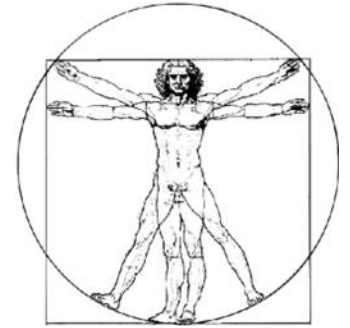


ecbi



Engaging MSMEs through EDA

Indian Experiences

Sunday, 5 July 2015, Holiday Inn, Songdo

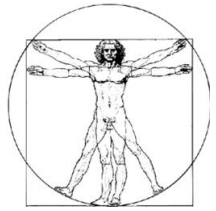
Benito Müller

Director [ecbi](#),

MD [oxford climate policy](#)

for sustained capacity building in support of international climate change negotiations

pour un renforcement durable des capacités en appui aux négociations internationales sur les changements climatiques



Engaging Micro, Small, and Medium Enterprises in developing countries

ENHANCED DIRECT ACCESS AND THE GCF PRIVATE SECTOR FACILITY

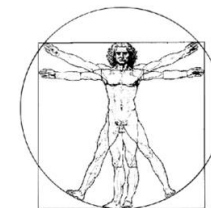
Working Paper¹

February 2015

Annex B. The India-MSME Energy Efficiency Project

by Sameer Pandita*

The Financing Energy Efficiency Project (FEEP)



European capacity building initiative ecbi



Global Environment Facility (GEF)

Funder



Bureau of Energy Efficiency (BEE)

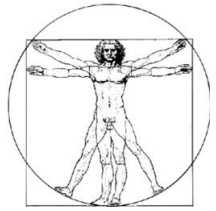
National Steering Body



Small Industries Development Bank of India (SIDBI)

Local Intermediary

The FEEP Scope



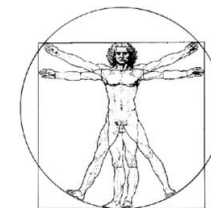
Five Energy Intensive MSME Clusters

- foundries at Kolhapur,
- forging at Pune,
- limekilns at Tirunelveli,
- chemicals at Ankleshwar, and
- a mixed cluster at Faridabad.

Two Types of Activities

- Activities to build awareness of, and capacity to carry out, energy efficiency measures in MSMEs (assistance with Energy Audits, Detailed Project Reports, and to manage the knowledge generated).
- Energy efficiency investment (enhancing) activities, in particular with regard to mobilizing financing from local Indian banks

Performance-based Local Financial Intermediation

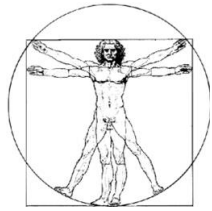


Financial Instrument

- FEEP uses *ex post performance-linked grants* to incentivize the participation of MSMEs. To receive such a grant, the MSMEs have to undergo *detailed energy audits* through BEE-certified energy auditors and prepare a *project report* (through agencies contracted by SIDBI) which identify the energy efficiency measures to be implemented and estimate the cost to do so.
- The *grant level* is 15-20 percent of whichever is lower: the *actual capital investment* made by the MSME in implementing the identified energy efficiency measures, or the *estimated implementation cost*.

Procedures

- The approval of the grant depends on whether the MSME is able to implement (within an agreed timeline) at least 75 per cent of the savings estimated in its project report, subject to verification by an independent M&V agency (contracted by SIDBI).
- The grant amount is initially spent by SIDBI out of its own budget and is later reimbursed by the World Bank, utilizing the GEF grant from time to time.
- The grant is released directly into the MSME's bank account by SIDBI, within 30 days of completion of M&V processes. MSME units have to be in compliance with the environmental and social requirements of the World Bank's Environmental and Social Management Framework.



European Capacity Building Initiative ECBI

What Now?