

## **Change Request - Additional Financing**

*India - Partial Risk Sharing Facility for Energy Efficiency and Decarbonization (PRSF II)*

| Change Request - Additional Financing <sup>[a]</sup>   |   |                                |                       |
|--|---|--------------------------------|-----------------------|
| Country/Region   | India   | CIF Project ID#                | Auto Generated by CCH |
| For Regional/Global (country classification)<br>Please list all applicable sub-countries under Regional/Global country tagging (semicolon “;”) |   |                                |                       |
| Tier <sup>1</sup>  | <input type="checkbox"/> Tier 1 <input type="checkbox"/> Tier 2 <input checked="" type="checkbox"/> Tier 3  |                                |                       |
| Project/Program Title (same as in CCH)   | Partial Risk Sharing Facility for Energy Efficiency and Decarbonization (PRSF II)   |                                |                       |
| Source of Funding  | <input checked="" type="checkbox"/> CTF (DPSP III, IV/GESP, V/FW, ACT)<br><input type="checkbox"/> FIP <input type="checkbox"/> PPCR <input type="checkbox"/> SREP<br><input type="checkbox"/> REI <input type="checkbox"/> NPC |                                |                       |
| Additional Financing Amount(s)   | US\$50 million  |                                |                       |
| Type of CIF Investment:  | <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private   |                                |                       |
| Is this a private sector program composed of sub-projects?   | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No   |                                |                       |
| IP/Concept Endorsement Date  |   |                                |                       |
| Date of Committee Approval/Estimated Committee Approval  | Original:   | Proposed: <b>December 2024</b> |                       |
| Date of MDB Board Approval or Committee/ Estimated MDB Board Approval  | Original:   | Proposed: <b>March 2025</b>    |                       |

<sup>1</sup> Country Tier definition as Per FY25 approved [Pricing policy](#) (page 8,9,19-25)

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[d] Insert (n/a) if not applicable to the project/program or cannot be determined at the time of submission.

|  |  |                                     |  |                                     |
|--|--|-------------------------------------|--|-------------------------------------|
| <b>CIF Pipeline Management and Cancellation Policy</b>                   | <a href="#">Link</a><br>Is this an exceptional request (a waiver to the 18-month extension limit)<br><input type="checkbox"/> No <input type="checkbox"/> Yes  |                                     |  |                                     |
| <b>Details on previous extension request(s)</b>                          | 1 <sup>st</sup> – Original:<br>2 <sup>nd</sup> – Original:<br>3 <sup>rd</sup> – Original:  | Revised:<br>Revised:<br>Revised:    | Approved on:<br>Approved on:<br>Approved on: |                                     |
| <b>CIF Financial Terms and Conditions Policy</b>                         | <a href="#">Link</a><br>Is this request in accordance with the CIF Financial Terms and Conditions Policy?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br>(if no, please specify detailed information under the justification section) |                                     |  |                                     |
| <b>Financial Products, Terms and Amounts</b>                             |  |                                     |  |                                     |
|  | <b>USD (million)</b>   |                                     | <b>EUR (million)<sup>[b]</sup></b>           |                                     |
|  | <b>Original</b>  | <b>Additional Financing Request</b> | <b>Original</b>                              | <b>Additional Financing Request</b> |
| PPG (Project Preparation Grant)  |  |                                     |  |                                     |
| Grant  |  |                                     |  |                                     |
| MDB Project Implementation and Supervision Services (MPIS) <sup>2</sup>  |  |                                     |  |                                     |
|  |  |                                     |  |                                     |
| Senior loan  |  |                                     |  |                                     |
| First loss guarantee   |  |                                     |  |                                     |
| Contingent Guarantee   | 25   |                                     |  |                                     |
| Second loss guarantee  |  | 50                                  |  |                                     |
| Senior loan in local currency hedged                                     |  |                                     |  |                                     |
| Senior loan in local currency unhedged<br>( <b>EXCEPTIONAL REQUEST</b> ) |  |                                     |  |                                     |

<sup>2</sup> MPIS - CIF Operational Modalities For New Strategic Programs [here](#)

