

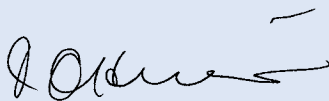
Editorial

International negotiations on how to tackle climate change crashed during COP 15 in Copenhagen last December. Yet, there are many activities targeting climate change mitigation and adaptation. Measures involving private companies and households are remarkably promising as they are often advantageous to both climate and economic interests.

Prices of fossil, non-renewable energy sources will increase due to diminishing world stocks. Therefore, investments in alternative energy and energy savings will become more attractive. This holds particularly true for developing and transformation countries, where current energy conscious investments of private companies and households are below international average.

The first article illustrates what mechanisms international development banks can apply to speed up the economic modernization process of developing and transformation countries, and simultaneously reduce carbon emissions. It also describes how international technical assistance conveys the relevant know-how to the respective countries, and the experiences of GFA in this context.

The second article shows that promoting sustainable energy concepts can actually be connected to poverty reduction strategies. The use of energy efficient low carbon technologies can either directly reduce energy expenditures of poor households or indirectly cut foreign exchange expenditures of oil importing developing countries. Thus saved public funds can be used for increased efforts in socio-economic development.



Klaus Altemeier
Managing Director
GFA Consulting Group

Sustainable Energy Finance

The high energy intensity of economic activities is a major challenge to transition in developing and transition countries. These countries have very significant energy efficiency opportunities, particularly in the industrial, power, municipal and building sectors. The promotion of economic competitiveness and energy security gains are key business drivers of Sustainable Energy Financing Facilities.

Energy is a major factor in the structure of production costs. Reducing energy costs has a direct impact on company results and its competitiveness and products. Becoming energy efficient means investing in modern, energy efficient technology and employing intelligent systems and controls. Hence, introducing complete solutions that optimize production facilities as a whole rather than just an individual part is a key to success.

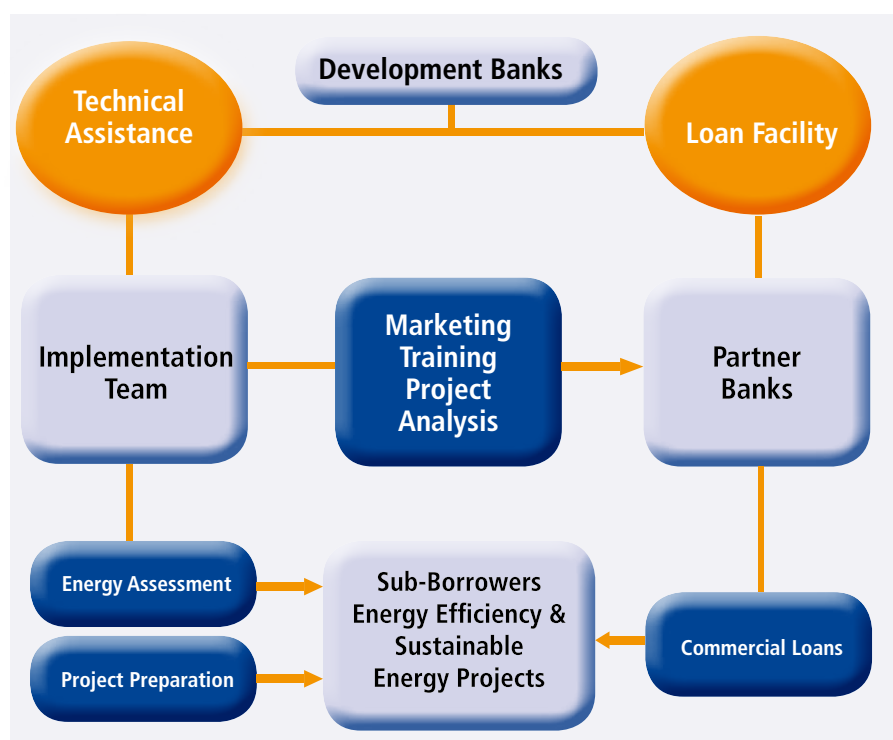
Even in times when the profitability of other venture opportunities is uncertain, investments in energy savings provide favorable rates of return. Economies around the world are constantly getting leaner, fitter and more competitive. Therefore, companies that recognize the importance of efficient production today will have a competitive advantage and will emerge as winners tomorrow.

