



**GREEN
CLIMATE
FUND**

Meeting of the Board
26 – 29 October 2026
Songdo, Incheon, Republic of Korea
Provisional agenda item 10

GCF/B.46/08
5 October 2026

Status of approved funding proposals: Request for tranche 2 for FP086 – Green Cities Facility

Summary

This document presents the request for approval of financing for tranche 2 for FP086 given the accredited entity's fulfilment of conditions set by the Board in its approval decision made at its twenty-first meeting.

I. Introduction

1. FP086, titled “Green Cities Facility” (the **Facility**), was submitted to **GCF** by the accredited entity (**AE**), the European Bank for Reconstruction and Development (**EBRD**), and was approved by the Board at its twenty-first meeting pursuant to decision B.21/15 (the **approval decision**). The Board considered the funding proposal for the Facility as a whole, while initially approving EUR 87 million of GCF financing (tranche 1) under paragraph (f) of decision B.21/15. Paragraph (g) of decision B.21/15 further provided for EBRD to seek further approval of the Board for commitment of further funding, subject to fulfilment of the conditions set by the Board in its approval, on two occasions: on the first occasion (tranche 2), for an amount no greater than EUR 87 million, as provided for in paragraph (g)(i); and on the second occasion (tranche 3), for an amount which, when aggregated with the amounts previously approved by the Board, is no greater than EUR 228 million, as provided for in paragraph (g)(ii). The AE has submitted a request for the first subsequent commitment (tranche 2) of EUR 87 million, as contained in annexes II and III to this document.

II. Project background

2. The objective of the Facility is to support cities to accelerate low-carbon, climate-resilient urban development by addressing barriers to investment, enabling green city planning, mobilizing sustainable infrastructure investments, strengthening institutional capacity and improving access to green finance. The Facility comprises four components, with the corresponding tranche 1 financing allocations set out below:

- (a) **Component 1:** Green City Action Plans and Policy Dialogue (GCF financing: EUR 1.0 million; donor co-financing: EUR 0.6 million);
- (b) **Component 2:** green city infrastructure investments, comprising senior loans and investment grants (GCF financing: EUR 80.0 million; EBRD co-financing: EUR 133 million; local contributions: EUR 25–56 million; donor co-financing: EUR 11.2 million);
- (c) **Component 3:** technical assistance and capacity-building (GCF financing: EUR 5.5 million; donor co-financing: EUR 1.8 million); and
- (d) **Component 4:** Green Finance Roadmaps (GCF financing: EUR 0.5 million).

3. At B.21, the Board considered the funding proposal for the Facility as a whole. Owing to limitations in available commitment authority, the Board approved an initial GCF contribution of EUR 87 million, while providing EBRD with the opportunity to seek further approval of the Board for commitment of further funding on two occasions, subject to the applicable conditions and the limits set out in decision B.21/15, paragraph (g), as summarized in paragraph 1 above.

4. The Board established specific conditions for commitment of further funding to be satisfied by EBRD in table 3 of annex XV to the approval decision. EBRD compliance with each condition, and the Secretariat's assessment thereof, are set out below.

III. Secretariat's assessment

5. The Secretariat has reviewed the EBRD request for approval of the first subsequent commitment (tranche 2), in the amount of EUR 87 million, and finds that it meets the applicable Board conditions, as follows:



Approval decision condition	Secretariat's assessment
(a) The GCF having resources available for commitment in respect of the amounts requested;	The condition is met. The Secretariat confirms that there is sufficient commitment authority to cover the funding requested.
(b) All annual performance reports (APRs) and other reports outlined in the relevant funded activity agreement (FAA) Schedule submitted by the accredited entity are in form and substance satisfactory to the GCF Secretariat, and that all changes (if any) required by the GCF Secretariat as a consequence of such APRs and reports not being satisfactory have been addressed to the satisfaction of the GCF Secretariat; and	The condition is met. The Secretariat has received satisfactory APRs.
(c) The accredited entity has delivered, in form and substance satisfactory to the GCF Secretariat, no later than one year prior to the closing date specified in the FAA: (i) A request for approval by the Board of a further commitment for the funded activity;	The condition is met. The European Bank for Reconstruction and Development (EBRD) submitted the request for the first subsequent commitment of EUR 87 million before the applicable deadline, no later than one year before the current closing date of 18 September 2028, as contained in annexes II and III.
(ii) Evidence that at least seventy per cent (70%) of the funds previously disbursed by the GCF have been cumulatively committed by the accredited entity for the implementation of the funded activity;	The condition is met. EBRD reported cumulative commitments of EUR 51.3 million against EUR 54.2 million disbursed as at 30 June 2026, equivalent to approximately 95 per cent of disbursed GCF funds.
(iii) An indicative pipeline of activities to be funded in full with the further requested funding and other co-financing available to the accredited entity;	The condition is met. EBRD provided an indicative pipeline demonstrating sufficient demand. Approximately EUR 32.83 million of tranche 1 loan resources remains, while the 2026 loan pipeline totals EUR 38.90 million. Including projects planned for 2027 and beyond, potential demand is estimated at EUR 95.27 million equivalent, compared with the requested EUR 87 million.
(iv) In relation to any activities to be funded by a grant from the GCF, an indicative budget by expenditure type;	The condition is met. EBRD provided the indicative budget by expenditure type for grant-funded activities under the requested subsequent commitment.
(v) Confirmation that the accredited entity's board of directors has duly authorized, in principle, its co-financing proportionate to the requested subsequent tranche of the GCF funding as part of the total facility; and	The condition is met. EBRD provided confirmation that its board of directors authorized, in principle, proportionate co-financing as part of the total Facility.
(vi) A document describing any changes required to the funding proposal and the FAA, including such changes to the activities, outputs, outcomes and impacts of the funded activity as are required to reflect the additional activities to be undertaken with the further funding requested.	The condition is met. EBRD submitted a document identifying the required changes: extension of the closing date to 31 December 2030 and completion date to 31 December 2040; extension of the FAA tenor to 31 December 2048 and corresponding alignment of the repayment period and loan tenor in respect of loans that the accredited entity will make available to eligible borrowers using GCF loan proceeds; and

Approval decision condition	Secretariat's assessment
	incorporation of Green Finance Roadmaps into Green City Action Plans.

6. The Secretariat confirms that EBRD consulted all 15 eligible host countries. Each national designated authority confirmed, either by email or through the 30-day non-objection process, that its existing no-objection letter remains valid for the tranche 2 request.
3. The request does not propose changes to the implementation arrangements, environmental and social safeguards category, gender arrangements, procurement, financial management, technical analysis or risk analysis of the approved Facility. The environmental and social safeguards disclosures made on the GCF and EBRD websites at B.21 remain valid.¹
4. The Secretariat has informed the independent Technical Advisory Panel of the request by the AE for further funding. The original independent Technical Advisory Panel assessment covered the full funding package, including GCF funding up to the ceiling of EUR 228 million.

IV. Project changes

5. In connection with its request for the first subsequent commitment of GCF resources, EBRD has proposed the changes set out below to facilitate the preparation and implementation of tranche 2 subprojects. The Secretariat has reviewed the proposed changes and considers them to be in order and supportive of the achievement of the Facility's overall objectives. The Secretariat has further assessed the changes to be non-major, as they do not alter the Facility's approved objectives, theory of change, results framework, financing envelope or financial viability, concessionality or risk allocation, country coverage, or institutional roles. The changes are presented to the Board together with the request for the first subsequent commitment as information items. The necessary amendments will be reflected in the funded activity agreement (FAA), subject to the Board's approval of the subsequent commitment request.
6. Along with the first subsequent commitment request, EBRD has requested a Facility timeline adjustment to extend the closing date from 18 September 2028 to 31 December 2030, the completion date from 18 September 2038 to 31 December 2040, and the FAA tenor from 18 September 2046 to 31 December 2048. The extensions are intended to accommodate the period required for tranche 2 subproject preparation, approval and implementation.
7. The repayment period and loan tenor in respect of loans that the AE will make available to eligible borrowers using the GCF loan proceeds would be adjusted to align with the revised Facility implementation timeline and extended FAA tenor.
8. Green finance road maps would be incorporated into Green City Action Plans. The change concerns the delivery modality and is intended to improve implementation efficiency and strengthen the link between city action planning and the mobilization of green finance. It does not alter the Facility's results framework, targets or financing structure. As such, the change is assessed to be a non-major change. The Secretariat has reviewed the proposed change, taking into account the findings of the independent interim evaluation, and considers it to be in order and beneficial to the achievement of the Facility's overall objectives.

V. Recommendation

¹ See <https://www.greenclimate.fund/document/environmental-and-social-safeguards-ess-report-fp086-green-cities-facility>.

9. Having confirmed that the conditions applicable to the first subsequent commitment under table 3 of annex XV to the approval decision have been satisfied, the Secretariat recommends that the Board approve the first subsequent commitment (tranche 2) for FP086 in the amount of EUR 87 million. This would increase cumulative GCF funding committed to the Facility from EUR 87 million to EUR 174 million. Board approval of tranche 2 would enable EBRD to continue preparing and implementing eligible investments under the Facility without a funding gap or undue delay.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.46/08 titled “Status of approved funding proposals: Request for tranche 2 for FP086 – Green Cities Facility”:

- (a) Recalls decision B.21/15, paragraph (g), pursuant to which the Board decided that the European Bank for Reconstruction and Development may seek further approval of the Board for commitment of further funding subject to the conditions set out in annex XV to that decision on two occasions, provided that such request is: (i) on the first occasion, for an amount no greater than EUR 87,000,000 (paragraph (g)(i)); and (ii) on the second occasion, when aggregated with the amounts previously approved by the Board, in an amount no greater than EUR 228,000,000 (paragraph (g)(ii));
- (b) Takes note of the request for the first subsequent commitment (tranche 2) in respect of funding proposal 086, titled “Green Cities Facility”, submitted by the European Bank for Reconstruction and Development, as contained in annexes II and III of document GCF/B.46/08;
- (c) Approves the request for the first subsequent commitment (tranche 2) in respect of funding proposal 086 in the amount of EUR 87,000,000, increasing cumulative GCF funding committed to the Facility to EUR 174,000,000;
- (d) Authorizes the Secretariat to negotiate the necessary amendments to the funded activity agreement for funding proposal 086 to give effect to the approval in paragraph (c) above; and
- (e) Authorizes the Secretariat to disburse fees in respect of tranche 2 of funding proposal 086 approved by the Board as per the disbursement schedule to be agreed in the amendments to the funded activity agreement in accordance with the policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs adopted by the Board pursuant to decision B.19/09.

