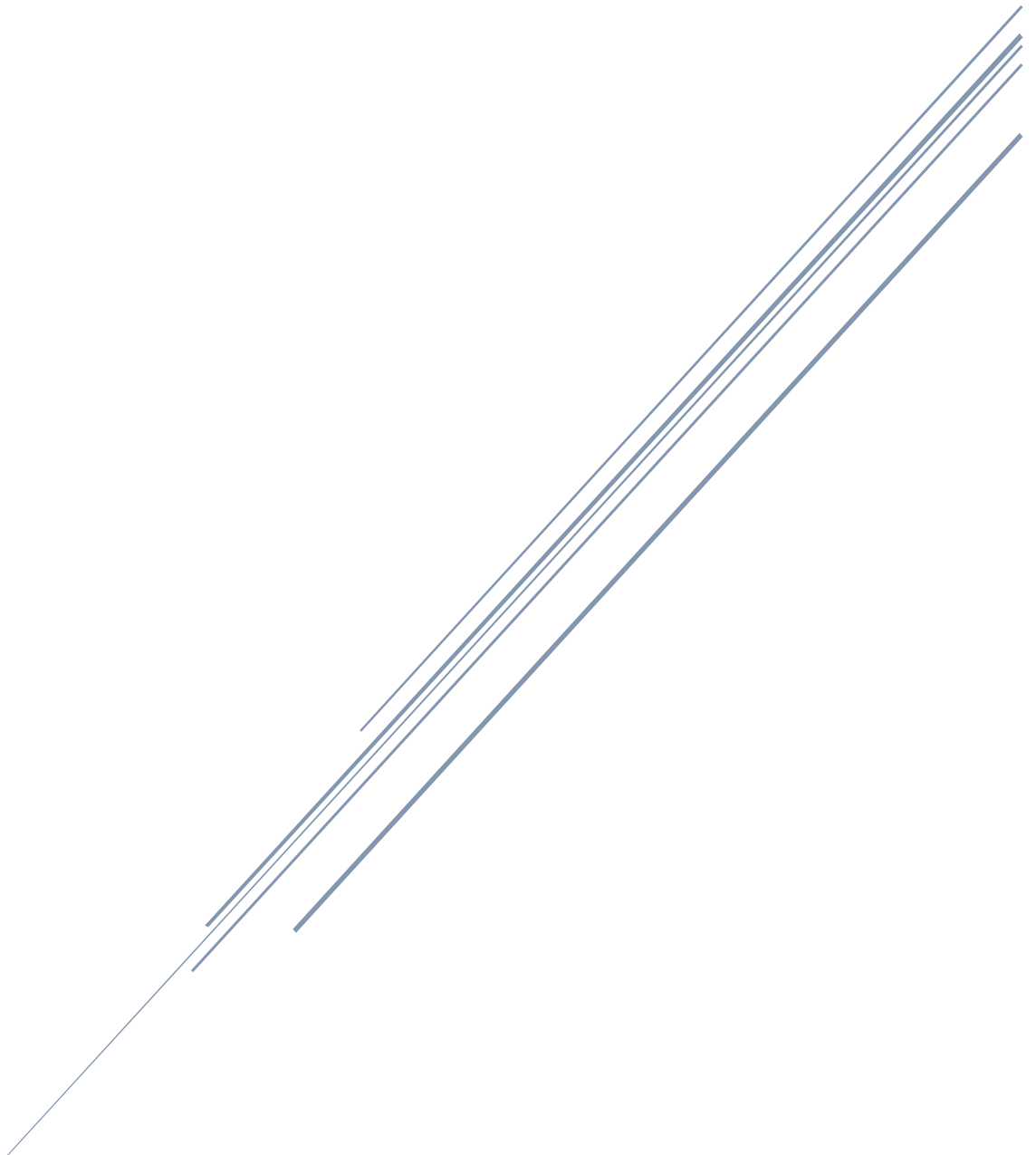


PEEB COOL

Operations Manual



AFD
August 2022

Context and objectives of the operations manual

Programme description

PEEB Cool scales up the existing Programme for Energy Efficiency in Buildings (PEEB) initiative, aiming to transform the construction sector by advancing energy efficiency and resilient building design, construction and operation. In keeping with its focus on cool buildings, the programme targets countries with hot and Mediterranean climates in Africa (Nigeria, Morocco, Tunisia, Djibouti), South-East Asia (Indonesia, Sri Lanka), South America (Mexico, Argentina, Costa Rica) and Eastern Europe (Albania, North Macedonia). Throughout its activities, PEEB Cool will highlight key thematic areas of energy efficiency in buildings: (i) bioclimatic designs and efficient cooling solutions, (ii) sustainable construction materials, and (iii) broad stakeholders (both public and private sector) mobilisation within the construction ecosystem. The objectives of the programme are to:

- Significantly transform the buildings sector by promoting sustainable building design and construction;
- Lower the energy demand in buildings in a cost-effective manner as well as reducing to a minimum level and avoiding as much as possible greenhouse gas emissions;
- Leverage untapped social, ecological and economic benefits;
- Promote clean cooling systems.