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|   |  |                 |                         |  |
|---|--|-----------------|-------------------------|--|
| Subordinated debt/loan/<br>mezzanine instrument<br>with income<br>participation   |  |                 |                         |  |
| Subordinated debt/loan<br>/ mezzanine instrument<br>with income<br>participation local<br>currency unhedged<br><b>(EXCEPTIONAL<br/>REQUEST)</b>       |  |                 |                         |  |
| Subordinated debt/loan<br>/mezzanine instrument<br>with convertible<br>features   |  |                 |                         |  |
| 'Convertible/contingent<br>recovery'<br>grant/loan/guarantee<br>(loans convertible to<br>grants or vice versa)  |  |                 |                         |  |
| Convertible Loans<br>(convertible to equity<br>only)  |  |                 |                         |  |
| For loans and<br>guarantees – is this a<br>revolving structure? <sup>[3]</sup><br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |  |                 |                         |  |
| <b>Specify local currency<br/>type here</b>   |  |                 |                         |  |
| Other (please specify)  |  |                 |                         |  |
| <b>Total</b>  | <b>25</b>                                | <b>50</b>       |                         |  |
| <b>Co-financing</b>   |  |                 |                         |  |
|   | <b>Please specify as<br/>appropriate</b> | <b>Original</b> | <b>Proposed Changes</b> |  |

3 With a revolving structure, after the loan or guarantee matures, instead of returning the funds to the Trustee, the funds are redeployed as a new loan or guarantee.

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|  |  |  |            |
|--|--|--|------------|
| MDB 1 (IBRD)   | To explore funding<br>(including contingent<br>financing instruments)<br>from IBRD/ other<br>concessional financing<br>sources |  | <b>50</b>  |
| MDB 2 (if any)   |  |  |            |
| Government   |  |  |            |
| Private Sector   | Domestic Commercial<br>Banks and project<br>sponsors   | 125  | <b>625</b> |
| Bilateral  |  |  |            |
| Others (please specify)  | GEF First loss grant   | 12   | <b>12</b>  |
|  | GEF grant  | 6  | <b>6</b>   |
| <b>Total Co-financing</b>  |  | <b>143</b>   | <b>693</b> |
| <b>Implementing MDB(s) (please enter full name, job title and email address)</b>                         |  |  |            |
| MDB Headquarters-Focal Point:  |  | <b>Frank van der Vleuten</b><br><a href="mailto:fvandervleuten@worldbank.org">fvandervleuten@worldbank.org</a>   |            |
| MDB Task Team Leader (TTL)   |  | <b>Yuge Ma</b><br><a href="mailto:yuma1@worldbank.org">yuma1@worldbank.org</a>   |            |
| <b>National Implementing Agency (please enter full name, job title and email address)</b>                |  |  |            |
| Country Focal Point/s  |  | <b>Dr R. K. Singh</b><br>Chief General Manager, Green<br>Climate Finance & International<br>Cooperation, Small Industries<br>Development Bank of India<br><a href="mailto:singhrk@Sidbi.in">singhrk@Sidbi.in</a> |            |
| <b>Brief Description of Project/Program (including proposed objectives and expected outcomes) [c][d]</b> |  |  |            |

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**The revised Project Development Objective** is to assist India in achieving energy savings and reducing industrial emissions by mobilizing commercial finance for adoption of efficient and low-carbon technologies.

The PRSF comprises of the following project components:

**Component 1: Partial Risk Sharing Facility (US\$137million – original \$37million (\$25mn CTF, \$12mn GEF) and AF of \$50mn CTF and \$50mn IBRD contingent financing instruments)**

This component supports establishing and operating the Facility to provide Sub-Guarantees to Sub-Financiers and developing energy efficiency markets through end-to-end solutions and measurement and verification (“M&V”) activities. Currently, the partial risk sharing facility for energy efficiency is managed by SIDBI and totals US\$37 million, funded from a GEF contribution of US\$12 million and backstopped by a CTF Guarantee, in the form of contingent finance, of US\$25 million. This facility provides partial credit guarantees to cover a share of the default risk that financial institutions face in extending loans to eligible EE sub-projects. The partial credit guarantee from PRSF is limited to 40-75 percent of the EE loan.