Annex II: European Bank for Reconstruction and Development request for a subsequent commitment (tranche 2)



European Bank
for Reconstruction and Development

Green Climate Fund
175, Art Center-daero
Yeonsu-gu, Incheon 22004
Republic of Korea

Attn: Thomas Eriksson, Director of the Eastern Europe, Central Asia and the Middle East Region
Department of Eastern Europe, Central Asia and the Middle East

London, 23 September 2026

Ref: FP086 Green Cities Facility – Request for Subsequent Commitment (Tranche 2)

Dear Mr Eriksson,

With reference to “**FP086 Green Cities Facility**”, approved by the Green Climate Fund (GCF) Board through decision B.21/15, the European Bank for Reconstruction and Development (EBRD) hereby submits the enclosed **Request for Subsequent Commitment of EUR 87 million** in additional GCF resources for the implementation of the Funded Activity.

This request is made pursuant to GCF Board Decision B.21/15, under which the GCF Board approved an initial GCF commitment of EUR 87 million and envisaged the provision of additional GCF resources through subsequent commitments, subject to the fulfilment of specified conditions.

These provisions are reflected in Clause 9.04 of the Funded Activity Agreement (FAA), which provides for two additional commitments of up to EUR 87 million and EUR 54 million, respectively (“Tranche 2” and “Tranche 3”).

EBRD confirms that the relevant conditions for the release of Tranche 2, as set out in Clause 9.04 of the FAA, have been satisfied. Supporting evidence demonstrating compliance with these requirements is provided in the enclosed **Request for Subsequent Commitment** and its annexes.

On this basis, EBRD respectfully requests GCF Board approval for Tranche 2 in the amount of EUR 87 million under FP086 Green Cities Facility.

The EBRD looks forward to GCF’s favourable consideration of this request and remains at GCF’s disposal should any further information or clarification be required.

Yours sincerely,



By: _____
Camilla Otto
Director, Donor Partnerships
European Bank for Reconstruction and Development

Annex III: FP086 tranche 2 request

The tranche 2 request with respect to FP086, “Green Cities Facility”, is shown below.



Tranche 2 Request with respect to the Funded Activity: FP086 “Green Cities Facility”

Note to accredited entities on the use of the Restructuring Proposal template

- Sections **A, B, C, D** and **E** of the Tranche Proposal require detailed inputs from the accredited entity.
- The total number of pages for the Tranche Proposal (excluding annexes) is expected not to exceed 50.

Please submit the completed form to:

OPM@gcfund.org

Please use the following name convention for the file name:

“[FP]-[Agency Short Name]-[Date]-[Serial Number]”

A.1.1 PROJECT/PROGRAMME MILESTONES					
Date of Board Approval	B.21 17-20/10/2018				
Date of Signature	02/07/2019				
Date of Effectiveness	18/09/2019				
Closing Date	18/09/2028	Revised/Proposed Closing Date	31/12/2030		
Project Completion date	18/09/2038	Revised/Proposed Completion Date	31/12/2040		
Number of Disbursements to date (by instrument - loans, grants, equity)	7 disbursements – 4 disbursements of Non-Reimbursable Funds and 3 disbursements of Reimbursable Funds.				
	FP086 - Disbursements [GCF -> EBRD]				
	No.	Date received	Instrument	Amount	Cumulative
	1	19.11.2019	Non-reimbursable – TA grant	€ 5,500,000	€ 5,500,000
	2	13.05.2020	Reimbursable – Loan	€ 10,000,000	€ 15,500,000
	3 / 4	06.07.2023	Non-reimbursable – Inv. grant	€ 14,000,000	€ 29,500,000
		06.07.2023	Reimbursable – Loan	€ 3,800,000	€ 33,300,000
	5	17.10.2025	Non-reimbursable – Inv. grant	€ 1,000,000	€ 34,300,000
	6	26.02.2026	Non-reimbursable – TA grant	€ 1,500,000	€ 35,800,000
	7	01.09.2026	Reimbursable – Loan	€ 16,650,000	€ 52,450,000
		01.09.2026	Reimbursable – Loan	\$ 2,000,000	~ € 54,175,105 (USD/EUR = 0.862552)
	Total GCF→EBRD disbursed			~ € 54,175,105	
AE Fee disbursed			€ 2,660,000		
Total disbursed Amounts (by instrument-loans, grants, equity)	Loans EUR 30,450,000 Loans USD 2,000,000 Grants EUR 22,000,000 (TA & Investment Grants)				
Undisbursed amounts (by instrument-loans, grants, equity)	Loans ~ EUR 32,824,895				
Cancelled amounts (broken down by instrument - loans, grants, equity)	N/A	Cancellation date	N/A		

A.2. RATIONALE AND EVIDENCE SUPPORTING THE REQUEST FOR SUBSEQUENT COMMITMENT

Please provide a brief description of the proposed changes to the project/programme, including the rationale and justification for the restructuring changes including the objectives and primary measurable benefits (see [investment criteria in section E](#)). The detailed description can be elaborated in [section C](#).

1. Preamble and Background of the Request

In 2018, the European Bank for Reconstruction and Development (“EBRD”) submitted Funding Proposal **FP086 “EBRD- GCF Green Cities Facility”** (“the Facility”) to the GCF Board, requesting a total GCF contribution of **EUR 228 million** to support cities and municipalities in addressing urgent climate mitigation and adaptation challenges. The Facility initially covered nine Host Countries and was subsequently expanded to 15 Host Countries.

The Facility is built on an evidence-based approach that systematically **identifies, prioritises and finances transformational urban climate investments at scale**. Central to this approach is the development of a Green City Action Plan (“GCAP”), through which the city’s baseline environmental performance is benchmarked from a set of quantitative and qualitative indicators. The GCAP identifies priority challenges and investment needs, while establishing short-term actions, medium-term targets and a long-term vision through a structured stakeholder consultation process.

The Facility addresses multiple barriers to climate action, including:

- A) a lack of systematic and comprehensive approaches to address climate change in urban planning,
- B) access to finance for climate-focused infrastructure investments,
- C) high up-front costs and longer return periods for climate-focused infrastructure and technologies,
- D) access to capital markets,
- E) inadequate policies and regulations to incentivise climate investments, and a
- F) lack of relevant capacities, experience, and technical knowledge in municipalities.

To overcome these barriers, the Facility combines four integrated components: (i) **strategy and policy support**, primarily through the GCAPs; (ii) **financing for Green Cities infrastructure investments**; (iii) **capacity building, technical assistance and knowledge sharing**; and (iv) **support for access to green finance**. Together, these pillars support a sustained paradigm shift toward low carbon, climate resilient urban development.

Overall, GCF support enables cities to undertake more ambitious climate investments, accelerate the deployment of innovative low-carbon and climate-resilient solutions, and advance projects that face affordability, bankability or financing constraints. Through its concessional financing instruments and technical assistance, the Facility helps overcome market barriers, mobilise additional public and private capital, and facilitate investments that may not proceed on purely commercial terms.

The EBRD’s funding proposal was approved by the GCF Board in 2018 under Decision B.21/15. The approval authorised an initial GCF commitment of EUR 87 million and envisaged the commitment of additional GCF resources through subsequent funding requests (“Subsequent Commitments”), subject to the fulfilment of specified conditions. These provisions were subsequently reflected in Clause 9.04 of the FAA, which provides for two additional commitments of up to **EUR 87 million** and **EUR 54 million**, respectively (“Tranche 2 and Tranche 3”).

The purpose of this submission is to demonstrate EBRD's fulfilment of the specified conditions, its readiness to effectively deploy additional GCF resources, and to formally request GCF's commitment of the second tranche of EUR 87 million.

2. Demonstrated Fulfilment of the Board Conditions for Subsequent Commitment

Table 1 below summarises the conditions established by the GCF Board and EBRD's fulfilment thereof. To facilitate the Board's review, the subsequent sections are structured to demonstrate EBRD's **implementation track record** under Tranche 1, including **adaptive management measures** and **lessons learned**, and how these have contributed to the **successful** uptake of Component 2 (concessional loans and investment grants) and the development of **a mature pipeline** of eligible sub-projects requiring additional GCF resources.

Together, this evidence provides the basis for EBRD's request for the commitment of the second tranche of EUR 87 million.

