



Armenia

Planning and preparation of Pilot Financing Campaigns



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1. INTRODUCTION

The overall objective of the E-FIX project is to prepare the European market for the intensified usage of innovative financing mechanisms in the energy sector in order to facilitate the increase of investments in energy projects and services. By choosing the instrument most relevant for the legal, political and technical background of a country/region and through triggering private investments many of the energy financing barriers can be overlapped.

Most EU countries, as well as partner countries within E-FIX project, have the same thing in common: a need for new, innovative energy financing mechanisms in order to access new sources of finance for implementation of sustainable energy projects.

In order to meet the overall objective of the project, following specific objectives have to be implemented:

- Knowledge transfer between partners of Central and South Eastern Europe and increased capacity of 13 partner organizations;
- Increased competencies of the market actors through providing high-quality training to 120 external participants and the publication of long-lasting trainings tools combined in the E-FIX Toolbox;
- Demonstration of the applicability of innovative financing mechanisms through implementation of 6 Pilot Financing Campaigns in the partner countries;
- Sustainable establishment of innovative financing mechanisms in the partner countries and development and public presentation of 6 Action Plans and 6 Energy Financing Competence Centres;
- Triggering investments in sustainable energy projects of at least 8.5 million € and lay the groundwork for investments of 48 million € through the replication of the E-FIX results;
- Dissemination of the project results across the EU Member States and to associated countries of the Caucasus region by providing an E-FIX Roadmap for innovative financing of sustainable energy investments until 2030.

The main activity which will combine and prove the fulfillment of above-mentioned special objectives is the opportunity to test the E-FIX methodology and apply the developed financing mechanisms in their specific territorial context. In order to perform that, this document, which is related to planning and preparation of Pilot Financing Campaigns (T4.2), has been prepared.

The Plan is tailor made for each country participating in the project and includes an overview market gaps for implementation of specific funding mechanisms, lessons learned from the bilateral master classes (BMCs) conducted with actors from more mature EU markets and finally: a list of potential projects which should trigger a wider market uptake of innovative financing mechanisms in the country and generate a pipeline of future documents. Being a living document, the Implementation plan also provides a monitoring template which will be updated on a monthly basis and peer reviewed with project partners in order to assess the execution and quality of campaigns. The results and experiences from the campaigns will directly feed into regional/national policy improvements in form of E-FIX Action Plans.



2. PILOT FINANCING CAMPAIGNS GOALS AND IMPACT

The Pilot financing campaigns form the centerpiece of the E-FIX project which will test three viable and replicable innovative energy financing mechanisms in six EU member and pre-accession countries. Each pilot campaign has a predefined investment volume and energy savings/production targets.

In order to achieve the proposed energy savings (19.0 GWh/year) and renewable energy production (1.6 GWh/year) within project's duration, successful implementation of Pilot Financing Campaigns will be of crucial importance-. The targets going beyond project duration will be assured by a project pipeline prepared by the partners and implemented with the support of Energy Financing Competence Centres in the selected regions.

The campaigns will be continuously assessed and monitored using a predefined quality criteria template developed within the WP3. Strict criteria will be used for both investors and project developers in order to provide security of the investments with the emphasis on the implementation of high-quality financing campaigns rather than being directed on pure quantity of investments triggered by the project.

According to the preliminary analysis of legal and energy-related framework conditions as well as considering the available knowledge through the E-FIX partnership, each country has chosen to test one of the three financing mechanisms (leasing, crowd funding, Energy Performance Contracting). The financing partners, supported by their implementation groups, will follow the agreed plans in implementing the Pilot Financing Campaigns and present the implementation of the E-FIX methodology in a real-life environment. The Campaigns are planned to run for at least one year but taking into consideration the development of the project pipeline, activities which primarily include development of new projects will run until the end of the E-FIX project.

The financial leasing is the proposed financial energy efficiency financial mechanism, which will be used in Armenian during the piloting stage. The financing will be implemented by ACBA leasing across the sectors economy with largest potential for EE improvements. The company will capitalize on its experience in RE/EE financing (Green Leasing sub-brand) and will elaborate new model, which will match the size and timing of the payments from the customer with the potential savings from EE equipment/technology. A more detailed elaboration of market barriers and potentials is presented in the next chapter, while the table below gives a list of indicators and planned investment volume during the E-FIX project and beyond.

