GUIDE FOR PROJECTS PREPARATION AND SUBMISSION

SUNREF INDIAN OCEAN
THE LENDING PROGRAMME THAT PROMOTES GREEN GROWTH

Comoros, Madagascar, Mauritius, Mozambique, Seychelles

www.sunref.org/ocean-indien/
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### OBJECTIVES OF THE GUIDE

The present guide aims at describing the procedures and the project cycle for any investment financed in the SUNREF program framework, in order to help potential project sponsors to understand which investments are eligible and how they can benefit from the program. In this framework, the following pages will precisely delineate:

- The general organisation of the program
- The investments eligibility criteria
- The various steps of the project cycle
1. What is SUNREF Indian Ocean?

AFD set up in 2014 for a large part of the Indian Ocean Region (including Comoros, Madagascar, Mauritius, Mozambique and Seychelles) a new comprehensive programme which provides a dedicated credit line to Partner Banks in Mauritius for on-lending to the private sector for investment in Energy Efficiency, Renewable Energy and Environmentally Sound Technologies.

SUNREF LOAN AT A GLANCE

- A loan up to 7MEUR
- Assistance tailored to the size and complexity of the project
- A 60 MEUR subsidized loan granted by the AFD to two partner banks
- Technical Assistance for companies and banks to support the identification of investment opportunities in green energies, to assist companies for the development of eligible, innovative and profitable green projects, and support banks in analysing the bankability of projects and capacity building to their staff to transfer them knowledge on this sector. Thanks to the European Union financial participation the technical assistance is free of charge.
2. How is the program structured and coordinated?

The following diagram highlights the main stakeholders and their respective roles within SUNREF Indian Ocean.

How to submit a project?

- A project promoter can submit directly its project to one of the partner banks. It may also contact the technical assistance through the local representative in order to receive a preliminary advice as regards the project technical eligibility.

Two scales of investment projects

- Investment projects which amount is higher than 250 kEUR have to be submitted by one of the partner banks, after preliminary appraisal in line with its own diligence procedures, to the technical assistance.

- For investment projects below the 250 kEUR threshold, the partner banks are entitled to directly provide finance as long as the equipment to be purchased and installed belongs to a pre-established list. This list of eligible equipment is available in the partner banks branches, at the AFD Regional Office and on the SUNREF Indian Ocean website.
Technical eligibility criteria

Investments not exceeding EUR 250,000:
The equipment or technology involved must belong to a pre-established List of Eligible Material and Equipment (LEME) which provides a precise description of the eligible technologies. In case of doubt regarding a specific equipment and technology, the partner bank and/or the project sponsor may request the opinion of the technical assistance as regards whether or not the proposed equipment actually belongs to the list.

3. Which projects are financed under SUNREF Indian Ocean?

SUNREF intends to support green investments which otherwise would not be implemented.

Eligibility criteria for enterprises
As regards enterprises, the following criteria have to be considered:
- Eligible enterprises premises or facilities in which the investment will take place should be located in the Indian Ocean Commission Countries (excluding La Réunion) and Mozambique (the Eligible Area);
- All legal private entity or person registered or domiciled in the Eligible Area are eligible, being specified that any public sector body is excluded;
- Entities which do not apply AFD Environmental and Social rules are not eligible and their proposed projects, even if they would meet the investment eligibility criteria as described below cannot be financed under SUNREF;
- Investment in the sectors listed in the Exclusions List will not be considered as being eligible.

Eligibility criteria for investments (sub-projects)
In order to be financed through the SUNREF Indian Ocean program, an investment shall comply with the following financial eligibility criteria:
- Maximum amount of eligible investment cost: MUR equivalent of 7 MEUR
- Minimum tenor of the loan granted: four (4) years for all projects
- Maximum grace period under the granted loan: 3 years
- With respect to each eligible investment, the amount financed through the SUNREF program may be equal to up to 100% of the total debt raised (net of taxes on the investment costs) by the Client.
To be considered eligible, investments would be assessed on the best available technologies concept notably in the following fields:

- waste management: waste prevention or reduction, recycling and disposal plants;
- wastewater treatment: production processes or other installations that save water, reduce or prevent wastewater;
- private wastewater treatment facilities in industry and tourism;
- air pollution control: measures to prevent or reduce emissions and also noise, foul odours and vibrations;
- treatment of contamination.

Environmental projects: Environmental projects are projects that allow reducing natural resource usage or protecting such resources through “end-of-pipe” or “cleaner production” investments.
- **Eco-Businesses**: the financing of eco-Businesses such as producers/installers of solar water heaters or Energy Savings Companies (ESCOs) that would allow increasing the availability and/or quality of Energy Efficiency, Renewable Energy and Environmental Performance equipment and services on the market is eligible in principle. Eligibility is to be evaluated on a case by case basis by the Technical Assistance.