FAA Clause 9.04

(a) The Accredited Entity shall, if it wishes to seek a Subsequent Commitment, provide to the Fund, in form and substance satisfactory to the GCF no later than one (1) year prior to the Closing Date:

Requirement	Current Status
(i) A request for approval by the Board of the Subsequent Commitment, specifying the amount requested by the Accredited Entity, which shall be in an amount: (1) on the first occasion, no greater than eighty-seven million Euro (EUR87,000,000) or equivalent; and (2) on the second occasion, when aggregated with the amounts previously approved by the Board, no greater than two hundred twenty-eight million Euro (EUR228,000,000) or equivalent;	Satisfied: Through this request, EBRD seeks Board approval for the commitment of the second tranche in the amount of EUR 87 million.
(ii) Evidence that at least seventy per cent (70%) of the funds previously disbursed by the GCF have been cumulatively committed by the accredited entity for the implementation of the funded activity;	Satisfied: The EBRD confirms that based on latest figures of the Financial Report H1 2026, which has been shared with the GCF Secretariat for review, ~ 95 % of the funds previously disbursed by the GCF have been cumulatively committed for the implementation of the Funded Activity as detailed in Section A.2 below, therefore satisfying the condition provided by FAA Clause 9.04 (a) (ii) . As highlighted under 3.3 of this section, this reflects the accelerated implementation of Component 2 and the continued conversion of the Facility's pipeline into approved and committed investments. These figures are further detailed in the recent Financial Report for H1 2026, which has been submitted to GCF in September 2026, ahead of the deadline in October 2026. EBRD anticipates requesting the final disbursement of Tranche 1 in November 2026.
(iii) An indicative pipeline of activities to be funded in full with the further requested funding and other co-financing available to the accredited entity;	Satisfied: As detailed under 4.1 and 4.2, and as evidenced in the limited distribution annex (Annex 5), EBRD has developed a mature pipeline of eligible investments requiring GCF co-financing alongside EBRD financing. The pipeline spans multiple countries and municipal sectors. The pipeline is the result of seven years of implementation under Tranche 1, sustained engagement with cities and clients, and the progressive maturation of investment opportunities under the Facility. As implementation momentum has accelerated, the resulting financing needs are expected to exceed the resources available under Tranche 1, demonstrating both a clear need for additional GCF resources and EBRD's readiness to deploy Tranche 2 effectively.
(iv) In relation to any activities to be funded by a GCF Non-Reimbursable Funds, an indicative budget by expenditure type, in the form of the Budget in Schedule 2;	Satisfied: The budget has been shared with the GCF Secretariat for review and is included in the limited distribution annex (Annex 5).
(v) Confirmation that the Accredited Entity's board of directors has duly authorized, in principle, its co-financing proportionate to the requested Subsequent Commitment; and	Satisfied: EBRD confirms this requirement is met. For the ease of review, an explanatory note related to EBRD co-financing has been enclosed in Annex 4.
(vi) A document describing any changes required to the funding proposal and the FAA, including such changes to the activities, outputs, outcomes and impacts of the funded activity as are required to reflect the additional activities to be undertaken with the further funding requested.	Satisfied: As outlined in Section A.4, EBRD's implementation experience under Tranche 1 has informed two targeted adjustments to the Facility, namely the integration of Green Finance Roadmaps (GFRs) into the Green City Action Plan (GCAP) process as a dedicated module, and the update of Facility timelines to accommodate the implementation of Tranche 2. These refinements strengthen the delivery of the Facility while preserving its overall scope, activities, intended paradigm shift and technical eligibility criteria.

Table 1: GCF Board Conditions Precedent to a Request for Additional Resources

3. Implementation Experience and Performance Trajectory

3.1 Initial Implementation Constraints

The delivery of Tranche 1 is underway, with especially the **concessional loan component** gaining **strong momentum** over the past nine months. Earlier delays in the deployment of the loan component were primarily driven by external economic, global, and geopolitical shocks that weakened municipal balance sheets and reduced borrowing capacity. As a result, demand for debt financing was more significantly affected than demand for grant support.

Since becoming effective in 2019, the GCF Green Cities Facility has operated in a highly adverse environment, including the height and aftermath of COVID-19, the war in Ukraine (affecting trade, energy supply chains and transport corridors), and ongoing instability in the Middle East.

The Covid-19 pandemic caused **significant financial distress** to municipalities, reducing city revenues and leading to a shift towards sovereign-guaranteed loans, thus limiting direct municipal engagement. The **complex geopolitical context**, including the wars in Ukraine and the Middle East, has further affected the deployment of the Facility. Neighbouring countries have faced significant spillover effects, including the destruction of infrastructure and, in conflict-free areas, increased pressures and strain on infrastructure and services due to the influx of refugees. Beyond these direct impacts, broader regional consequences – including sanctions, disruptions to commodity supplies and supply chains, elevated prices, and geopolitical uncertainty – have further strained operating environments across EBRD countries of operation. In combination with severe currency devaluations and regional macroeconomic instability, the Facility's original structure was no longer fully aligned with the evolving operating environment.

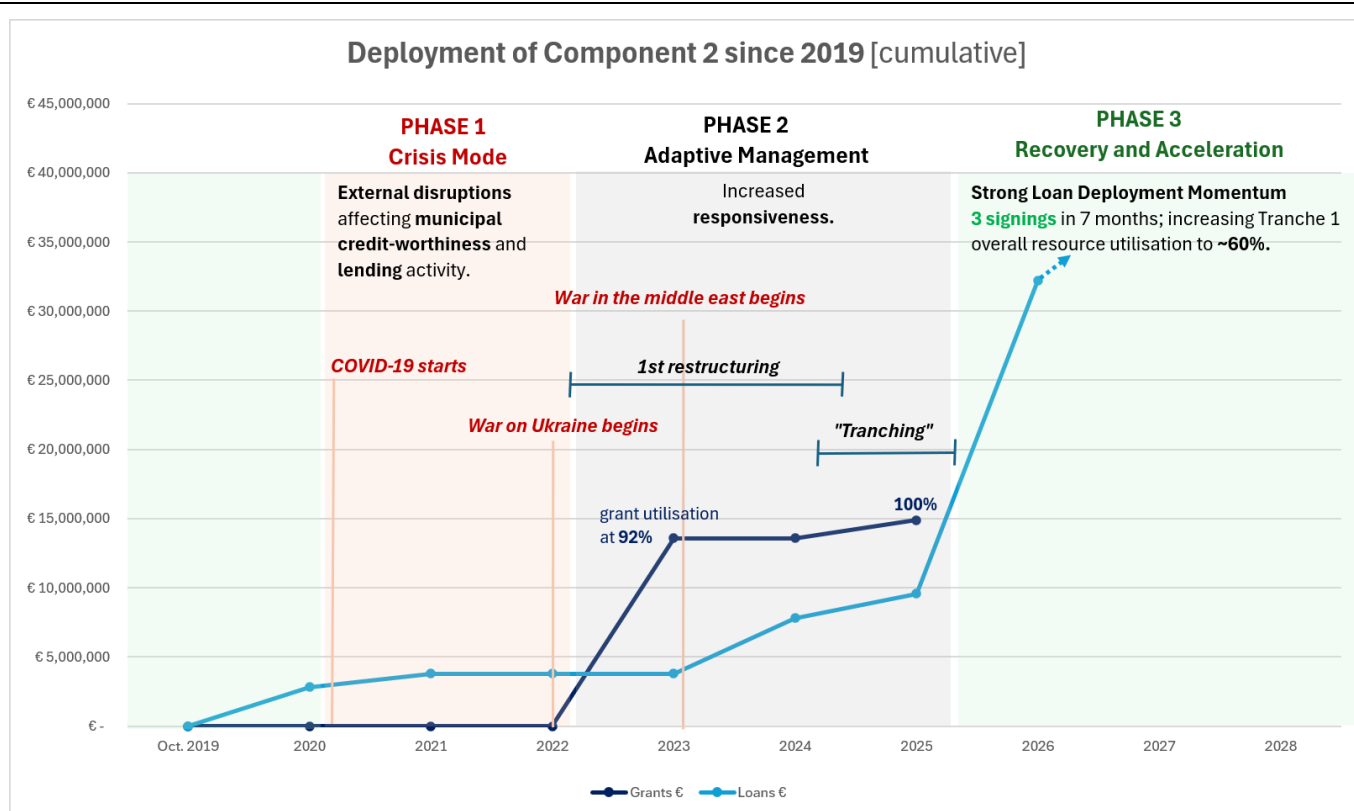
3.2 Restructuring and Corrective Measures Undertaken

To mitigate these externalities, EBRD prepared a change request that was approved by the GCF Operations Committee and GCF Board in September and October 2023, respectively. Among other enhancements to the Facility's terms and conditions, the restructuring responded to evolving municipal needs by expanding sectoral eligibility to transport mitigation and small-scale energy projects, while placing greater emphasis on **project preparation**. A second change request, approved in Q3 2025, introduced tranche-based structuring, enhancing flexibility and enabling a more phased approach to project delivery. These adjustments have materially improved the Facility's responsiveness to client needs and market conditions, **resulting in a substantial pipeline build-up and the accelerated utilisation of GCF loan proceeds** (see Graph 1 below).

All **adaptive management measures** were informed by EBRD's continuous engagement with participating cities, including insights gained through the preparation of 50 Green City Action Plans (GCAPs) under the wider Green Cities programme and the implementation of Green Finance Roadmaps (GFRs) under Component 4. These experiences have enabled EBRD and GCF to proactively adapt the Facility to evolving market conditions and client needs while remaining fully aligned with its original objectives. Accordingly, and aside from the proposed integration of GFRs into GCAPs (see Section A.4 for further details), EBRD does not propose any material changes for Tranche 2. **The overall scope, theory of change, activities, intended paradigm shift and technical eligibility criteria will remain unchanged from Tranche 1.**

3.3 Implementation Performance Following Adaptive Management Measures

As of 30 June 2026, EBRD's utilisation of the full Tranche 1 envelope rapidly accelerated, reaching almost 60%. Investment Grants (Component 2) have been fully deployed in 2025, technical assistance (TA) grants are nearing full utilisation, **and use of the concessional loans under Component 2 has gained unprecedented momentum, including three sub-project signings since December 2025 totalling around EUR 24.4 million in GCF funding** (see Graph 1):



Graph 1: Utilisation of Tranche 1 GCF Funds for Component 2 since 2019

Based on the indicative pipeline, EBRD expects to fully commit Tranche 1 loan resources in 2026, with **expected overutilisation (exceeding available funds) by end 2026**. Although these figures may evolve, they underscore the strength of the indicative pipeline. The pipeline maturity is further evidenced by the significant increase in project preparation and implementation assignments over the past 12 months.