Component 1. Investment facility

The investment facility open to public and private actors will offer financing and technical assistance to subprojects¹ / end-beneficiary projects² incorporating bioclimatic design principles and energy efficiency considerations.

- a. Technical assistance to subprojects / end-beneficiary projects with bioclimatic and energy efficiency potential
- b. Financing agreements for investments

Component 2: Enabling facility

The enabling facility will help transforming the building sector at national and subnational level through adapted assistance to public entities of partner countries.

- a. Support for sectorial investment framework
- b. Support for public policies for the buildings sector
- c. Capacity building measures for buildings sector professionals
- d. Dissemination and knowledge sharing.

Objectives of the operations manual

The purpose of the Operations Manual (OM) is to describe the general rules, policies and procedures that govern the administration of PEEB Cool. In particular, it describes in detail the role of the key stakeholders involved in the implementation and the interactions between all parties, the eligibility criteria and the subproject life-cycle.

¹ Subproject in this context refers to transactions from the PEEB Cool facility - potentially investments into a number of buildings.

² End-beneficiary projects in this context refers to individual transactions as part of a subproject.

This OM provides a roadmap for all parties to understand the overall Programme procedures and the expected operational procedures between parties. It describes the procedures and the Project cycle for subprojects implemented under the Programme, through addressing the following issues:

- Who are the main stakeholders involved in each subproject and what are their roles (section 2)?
- How can project owners as part of subprojects benefit from the Programme (section 3)?
- Which investments are eligible for financing in the Programme framework (section 3)?
- What kind of support will be provided to project owners as part of subprojects (section 3)?
- How will each subproject under the Programme work on the ground (section 3)?
- How will Partner countries benefit from the Programme (section 4)?
- What kind of support will be provided to partner countries (section 4)?

Figure 1: PEEB Cool implementing arrangement: direct financed Subproject

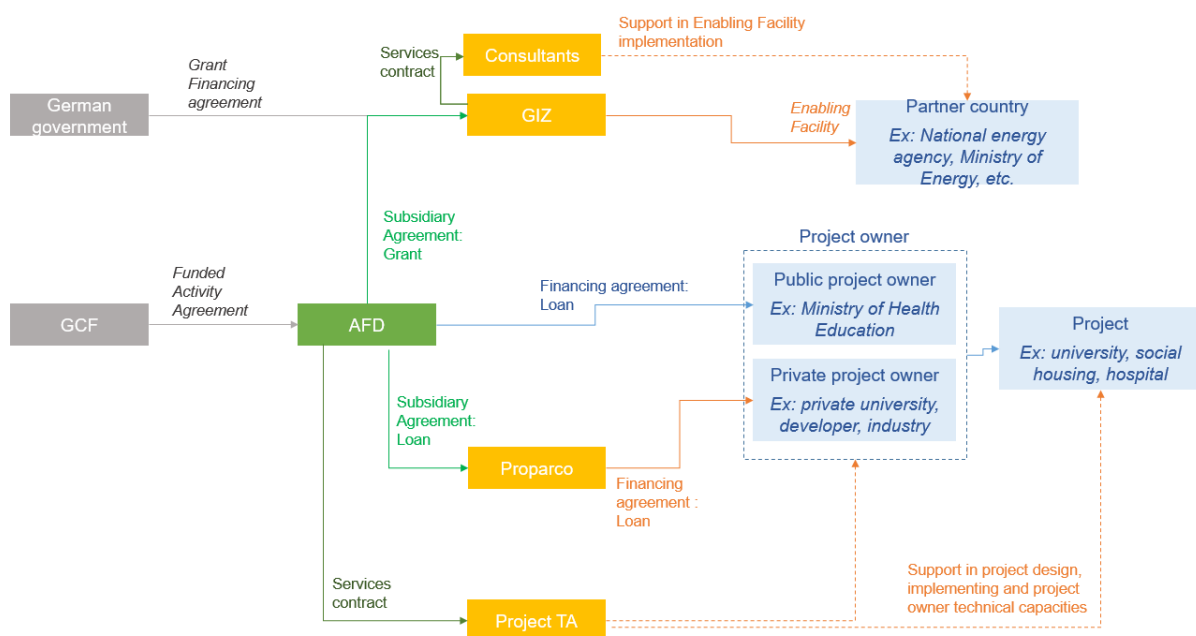
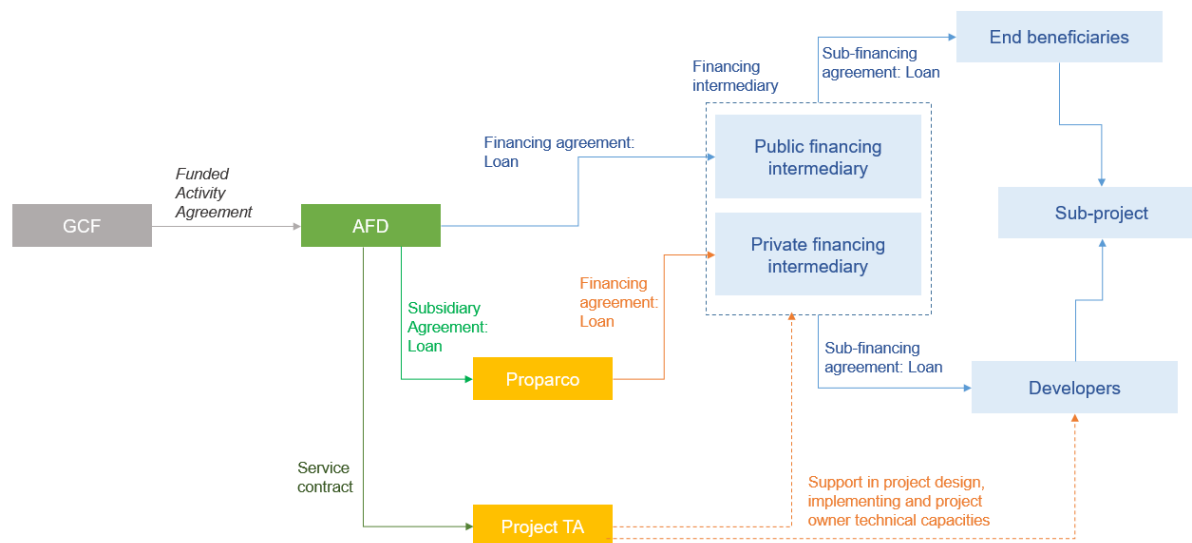