With the CTF Additional Financing, the facility's total size will be increased to US\$137 million. This expansion will support a broader scope of MSME low carbon technology adoption, encompassing energy efficiency improvements, industrial electrification, renewable energy supply to industries, circular economy initiatives, sustainable cooling solutions, and other emerging areas.

**Component 2: Technical Assistance and Capacity Building (US\$6million GEF grant, no change)**

As part of the existing facility, the technical assistance and capacity building component is funded by GEF, out of which US\$4 million is managed by SIDBI and US\$2 million is managed by Energy Efficiency Services Limited (EESL). This component has been supporting technical assistance, capacity building, and operations support including carrying out market development, project management, awareness building, and outreach to beneficiaries and stakeholders.

The project outcome indicators are;

- Annual energy savings achieved by projects that receive PRSF risk coverage (GWh)
- Annual mitigation of CO2 emissions achieved by projects that receive PRSF risk coverage (million tons)
- Total number of decarbonization investments whose loans receive credit guarantee from PRSF
- Total amount of loan financing provided for decarbonization investments including that from SIDBI and PFIs that receive PRSF risk coverage (million US\$)
- Total number of low emission technologies implemented
- Renewable energy capacity enabled (MW)
- Private Capital Mobilized (million US\$)
- Quality jobs created including female jobs

Intermediate outcome indicators are;

- Total amount of loans that receive risk sharing coverage through credit guarantees from PRSF
- Private capital mobilized (total amount of financing mobilized through PRSF risk coverage)
- Default rate of loans that receive risk-sharing coverage through credit guarantees from PRSF
- **People provided with new or better jobs via decarbonization investments including females**

**Summary of Proposed Changes** <sup>[c][d]</sup>

| Original | Proposed Changes |
|----------|------------------|
|----------|------------------|

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|  |  |
|--|--|
| <b>Original CTF Financing – USD 25 million</b>   | <b>Additional CTF Financing of USD 50 million</b>  |
| <b>Original support scope:</b> energy efficiency projects implemented by ESCOs         | <b>Expanding Scope:</b> Supporting technologies beyond EE, such as industrial electrification with on-site renewable energy and advanced storage solutions, sustainable cooling and cold chain technologies. |
| <b>Detailed Justification/Challenges/Reason(s) for the amendment</b> <sup>[c][d]</sup> |  |

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## Going Beyond Energy Efficiency: Scaling PRSF for India's Net Zero Ambition

### Background: Building on Proven Success

The World Bank's Partial Risk Sharing Facility for Energy Efficiency (PRSF I), supported by \$25 million guarantee from the Clean Technology Fund (CTF), has revolutionized energy efficiency (EE) financing in India. Since 2015, PRSF I has:

- Supported **79 EE sub-projects**, mobilizing **\$132 million** in domestic commercial investments.
- Achieved a direct leverage ratio of **5.3x**.
- Facilitated the establishment of the **Green Vertical** at the Small Industries Development Bank of India (SIDBI), catalyzing a **\$2 billion green portfolio**, including \$1.7 billion in energy efficiency investments and \$350 million in renewable energy.
- Partnered with **15 Participatory Financial Intermediaries (PFIs)** and increased capacity of 50+ FIs for EE financing.
- Of the 79 guarantees issued till date, 28 guarantees have been completed successfully. 51 projects are under various stages of implementation. Claims have been received under 2 guarantees only, for which SIDBI and the independent verification agency are carrying out due-diligence.

This foundational success, highlighted in global forums like the OECD,<sup>4</sup> underscores PRSF I as a model for de-risking and scaling green investments via leveraging domestic commercial finance.

### New Challenge: Investing for Net Zero

To meet its 2070 net-zero commitment, India's industrial sector must adopt innovative technologies at scale. This transformation requires **\$2.6 trillion** by 2070, representing 17% of the nation's total financing need, according to the World Bank Country Climate and Development Report. Beyond energy efficiency, critical areas to scale-up investment include:

- **Electrification with Renewable Energy (RE):** Deploying electric boilers, heat pumps, end-user electrification technologies coupled with RE and battery storage.
- **Sustainable cooling and cold chain:** Replacing energy intensive space cooling with efficient solutions, and increase access to cooling and cold chain services to reduce waste and improve competitiveness.
- **Circular Economy:** Advancing material efficiency, reuse and industrial symbiosis.