Table 2.1 Armenian E-FIX Pilot Financing Campaigns performance indicators

Indicator	During E-FIX project	Replication beyond project
Planned investment volume	1.5 m€	10 m€
Primary energy savings in GWh/a	2.5	-
RES production in GWh/a		-
Investment focus	medium scale local EE and RES projects	

The Project application assumes around 10 local energy projects with the investment size of 50.000 to 150.000 € for projects related to energy efficiency and renewable energy for SMEs. Projects planned for implementation within E-FIX project are in detail described in the later chapters (5.1.) of this document.



3. GAP ANALYSIS OVERVIEW

During the first phase of the E-FIX project, and as the last part of baseline analysis, project partners conducted a gap analysis in order to evaluate and validate their preliminary choice of financing mechanism which will be the focus of their Pilot Financing Campaigns. The analysis included chapters regarding potential demand for financing of EE/RES projects, existing market failures and proposed E-FIX financing mechanism which would assist with overcoming of policy or operational barriers.

Armenia has a substantial potential for energy efficiency across all sectors of economy, including manufacturing, transport, agriculture etc. Different studies and programs implemented by IFIs demonstrate that the investments in specific EE technologies can secure lucrative returns for the investors. At the same time Armenia has a well-developed financial sector with the moderate competition. The Armenian financial sector is dominated by the banking sector, which made up 92% of total financial sector assets in 2017. The non-banking sector remains highly underdeveloped and includes about 30 non-banking institutions (microfinance and leasing companies). However, there is a strong demand for EE investments in Armenia; the number of the financing products offered by the local banks is very limited in terms of available funding and financing structures. The banks are not interested in developing suitable financial instruments tailored to different EE technologies due to number of challenges, including:

- Scale – the individual projects are considered by the banks as too small to be interesting for the banks
- Asset issue – the banks do not consider the savings as “conventional asset”, which can be used as collateral or they do not include savings in financial modelling
- Lack of alternative financing, including leasing and equity financing – as mentioned above Armenian financing sector is dominated by the banks and there are no equity or quasi equity financing mechanisms in the country. The leverage of Armenian corporate sector is very high and further opportunities for EE financing are very limited because of tough requirements on loan/collateral ratio.

While over the last decade the corporate lending in Armenia has been rising at remarkable rate, the energy efficiency financing has been mainly supported by the donor organizations and there are concerns that funding for EE products– the traditional sources of assistance for EE – may not grow further. Therefore, in order to increase investments in EE there is a need to supplement traditional financing schemes with new innovative financing schemes tailored to specifics of energy efficiency technologies.

The above-mentioned challenges can be met through the introduction of dedicated financing mechanism based on leasing products. Special dedicated leasing products can boost EE and RE financing across all sectors.

Even though the recognized barriers are numerous and significant, they are rather similar to those in other EU countries. Through projects like E-FIX and exchange of know-how and experiences, these barriers can be overcome. In the next chapters a number of concrete actions are given in order to remove these market barriers.



4. BILATERAL MASTER CLASSES OVERVIEW

As already mentioned in the chapters before, one of the specific objectives of E-FIX project is initiation of internal knowledge transfer. This activity was planned through organization of Bilateral Master Classes where expert PPs would work with 'novice' PPs to support them in the implementation of the Pilot Financing Campaigns and the roll-out of the selected financing mechanisms in their countries. 6 Bilateral Master Classes were conducted, covering identified topics from three areas/financing mechanisms during preparation of countries Gap Analysis.

2 Bilateral Master Classes have been held on leasing, described below.

1st Bilateral Master Class on Leasing, 11th June 2019

Venue: Marriott Armenia

Number of participants: 25

Partners: ConPlusUltra,

CAUCASUS CONSULTING GROUP-AM, ACBA Leasing CO CJSC

Short description of topics: The Master Class covered experience on energy efficiency financing mechanisms, discussion on the EE and RE target sectors and technologies, case studies for the different sectors, Leasing as an effective instrument for EE and RE financing and the main benefits of green leasing. Some good examples were discussed from other projects, including EE and RE leasing examples.

Conclusions and next steps: There are a lot of concrete project ideas and the biggest challenge is to make them implementable in the respective real-life frameworks. In two participating countries well established cooperation structures already exist so they must act, along with E-FIX project partners, as the main actors to bring these ideas into practice; local Ambassadors will then act as multipliers in order to spread out the innovative financing mechanisms and replicate project results.