Figure 2 : PEEB Cool arrangement: intermediated financed Subprojects



PEEB Cool stakeholders

Role and responsibilities

The roles and responsibilities of the main stakeholders involved in the Programme are summarized in the Table 1 and described in detail in the sections below. Note that direct beneficiaries of the Programme include project owners as part of subprojects and partner countries who will receive dedicated financing and/or technical assistance.

Table 1: Responsibility and role of the main stakeholders

Stakeholder	Responsibility	Main roles ³
a) AFD Group (AFD & Proparco)	Investment facility structuring, financing, management, monitoring and reporting	<ul style="list-style-type: none"> Develop, co-finance and supervise the Programme Carry out the appraisal process and finance Subprojects under the Programme Carry out due diligences and assessments on each Subproject owners in line with AFD Group's policies and requirements or Proparco requirements in case of Private Sector subproject Prepare the Loan Documentation which specifies the financial and legal terms and eligibility criteria for the credit lines' end-beneficiary projects financed under the Programme Design support to Subproject owners through technical assistance Monitor the implementation of the Programme with each Subproject owner Ensure follow-up and supervision activities through field visits and screening of the Subproject owners' reports at various stages of the Subproject cycle
b) GIZ	Enabling facility implementation	<ul style="list-style-type: none"> Administer enabling facility technical assistance funds Implement activities in the enabling facility

³ To be adapted according the specific Project's context

		<ul style="list-style-type: none"> • Reach the results attributed to the enabling facility • Contribute to communicating, reporting, monitoring and evaluating efforts on the overall PEEB Cool program relating to the enabling facility
c) Green Climate Fund (GCF)	Co-financing	<ul style="list-style-type: none"> • Co-finance the Programme • Receive technical and financial reporting of the Programme
e) Subproject owners	Prepare and implement subprojects (and credit lines' end-beneficiary projects in case of financial intermediation) in meeting the Programme objectives and the eligibility criteria	<ul style="list-style-type: none"> • Submit necessary information for AFD/Proparco to determine with the support of the TA, eligibility of the subproject according to the eligibility criteria and E&S standards. • Appraise climate-related subproject with the support of the TA • Sign loan and make payments with subproject funds, keep updated record of indicators and report to TA and AFD Group • Participate to the capacity building activities organised by the TA (when relevant) • Formalise the Subproject environmental and social due diligence and report to AFD/Proparco on the implementation of the E&S measures planned in accordance with the Subproject documents.
f) Public Financial intermediary (FI)	Ensure the proper management of the credit line for investment in eligible end-beneficiary projects	<ul style="list-style-type: none"> • Originate, build, monitor and manage a strong portfolio of climate end-beneficiary projects in compliance with the eligibility criteria established in the Loan Documentation • Appraise climate-related end-beneficiary projects submitted by the sub-project owners with the support of TA • Negotiate end-beneficiary loans and disburse subproject funds; keep updated record of end-beneficiary projects' portfolio and associated indicators and report to TA and AFD Group. • Participate to the capacity building activities organised by the TA (when relevant) • Conduct smooth E&S risk management on their portfolio, engaging in capacity-building actions if necessary • Develop a marketing and communication strategy for their own use (where relevant)
g) Project TA consultants	Provide support to the Project stakeholders	<ul style="list-style-type: none"> • To be adapted to each situation • Support the Subproject / end-beneficiary project owner in the preparation of the Subproject / end-beneficiary project and its implementation (energy audit, carbon footprint, preparation of procurement documents, etc.) • Define training programs for subproject owners and other local actors when required