However, these technologies are nascent, requiring innovative financial models to incentivize adoption by the private sector and bridge significant financing gaps.

### PRSF II: Transforming Net Zero Financing in India:

The proposed **PRSF Phase II** leverages the success of PRSF I to address these challenges, enabling scale up of the green finance through:

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<sup>4</sup> Cordonnier, J. and D. Saygin (2023), "Financing solutions to foster industrial decarbonisation in emerging and developing economies", *OECD Environment Working Papers*, No. 226, OECD Publishing, Paris, <https://doi.org/10.1787/24a155ab-en>.

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1. **Scaling Risk Sharing Facility:** Additional finance of \$50 million CTF guarantee blended with IBRD resources to top up the existing \$37 million PRSF to de-risk local currency loans from commercial banks for decarbonization projects.
2. **Expanding Scope:** Supporting technologies beyond EE, like industrial electrification with on-site renewable energy, green hydrogen, advanced storage solutions for high penetration of RE and sustainable cooling.
3. **Mobilizing Private Capital:** Expected direct leverage of private sector financing of **5x**, with \$500 million private capital mobilized through commercial lending and equity financing.
4. **Capacity Building:** Empowering MSMEs, policymakers, and financial institutions to navigate the complexities of decarbonization technologies.

### Focusing on MSMEs: Empowering the Backbone of India's Economy

Micro, Small, and Medium Enterprises (MSMEs) are vital to India, accounting for **97% of registered firms** and **63% of employment**, yet they face disproportionate challenges:

- High emission intensity from reliance on coal, diesel and thermal dominated unreliable electricity.
- Acute financing constraints, with a **\$330 billion credit gap** and only 16% of credit needs met by formal financial institutions.

PRSF II directly addresses these barriers by channeling international climate funds to MSMEs, enabling their participation in the MSME decarbonization agenda while enhancing competitiveness.

### Unlocking and Leveraging Financing via CTF Guarantee Product

PRSF II will utilize the additional \$50 million CTF guarantee to scale up the proven **Risk Sharing Facility** managed by SIDBI. Key features include:

- Guarantee coverage ranging from **40%–75%** for loans extended to sector players, focusing on MSME decarbonization investments.
- Participation of Scheduled Commercial Banks and Non-Banking Financial Companies (NBFCs) to maximize reach.
- Leveraging existing resources, including **\$37 million** from GEF and CTF under PRSF I, to scale up impact.

This structure ensures timely access to climate finance, addressing high-risk market segments and unlocking large-scale private investments.

### Why CTF Futures Window Support is Critical

The proposed project aligns with the **CTF Futures Window** by:

- Building on the **success of PRSF I** and broadening its scope to include transformative net zero technologies.
- Demonstrating **innovation** in de-risking high-impact, emerging technologies.
- Ensuring **high private sector leverage** with a 5x multiplier effect.
- Responding to the **urgency of investment demand**, evidenced by SIDBI's pipeline of ready projects.

### Summary: Catalyzing India's Net Zero Transition

PRSF II is not just a financial mechanism—it is a pathway to transform industrial sustainability. By focusing on MSMEs and emerging technologies, PRSF II will:

- Unlock **economic opportunities** in green industries.
- Position India as a global leader in industrial net zero.
- Establish a **scalable model** for developing economies to achieve net-zero ambitions.

With **\$50 million in catalytic CTF support**, PRSF II will drive systemic change, mobilize private capital, and enable India's industrial sector to lead the global transition to a low-carbon economy.

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**Does the change requested affect the scope of expected results/indicators reported for the project? (Yes/No)**

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☒ Yes ☐ No

(If yes, please list all changes and provide a short explanation for each.)

Due to the expansion of the project scope, the values of the project results and indicators are expected to increase. However, the precise figures are currently unavailable as studies are still in progress. The updated result indicators will be communicated to the CTF upon the completion of these studies.

