Theory of Change



Impact strategy of the Green for Growth Fund

GGF aims to mitigate climate change and promote sustainable economic growth, by investing in measures that reduce energy consumption, resource use and CO_2 emissions. This includes energy efficiency, renewable energy, and resource efficiency investments. The fund does so by channeling dedicated green financing to businesses and households through local financial institutions as well as through direct financing.

In working towards its mission, the fund focuses its activities on specific target regions and groups:

- 1. Target regions: GGF's activities target 19 markets in the European Neighbourhood Region, across Southeast Europe, Eastern Neighborhood, and the MENA region. Facing common challenges of higher energy intensities, industry in need of modernization, renovation demands for existing building stock, and lower levels of awareness related to energy and resource efficiency and its economic and environmental implications, the GGF's target countries can benefit greatly from investments that focus on green activities and measures.
- **2. Target groups**: GGF's activities ultimately target businesses, households, renewable energy projects and public entities in the target regions, seeking to make investments related to the efficiency and sustainability of

their buildings, equipment or processes, or to produce or consume renewable energy. Financial institutions are the primary target group for GGF. Financial sectors in the target region are diverse and have a wide reach into the real economy which enables them to take a key intermediary role in providing green finance to the above final recipients.

Impact at an environmental and economic level

In line with its mission, the fund aims for a positive contribution in the following impact areas:



Climate change mitigation

Contribute to CO_2 emissions reduction through promotion of energy and resource efficiency and renewable energy



Sustainable economic development

Support mainstreaming sustainability in business practices, scaling the green economy and reorienting capital flows towards green investments

Impact on financial systems and real economy

Local **financial institutions** are key actors in the fund's impact approach as they play a vital role in mainstreaming energy and resource efficiency and renewable energy investments. Through a combination of dedicated financing and tailored technical assistance, GGF supports its partner institutions in building up a green portfolio and demonstrating the business case for delivering green finance. In doing so, the fund strives to increase access to green finance at scale while mainstreaming sustainability in business practices and operations, generating systemic impact and ultimately benefitting economies at large.

GGF also provides direct financing to the **real economy**, including renewable energy projects at utility scale, companies making eligible green investments within their facilities, producers and vendors of energy and resource efficient technologies, energy service and supply companies, or public sector entities for improved infrastructure and services. The renewable energy projects that GGF finances are often one of the first of their kind in their



country or region. Such lighthouse investments help to enable viable markets for commercial development of renewable energy.

Finally, the fund contributes to developing the wider **ecosystem** for a low-carbon economy, such as capacity building and training key sector players or raising awareness to embed and amplify the fund's strategic priorities, as well as attract additional public and private resources for sustainable economic development.

Contribution to the SDGs

GGF's activities have been mapped toward the Sustainable Development Goals (SDGs) at an SDG target level. Based on these, seven have been selected as core SDGs:

GGF contributes to ...



...financing and promoting practices that increase efficient water use across all sectors.



...financing investments related to the sustainable management of resources, circular business practices and reduced waste generation.



...financing and promoting energy saving measures and renewable energy across all sectors.



...driving climate change mitigation through its financing and technical assistance activities to build capacity and awareness.



...making industrial enterprises more energy and resource efficient as well as increasing the uptake of renewable energy.



...providing a platform to pool capital for sustainable development and bring together regulators, industries, and policy-makers for systemic change.



...financing and promoting energy efficient buildings, as well as supporting municipalities and cities to enhance sustainable transport and waste management systems.

The path to impact: Theory of Change

The Theory of Change (ToC) demonstrates how the fund's activities are expected to result in fulfilling its mission as described above. The focus here is on the "in-between," the mapping of processes that GGF's activities aim to trigger and how these ultimately lead to the intended impacts. These processes are interlinked and reinforce each other to drive transformation and systemic change in the market.

Activities

Outputs

Outcomes

Final Impact

This level contains the fund's own activities – each with its own contribution towards achieving the impact target.

This level summarizes the tangible results that the fund's activities produce. This level includes systemic changes that are expected to occur in the short and long-term based on the activity-induced outputs.

This level contains the final environmental impacts to which the fund aims to contribute.