Agence Française de Développement (AFD) and Proparco

The Programme Management Unit located in AFD's Paris headquarters is responsible for the Programme implementation, supervision and completion. It is advised by a Programme Team located in Paris that holds a thematic expertise. At local level, project level teams are monitoring the implementation of enabling facility and investment facility.

Table 2: AFD loan and implementation process

For public direct subprojects (as per AFD definition of public entities)	For subprojects with public intermediaries (as per AFD definition)
Executing Entity : AFD	Executing Entity : AFD

At appraisal stage, AFD will define with the subproject owner and after subproject TA mission, the energy efficiency and bioclimatic measures to be implemented and discuss the financing conditions.	At appraisal stage, AFD will define with the FI the eligibility criteria of the end-beneficiary projects. Project TA will carry out a mission to support the appraisal process.
Following AFD's approval, a Loan Documentation will be signed between AFD and a project owner for the eligible subproject.	Following AFD's approval, a Loan Documentation will be signed between AFD, and a public-owned financial institution, which will define the financial and technical eligibility criteria applicable to end-beneficiary projects and end-beneficiary loans to be financed by the financial institution under the credit facility.
AFD will be in charge of monitoring the implementation of the subprojects, which includes: following up on disbursements and conditions precedent; following up on the financial and technical reporting; setting up waivers or amendments to the Loan Documentation (if relevant).	AFD will be in charge of monitoring the implementation of the subprojects with each FI, which includes in particular: following up on disbursements and conditions precedent; following up on the financial and technical reporting; setting up waivers or amendments to the Loan Documentation (if relevant).
AFD will collect and consolidate monitoring reports prepared by project owners, financial institutions and from Proparco	AFD will be in charge of collecting and consolidating monitoring reports prepared by public-owned FI.

Table3: Proparco loan and implementation process

For private direct subprojects
Executing Entity : Proparco
At appraisal stage, Proparco will define with the Project owner and after Project TA mission monitored by AFD, the energy efficiency and bioclimatic measures to be implemented and discuss the financing conditions. Proparco will conduct due diligence activities to assess the financing operation.
Following Proparco approval, a Loan Documentation will be signed between Proparco and a Project owner for the eligible subproject.
Proparco will be in charge of monitoring the implementation of the subprojects, which includes: following up on disbursements and conditions precedent; following up on the financial and technical reporting; setting up waivers or amendments to the Loan Documentation (if relevant).
Proparco will collect and consolidate monitoring reports prepared by Project owners

GIZ (executing entity)

GIZ is responsible for the implementation of the Enabling Facility as executing entity of PEEB Cool. Its role is to:

2. Administer Enabling Facility TA Funds
3. Implement activities of the Enabling Facility
4. Reach the results attributed to the Enabling Facility

5. Contribute to communicating, reporting, monitoring, and evaluating efforts for the overall PEEB Cool program relating to the Enabling Facility

GIZ will manage its responsibilities via a team of staff based at HQ as well as in the respective PEEB Cool countries, anchored in existing GIZ portfolios.

Expertise France, AFD subsidiary for technical cooperation may intervene on component 2, in complementarity with GIZ.

Subproject TA consultants

The subproject TA implementing entity will act as the implementing entity for the subproject TA grants (output 1.1). AFD will carry out directly the procurement of the TA under the AFD's procurement guidelines covering the Programme and a service contract will be signed between the TA provider and AFD. AFD will be in charge of the procurement process and the preparation of the procurement documents and will give its no-objection on deliverables or activities to be implemented under the TA.

For each Subproject, AFD will prepare a purchase order in coordination with the Project owner and/or the financial intermediary to request a TA dedicated mission. Both Proparco's and AFD's subprojects will benefit from the subproject TA entity.

Regarding procurement process, AFD's procurement guidelines are in line with the international World Bank Group standards⁴. Consultants responsible for the TA will be recruited through a bidding process by AFD.

The consultants will provide technical assistance to Project owners under the supervision of the TA implementing entity and AFD Group. More specifically, the TA will support the Project owners through activities described in section 4.3.1.3 of the feasibility study.