The significant acceleration in sub-project signings under Component 2 has resulted in **roughly 95 per cent of GCF resources disbursed to EBRD being committed**. Measured against the full Tranche 1 envelope, commitments stand at almost 60 per cent (see Graph 1 above), with over-utilisation expected in 2026 as highlighted in the table provided in the limited distribution annex (Annex 5).

All approved sub-projects are progressing in line with their implementation schedules and the anticipated milestones following signing. Following sub-project signing, implementation typically involves several years of preparatory activities, including the establishment of project implementation units, completion of detailed designs, securing regulatory approvals and permits, procurement of goods, works and services, and – ultimately – **construction**. EBRD disbursements to clients only occur when eligible expenditures are incurred and corresponding disbursement requests are submitted to the Bank. To maintain effective control over the use of proceeds, EBRD disburses funds only against invoices supporting the requested payments. Consequently, downstream disbursements to clients are distributed across the construction period and are expected to increase progressively as implementation advances. To date, the expenditure performance of clients remains fully consistent with expectations for large-scale municipal infrastructure investments, which typically have implementation and construction horizons extending well beyond a decade.

3.4 Expected Impact under Tranche 1

Facility is expected to deliver significant mitigation and adaptation benefits under Tranche 1, including emissions reductions through cleaner transport and energy systems, as well as enhanced urban resilience through nature-based solutions, modernised water and waste infrastructure, and climate-resilient housing. Detailed information on realised results is reported through the Facility's Annual Performance Report ("APRs"). A public version of the latest APR has been made available to GCF for publication on its website, while an overview of the expected impacts is included in the limited distribution annex (Annex 5). In addition to the impacts above, the following key milestones have been achieved under Tranche 1:

- **Component (1) – Completion of eight Green City Action Plans (“GCAPs”):**
 - **Skopje GCAP (North Macedonia)** – completed in July 2020 and adopted in October 2020.
 - **Amman GCAP (Jordan)** – completed in November 2020 and adopted in June 2021.
 - **Balti GCAP (Moldova)** – completed and adopted in November 2021.
 - **Brcko GCAP (Bosnia and Herzegovina)** – completed and adopted in September 2024.
 - **Samarkand GCAP (Uzbekistan)** – completed in October 2024 and adopted in April 2026.
 - **Agadir GCAP (Morocco)** – completed in December 2024 and adopted in May 2025.
 - **Shymkent GCAP (Kazakhstan)** – completed in December 2024.
 - **Novi Sad GCAP (Serbia)** – completed in April 2025 and adopted in March 2026.

Across the EBRD Green Cities programme (including all EBRD countries of operations), 50 GCAPs have been completed to date. EBRD conducts annual monitoring and reporting on GCAP implementation, and in the latest 2025 assessment, 76% of the GCAP actions across all completed GCAPs have either been implemented or are currently underway. For cities with an adopted GCAP, average number of green investments per city is 11, including both projects financed with the Bank under EBRD Green Cities and GCAP investment actions that the cities are working to finance with other organisations, and/or their own budget. To date, EBRD has financed 113 Green Cities projects that support the actions, objectives and priorities of the cities.

- **Component (2) - Preparation and signing of ten Green Cities sub-projects, targeting climate change mitigation and adaptation measures:**
 - **Amman Electric Bus (Jordan)** – signed in 2020. The buses were delivered in 2025.
 - **Balti District Heating Phase 2 (Moldova)** – signed in 2021. Implementation underway.
 - **Tbilisi Metro Modernisation Tranche 1 (Georgia)** – signed in 2023. Implementation underway.
 - **Chisinau River Bic Rehabilitation and Flood Protection (Moldova)** – signed in 2023. Implementation underway.
 - **Ulaanbaatar Green Affordable Housing (Mongolia)** – signed in 2023. Implementation underway.
 - **Tbilisi Waste Treatment (Georgia)** – signed in 2024. Implementation underway.
 - **Osh Water Phase III (Kyrgyz Republic)** – signed in June 2025. Implementation underway.
 - **Cell 5 Capping Project (Jordan)** – signed in December 2025. Implementation underway.
 - **Bishkek District Heating Networks (Kyrgyz Republic)** – signed in June 2026. Implementation underway.
 - **Bishkek District Heating projects (Kyrgyz Republic)** – signed in June 2026. Implementation underway.

- **Component (3) – Completion of 49 technical assistance assignments and capacity buildings activities since the inception of the Facility, two knowledge sharing forums as well as quarterly Green City Officers Network workshops.**

Those assignments include technical assistance funded by GCF, for example the feasibility study for the signed Chisinau River Bic Flood Protection Project, alongside technical assistance funded by other donors (including EBRD Shareholders Funds), such as the due diligence and procurement support for the Amman Electric Bus Project. In addition to technical assistance for sub-project development, activities under this Component included quarterly dedicated capacity buildings workshops for municipal stakeholders (the Green City Officers network), as well as gender and economic inclusion dedicated technical assistance and capacity building. Further, multiple knowledge sharing events, including two Green Cities events, were organised under this Component. A more detailed overview of GCF funded assignments under **Component 3** can be found in Annex 3.

- **Component (4) – Completion of a Green Finance Roadmap.**
 - **Tirana Green Finance Roadmap (Albania)** – completed and published by the Municipality in 2022 and based on the Tirana GCAP defining a pathway for the City to green financial resources and access private-sector capital.

4. Readiness for Tranche 2 Deployment

The implementation progress achieved under Component 2 and the climate impacts expected from Tranche 1 as a whole, demonstrate both the effectiveness of the Facility's delivery model and the **continued demand for concessional climate finance**. Building on this track record, EBRD has developed a mature pipeline of eligible investments and is well positioned to deploy additional GCF resources efficiently and at scale. **The following section therefore sets out the rationale for the commitment of Tranche 2 resources at B.46.**

4.1 Established Pipeline and Demand for Additional Resources

Reflecting the strong momentum of the Facility and leveraging the lessons learned, EBRD has established a strong pipeline of eligible investments across multiple sectors and countries, as presented in the limited distribution annex (Annex 5).

The Facility's pipeline has continued to mature in line with previous projections. Notably, **the Bishkek District Heating and Bishkek District Heating Networks sub-projects**, which formed part of the indicative pipeline previously presented to the GCF, were **signed in June 2026**, demonstrating the Facility's ability to convert pipeline opportunities into financed investments.

Project preparation is also progressing across the broader indicative pipeline. This includes the procurement and mobilisation of consultants to undertake comprehensive technical, financial, environmental and social due diligence.

Based on current pipeline projections, EBRD expects to fully utilise Tranche 1 resources during 2026, while a strong pipeline for 2027 and beyond demonstrates sustained demand for GCF co-financing. **As GCF resources must be available at the time individual sub-projects are approved by the EBRD Board, timely commitment of Tranche 2 is essential to avoid a funding gap and ensure the uninterrupted progression of eligible investments.** Approval of Tranche 2 in October 2026 will enable EBRD to maintain the carefully crafted momentum and build on seven years of project preparation, municipal engagement and pipeline development, translating a mature pipeline of climate investments into financed projects that deliver tangible climate impact.

4.2 Strategic Outlook Tranche 2

In the broader strategic context, the Bank recently updated its Green Economy Transition (GET Strategy)² and has set out its approach to nature³. These developments reinforce the Bank's long-term ambitions on climate action, resilience, biodiversity and nature-related investment – areas that are central to the Facility. These enhancements are expected to strengthen the Facility's theory of change and its paradigm-shifting impact by supporting deeper policy engagement and upstream work in host countries, leading to increased interest in nature-related sub-projects under Tranche 2.

Such sub-projects are expected to deliver benefits including biodiversity enhancement, improved ecosystem services, and stronger water-resource management. They will also contribute to resilience outcomes by reducing climate-related vulnerabilities. In parallel, GCAPs will continue to identify priority mitigation, adaptation, environmental, and nature-positive investments, supported by targeted technical assistance and capacity building to help cities prepare and deliver ambitious sub-projects.

5. Country Support of EBRD's Request for Subsequent Commitment

EBRD is periodically engaging with relevant National Designated Authorities (NDAs) to keep them updated about the progress of GCF-funded activities. Outreach is generally conducted via email, and meetings to discuss specific questions or concerns are scheduled on an ad-hoc basis with relevant NDAs. For the subsequent commitment, EBRD is pleased to **confirm strong country ownership and NDA support**. In line with the GCF Policy on Restructuring and Cancellation (PRC) (GCF/B.21/32), the EBRD initiated consultations with all 15 countries in December 2025. As a result, each NDA confirmed – either via email or through the 30-day non-objection process – **that their existing NOLs remain valid for the EBRD's Tranche 2 request**.

² EBRD's GET Strategy is publicly available on the Bank's website: <https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-environmental-social-sustainability/EBRD-green/Green-Economy-Transition-Paris-alignment.html#>

³ [EBRD launches approach to nature](#)

For reference, an overview of engagement to date is provided below.