Tackling climate change and fostering sustainable development in the Southeast Europe region, including Turkey, the European Eastern Neighborhood region and in the Middle East and North Africa

Final impact

Area of interest

Area of influence

Area of control

Climate change mitigation via CO2 emissions

Sustainable economic development

Contribution to the Sustainable Development Goals (SDGs):















Scaling the green economy:

Decarbonization of economies through continuous implementation of green economic measures at scale

Mainstreaming sustainability in business practices and operations in both financial markets and real economy

Scaling circular economy by fostering circular/ resource efficient business models

Reorienting capital flows towards green investments by demonstrating viability of private finance in sustainable development

Establishing a pipeline of investment-ready green enterprises

Integrating GGF's priorities into financial markets and real economy in emerging markets:

Improved energy efficiency, enhanced resource efficiency, CO2 savings and increased use and production of renewable energies through:

- · Higher awareness of the benefits of green solutions, market-ready green technologies, best-practices and international standards
- Increased interest in and demand for green lending products and investments
- Expanded access to financial and non-financial services for implementing green activities or measures
- · Improved standards in financing and implementing green measures through enhanced management of environmental and social impacts
- FIs continuously on-lend GGF financing to beneficiaries to implement green measures (incl. in local currency)
- FIs develop green finance products and demonstrate the business case for green investments
- FIs monitor, manage and report on performance of green portfolios (incl. environmental impact)

Real economy

implements green activities and measures using GGF financing received via FIs or directly

- GGF expands the public and private investor base
- GGF builds the innovation ecosystem and supports ready-toscale green enterprises

Increased funding for green activities and building enabling environment:

FIs take up financing for onlending in line with the fund's eligibility criteria

Real economy takes up financing for implementing green activities or measures in line with the fund's eligibility criteria

• GGF engages with local sector players and the target groups

 GGF establishes relations with and works to meet the needs of public and private investors interested in green finance

FIs and real economy leverage TA to build capacity on delivering green finance and project implementation

An integrated approach to green finance in emerging markets:

Provide dedicated, tailored financing to suitable FIs (debt) and directly to the real economy (debt/equity)

Capacity building

Provide technical assistance (TA) to FIs and directly to the real economy

Market building

Raise awareness, facilitate dialogue, and foster innovation around GGF's strategic priorities

Strategic raising and blending of public and private capital

FIs= Financial Institutions

Direct effect

Indirect effect



The ToC was constructed based on a causal analysis, drawing on available evidence, and is used to frame the fund's impact measurement and management efforts. Underlying assumptions are verified through GGF's impact assessment.

Elements outlined in the ToC can be, to a large extent, directly under the control of the fund or influenced by both the fund and external factors. This spectrum is indicated in the ToC as an "Area of control", "Area of influence", and "Area of interest". Given the nature of the fund's work and the complex environments in which the fund's investees and stakeholders operate, GGF does not attribute the change happening at an outcome and final impact level solely to its contributions. The ToC therefore defines how the fund contributes to causing the observed outcomes and final impacts.



Fund Investors





























Disclaimer

The Fund is registered in the Grand Duchy of Luxembourg as an investment company with variable capital subject to the Law of 13 February 2007 and is reserved for institutional, professional or other well-informed investors as defined by Luxembourg law. The issue document or the assets held in the Fund have, however, not been approved or disapproved by any authority. The information given herein does not constitute an offer or solicitation in a jurisdiction where to do so is unlawful or where the person making the offer or solicitation is not qualified to do so or where a person receiving the offer or solicitation may not lawfully do so nor does it constitute a commitment of the Fund to offer its shares, notes, and/or other instruments to any investor. No guarantee is given as to the completeness, timeliness, or adequacy of the information provided herein. No investment may be made except upon the basis of the current issue document of the Fund. Not for distribution, offer, sale, transfer or resale in or into the United States of America, Canada, Japan or Australia or to any U.S. person or in any other jurisdiction in which such distribution, offer, sale, transfer or resale would be prohibited by applicable law. This document does not necessarily deal with every important topic or cover every aspect of the topics it deals with. The information in this document does not constitute investment, legal, tax or any other advice. It has been prepared without regard to the individual financial and other circumstances of persons who receive it. Neither the Green for Growth Fund, Southeast Europe SA, SICAVSIF)/ GGF Technical Assistance Facility nor Finance in Motion nor any of its shareholders, directors, officers, employees, service providers, advisors, or agents makes any representation or warranty or gives any undertaking of any kind, express or implied, or, to the extent permitted by applicable law, assumes any liability of any kind whatsoever, as to the timeliness, adequacy, correctness, completeness or suitability for any investor of any opinions, forecasts, projections, assumptions and any other information contained in, or otherwise in relation to, this document or assumes any undertaking to supplement any such information as further information becomes available or in light of changing circumstances. The content of this information is subject to change without prior notice.

@ Green for Growth Fund, Southeast Europe SA, SICAV-SIF, 2022. All rights reserved.

Translation, reprinting, transmission, distribution, presentation, use of illustrations and tables or reproduction or use in any other way is subject to permission of the copyright owner acknowledging the source.

Contact us:

<u>www</u>.ggf<u>.</u>lu investors@ggf.lu Finance in Motion GmbH (Fund Advisor) Carl-von-Noorden-Platz 5 60596 Frankfurt am Main

Green for Growth Fund, Southeast Europe S.A., SICAV-SIF 14, Boulevard Royal, L-2449 Luxembourg Grand-Duchy of Luxembourg

¹ This distinction is often used in defining ToCs to differentiate between attribution and contribution.