## Eligible costs

Costs eligible to the loans granted by the partner banks under the SUNREF programme are as follows:

- Equipment costs
- Studies and engineering costs
- Transaction and financing costs
- Legal fees
- Installation costs
- Insurance costs (directly related to the considered investment)
- Performance measurement and verification costs
- Spare-parts cost (for a first batch)

### 4. What is the project cycle?

The general project cycle procedure is presented hereafter and highlights the various steps to be taken in order to submit projects, obtain approval for financing and eventually receive the investment grant.

- Project sponsor submits its project to a Partner Bank
- Internal assessment and approval of the project by the Partner Bank
- Official request for financing sent to AFD
- Submission to technical assistance by AFD

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- For all investment projects above EUR 250 000, the technical assistance delivers its opinion to AFD as regards the project eligibility under SUNREF

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- For all investment projects below EUR 250 000, the Partner Bank will assess the project through the LEME approach and can request the technical assistance appraisal on a case by case basis

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- Request for financing approved by AFD with or without reservation (AFD approval sent to the Partner bank)

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- Project is implemented and loan is disturbed by the Partner Bank to the project sponsor according to the loan agreement signed between both parties

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- A verification consultant will verify the project has been implemented in accordance to its specifications and description in the loan agreement

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- The verification consultant will check whether the actual project performance is aligned with the expectations and the eligibility criteria

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- After the investment has been completed, commissioned and verified, an investment grant representing 8% of the amount lent under SUNREF will be paid by the Partner Bank to the project sponsor
STEP 1: Application file to Partner Bank

- Project promoter submits his project to the Partner Bank of his choice (project description with all necessary supporting documents (technical and economic feasibility studies, financial statements, etc.))
- Internal assessment by the Partner Banks (neither the AFD nor the Technical Assistance has any possibility or intention to influence the Partner Banks, the decision to provide financing depends on its positive appraisal of the project promoter creditworthiness or financial credibility)
- Official request for financing sent from the Partner Banks to the AFD
- Submission to Technical Assistance by AFD

STEP 2: Technical and financial appraisal

1. The Technical Assistance will analyse the general project concept and design, assessing the investment cost and the project cost-effectiveness and calculating the potential energy and environmental impacts (energy savings, green energy production, CO2 emissions reduction, etc.). At that stage, the Technical Assistance team may request additional information to be provided by the project sponsor on any technical, economic or environmental aspects.

- Technical Assistance assessment takes usually less than 5 days, depending on the quality of the information initially provided.
- Information provided by the project sponsor is dealt with confidentially. This information is used only for the project appraisal vis-à-vis the SUNREF program eligibility criteria. No information is divulged outside of the AFD and the Technical Assistance team without the sponsor authorization.
- At any time, the project sponsor is entitled to request a Non-Disclosure Agreement is signed.

2. As a derogation for those projects which investment volume is lower than EUR 250,000, the Technical Assistance technical due diligence and the AFD approval is not systematically required. If the investment consists in the implementation of equipment and devices belonging to a pre-established list for “small” projects eligible to the “LEME procedure”, the approval process is dramatically accelerated.
STEP 3: Approval, disbursement and implementation of the project

The Partner Bank can sign a loan agreement with its client. The loan disbursement modalities are set in the loan agreement and are usually depending on the project implementation scheme. The Partner Bank will ensure a precise monitoring to verify that the various implementation phases are undertaken in accordance with the agreed planning and take place with no delays and in conformity with the dossier initially submitted.

STEP 4: Verification and grant payment

Project sponsor has to submit proof of completion to the Partner Bank including:

- Date at which the new installation has become fully operational
- Confirmation that the investment has been installed in accordance with the initial specifications conditions and reservations possibly made during STEP 3 have been fully addressed. Provision of the investment related invoices paid. The verification consultant will carry out a thorough on-site inspection and check whether the actual project performance is aligned with the initial expectations and whether the investment cost and project cost-effectiveness meet the SUNREF programme eligibility criteria.

It will be imperative for the project sponsor to make him/her available during the verification phase and to submit any required documents such as paid invoices, certificates established by suppliers, photos, bookkeeping elements, etc.

Upon checking the information provided, the Partner Bank will pay an investment grant representing 8% of the loan allocated to the project sponsor under the SUNREF programme (any other additional financing granted by the Partner Bank out of the SUNREF programme cannot be considered for the grant calculation).
CONTACTS

Agence Française de Développement
Yacine Simporé
simporey@afd.fr
Tel: +230 213 64 00

Technical Assistance in Mauritius
sunref-ta@aets-consultants.com

Mauritius Commercial Bank
Ashwin Foogooa
ashwin.foogooa@mcb.mu
Tel: +230 202 6468

SBM Bank Mauritius Ltd
Kris Jhurry
kris.jhurry@sbmgroup.mu
Tel: +230 202 1473