The TA will be tailored to each Subproject according to its own needs.

Partner countries

In the PEEB Cool partner countries, national ministries and sectoral associations (i.e. order of architects, developer associations, national building material associations) are the main stakeholders of both the investment and the enabling framework facility.

In the investment facility, the institutions within the partner countries that are proposing financing subprojects are called "Project owners" (see below).

In the enabling facility, PEEB Cool support can build on longstanding collaboration of GIZ with line ministries and sectoral associations. Ministries will be beneficiaries of support for reviewing, updating or proposing new regulatory elements that generalize climate impact beyond the financed subprojects to an entire sector or country. Sectoral associations are equally important stakeholders to mobilize private investments through industry engagements or action plans.

Project owners

The Project owner is a public or private entity who develops a subproject or an end-beneficiary project eligible to the Programme. The process by which a Project owner may become involved in the Programme and the criteria for a subproject or an end-beneficiary project to be considered as eligible

⁴ For a detailed presentation of AFD Procurement guidelines, see the Procurement Guidelines for AFD Financed Contracts in Foreign Countries available on AFD's website (<https://www.afd.fr/sites/afd/files/2017-09/directives-passation-marches-etats-etranagers-english-version.pdf>).

for a financing is detailed in section 3. Project owners may receive support from the TA to mature eligible subproject or an end-beneficiary project to be financed by the Programme.

Stakeholders interactions for the Programme

At subproject's level, the cooperation between all the stakeholders is based on cooperation principles and a precise communication and coordination scheme. The subproject's monitoring process, which will include all information sharing process, will be defined during the kick-of meeting of each Subproject.

The general frame of the monitoring process include: (a) a steering committee, (b) follow-up meetings, (c) regular conference calls and meetings with various stakeholders.

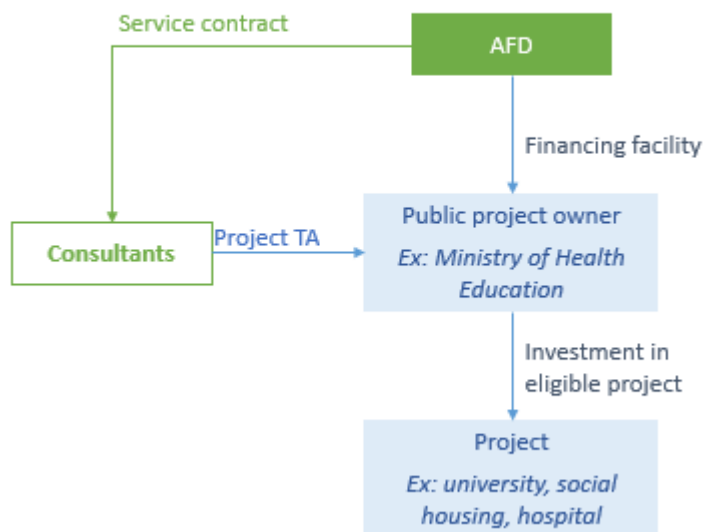
Investment facility

Typologies of investment facility

Subprojects facility can support four kinds of subprojects depending on the (i) typology of Project-owner (public or private) and (ii) whether financial intermediation is needed. The typologies of Subprojects are presented below.

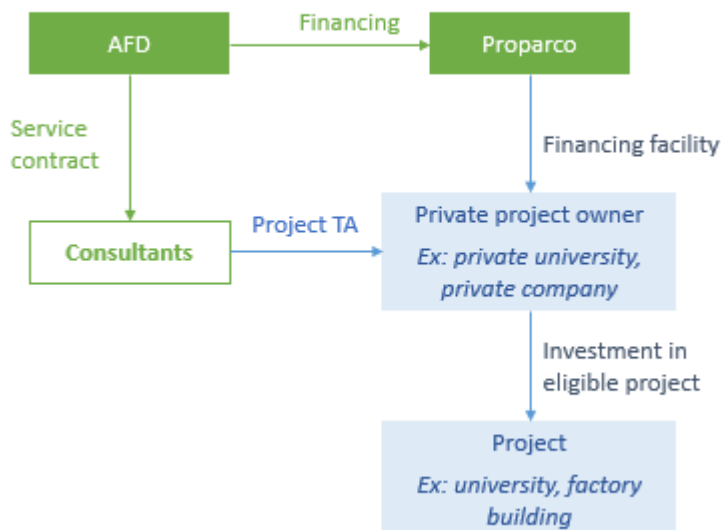
Typology one: direct financing public sector