2nd Bilateral Master Class on crowdfunding, 13th June 2019

Venue: Georgia

Number of participants: 27

Partners: ConPlusUltra, ACBA Leasing CO CJSC, Georgian Leasing CompanyCaucasus University, energy Investment Consultant ltd, REGEA

Short description of topics:

After the short introduction and topics which were the core of the presentation, Andreas Karner presented the E-Fix program, it's goals, inputs and outputs. He also discussed EE investments current challenges, international trend and outcome. Georgian and Armenian Leasing products and mechanisms were discussed Mr Bazikyan presented several examples of previously implemented projects in the field of EE and RE.

Conclusions and next steps: Partners in Georgia and Armenia will work on further strengthening of national and regional structures for EE and RE investing and also take action to further develop competence of market participants and to build capacities for further strategic development.



5. PILOT FINANCING CAMPAIGNS PLANNING

Pilot Financing Campaigns represent the crucial activity and proof of support efforts to overcome all barriers and potential risks identified at the beginning of the project in country's baseline studies. In order to achieve that it is important to plan all the steps necessary for the implementation - from setting the goals to managing all the resources to achieve this goal.

In the following chapters guidelines for implementation of Leasing Pilot Financing Campaigns are given.

5.1. Identification of potential projects

The first important activity regarding implementation of Pilot Financing Campaigns in Armenia is to further develop and increase the understanding of the benefits of EE/RE financing and make it more applicable showing successful cases. This activity will include raising of general awareness and building of trust among all stakeholders, establishment of capacity building/training programme for potential stakeholders with local and regional business support organizations acting as project ambassadors and multipliers.

Types of EE/RE projects which will be targeted, but will not be limited to:

- EE/RE projects in private sector –, replacement of equipment (machinery, equipment, cars, trucks).

Taking into consideration the types of EE/RES projects that would most probably be financed, the following options of investment projects are planned to be financed:

5 projects that will aim at investing in construction sector with total investment size of EUR 400,000

2-3 projects that will aim at investing in health with total investment amounting to EUR 200,000

5-6 projects that will aim at investing in industrial sector with total investment amounting to EUR 400,000

5-6 projects that will aim at investing in renewing means of transport of certain businesses with total investment amounting to EUR 250,000sector

2-3 projects that will aim at investing in solar energy provision with total investment amounting to EUR 250,000

All above described projects will meet the requirement for the defined level of energy saving and decrease in CO2 emission;

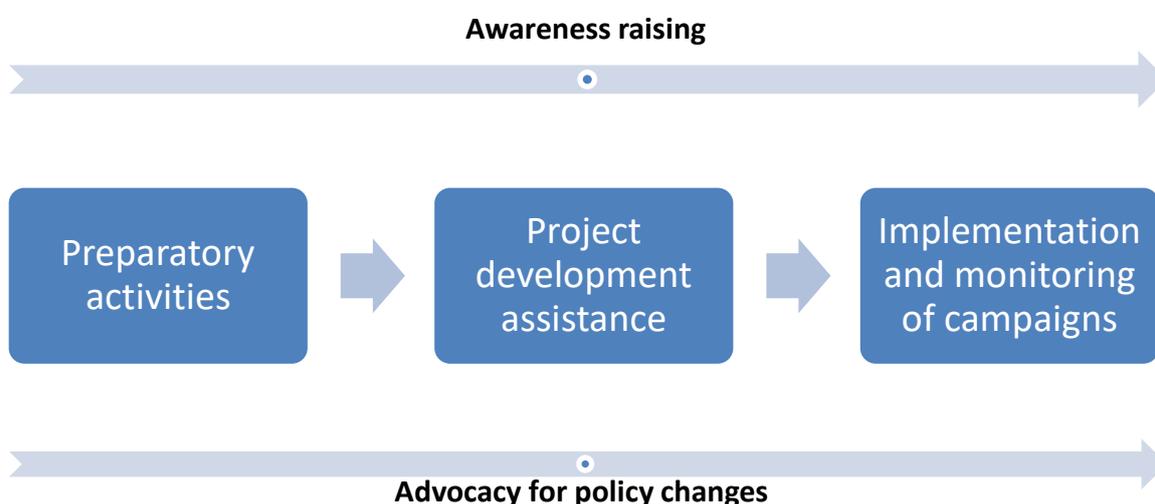
The above defined projects are planned according to previous experience and demand and can vary in the process of implementation,