GFA Approach

Private and commercial companies intending to improve their energy efficiency and to use renewable energy sources need support and innovative financial instruments. GFA supports partner banks to handle such instruments and to analyze loans properly with their private and commercial clients. The common concept for sustainable energy financing facilities comprises the two key components outlined below.

Financing Mechanism – An international development bank allocates a credit line or guarantee for local banks which is specifically dedicated for on-lending to medium-sized and smaller companies considering energy efficiency projects or for small-scale renewable energy generation. Local banks use this credit line to provide commercial loans to borrowers with eligible investment opportunities.

Technical Assistance Package – Every credit line is supported by a comprehensive technical assistance package that helps borrowers prepare loan applications and trains local loan officers to process sustainable energy investment opportunities. A project implementation team of international and national experts facilitates



Sustainable Energy Finance (continued from page 1)

this donor funded assistance. A customized approach is crucial for the successful launch and implementation of a sustainable energy financing facility. This approach is meant to ensure that the credit facility is accepted quickly in the individual market and that the intended results are achieved in the shortest time possible. Typically, such an approach aims at the appreciation of energy efficiency, a reduction in energy use, and the creation of the necessary knowledge and skills base. Therefore, the technical assistance package includes intensive support to the local partner banks in marketing the credit line. Raising awareness about energy efficiency and renewable energy investments is particularly important with regard to medium-sized and smaller companies.

GFA Services

GFA offers field-proven products featuring standardized elements, ensuring the application of best practices and flexible mechanisms, and allowing the incorporation of national peculiarities. The implementation of a specific project will be adapted to the specific socio-economic environment of the respective country. The projects will be carried out in a flexible manner with priority given to the needs

arising during the work process. GFA's services in the implementation of Sustainable Energy Financing Facilities cover the following key tasks:

Portfolio Development – GFA experts safeguard a timely launch of the facility and develop a marketing campaign to boost a rapid generation of the project pipeline.

Capacity Building – GFA offers capacity development including training and skills transfer to relevant stakeholders, and standardized training modules for loan officers and other relevant stakeholders.

Project Management – GFA conducts impact monitoring and coordination, and the adaptation of all relevant procedures and guidelines. This includes stakeholder and public relations management using pamiraProject, the tailored Customer Relationship Management and Application Processing System. Also, a comprehensive benchmark monitoring and reporting system ensures smooth project implementation.

GFA is currently implementing two Sustainable Energy Financing Facilities on behalf of EBRD in Kazakhstan (www.kazseff.kz) and in Russia (www.ruseff.com).

Contact Karsten Stellner
karsten.stellner@gfa-group.de



Coal bed methane extraction in China

Success Stories



Bakery, Ukraine

25 % return on US\$ 500,000 invested

The company's main energy consumer is the oven. By replacing the old oven with a new and modern oven, the bakery not only doubled its production capacity, but also saved almost 50 % of the natural gas used in the oven for every ton of bread it produces. This US\$ 500,000 investment into the new oven led to natural gas savings worth almost US\$ 100,000 per year, yielding a 25 % return on investment in terms of energy savings.

Pulp & Paper, Russia

20 % return on US\$ 4,500,000 invested

The company's main activity is the production of industrial filter paper. A profitable investment program was identified and documented in an energy audit. Key investments in modern machines, water discharge and supplies led to increased production, decreased energy consumption and a better environment. Natural gas consumption came down by six million cubic meters, electricity consumption by 400 MWh per year. This equals annual savings of more than US\$ 1,000,000.

Energy Efficient Technologies Mitigating Climate Change

Many experts regard mitigating climate change while fostering economic growth to combat poverty the challenges of the 21st century. Energy efficiency and low-carbon energy technologies are seen as an opportunity to respond to both issues simultaneously.