Direct financing public sector



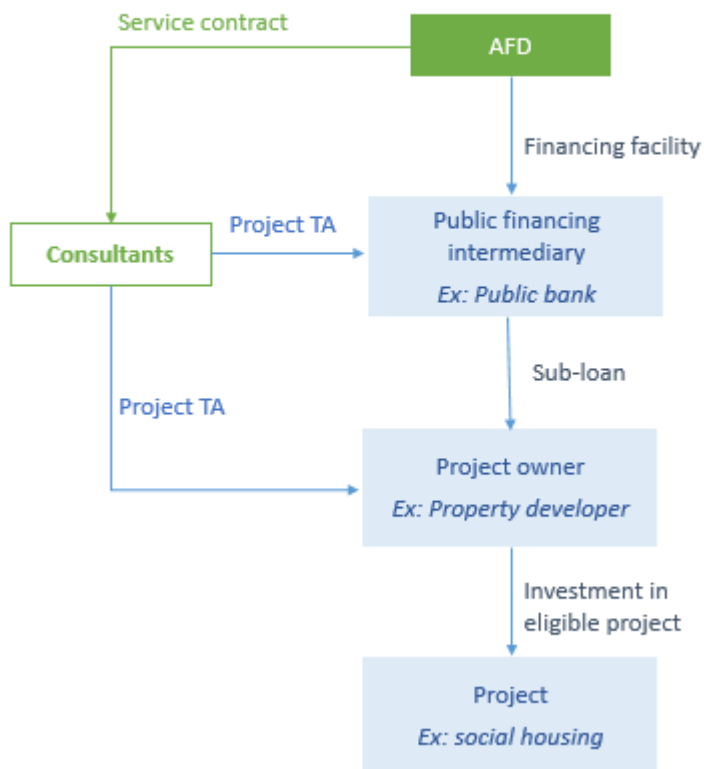
Typology two: direct financing private sector

Direct financing private sector



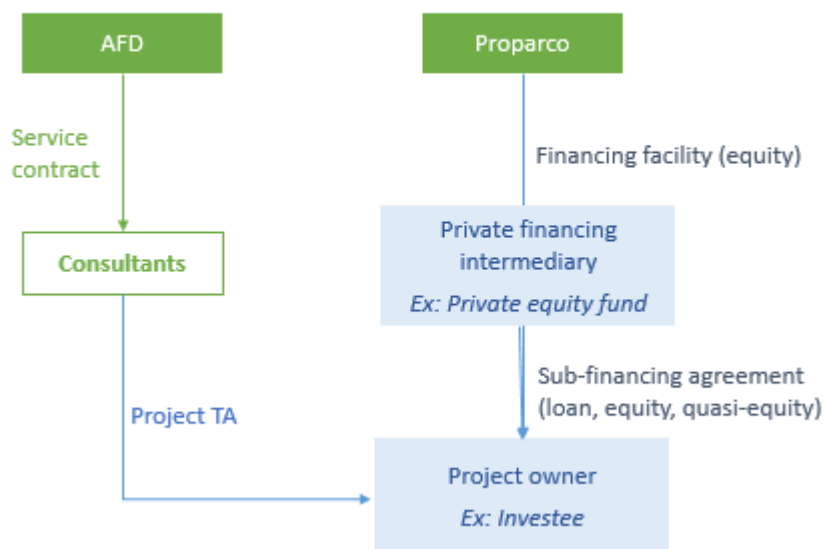
Typology three: indirect financing public sector

Indirect financing public sector



Typology four: indirect financing private sector

Indirect financing private sector



Eligibility criteria

Eligibility criteria are defined in section 4.3.1.1. of the feasibility study.

Subproject life cycle

Origination

The origination might typically include the following activities. The activities will be adapted according to the need of the Project owner:

- Kick-off meeting between the Project owner and the AFD PMU and the Project team.
- If a TA support is required validation from AFD or PROPARGO of the eligibility criteria and evaluation principles to access TA tool.
- Setting-up the Project team consisting of people appointed by the Project owner and the TA if requested.

TA support definition

Once the Subproject is officially launched on AFD Group's side, the TA is mobilised through a purchase order detailing the specifications of their mission for the Subproject. TA support definition stage could include the following activities:

- Identification of the needs of the Project owner and preparation of an action plan of the subproject TA including a calendar and a list of activities that will be carried out.
- Preparation of the feasibility study by subproject TA including environmental and social impacts assessment.
- Assessment of the carbon footprint and the impact of the Subproject by the TA.

Financing

At financing stage, the Project team, together with the PMU, will assess the potential need for GCF co-financing. The Subprojects will go through AFD Group appraisal process. The eligibility criteria and evaluation principles for GCF concessional loans are described in sections 4.3.1.1 and 4.3.1.3 of the feasibility study.

Implementation and monitoring

Subproject TA activities will be used to determine with the Project owner the energy efficient measures that will be taken for the Subproject.