5.2. Activities and needed resources

ACBA Leasing and CAUCASUS CONSULTING GROUP-AM will act as coordinators of the Pilot project implementation and form an implementation group. The technical aspects including technical consultation will be covered by CAUCASUS CONSULTING GROUP-AM and all the steps that are assumed in the process of financial leasing will be performed by ACBA Leasing. Both participants will use the previous experience in green financing to better implement the pilot project and monitor it further to be able to use them in future replications. Implementation group will consist of financial, technical, legal and marketing/communication (social media) experts from both institutions that have previous experience with development of energy efficient investments and sustainable energy projects in general. Both participants will closely cooperate in all the phases of pilot project. The whole process will be separated into the following phases:

- Preparatory activities
- Project development assistance
- Implementation of campaigns and monitoring
- Continuous promotion and lobbying activities



Preparatory activities

A significant engagement of human resources will be needed in this phase, considering the wide group of stakeholders that would be targeted (both public and private institutions). The purpose of these activities is to promote energy efficient and RE investments and further development of leasing of EE equipment in particular, draw attention from potential client suppliers and other stakeholders and involve them in capacity building and project development. Capacity building process will be carried out both in Group trainings and Individual consultations

A special call for interest to participate in this programme will be published and several cycles of education and training will be performed in 2019 and 2020 in cooperation with experts from development agencies, energy cooperatives and branch representatives of ACBA-CREDITE AGRICOLE BANK as well. These trainings will improve skills and competences of participants and support potential project developers with quality information, knowledge and examples of good practices. Participants will also learn the basics on how to participate in the campaign, including the following elements:

1. Setting the Campaign strategy
 - Finding the optimal pricing and maturity of the leasing and matching relevant source of financing (relevance of special funds or subsidies, special promotions by the suppliers)



- Defining the target group of clients;
 - Preparing the marketing action plan, identifying the needed resources;
 - Defining possible risks and their mitigation.
2. Analysis of applications and potential clients
 - Analysis of the creditworthiness of the potential client
 - Technical analysis of the investment project, relevance to the EE/RE technical requirements.
 3. Contracting
 - Confirmation of the investment
 - Preparation of contracts and the necessary documents
 - Placement of orders with the suppliers
 - Payments/prepayments
 4. Actual leasing
 - Signing prepayment schedules
 - Completing all the necessary payments and documentation
 - Transferring the lease object to the client
 5. Monitoring
 - Periodic monitoring of the project
 - Reviewing the actual results and making necessary adjustments for further improvements
 6. End and post Campaign activities
 - Spreading information on the Campaign success and sharing success stories

In order to minimize costs and maximize the market reach of capacity building program branches of ACBA CREDIT AGRICOLE Bank will also be involved in the project, which will assure more coverage throughout all the regions of Armenia considering the large network of the Bank branches.

Project development assistance

Participants of the capacity building program who wish to continue to develop/adapt their existing projects for leasing or other project developers that have not been a part of the program but have mature/bankable investments will be provided with concrete project development assistance from the core group in form of:

- Technical advisory and – reviews of selected technical solutions, their feasibility and associated risks
- Financial engineering – structuring of investments, revision of business plans, direct consultations and negotiations with crowd funding platform operators
- Marketing consultancy – assistance with creation of visual materials, storytelling, social media and general promotion techniques

Implementation of campaigns and monitoring

The Implementation group will make quality review of each pilot campaign according to the criteria developed within the E-FIX project and test the business plan developed by the project developer. If necessary, Bi-lateral partners from Austria and Georgia will be engaged to peer-review campaigns and provide its professional feedback and recommendations. Only those projects that fulfill the requirements set by the Group will be implemented. Once live, performances of each campaign will be closely monitored and if needed, additionally promoted and modified in cooperation with experts from the Implementation group. Since the campaign is aimed to show the benefits of investing in EE/RE projects and increase the awareness, the work of the Implementation group does not end with the completion of campaigns. In order to raise investors' confidence and reliability of green leasing projects the Group will also be actively engaged during execution of the actual investment (e.g. implementation of EE/RE measures).