The interest in energy efficiency has increased in recent years – while it used to be a fringe interest of environmentalists it has become a hot issue on the mainstream agenda. This change of attitude and priorities is linked to the growing awareness and concerns about climate change and the environmental costs of energy and industrial production based on fossil fuel and carbon emission. World energy demand is expected to rise by about 44% from 2006 to 2030. In non-OECD countries the total energy demand will even increase by 73%. Therefore, the need to make use of carbon mitigating technologies will increase even further in the future. Moreover, the use of energy efficient, low-carbon technologies offers developing countries and transition economies the potential to leap-frog old approaches. Instead, they may enter directly into clean energy, low-carbon economies. As most developing countries are net importers of energy, the extended use of energy efficient technologies will contribute to the reduction of expensive energy imports. This will make funds available for investments in sustainable socio-economic development of the respective country's society.

GFA Services and Experiences

GFA realized the significance of renewable energy and energy efficiency at an early stage, and has been providing technical assistance in this field since 1999, mainly through GFA ENVEST. The company uses the Kyoto Protocol's flexible project mechanisms and provides expertise in the markets for greenhouse gas emissions, bio-energy and carbon mitigation and sequestration. In general, GFA supports the development of energy efficient, low-carbon economies with services associated with awareness raising, access to information and stakeholder activation. Technology transfer and capacity development are equally important. GFA experts also consult on financing schemes and instruments, policy advice and framework conditions as well as the formation of cooperation and innovation networks.



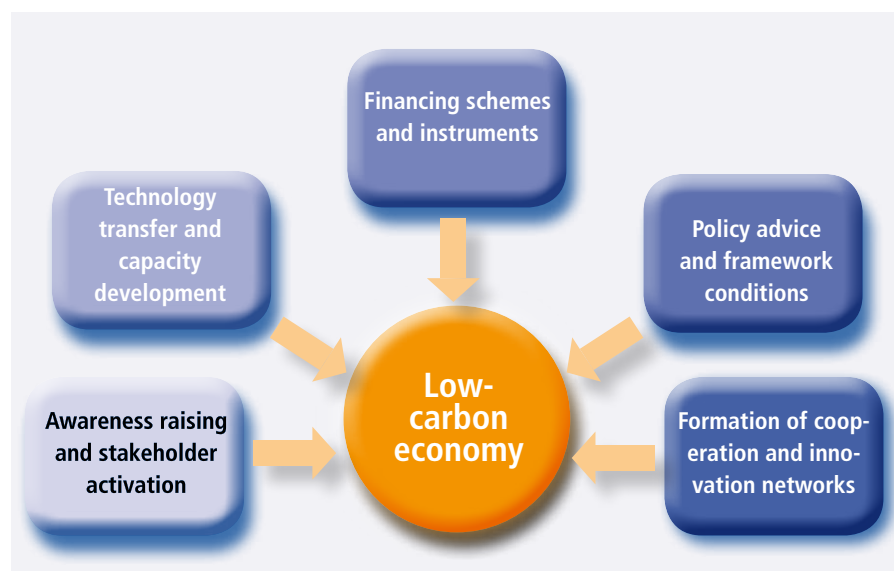
Energy-wasting plants abound in many countries

GFA at Work

Aside from the Sustainable Energy Financing Facilities mentioned in the other article in this Newsletter, GFA, for instance, introduced energy efficient housing designs for public buildings in Kyrgyzstan in the framework of KFW's Village Investment Project. In a municipality in the North-West of Russia, GFA ENVEST has replaced outdated and inefficient district heating installations running on coal with modern wood-fired boilers – financed via the Joint Implementation mechanism of the Kyoto Protocol. Furthermore, GFA supports the Open Regional Fund Energy for South-East Europe initiated by GTZ which aims at establishing a transnational, multi-stake-

holder dialog in order to foster the use of energy efficient technologies. Within the framework of the Export Initiative Energy Efficiency of the German Federal Ministry for Economics and Technology (BMWI), GFA supports the transfer of low-carbon, energy efficient technologies to markets worldwide. The challenges in relation with combining economic growth and carbon mitigation are complex and high on any agenda for the future. Therefore, GFA experts are proud to be able to offer their clients high quality consulting services and long-standing experiences.