During the disbursement period, AFD/Proparco will receive reports from the Project owner to track progress and identify potential issues as well as improvement opportunities. Project owner will report on a semi-annual basis on performance indicators as defined in the loan documentation.

Project owner will also ensure compliance with the programme's environmental and social framework. The TA might support Project owners in strengthening their monitoring systems and tools.

AFD Group teams will ensure regular monitoring by overseeing the implementation of the Subprojects and end-beneficiary projects, meeting with Project owners and financial institutions on a regular basis, ensuring coordination with TA and as relevant, discussing with local governments. Every semester, it will review the Subproject's performance and assess any potential risk. AFD project teams will be able to check the validity and the robustness of the Subproject's results thanks to their proximity, strong knowledge of the situation on the ground, and these regular exchanges and visits.

- **Ongoing supervision.** As per AFD Group and at least on an annual basis, the Subproject will be assessed through an internal quality review process based on several indicators (technical

implementation, disbursement, procurement, outcomes, etc.). A Subproject that meets any kind of difficulties is subject to a specific monitoring process before returning to a regular implementation pathway.

- **Field Visits.** AFD Group teams may organize field visits, or mandate accredited consultants, to meet project owners and visit Subprojects. Following this type of mission, a Subproject implementation report would be shared with the project stakeholders (e.g. project owner, local authorities, and other parties involved).
- **ESMS operational aspects monitoring.** The AFD or Proparco E&S Expert will monitor ESMS operational aspects through at least the review of E&S annual monitoring report and, if necessary, on-site visits of Projects and Sub-projects and review of the Sub-projects' documentation following their usual practices.

Ex-post verification and evaluation

Reporting and verification schemes at the subproject and end-beneficiary project levels will be designed by strictly following the AFD Group reporting framework. Those schemes will enable the Project owners and AFD Group to ensure the correct implementation of the subproject and end-beneficiary project, but also to deliver accurate and reliable information on impacts generated at the subproject level, throughout the implementation of the Programme.

About a year after the drafting of the subproject completion report, the Evaluation department of the AFD Group may conduct an ex-post evaluation of subprojects and end-beneficiary projects or appoint a 3rd party consultant to do so. The consultant will be tasked with evaluating the impact of the Subproject (economic, environmental, etc.) and writing a report that will be shared with all relevant stakeholders (central and local governments, TA etc.) and could also be made public. It is worth noting that the evaluation function within AFD refers to the evaluation principles and criteria developed by the OECD Development Assistance Committee (DAC) and its evaluation protocols are similar. AFD adheres to its principles for evaluation, which are impartiality and independence, credibility, usefulness, participation (of local partners) and coordination (with other donors).

Enabling facility

A. Definition of level of support

All countries included in PEEB Cool are eligible for support from the enabling facility in one or several of the three pre-defined output areas:

- (1) Sectoral investment frameworks demonstrate investment potential for green recovery
- (2) Public policies prepare the ground for buildings sector transformation
- (3) Private and public sector actors are enabled to work towards buildings sector transformation

However, support will be offered at different depths, and closely linked to the sectors of intervention of the investment facility.

The depth of the level of support depends on an analysis of the country's profile and its interest in the sector transformation and can be classified as "initial", "partial" or "full". The PEEB Cool offer corresponding to each level of support is detailed in the table below.

PEEB Cool offer	Level 1 – initial support	Level 2 – partial support	Level 3 – full support
(1) Sectoral investment frameworks demonstrate investment potential for green recovery	Benefiting from one of the three PEEB Cool offers	Benefitting from two of the three PEEB Cool offers	Benefitting from all three PEEB Cool offers
(2) Public policies prepare the ground for buildings sector transformation			
(3) Private and public sector actors are enabled to work towards buildings sector transformation			

Differentiation of support levels and respectively available PEEB Cool offer

In the preparation of PEEB Cool, support levels were preliminarily identified to size the needs of the enabling facility. The below table gives an overview over the approach taken, in which the support level for each country is identified by attributing scores for different criteria (technical, financial, governance) and adding up the score (see table 2 below), with the maximum score being 3.

Criteria	Score
Technical ⁵ :	
• NDC mentions building sector	0,5
• Building code in place or under development	0,5
Financial ⁴⁶ :	
• Financing Subprojects identified and/or implemented within the investment facility	1,5

⁵ This criterion makes sure that the level of support offered reflects the political commitment of the partner country and thus increases the likelihood of successful results

⁶ This criterion acknowledges that the existing or future pipeline of financing Projects in the country is strong basis for intervention by PEEB Cool's enabling facility

Implementation readiness ⁷ :	
• Existing PEEB Cool implementing entities presence in the energy, climate or cities sectors	0,5

Criteria for identifying support levels

This scoring highlights in particular the close linkages to the investment facility. 50% of the score attributed depends on the financing pipeline in the respective country. This highlights the synergies between the investment facility and the enabling facility, which aims at increasing the climate impact of the individual financing Subprojects through an improved enabling environment. Only countries with a significant mitigation and adaptation impact in the investment facility will therefore be able to benefit from partial or full support (see scoring table below).