Continuous promotion and lobbying activities

Aside from the three main activities, two background processes will be continuous until the end of the project (and beyond) in order to lay ground for a pipeline of future projects:

- Awareness raising for potential investors and suppliers, as green leasing is comparably new development line in Armenian financial market. Digital (social) media channels of all members of the Implementation group will be used to promote leasing as modern, liberalized, and democratic mechanism for financing of community and corporate sustainable energy projects.
- Lobbying and advocacy for changes of policies – discussions with officials and other stakeholders will increase the demand for policy changes regarding EE/RE and including some of officials in the ambassador group and platform will most probably continue the process furthermore.



5.3. Responsibilities

In order to ensure a smooth and successful implementation of Pilot Financing Campaigns it is important to define persons/organization responsible for conducting activities defined in the previous chapter. In the table below, previously mentioned activities are given, along with partners responsible for their implementation. Table 5.1 List of activities with partners responsible for their implementation

Nr	Activity	Core member institution in charge
1	Establishment of Implementation group	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing
2	Preparatory activities	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing
3	Project development assistance	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing
4	Implementation of campaigns	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing
5	Monitoring	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing
6	Continuous promotion	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing
7	Lobbying activities	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing
9	Monitoring and replicability	CAUCASUS CONSULTING GROUP-AM,/ACBA Leasing

The activities and responsibilities are planned according to knowledge and experience required for successful work completion. As a general rule, CAUCASUS CONSULTING GROUP-AM will focus on technical aspects of the projects, where as ACBA Leasing will carry out the leasing process starting from the assessment of the creditworthiness of the potential client till the afterward monitoring of the project.



6. MONITORING

Monitoring process is very important component of project implementation and essential for the success of the project. It must be conducted continuously and through the whole duration of the project in order to receive verified data and information for future implementation of similar projects. During the monitoring process, the focus will be on three main steps which have to be fulfilled to ensure regular and correct implementation of PFC:

1. Definition of a monitoring plan - defining the activities which have to be monitored, setting the targets/goals, responsibilities, resources
2. Reporting system - templates for monitoring process
3. Recommendations for improvement and future risk mitigation

During implementation and planning of the Pilot Financing Campaigns project partners must define success and quality criteria, as well as monitoring parameters adapted to different financing mechanism. Important role within this activity will be given to peer review where professional feedback from the respective expert partners depending on the implemented financing mechanism will be provided.

Within WP3 a Quality Criteria Catalogue was developed which focuses on alternative and innovative financing sources and financial feasibility of energy projects. Proposed quality criteria have been defined using three key parameters: relevance, effectiveness and efficiency, impact and sustainability. The evaluation tool contains a project description template structured in compulsory and additional optional information, containing general, technical and financial parameters but also environmental and social issues, creating a comprehensive ID form for analyzed energy projects. Using the features from the project description template the user can easily select the necessary data for input in the calculation file.

Within T4.6 Continuous monitoring and peer-review, collected data about Pilot financing campaigns will feed into the previously developed Standardized quality criteria tool (D3.1) and this information about campaigns will be additionally tested through peer-review process between project partners.

The Continuous monitoring and peer-review will be conducted in form of regular (monthly) Skype meetings between matching partners (from Bi-lateral consultations) in order to monitor both the quality of pilot campaigns and its overall progress towards reaching energy and investment targets set by the project.



7. PILOT FINANCING CAMPAIGNS REPLICABILITY AND FUTURE DEVELOPMENT

E-FIX project, and its partners, will through the different set of activities ensure its future replicability and exploitation of the results and deliverables after the project ends. Below are described activities which will contribute to this goal and further development and growth of Green Leasing in Armenia.

Within E-FIX project the training/capacity building for E-FIX Ambassadors who will become promoters of E-FIX project and disseminate its results is foreseen, as well as the technical skillset to assess and monetize the impact of energy projects. The Ambassadors are defined as stakeholders coming from the fields of financing and energy project preparation as well as public officers responsible for energy and regional development which have the capacity to act as multipliers, rather than addressing energy project owners at implementer level. Beside the training sessions E-FIX Ambassadors will be provided with an online platform for networking and transregional cooperation which will be operational within the project website for at least 3 years after the end of project's lifetime.

