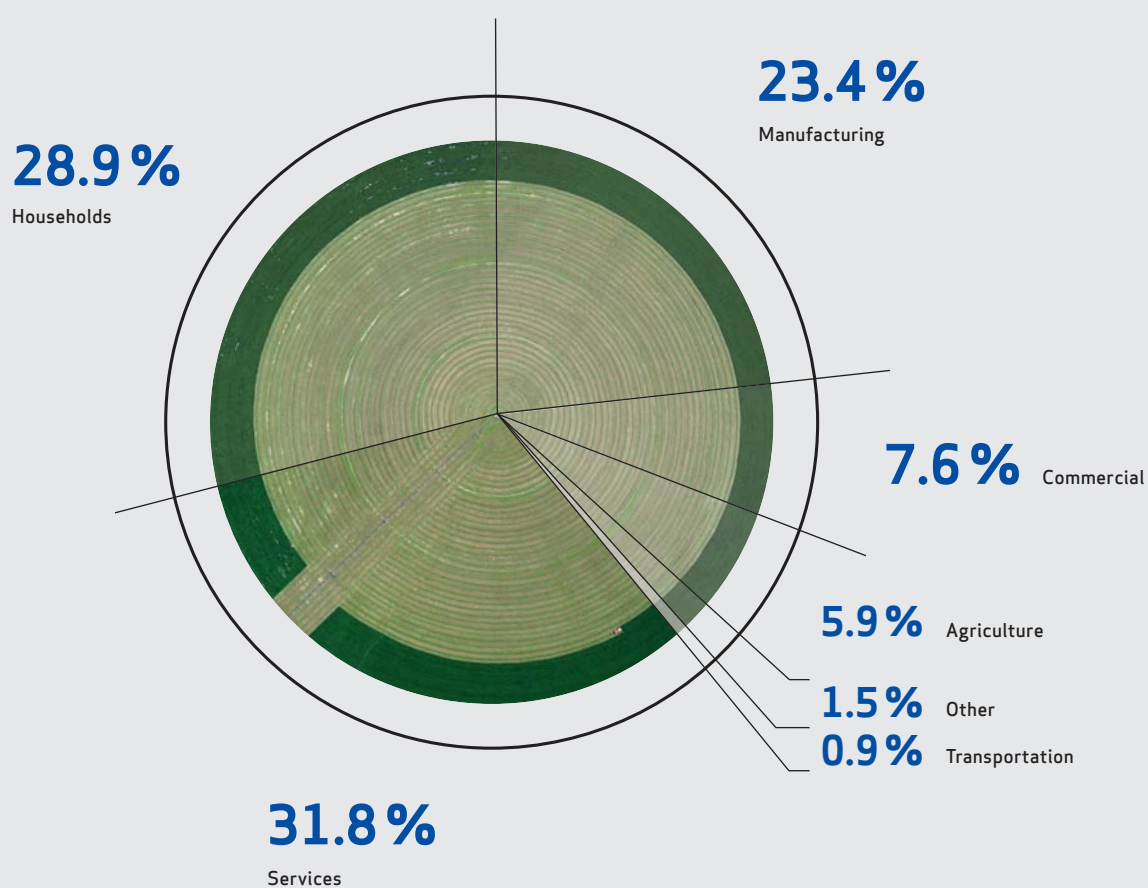
Since inception in December 2009 (based on loan amount disbursed)





## SECTORS FINANCED

Since inception in December 2009 (based on loan amount disbursed)









A vibrant, high-resolution photograph of a forest stream. The water is clear and flows over numerous dark, moss-covered rocks, creating white rapids and splashes. The surrounding forest is dense with tall trees and a thick canopy of bright green leaves, with sunlight filtering through the branches. A semi-transparent green banner with a wavy edge is positioned across the upper portion of the image, containing the text "CREATING FUTURE PROSPECTS" in white, all-caps, sans-serif font.

# CREATING FUTURE PROSPECTS



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## Letter from the Investment Management Team

The Investment Management Team (from left to right):  
 Florian Meister, Dr. Thomas Schiller,  
 Elvira Lefting, Lloyd Stevens,  
 Maja Gizdić, Detlef Kröger,  
 Sylvia Wisniewski, Thomas Albert,  
 Holger Roentgen

The Investment Management Team of the Green for Growth Fund would like to take this opportunity to thank you for your interest in this 2016 Annual Report, and to summarize some of the key aspects of the Fund's success detailed herein. We would also like to offer a peek at the coming years and the new directions in which the Fund is heading. But first we would like to acknowledge that the GGF's accomplishments represent the hard work of all of its service providers operating under the guidance of the Fund's tireless Board of Directors, and with the financial backing of its stellar group of investors, both public and private. In particular the support, in terms of both capital and expertise, provided by the Fund's two initiators, the EIB and KfW, is a critical factor in driving GGF's ever-increasing breadth and impact. The combined efforts of these individuals and institutions has raised the Fund's committed capital to more than EUR 400 million and created an outstanding investment portfolio of EUR 363 million.