Country	Communication sent to NDA?	Date of communication informing the NDA	Status of NOL
Jordan	Yes	17/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Morocco	Yes	17/12/2025	NOL remains valid (confirmed via email dated 17/12/2025)
Tunisia	Yes	17/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Kyrgyz Republic	Yes	30/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Mongolia	Yes	24/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Kazakhstan	Yes	23/12/2025	NOL remains valid (confirmed via email dated 20/01/2026)
Armenia	Yes	18/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Georgia	Yes	18/12/2025	NOL remains valid (confirmed via email dated 16/01/2026)
Moldova	Yes	15/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Tajikistan	Yes	19/12/2025	NOL remains valid (confirmed via email dated 22/12/2025)
Uzbekistan	Yes	19/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Albania	Yes	17/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Bosnia and Herzegovina	Yes	17/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)

North Macedonia	Yes	17/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)
Serbia	Yes	17/12/2025	NOL remains valid (confirmed through 30 days non-objection as per PRC)

Table 2: NOL Status Overview

Overview of Legal Agreements

- Funded Activity Agreement with Effective Date 18 September 2019 between EBRD and GCF (the “FAA”).
- Side Letter No. 1 to the FAA for FP086 Green Cities Facility dated 9 May 2024.
- Amended and Restated FAA for FP086 Green Cities Facility dated 16 September 2025.
- Side Letter No.2 to the FAA for FP086 Green Cities Facility dated 03 March 2026

A.3. Is there any deviation from the AMA required for this project? Yes ☐ No ☒ If yes, please elaborate and justify why	
N/A	
Change in Implementing/Executing Agency	Yes [] No [X]
Change in Project's Objectives	Yes [] No [X]
Change in Results Framework	Yes [X] No change in methodology/structure; proportional scaling of cumulative targets No []
Change in Expected Impact	Yes [X] No change in methodology/structure; proportional scaling of cumulative targets No []
Change in Legal Terms, Conditions and Covenants	Yes [] No [X]
Change in Closing Date(s)	Yes [X] No []
Change in Completion Date	Yes [X] No []
Change in Technical/Project Design	Yes [] No [X]
Change in Scope	Yes [] No [X]
Any Cancellations Proposed	Yes [] No [X]
Change to Financing Plan	Yes [] No [X]
Changes to GCF Financing Amount	Yes [X] No change in financing structure and instruments; proportional scaling Tranche 1 budget. No []
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [] No [X]
Change in Disbursement Estimates	Yes [] No [X]
Change to Components and Cost	Yes [] No [X]
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [] No [X]

<i>Change in Procurement</i>	Yes []	No [X]
<i>Change in Implementation Schedule</i>	Yes [X]	No []
<i>Change of ESS category</i>	Yes []	No [X]
<i>Other Changes to Safeguards</i>	Yes []	No [X]
<i>Change in Economic and Financial Analysis</i>	Yes []	No [X]
<i>Change in Technical Analysis</i>	Yes []	No [X]
<i>Change in Environmental and Social Analysis</i>	Yes []	No [X]
<i>Change in Risk Analysis</i>	Yes []	No [X]
<i>Other Change(s)</i>	Yes []	No [X]

A.4 REQUEST TO THE GCF BOARD AND GCF OPERATION COMMITTEE

The Accredited Entity requests approvals by GCF Board and the GCF Operation Committee as follows:

- **A – Request to the GCF Board** - Subsequent Commitment of GCF Proceeds.
- **B – Request to the GCF Operations Committee:** Complementary changes to accommodate the request of Tranche 2:
 - Change 1: Adjustment of Facility timelines.
 - Change 2: Adjusting the Repayment Period/Loan Tenor to align with the new timeline.
 - Change 3: Incorporation of Green Finance Roadmaps into GCAPs to enhance outcomes.

A – Request to the GCF Board

Request 1: Subsequent Commitment of GCF Proceeds

In accordance with Decision B.21/15 and Clause 9.04 of the FAA, EBRD hereby requests the commitment of the second tranche of GCF resources in the amount of EUR 87 million under FP086 ("Tranche 2"), as detailed below. As demonstrated in Section A.2, this request is supported by EBRD's implementation experience under Tranche 1, including lessons learned, adaptive management measures and the development of a mature pipeline of eligible investments requiring additional GCF co-financing. EBRD further confirms that all conditions precedent set out in FAA Clause 9.04 have been fulfilled.:

- As set out in **Recital F** of the FAA, the EBRD requests **EUR 87,000,000** in GCF proceeds as a subsequent commitment under the Funded Activity FP086 ("Tranche 2"). This will increase the total GCF funding to EUR 174,000,000 of the originally requested EUR 228,000,000.
- **Co-financing:** Please refer to **A.9.2** for information on **complementary co-financing**.
- Please note that Tranche 2 shall follow the same budget split as Tranche 1 (see table below).

Budget

<i>Project Output/Component</i>	<i>Project Sub-component</i>	<i>Tranche 1 GCF Contribution (in million EUR)</i>	<i>Tranche 2 GCF Contribution (in million EUR)</i>	<i>Comments</i>
Component 1 Green City Action Plans and Policy Dialogue	-	1	1	
Component 2 Green City Infrastructure Investment	Subcomponent 2.1 Green City Infrastructure Investments (Loans)	65	65	

	Subcomponent 2.2 Green City Infrastructure Investments (Grants)	15	15	
Component 3 Technical Assistance and Capacity Building	-	5.5	5.5	
Component 4 Green Finance Roadmaps	-	0.5	0.5	From Tranche 2, Green Finance Roadmap will be integrated as a module in the Green City Action Plans. For more detail, please refer to “Change 3” below.
Total		87	87	

Table 3: Requested Budget

Given the robust pipeline of sub-projects requiring a combination of loan and grant financing, and based on both EBRD’s implementation experience under Tranche 1 and the findings of the Independent Interim Evaluation, the financing allocation and instrument split applied under Tranche 1 will be retained for Tranche 2. The Facility’s instruments serve distinct and complementary functions, each addressing specific barriers faced by cities and clients:

- **Technical assistance and capacity-building grants** are essential to strengthen technical expertise, support policy development, and prepare the Green City Action Plans (GCAPs) that underpin priority investments.
- **Investment grants** remain in strong demand, particularly for innovative, adaptation-focused and non-revenue-generating sub-projects, where they are critical to advancing the Facility’s climate ambition by enabling investments that would otherwise not proceed. A good example is the Chisinau River Bic project, which is the first time that the EBRD has formally implemented a nature-based solution into a project. This was made possible due to the GCF EUR 4 million CAPEX investment grant ([link](#)).
- **Concessional loans** play a key role in encouraging investment in more ambitious low-carbon and climate-resilient infrastructure by addressing high upfront costs, improving project bankability, and facilitating long-term market transformation.

B – Request to the GCF Operations Committee: Complementary changes to accommodate the request of Tranche 2:

Change 1: Adjustment of Facility Timelines

To ensure a successful implementation of the subsequent commitment, the EBRD requests the GCF’s consent to amend the Facility Timelines as follows:

	Effective Date	Closing Date	Completion Date
Previous Timeline (amended through Side Letter No.1, dated 9 May 2024).	18.09.2019	18.09.2026 (7y)	18.09.2036 (17y)
Updated Timeline 1.0 (amended through Side Letter No. 2 signed in March 2026 “Extension Request”)	18.09.2019	18.09.2028 (9y)	18.09.2038 (19y)
Updated Timeline 2.0 (after “Subsequent Commitment”)	18.09.2019	31.12.2030 (~11y)	31.12.2040 (~21y)

Table 4: Timeline

The suggested timeline for Tranche 2 builds on the recently approved request for a two-year extension (see Side Letter No. 2, signed March 2026) and aligns with the typical sub-project approval cycles (where Q4 is a crucial month). The updated timeline represents an accelerated implementation for Tranche 2 resources, supported by EBRD's delivery experience under Tranche 1 and the strong indicative pipeline for Tranche 2.

The proposed timeframe remains ambitious yet realistic, recognising both the potential impact of external shocks, including the war in Ukraine and conflict in the Middle East, and the inherent complexity of preparing and delivering large-scale infrastructure investments. These factors necessitate a sufficient timeframe to effectively engage clients, including sovereigns and municipalities, which typically operate with long lead times (including governmental approvals). For further information on the ongoing challenges related to the implementation of the Facility and their mitigation, please kindly refer to section A.8.

The proposed timeline is intended to:

1. Reflect the delivery experience gained under Tranche 1 by proposing an accelerated implementation timeline for Tranche 2 resources.
2. Ensure adequate time for planning, comprehensive preparation, commitment, and execution of sub-projects with EBRD's clients under Tranche 2.
3. Maximise implementation efficiency by reducing the administrative burden on both GCF and EBRD associated with extension requests.

To reflect the proposed timeline, the definition of "Closing Date" as per FAA would require amendments. Likewise, the definition of "FAA Tenor" as per FAA shall be rephrased to match the timeline shown in Table 4.

Change 2: Adjusting the Repayment Period/Loan Tenor to align with the new timeline

To align with the updated Facility implementation timeline, it is required to slightly amend **Schedule 8** "Repayment Period/Loan tenor" of the FAA.

Change 3: Incorporation of Green Finance Roadmaps into GCAPs to Enhance Outcomes

Based on **lessons learnt** from Tranche 1, under Tranche 2, Component 4 - Green Finance Roadmaps ("GFR"), will be implemented as an integrated module within the Green City Action Plan ("GCAP") development process. The EBRD has recently conducted a comprehensive review of its GCAP Methodology, refining it to better align with ⁴ needs and priorities.⁵

The **key lesson learnt** with respect to the GCAP and GFR development process was that cities often struggle with multiple, fragmented strategy documents, action plans, and roadmaps that are not fully aligned. This fragmentation can lead to inefficiencies and challenges in implementation. To address this, EBRD proposes integrating all relevant policy work under the umbrella of the GCAP. According to the updated GCAP methodology, where appropriate, a targeted deep-dive into a key theme, in this case a dedicated *Green Finance Roadmap* module, may be developed within the GCAP to enhance synergies between urban sustainability planning and financial strategy development. This is expected to enhance coordination, enable greater stakeholder coverage, ensure stronger engagement with financial actors, foster synergies between these two currently disparate processes, and ultimately assist to attract private capital towards green actions in cities. It will also increase project efficiency and thereby delivery, as also confirmed as part of Independent Interim Evaluation:

*"According to the EBRD, in the future it intends to introduce "Green Finance Roadmaps" as an optional module (a sectoral/thematic deep dive) to GCAP development. If a city needs a "Green Finance Roadmap", the EBRD will be able to support tailoring the GCAP accordingly with relevant modules added. This would be the case both within and beyond the Facility. **The planned development would increase the effectiveness of the Facility**" (see IIE report, page 24, emphasis done by EBRD).*

⁵ The updated GCAP methodology reflects a decade of experience and engagement. It builds on extensive internal and external consultations, incorporating feedback from cities and consultants gathered over 10 years of implementation, as well as insights from an independent external review. The revised GCAP methodology is now publicly available: [Publications](#) » [EBRD Green Cities](#).