Energy Finance Competence Centres will be established in each PP country and will represent the main contact point for practitioners, developers of sustainable energy projects and potential investors searching for appropriate energy financing mechanisms for their projects. The Centres will provide expert advice to both sides of investors and project initiators regarding the feasibility of energy projects, financial viability of investments and provide them with adequate risk assessment and security in using innovative financing mechanisms. Also, they will monitor the project pipeline and the partners will ensure the sustainable operation of the Centres beyond the duration of the E-FIX project through development of a comprehensive business plan and by being a part of the Centres management board.

Another activity which will ensure the replicability of the E-FIX project is the aforementioned project pipeline. It will contain a list of potential energy projects to be implemented after the project ends with defined strategies for their realization. The pipeline will contain a preliminary assessment of sustainable energy projects, their focus, including a rating of their cost-effectiveness. On the initial project meeting when the project started, it was agreed that the pipeline will not only contain projects related solely to the chosen pilot financing mechanism, but also two other mechanisms which are the topic of the project.



8. CONCLUSIONS

The Plan for implementation of Pilot Financing Campaign represents a detailed and quick guideline for partners on how to implement and test their chosen financing mechanism in real-life environment. E-FIX project has ambitious set of goals which are attended to achieve, and in that regard smooth implementation of Campaigns will be of utmost importance.

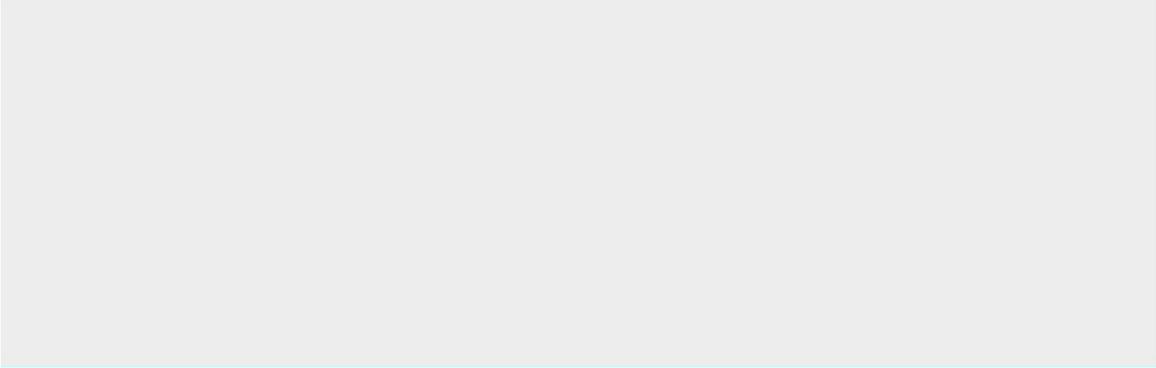
Armenia has chosen leasing as its financing mechanism since it is the one with best potential for implementation according to previously conducted analyses, baseline studies and current trends in financing energy projects. The identified barriers are recognized and listed, along with possible solutions and recommendations on how they can be overcome. The first step towards achieving this goal was, beside the train-the-trainer seminar organized at the beginning of the project, organization of two dedicated Bilateral Master Classes with expert project partners. Both Classes were organized in close cooperation and with all partners and were adapted in accordance with to special interests and needs of learning partners.

After the preparatory activities were conducted and finished, the preparation of the Plan has started with the elaboration of activities which should be conducted in preparation and implementation phases. Identification of possible projects was made in accordance with the targets set in the Grant agreement and included a wide variety of EE/RE project from both public and private sector. Since all of these projects have similar implementation phases and activities, a universal list of activities and resources needed before their implementation was given. The Plan for implementation of crowdfunding Pilot Financing Campaign contains a group of activities which were divided according to different phases: preparatory activities, project development assistance, implementation of campaigns, monitoring and continuous promotion and lobbying activities. Following to the defined activities, a list of responsible parties has been made.

Since all activities must be conducted within the proposed time and have to deliver concrete financial and energy targets, a good monitoring process is of crucial value. All Campaigns will be monitored according to the quality criteria and parameters developed within the project (D3.1 Quality criteria assessment template) in order to demonstrate the effectiveness of the project.

The E-FIX project has great potential and possibilities for future replicability taking in consideration that three activities are directly connected to project replication and promotion beyond project lifetime. Through trained E-FIX Ambassadors, established Energy Finance Competence Centres and developed project pipeline, the project activities and implemented Pilot Financing Campaigns will serve as a good practice examples and direction which all project developers should aspire by choosing innovative types of financing for their EE/RE projects.





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