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PROJECT COMPLETION REPORT

FEMIP SUSTAINABLE ENERGY FACILITY

Morocco

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Scope

The original operation consisted of global loans amounting to EUR 30m to be extended to selected banks in Morocco (~EUR 20m) and Jordan (~EUR 10m) in support of small-scale energy efficiency (EE) and renewable energy (RE) investments in industry, SMEs, agri-business, commercial services and the residential sector.

The operation was part of a EUR 110m lending facility, SEMED¹ Sustainable Energy Financing Facility ("SEMED-SEFF"²), co-financed by the EBRD (as lead institution), AFD and KfW.

SEMED-SEFF was able to benefit from a grant by the EC's Neighbourhood Investment Facility (NIF) of EUR 16.5m for investment incentives to final beneficiaries and administration fees to the local Financial Intermediaries (FIs). In addition, EBRD made available technical assistance in support of the implementation process, including project verification, for an amount of c. EUR 4.2m, partially financed through an NIF grant.

The completed operation is generally well in line with its appraised sector scope but implementation took longer than originally foreseen. In addition, no lending materialised in Jordan because local FIs were not able to commit to the programme.

At completion SEMED-SEFF achieved financing of the planned amount of EUR 110m through credit lines with four FIs belonging to two major banking groups active in Morocco: BMCE³ and BCP⁴. As part of this, the EIB participated in three of the four credit lines for a total of EUR 35 million (17% over the amount envisaged at appraisal).

Cost and Schedule

At appraisal total project investment costs related to the EIB co-financed credit lines were estimated at c. EUR 140m, with most of the on-lending in EE investments (75%) and the remainder in small RE investments. Signatures of the credit lines were originally expected for end 2013 with allocations to take place during the three-year period 2014 – 2016.

At completion, the three credit lines co-financed by the EIB involved total SEMED-SEFF financing of c. EUR 86m, of which EUR 35m financed by the EIB. This resulted in support to projects with an aggregate investment cost of c. EUR 199m, 43% more than originally foreseen.

Contract signatures with the FIs took place between March 2015 and November 2016 due to initial difficulties in identifying suitable and interested FIs. In addition, some of the credit lines suffered delays as a result of teething troubles. The above two factors resulted in a total implementation delay of c. 2.5 years with full allocation of EIB credit lines in mid-2019.

Performance

Overall, the operation has been successfully completed, although within a longer time frame than initially expected. The three credit lines co-financed by the EIB supported a total of 218 EIB-eligible EE and RE projects.

Main characteristics of these projects are:

- Average project investment cost of EUR 912k (maximum value: EUR 17.6m);
- Average SEMED-SEFF financing amount of EUR 397k (maximum value: EUR 3.4m);
- 101 EE projects, mainly buildings and process equipment, financed for a total of c. EUR 65.0m (75% of total EIB financing);
- 103 EE projects financed in the transport sector for a total amount of EUR 17.0m (20% of total EIB financing);
- 14 RE projects financed, predominantly small-scale solar PV, for a total of EUR 4.5m (5% of total EIB financing);

¹ SEMED: Southern & Eastern MEDiterranean

² Also known as Morseff (Morocco Sustainable Energy Finance Facility) – see www.morseff.com

³ BMCE: Banque Marocaine du Commerce Extérieur

⁴ BCP: Banque Centrale Populaire

- Most projects (c. 80% of EIB-eligible projects) concern lease agreements, with the remaining projects financed under loan agreements. The EIB-financed total amount is equally distributed between lease and loan agreements.

The credit lines financed by the EIB have resulted in primary energy savings of c. 284 GWh/year corresponding to a greenhouse gas reduction of 68 ktCO₂_{eq}/year.

The economic rate of return for this operation is estimated as very good based on the financially attractive sub-projects (with payback periods acceptable to private companies) in combination with the economic value of displaced or avoided fossil fuel-fired generation and reduced atmospheric pollution from these plants (emissions of CO₂, NO_x and SO₂) resulting from renewable electricity generation and primary energy savings.

From an environmental perspective, the FIs have financed EE and RE projects that save energy and/or generate electricity at typically lower pollutant and climate-relevant emissions than conventional fossil fuel-based power plants. From a social perspective, the operation has contributed to lower energy costs for mostly small and medium enterprises, thus contributing to sustaining employment.

EIB Involvement

The Bank supported the FIs in gaining a better understanding of the Bank's eligibility criteria in particular during the appraisal mission. During the implementation phase EIB involvement mainly took place through the EBRD as lead institution which was supported by the TA facilities.

ESCS

The Environmental and Social Completion Sheet (ESCS) has been published separately.

Promoter's Optional Final Comment

No comment was provided.