Please note that this adjustment will **not have any impact on the Theory of Change or the Logical Framework** (see Annex 1 and Annex 2). While some editorial changes to the FAA may be required to illustrate the new implementation modality, no changes to the legal terms are foreseen.

C – Confirmation of No Additional Changes

Logical Framework:

- No structural or methodological changes to the Logical Framework are foreseen. EBRD expects to follow the previously GCF-approved structure of Tranche 1, thus amplifying the expected outputs, results and impacts (see Annex 2). As such, the targets of the LogFrame will be scaled proportionally to Tranche 1 targets.

EBRD's decision to scale Facility targets proportionally for Tranche 2 is informed by (i) **a review of expected results under Tranche 1**, (ii) **an assessment of Logical Framework assumptions and approach to confirm their continued applicability**, and (iii) **consideration of the indicative Tranche 2 pipeline**, where appropriate.

Based on this assessment, EBRD concludes that Tranche 1 is well on track to achieve its intended outcomes, as reflected in previous (public) APRs, as well as the overview provided in the limited distribution annex (Annex 5). More broadly, scaling impacts proportionally provide a prudent and consistent basis for monitoring results across Tranche 2 implementation, while preserving comparability with the approach applied under Tranche 1. Further, EBRD has reviewed the underlying Logical Framework assumptions and methodologies to ensure their continued relevance and confirm that the results and outcomes remain appropriate for Tranche 2.

As such, EBRD considers it most appropriate to retain the original approach and scale cumulative targets in proportion to the additional Tranche 2 allocation. This reflects the expected results of the current portfolio, the identical financing structure of the two tranches, and the expectation that future investments will deliver impacts of a similar overall scale. Overall, the proposed targets remain ambitious while being grounded in implementation experience and the expected level of future investment.

Changes to the Theory of Change (ToC)

- The request for subsequent commitment and the related changes are fully aligned with the original Funding Proposal and hence do not affect the approved ToC (see Annex 1). For further information on the expected paradigm shift under Tranche 2, please refer to **Section A.2** ("*Strategic Outlook Tranche 2*").

A.5 PROPOSED CHANGES TO IMPLEMENTATION ARRANGEMENTS

Please describe in detail any changes to the governance structure of the project/programme, including but not limited to the organization structure, roles and responsibilities of the project/programme management unit, steering committee, executing entities and so on, as well as the flow of funds structure. Also describe which of these structures are already in place and which are still pending and which will be new. For the pending and new ones, please specify the requirements to establish them.

Describe construction and supervision methodology with key contractual agreements.

Describe any new operational arrangements with key contractual agreements. If applicable, provide the credit analysis of key counterparties of key contractual agreements and/or structural mitigants to cover the counterparty risks.

No changes to the original Funding Proposal.

A.6. PROPOSED CHANGES TO THE IMPLEMENTATION SCHEDULE AND PROCUREMENT (see limited distribution Annex)

To enable the full deployment of GCF funds and the achievement of the associated impact, it is imperative to adjust the implementation period of the Funded Activity. Therefore, an updated implementation schedule based on the present timeline of the Funded Activity can be found in the limited distribution annex (Annex 5).

A.7. SAFEGUARDS

Describe the main changes in expected outcome of the environment and social impact assessment for the restructured project. Specify the Environmental and Social Management Plan, and how the project/programme will avoid or mitigate negative impacts at each stage (e.g. preparation, implementation and operation), in accordance with the Fund's Environmental and Social Safeguard (ESS) standard. Also describe how the gender aspect is considered/addressed in the restructuring of the project, in accordance with the Fund's Gender Policy and Action Plan.

No changes to the original Funding Proposal.

Green Cities Projects will have to comply with the requirements of EBRD's 2024 Environmental and Social Policy. This was approved by the EBRD Board in October 2024 following an extensive public consultation. This revised policy contains multiple enhancements in EBRD's approach and standards, including:

Supply chains - broader scope to cover significant risks in core project supply chains.

Human rights - strengthening HR due diligence.

Labour and OHS - more emphasis on workers in the labour force, enhancement on road safety and the promotion of digitalisation

Climate – echoing the reference to the Paris agreement in the Policy, including the lowered GHG threshold to 20kt CO₂

Gender and SEAH - clarifying good practice for SEAH, adding child safeguarding and Gender-responsive and inclusive engagement.

Biodiversity - restricted use of offsets. More focus on avoidance of impacts. No-go areas added.

Disclosure - more ex-ante disclosure for 'high risk' Category B. Completion reports for Category A.

A.8. RISKS

Please provide a summary of main risk factors, including any newly identified risks arising from the request of the second tranche.

Please note that the identified risks – as reported in the Annual Performance Reports – apply to the Green Cities Facility in its entirety and thus also for the subsequent commitment. No fundamentally new categories of risk have been identified for Tranche 2. However, implementation experience under Tranche 1 has provided a clearer understanding of the potential scale and interaction of geopolitical, climate-related and municipal financing constraints.

Risk: geopolitical uncertainty and conflict

The geopolitical situation remains highly uncertain and characterised by ongoing conflicts – such as the war on Ukraine or the war in the Middle East – directly affecting the successful implementation of the Funded Activity. Neighbouring countries of these ongoing conflicts are bearing considerable consequences, including the destruction of infrastructure and, in conflict-free areas, increased pressures and strain on infrastructure and services due to the influx of refugees.

Indirect or 'second tier' impacts are also being experienced across other regions, driven by sanctions, disruptions to commodity supplies and supply chains, elevated prices and the evolving geopolitical landscape. Such impacts may constrain municipal borrowing capacity, shift public expenditure towards immediate priorities, delay project preparation and procurement, and disrupt the supply chains and costs associated with urban infrastructure investments. Further geopolitical, macroeconomic or other external shocks could hinder the development of Tranche 2.

Risk: climate impacts

Increasing climate-related risks and their associated impacts in and across cities could also affect implementation. The increasing frequency and severity of, inter alia, extreme weather events, flooding, heat stress, drought, and wildfires, is increasingly apparent every year. These hazards can generate considerable damages to livelihoods, infrastructure, and general business operations within cities, among other possible impacts, which could cause unexpected challenges to programme delivery.

For instance, heavy rains led to significant pluvial flooding in Armenia and Georgia in 2024 and 2025, resulting in fatalities and infrastructure damage, including disrupted transportation links and collapsed bridges. Albania experienced severe heatwaves leading to power outages and wildfires. Wildfire activity extended across the rest of Western Balkans region as well. In the last few years, Mongolia has faced more frequent and stronger than usual winter storms and droughts, and increased *dzud* events⁶ that led

⁶ *Dzud* - a Mongolian term that describes 'severe winter conditions'.

to significant livestock losses (approximately 10% of the livestock in the last decade). The Kyrgyz Republic has seen shrinking glaciers leading to reduced water content and flow in rivers impacting hydropower generation and electricity supply in the country.

Risk: financial distress due to exposure to external shocks

The COVID-19 pandemic significantly affected city finances and the delivery of Tranche 1. It reduced local revenues and borrowing capacity and, in several markets, accelerated a shift towards more centralised financing through sovereign or sovereign-guaranteed structures. Although the immediate effects of the pandemic have receded, municipal borrowing capacity remains constrained in several countries. Continuing geopolitical and macroeconomic uncertainty, as well as potential future external shocks, could place further pressure on municipal finances and affect the pace and structure of investments under Tranche 2.

The EBRD has long championed sub-sovereign lending to cities and is very much seen as leading the way within the Multilateral Development Banks (“MDBs”) community for its experience with this financing structure. However, where financing has shifted towards sovereign or sovereign-guaranteed structures, the ability to promote more innovative financing structures directly with municipalities or municipal companies may be more limited under the Facility. Nevertheless, EBRD continues to promote ambitious green investments and engage with cities through capacity building to support the development of future investment pipeline.

Risk mitigation and adaptive management

EBRD will manage these interrelated risks through continuous country- and city-level monitoring, supported by its resident offices and ongoing engagement with municipal and national counterparts on GCAPs, investments, implementation support and capacity building. Borrower capacity, sub-project bankability, procurement readiness, climate vulnerability and implementation conditions will be reassessed as sub-projects progress through preparation and approval.

The engagement enabled by the GCAP process will further support EBRD’s understanding of evolving climate risks and city priorities through technical assessments and stakeholder engagement. EBRD will seek to ensure that GCAPs remain adaptive and responsive to these developments, supporting the identification or adjustment of actions and their translation into tangible investments that enhance urban resilience and safeguard essential infrastructure and services through the Facility.

The Facility’s multi-country, demand-driven structure provides flexibility to prioritise bankable sub-projects across the 15 eligible host countries and, where necessary, to substitute or amend indicative pipeline investments if conflict, sanctions, fiscal constraints, climate events, supply-chain disruption or other external shocks materially affect their preparation or implementation.

EBRD will report material changes through the Annual Performance Reports and relevant financial reporting and, where necessary, consult GCF regarding any reallocation, restructuring or other remedial action.

Summary

As outlined above, cities and their populations are increasingly burdened by the adverse impacts of accelerated climate change, exacerbated by geopolitical instability, conflict, and sustained financial constraints. These factors significantly undermine their ability to respond effectively to pressing climate challenges. These factors may affect municipal borrowing capacity, project preparation and the pace of Facility delivery, while also reinforcing the urgency of the investments supported by the Facility.