*Contact Jens Hauser
jens.hauser@gfa-group.de*



GFA Public Established

GFA has further broadened its scope of services when its latest subsidiary, GFA Public GmbH, took up work in December 2009. GFA Public is a management consultancy offering services to public and non-profit institutions at municipal, state and federal levels. The German public sector is undergoing drastic changes regarding both its functions and the division of labor between public and private actors. Whether within an institution or at a multi-stakeholder level – actors must adapt to these challenges and search for optimal solutions. At GFA Public, a team of experienced consultants acts both as facilitator and technical expert in these adaptations processes. As a member of the GFA Group, delivering added value to clients and partners through services of highest standard, technical excellence, and innovative approaches and products is the new company's mission. Core business areas are labor market policy, vocational training, social policy, and civil society-related issues. Based in Berlin, GFA Public offers research services as well as management consulting concerning organizational development, change and strategic management as well as capacity building. Research comprises evaluation and monitoring of programs and projects as well as studies and analyses covering different sectors, policy fields and instruments. Customers so far include a state ministry, municipalities and employment services throughout Germany. For more information contact the managing director. florian.niedlich@gfa-public.de

Social Marketing in Niger a Success

In 2003, the Government of Niger contracted the GFA/Constella Futures consortium to launch a five year Condom Social Marketing Project financed by KfW Entwicklungsbank. Based on intensive research and the involvement of key stakeholders, a condom made in Niger was placed on the market. The popular and traditional foulah, known for its excellent sun protection, was chosen its commonly accepted logo. "Foulah" became one of the most recognized condom brands in the country within a few years. The consortium created a national social marketing organization, Animas Sutura, in 2006 which has been successful and growing ever since. The project is a case in point for a carefully designed and planned communication strategy improving health-related behavior. Attractive product design, affordable pricing and an effective distribution system contributed to the overall success for this "model project" as it was rated by the HIV Peer Review Group. Involving popular sports heroes, performing artists, and "femmes relais", women who are well respected in more than 100 villages, sensitive products such as condoms and other contraceptives can now be openly discussed even among the highly conservative and religious population of Niger.

ina.rosenstiel@gfa-group.de

GFA Signs Copenhagen Communiqué

2009 was a crucial year for the climate change agenda. The Copenhagen Communiqué is a punchy statement that draws on some of the key issues of climate policy

from the perspective of the international business community. The document sets out the business case for a strong and effective UN climate framework. GFA is a proud signatory of The Copenhagen Communiqué, an initiative of The Prince of Wales' Corporate Leaders Group on Climate Change which is run by The University of Cambridge Programme for Sustainability Leadership. The full text is available on the GFA website under 'News' at: www.gfa-group.de.

hans-christoph.schaefer-kehnert@gfa-group.de

Private Sector Involvement through PPP

Public funding alone will not be enough to alleviate poverty and to achieve the Millennium Development Goals by 2015. The private sector remains the main engine of economic development. Therefore, private-public partnerships (PPP) can be an effective tool to achieve economic, social and environmental development. GFA has been implementing PPP projects in diverse regions and different economic sectors. In Bangladesh GFA supports the Social Compliance and Workers Rights & Responsibilities Program while mediation centers to protect consumer interests are assisted in India. In Nicaragua GFA advises a payment scheme for environmental services, and in Honduras and Vietnam GFA experts have helped setting up sustainable coffee production. On a regional scale, GFA currently supports sustainable forest certification and the German initiative on health infrastructure.

hans-christoph.schaefer-kehnert@gfa-group.de

GFA Consulting Group
Eulenkrugestrasse 82
22359 Hamburg, Germany

phone +494060306-0
fax +494060306-199
e-mail info@gfa-group.de
web www.gfa-group.de



Mixed Sources

Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. GFA-COC-001624
© 1996 Forest Stewardship Council

GFA Consulting Group is a growing consulting organization active in economic development. The main sectors of the company comprise agriculture and rural development, natural resource management, environmental investment, water supply and sanitation, private sector development, decentralization and public sector management, financial systems development and health. GFA Consulting Group presently works in more than 70 countries and collaborates with selected, specialized partner companies both nationally and internationally.

GFA vision – to be the partner of choice for clients in our core service areas.

GFA mission – to improve the livelihood of beneficiaries through our professional services.

GFA core values – to offer high performance in service delivery, technical excellence in our main sectors, innovative approaches and products, and credibility with our clients when putting projects into practice.