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**EUR  
411.7 million**  
 committed by investors

The chapter dividers in this report – which include Broadening Our Horizons, Taking New Directions, and Seizing Opportunities – make it clear that the GGF, now in its eighth year, remains as innovative and dynamic as ever. The most visible sign of this dynamism in 2016 was the expansion of operations into six countries in the Middle East and North Africa (MENA), which significantly broadens the geographic scope of the Fund and also brings greater diversity in terms of partner institutions, required investment measures, and market demand. While

---

**1,548 GWh**

**energy savings  
in 2016**

this new area of coverage shares some characteristics with the Fund's core regions of Southeast Europe, Turkey, and the European Neighbourhood-East, primarily the urgent need for improved energy efficiency and lower carbon emissions, the challenges of the new region are unique. The GGF is well-positioned to meet these challenges, leveraging its fine-tuned approach developed in conjunction with the 43 partner institutions it has worked with since 2010. This experience, and initiatives like the Energy Auditor Roundtable, where the Fund's local experts swapped knowledge among themselves and with the Fund, make the GGF an effective, efficient channel that is able to rapidly transform investments into impact.

Impact, achieved in an environmentally sustainable way, remains the *raison d'être* of the GGF. By financing more than 22,000 investments in 15 countries, the GGF's efforts have reduced CO<sub>2</sub> emissions by nearly 390,000 tons and consumption of primary energy by over 1.5 million megawatt hours. More importantly, these are annual figures, so the measures financed – typically long-term capital investments such as better insulating windows and doors, new and more efficient manufacturing equipment, and commercial-scale renewable energy projects – will continue to generate this impact year after year. This means for the foreseeable future, investments the GGF has already financed will each year lower energy use equal to the annual primary energy consumption of nearly a quarter million Moroccan households, and CO<sub>2</sub> cuts will be like removing 260,000 passenger cars from the road every 12 months.



The Fund's strict environmental and social framework ensures partner institutions adhere to stringent standards. Recognizing that these standards are being continuously improved, the Fund will examine and update its environmental and social framework during the course of 2017, ensuring that the GGF not only meets the most rigorous standards, but also drives the adoption of these practices in the regions it serves.

Looking ahead, the Fund plans to seize opportunities in new areas while remaining true to its mission of addressing climate change by reducing energy consumption and CO<sub>2</sub> emissions. As measures financed by the GGF generate other benefits, including more efficient use of water, improved management of water resources and wastewater, and reduced consumption of natural resources, it is incumbent upon the Fund to identify and measure these related impacts, and to explore how this "nexus" of connected and interrelated topics can enhance the

Fund's impact and complement its mission. Under the close supervision of the Board, the Investment Committee, and the Technical Assistance Committee, the Fund has launched a range of studies and initiatives to explore these topics.

**389,434  
metric tons CO<sub>2</sub>  
reduction by GGF-fostered  
projects in 2016**

We trust it is clear that instead of resting on its laurels, the GGF is entering a new cycle of innovation and expansion that will continue to push its boundaries forward. By the end of 2017, the Fund is ex-

pected to reach the important mark of half a billion euros in committed investment capital and be actively invested in virtually all of its now 19 countries of operations. We look forward to reporting back to you in mid-2018 about the milestones in front of us and the new challenges we uncover.

**DR. THOMAS SCHILLER**  
Managing Director  
MACS Management and Consulting  
Services (Technical Advisor)

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Director  
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# LEADERSHIP



## BOARD OF DIRECTORS

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 Syed Aftab Ahmed  
 Hubert Cottogni  
 Peter Hobson  
 Marion Hoenicke  
 Silke Stadtmann  
 Diana Wesselius  
 Eva Witt

Board of Directors (from left to right):  
 Hubert Cottogni, Diana Wesselius, Syed  
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 Knowles (Chairperson), Silke Stadtmann,  
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## INVESTMENT COMMITTEE

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 Stephan Leudesdorff  
 Dirk Roos  
 Michael Neumayr

## TECHNICAL ASSISTANCE COMMITTEE

Stephan Leudesdorff, Chairperson  
 Dirk Roos  
 Yannis Tsakiris



# GOVERNANCE

**The GGF's multi-tiered governance structure ensures strong oversight at all levels, providing effective, prudent and transparent management that meets the highest international standards.**

The investors and donors of the Green for Growth Fund and the accompanying Technical Assistance Facility have implemented a layered governance structure that ensures the completion of the mission – reducing energy consumption and CO<sub>2</sub> emissions – while efficiently adhering to industry-leading practices. Within the overall framework and counsel provided by donors and shareholders, the Board and its committees set policies and guidelines to achieve maximum impact with the Fund's resources. The professional management team, leveraging its expertise and local knowledge, strives to make the stakeholders' vision a reality.

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