The flexible, multi-country and demand-driven structure of the Facility, together with EBRD’s project-level appraisal, GCAPs and monitoring processes, will enable the programme to respond adaptively as these risks evolve during Tranche 2. Therefore, while the risks identified may indeed represent implementation challenges, they also emphasise the urgent need for GCF concessional finance and the envisaged activities under the EBRD-GCF Green Cities Facility.

A.9.1. UPDATED BUDGET

Project Output/Component	Project Sub-component	Tranche 1 GCF Contribution (in million EUR)	Proposed Tranche 2 GCF Contribution (in million EUR)	Comments
Component 1 Green City Action Plans and Policy Dialogue	-	1	1	
Component 2 Green City Infrastructure Investment	Subcomponent 2.1 Green City Infrastructure Investments (Loans)	65	65	
	Subcomponent 2.2 Green City Infrastructure Investments (Grants)	15	15	
Component 3 Technical Assistance and Capacity Building	-	5.5	5.5	
Component 4 Green Finance Roadmaps	-	0.5	0.5	From Tranche 2, Green Finance Roadmap will be integrated as a module in the Green City Action Plans. Please refer to "Change 3" for more information.
Total		87	87	

A.9.2 CO-FINANCING – after subsequent commitment

	Financial Instrument ⁷	Amount		Currency	Tenor (years)		Pricing (% interest)	
		Tranche 1	Total (Tranche 1+2)		Tranche 1	Tranche 2	Tranche 1	Tranche 2
(a) Total project financing	(a) = (b) + (c)	258.6-289.6	517.2 - 577.2	million euro (€)				
(b) GCF financing to recipient	(i) Senior Loans	65	130	million euro (€)		Same as Tranche 1		Same as Tranche 1
	(iv) Grants	22	44	million euro (€)				

7 Broken down by instrument i.e. (i) Senior Loans; (ii) Subordinated Loans; (iii) Equity; (iv) Guarantees; (v) Reimbursable grants & (vi) Grants

** Please provide any changes to original economic and financial justification for the concessionality that GCF is expected to provide, particularly in the case of grants. Please specify difference in tenor and price between GCF financing and that of accredited entities. Please note that the level of concessionality should correspond to the level of the project/programme's expected performance against the investment criteria.*

EBRD has reassessed the concessionality rationale underpinning the Facility and considers the existing terms and conditions to remain appropriate for Tranche 2. This assessment is based on two main arguments:

First, the barriers, market failures and financing gaps the Facility is designed to address remain materially unchanged from Tranche 1. This is supported by the Independent Interim Evaluation, which confirmed the continued relevance of the Facility's intervention logic, as well as the updated risk assessment, which does not identify any fundamental change in the underlying risk profile (see A.9.2). Accordingly, the assumptions underlying the original financing structure and the calibration of GCF floor pricing continue to be relevant for Tranche 2.

Second, and complementing the above, the pricing, tenor, and terms, etc. – i.e. overall blended finance structure - for each individual sub-project will be reviewed by EBRD. This review is conducted in compliance with EBRD's guidelines on use of Blended Concessional Finance, which are based on the "DFI Enhanced Principles on Blended Concessional Finance for Private Sector Projects". The guidelines apply to both private and public sector projects under the Facility.

These guidelines ensure compliance by assessing each project's use of concessionality has been tailored to the specific characteristics and risks of each project, including country, sector, technology and market risks.

This approach ensures that EBRD's utilisation of GCF resources are aligned with the DFI principles on blending:

1. **Additionality:** Have a clear rationale for the use of concessional resources.
2. **Minimum Concessionality and Crowding-in:** Use only the minimum amount of concessionality required to make a project viable.
3. **Commercial Sustainability:** Support clear paths towards long-term commercial sustainability.
4. **Reinforcing Markets:** Do not distort markets and ultimately seek to reinforce market development.
5. **High Standards:** Use of concessionality promotes adherence to high standards of conduct.

Total requested for Tranche 2	87 (see budget in A 9)	million euro (€)	
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(c) Co-financing to recipient	Financial Instrument	Amount		Currency	Name of Institution	Tenor (years)	Pricing (% interest or IRR for equity)	Seniority ⁸
		Tranche 1	Total (Tranche 1+2)					
	<u>Senior Loans</u>	133	266	m€	EBRD			<u>senior</u>
	<u>Grant</u>	10.6	21.2	m€	Donors			
	<u>Options</u>	25-56	50-112	m€	Local Contributions			
	<u>Senior Loans</u>	3	6	m€	Donors			
Lead financing institution: European Bank for Reconstruction and Development (EBRD)								
<i>* Please provide a confirmation letter or a letter of commitment, for any additional co-financing resulting from changes, issued by the co-financing institution.</i>								

⁸ Seniority categories include Pari-passu; senior; junior

(d)
Financial
terms
between
GCF and
AE (if
applicabl
e)

In cases where the accredited entity (AE) deploys the GCF financing directly to the recipient, (i.e. the GCF financing passes directly from the GCF to the recipient through the AE) or if the AE is the recipient itself, in the proposed financial instrument and terms as described in part (b), this subsection can be skipped.

If there is a financial arrangement between the GCF and the AE, which entails a financial instrument and/or financial terms separate from the ones described in part (b), please fill out the table below to specify the proposed instrument and terms between the GCF and the AE and justify any deviation from initial terms described in the original Funding Proposal/FAA agreement.

Financial instrument	Amount	Currency	Tenor	Pricing
Choose an item.		<u>Options</u>	() years	() %

Note to the GCF: No changes compared to the approved Funding Proposal.

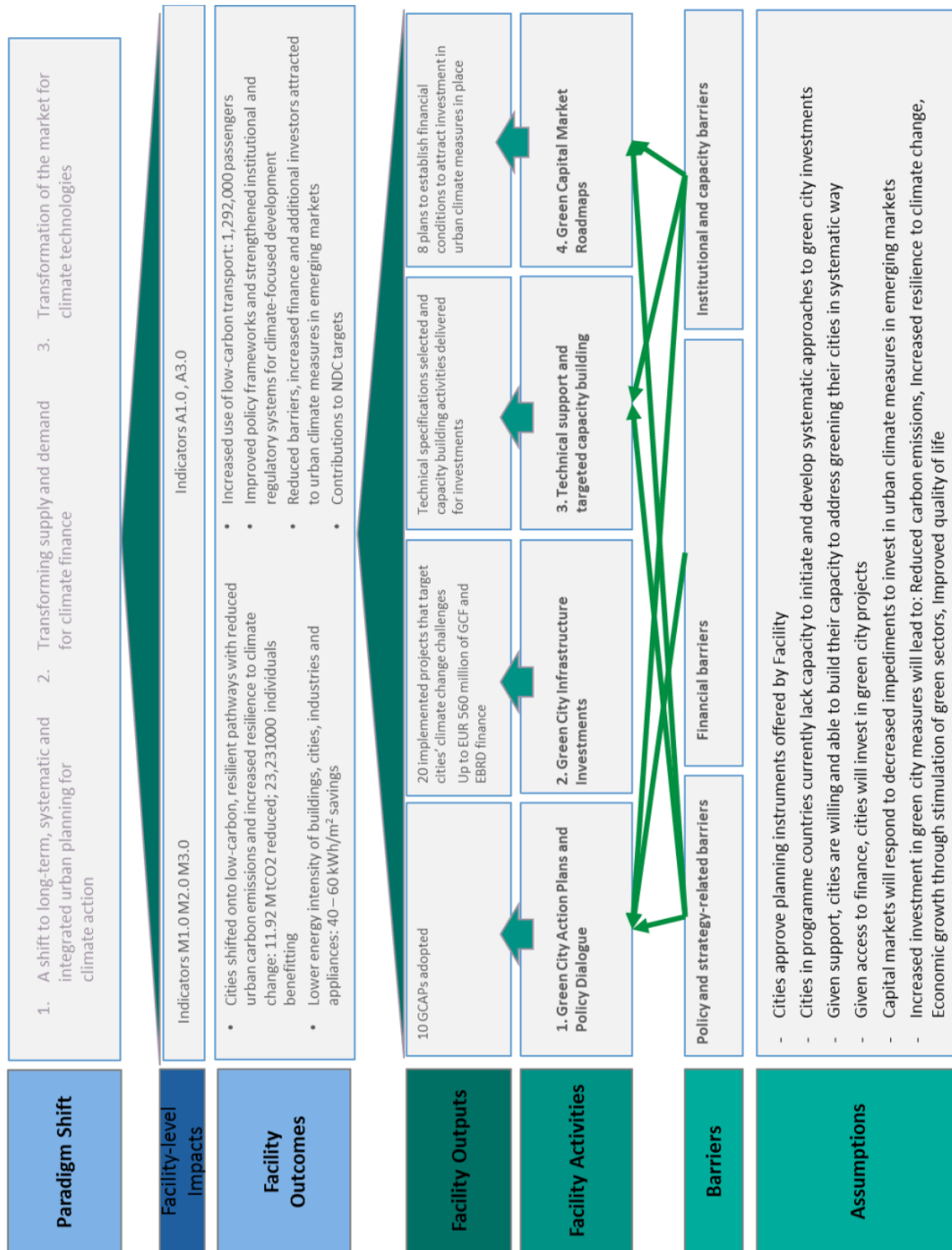
ANNEXES:

1. Theory of Change
2. Revised Logical Framework
3. Overview of GCF-funded Technical Assistance Assignments under Component 3
4. Confirmation and Explanatory Note on the Fulfilment of Clause 9.04(a)(v) of the FAA
5. Limited Distribution Annex



ANNEX 1 - THEORY OF CHANGE

See below. There are no changes to the Theory of Change compared to the approved Funding Proposal.