Each score corresponds to a specific support level as described below.

Score	Level
≤ 1	1 (initial support)
>1 & ≤ 2	2 (partial support)
>2	3 (full support)

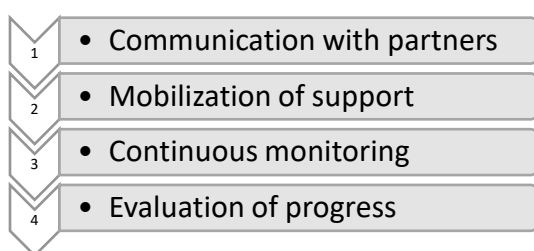
Classification of support levels based on score results

Flexibility

The above presented approach is prepared based on the best available information at the point of submission of the funding proposal. Acknowledging the sometimes rapidly changing context and political ambition, it is possible that the proposed support levels or phasing will be revised during the program implementation.

B. Implementation

The actual mobilization of enabling facility support will follow a pre-established process illustrated in figure 1 below. Steps 1 kick-starts the support, step 2 concretizes the support activities, step 2 assures implementation and step 4 evaluates the progress.



PEEB Cool Enabling Facility mobilization process

Step 1: Communication with partners

⁷ This criterion reflects the necessity for implementation readiness of PEEB Cool, for which the network of GIZ offices and projects in related sectors such as energy, cities, or climate is crucial as an entry point.

In this step, the enabling facility team will, together with the investment facility team, reach out to the local political partners in order to confirm levels of support and agree upon priority support areas, documented by a written “Joint PEEB Cool <insert country> action plan”.

This may take the form of local consultations via GIZ staff or a mission by members of the enabling facility team or the program management unit.

Step 2: Mobilization of support

The mobilization of support depends on the level of support agreed upon as well as the results areas that will be targeted in a country.

In case of full support level countries, local staff will be employed to follow up with the activities directly with political partners. This staff will be attached to the existing GIZ portfolios in the country and work from 50 to 100% of their working time for PEEB Cool. Local staff will coordinate implementation of the country activities agreed upon with the political partners in close collaboration with the policy advice team. If clusters of similarly phased countries emerge, local PEEB Cool staff in full support countries may also be extended to working regionally, i.e. be based in Senegal, but also take on activities in Mali. In cases where local staff recruitment is difficult, a local consultant solution may also be envisaged.

For specialized short-term expertise (i.e. sectoral roadmap development, policy proposals, trainings) international and regional consultants will be mobilized. This will be done via a short-term expert pool at the international level managed by the PEEB Cool policy team. The expert pool will include consultants with different geographical experiences (Asia/Africa/Latin America) as well as language skills for the following thematic areas:

- Sectoral investment roadmap development and related strategies
- Policy proposals: passive building measures, active building measures, financing mechanisms, ...
- Awareness-raising trainings: financial, technical, ...

It is a clear advantage of the facility approach that thanks to a consultant pool at the level of the policy facility, once in place, experts may be mobilized relatively quickly and additionally ensure cross-country synergy effects by transferring experiences and lessons learned. The relative standardization of support offered within PEEB Cool further allows to decrease costs by using similar methodologies in several countries.

Step 3: Continuous monitoring

Continuous Subproject monitoring will be conducted by the policy team jointly with local staff, where applicable. In countries with ongoing financing Subprojects eligible for the investment facility, close coordination with AFD and PROPARCO colleagues and consultants will be ensured.

One person in the policy team will be responsible for coordinating monitoring efforts across the enabling facility and liaise with AFD for overall monitoring.

Monitoring will take the form of:

- Monthly bilateral meetings between a policy team representative and local colleagues (where applicable)
- Bi-annual enabling facility level meetings among the entire policy team in which progress for each country action plan and expected fulfillment of indicators is discussed.

The basis for monitoring is a country-specific monitoring document (Excel or online-based). A particular focus is put on ensuring availability of the relevant means of verification for each indicator in order to be able to demonstrate their achievement.

Step 4: Evaluation of progress

Mid-term and final evaluation will be done at the program level for both the investment and the enabling facility.

Annex 1 | List of public financing intermediaries (non-exhaustive)

The below list presents the financing intermediaries that could manage onlending operations.

Central America Bank for Economic Integration (CABEI) Central America

Bank Tabungan Negara (BTN) Indonesia

Sociedad Hipotecaria Federal (SHF) Mexico

National Exterior Commerce Bank (Bancomex) Mexico

Family Homes Fund (FHF) Nigeria

North Macedonia Development Bank