ANNEX 2 - REVISED LOGICAL FRAMEWORK.

Please update the logic framework in accordance with the GCF's [Performance Measurement Framework](#) under the [Results Management Framework](#).

H.1.1. Paradigm Shift Objectives and Impacts at the Fund level ⁹				
Paradigm shift objectives				
Shift to low-emission sustainable development pathways	Facility targets a profound paradigm shift in urban development in three interlinked ways: 1. A shift to long-term, systematic and integrated urban planning for climate action 2. Transforming supply and demand for climate finance 3. Transformation of the market for climate technologies			
Increased climate-resilient sustainable development				
GCF Core Indicator		Funded Activity Target		
		Targets after first restructuring	Cumulative after subsequent commitment	Assumption
Expected tonnes of carbon dioxide equivalent (tCO ₂ eq) to be reduced or avoided (Mitigation only)	(a) Annual	230,000	460,00	Consistent with Tranche 1
	(b) Lifetime	3,876,000	7,752,000	
Estimated cost per tCO ₂ eq (EUR/tCO ₂ eq)		EUR 56.52 – 62.39/tCO ₂	EUR 56.52 – 62.39/tCO ₂	Consistent with Tranche 1
Expected volume of finance to be leveraged disaggregated by public and private sources ¹⁰ (EUR million)	Public	EUR 171.6 – 202.6	EUR 343.2 - 405.2	Consistent with Tranche 1
	Private			
Expected total number of direct and indirect beneficiaries, disaggregated by gender (reduced vulnerability or increased resilience); Number of beneficiaries relative to total population, disaggregated by gender (adaptation only)	(c) Total	Direct beneficiaries: at least four (4) cities Indirect beneficiaries: Beneficiaries of green city infrastructure projects: 7,900,000 individuals, of which 4,000,000 are women	Direct beneficiaries: at least eight (8) cities Indirect beneficiaries: Beneficiaries of green city infrastructure projects: 15,800,000 individuals, of which 8,000,000 are women	Consistent with Tranche 1
	(d) Percentage (%)	18.1 per cent of population in the Facility’s urban areas	36.2 per cent of population in the Facility’s urban areas	

⁹ Information on the Fund's expected results and indicators can be found in its Performance Measurement Frameworks available at the following link (Please note that some indicators are under refinement):
http://www.gcfund.org/fileadmin/00_customer/documents/Operations/5.3_Initial_PMF.pdf

¹⁰ Since disaggregation between public and private sources was not explicitly stated at the Funding Proposal stage, it will only be possible to report on it once the projects, and all of the respective co-financiers, have been identified. The actual breakdown will be reflected in annual reporting under the Programme.

Expected Result	Indicator	Means of Verification (MoV)	Targets after first restructuring	Cumulative targets after subsequent commitment	Assumptions
Fund-level impacts					
<i>M1.0 Reduced emissions through increased low-emission energy access and power generation</i>	<i>Municipal Energy</i> <i>M1.1 Tonnes of carbon dioxide equivalent (tCO₂ eq) reduced or avoided</i>	Unchanged	0.87M tCO ₂ eq	1.74M tCO ₂ eq	Consistent with Tranche 1
	<i>Sub-indicator</i> Number of projects with gender-sensitive energy access power generation	Unchanged	1	2	Consistent with Tranche 1
<i>M2.0 Reduced emissions through increased access to low-emission transportation</i>	<i>Urban Transport</i> <i>M1.1 Tonnes of carbon dioxide equivalent (tCO₂ eq) reduced or avoided</i>	Unchanged	0.34M tCO ₂ eq	0.68M tCO ₂ eq	Consistent with Tranche 1
	<i>Sub-indicator</i> Number of projects with low emission gender- sensitive- transport	Unchanged	1	2	Consistent with Tranche 1
<i>M3.0 Reduced emissions from buildings, cities, industries and appliances</i>	<i>Low carbon buildings</i> <i>M1.1 Tonnes of carbon dioxide equivalent (tCO₂ eq) reduced or avoided</i>	Unchanged	2.65M tCO ₂ eq	5.30M tCO ₂ eq	Consistent with Tranche 1
<i>A1.0 Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions</i>	<i>A1.2 Number of males and females benefiting from the adoption of diversified, climate-resilient livelihood options.</i>	Unchanged	7.9million and 4.0million	15.8million and 8.0million	Consistent with Tranche 1
<i>A3.0 Increased resilience of infrastructure and the built environment to climate change</i>	<i>A3.1 Number and value of physical assets made more resilient to climate variability and change, considering human benefits</i>	Unchanged	1	2	Consistent with Tranche 1

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H.1.2. Outcomes, Outputs, Activities and Inputs at Project/Programme level

Expected Result	Indicator	Means of Verification (MoV)	Targets after first restructuring	Cumulative targets after subsequent commitment	Assumptions
Project/programme outcomes	Outcomes that contribute to Fund-level impacts				
M5.0 Strengthened institutional and regulatory systems	<i>M5.1 Institutional and regulatory systems that improve incentives for low emission planning and development and their effective implementation</i>	Unchanged	4 GCAPs 1 Green Finance Roadmap	8 GCAPs 2 Green Finance Roadmap	<i>Component 4 will be embedded as a GCAP module into one of the GCAPs.</i>
M7.0 Lower energy intensity of buildings, cities, industries and appliances	<i>M7.1 Improved efficiency of buildings and cities as a result of Fund support</i>	Unchanged	40 – 60 kWh/m ² savings	40 – 60 kWh/m ² savings	
M8.0 Increased use of low-carbon transport	<i>M8.1 Number of additional female and male passengers using low carbon transport</i>	Unchanged	510k passengers 260k female	1,020k passengers 520k female	
A6.0 Increased generation and use of climate information in decision-making	<i>A6.2 Use of climate information products / services in decision making in climate sensitive sectors</i>	Unchanged	4 GCAPs	8 GCAPs	
A7.0 Strengthened adaptive capacity and reduced exposure to climate risks	<i>A7.1 Use by vulnerable households and communities of Fund supported tools, instruments, strategies and activities to respond to climate change and variability (disaggregated by female headed households where feasible)</i>	Unchanged	4	8	

Project Performance Measurements					
1. City-level green strategy and action plans demonstrated (Component 1)	Number of Green City Action Plans (GCAP) developed	Unchanged	4 GCAPs	8GCAPs	
2. Green City Infrastructure Investments demonstrated (Component 2)	Number of projects invested and implemented under the Programme (depending on project size)	Unchanged	At least 5	At least 10	
	Volume of financing for green city measures and technologies	Unchanged	EUR 198 million of GCF Proceeds and Accredited Entity Co-finance	EUR 396 million of GCF Proceeds and Accredited Entity Cofinance	Consistent with Tranche 1. Does not include Donor Co-financing or other Co-financing, or costs for monitoring, reporting and evaluation
3.1 Technical support and capacity building for cities and beneficiaries (Component 3)	Appropriate assessments, analyses, programmes, supporting bodies and initial due diligence completed or established	Unchanged	100 per cent of projects	100 per cent of projects	Consistent with Tranche 1.
3.2 Provide knowledge building opportunities (Component 3)	Number of Green Cities forum events	Unchanged	2 forums	4 Forums	Consistent with Tranche 1.

ANNEX 3 - OVERVIEW OF GCF-FUNDED TECHNICAL ASSISTANCE (TA) ASSIGNMENTS UNDER COMPONENT 3

Technical support and targeted capacity building are a cornerstone of the Green Cities Facility, its intended paradigm shift and the long-term sustainability of investments.

For reference, the list below provides an overview of the assignments **financed through GCF resources** under Component 3 to date. In addition to GCF-funded assignments, sub-projects and activities under the Green Cities Facility benefit from technical assistance, project preparation and capacity buildings support mobilised from other sources, including EBRD's Shareholder Special Fund and the European Union.

Component 3.1 - Provide technical support and capacity building



- Technical assistance including scoping studies, project preparation, Environmental and Social due diligence, technical due diligence, procurement support, feasibility assessment, project implementation support. For example feasibility assessment for Chisinau River Bic Flood Protection Project, due diligence and feasibility assessment for the Bishkek District Heating Modernisation Project or project implementation support for the Ulaanbaatar Green Affordable Housing Project.
- GCF Green Cities Communications.
- Gender and Economic Inclusion TA Framework, with assignments in Tbilisi (Georgia), Balti (Moldova), Chisinau (Moldova), Ulaanbaatar (Mongolia) and Bishkek (Kyrgyz Republic).

Component 3.2 - Provide knowledge building opportunities

- Green Cities Conferences 2021 and 2022.
- Green Cities Communications and awareness raising, including through policy tools, websites, virtual reality (VR) videos or dedicated events at international fora.

ANNEX 4 – CONFIRMATION AND EXPLANATORY NOTE ON THE FULFILMENT OF CLAUSE 9.04(A)(V) OF THE FAA

As per the approved funding proposal, EBRD committed EUR 350 million in co-financing against a total GCF contribution of EUR 228 million under the Green Cities Facility (approved in October 2018).

Notwithstanding the GCF Board's sequencing of its contribution into three tranches (EUR 87 million, EUR 87 million, and EUR 54 million), EBRD's Board of Director, in principle, approved and duly authorized the full co-financing amount at the outset.



Request for Subsequent Commitment - Annexes

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This commitment was reaffirmed in October 2024 through the EBRD Board of Director's approval of Phase III of the Green Cities Framework, which includes a dedicated GCF window providing the required co-financing of up to EUR 350 million.

Based on this, EBRD confirms that the required co-financing of up to EUR 350 million has been, in principle, approved and duly authorized by the EBRD's Board of Directors, thereby satisfying Clause 9.04 (a) (v) of the FAA.

ANNEX 5 – LIMITED DISTRIBUTION ANNEX [CONFIDENTIAL – LIMITED DISTRIBUTION]