The increase will be reflected in the following result indicators:

- Annual energy savings (GWh)
- Annual mitigation of CO2 emissions (million tons)
- Total number of decarbonization investments whose loans receive credit guarantee from PRSF
- Total amount of loan financing provided for decarbonization investments (million US\$)
- Total number of low emission technologies implemented
- Renewable energy capacity enabled (MW)
- Private Capital Mobilized (million US\$)

A snapshot of the status of key indicators for the existing facility is as mentioned below:

| PDOs                          | UoM                     | Revised<br>PDOs | Target<br>Achievement       | Achievement |
|-------------------------------|-------------------------|-----------------|-----------------------------|-------------|
|                               |                         | FY 2025         | As of September<br>30, 2024 | %           |
| No. of Projects for Guarantee | Nos.                    | 77              | 79                          | 102.60      |
| Guarantee amount              | USD Million             | 65              | 58                          | 89.60       |
| Guaranteed loan Amount        | USD Million             | 87              | 79                          | 90.26       |
| Project Cost                  | USD Million             | 125             | 132                         | 105.55      |
| Energy Savings                | GWh/Yr                  | 328             | 375                         | 114.42      |
| GHG emission reduction        | Mn tCO <sub>2</sub> /Yr | 0.289           | 0.310                       | 107.27      |

Gender and Social Inclusion: For the existing facility, the team tracks the support provided by PRSF to women-led enterprises in terms of the number of projects supported and the amount loans guaranteed by gathering data on the involvement of women in the senior management roles of the companies being supported. For the expanded facility, the team would evaluate indicators on certain % of the facility to be earmarked for supporting women-led enterprises and concession to the guarantee fee applicable for loans provided to women-led enterprises.

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| Summary of Proposed Changes to expected results/indicators <sup>[c][d]</sup>  |   |
|---|---|
| Original  | Proposed Changes  |
| <b>Private Sector Mobilization:</b> total project investment of \$125 million from domestic private sector.   | <b>Scaling impact:</b> total investment of USD \$625 million.   |
| <b>No. of jobs or gender related indicators (not part of the existing project indicators)</b>   | <b>Creating quality jobs via decarbonization investment:</b> create 2,000 quality jobs via supported decarbonization projects with 40% female jobs directly and indirectly. |
| Annual energy savings achieved by projects that receive PRSF risk coverage (GWh/Yr): 328  | 1,214 GWh/Yr (estimated based on increased size of the facility)  |
| Annual mitigation of CO2 emissions achieved by projects that receive PRSF risk coverage (million tons/Yr): 0.289  | 1.07 (estimated based on increased size of the facility)  |
| Renewable energy capacity enabled (MW) <b>(not part of the existing project indicators)</b>   | 300-450 MW (assuming 40%-50% of the private capital mobilized supports installation of RE projects)   |
| Total number of decarbonization investments whose loans receive credit guarantee from PRSF: 77 projects   | 285 (estimated based on increased size of the facility)   |
| Total amount of loan financing provided for decarbonization investments including that from SIDBI and PFIs that receive PRSF risk coverage (million US\$): 87 million | ~US\$400 million  |
| Total number of low emission technologies implemented <b>(not part of the existing project indicators)</b>  | [to be estimated]   |
| Detailed Justification/Challenges/Reason(s) for the changes in expected results/indicators <sup>[c][d]</sup>  |   |

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Due to the expansion of the project scope to encompass the broader MSME decarbonization, the values of the project results and indicators are anticipated to increase.

**1. Substantial Investment Needs in Target Sectors:**

The net-zero of hard-to-abate MSME sectors such as bricks, foundry, forging, re-rolling, ceramics, pharmaceuticals, dairy, and rubber requires urgent attention. According to the latest World Bank report on decarbonization technology and financing, these sectors will need investments ranging from \$1.8 billion (business-as-usual) to \$6 billion (ambitious scenario) by 2030 (World Bank industry decarbonization technology assessment report). Without additional financing, achieving these transformative goals will be unfeasible, leaving a critical gap in India's climate action strategy.

**2. The Scale of India Demands Proportionate PRSF Support:**

India's industrial landscape dwarfs that of many countries benefiting from substantial climate finance. For instance, the Vietnam Scaling Up Energy Efficiency Project received \$75 million in GCF Guarantees (P164938), yet India's original PRSF remains at only a third of this level, despite India's economy being 10 times larger. The original PRSF served as an experimental initiative, but after a decade of proven success, a scale-up is essential to meet India's enormous net zero challenge.

**3. Economic and Employment Impact:**

MSMEs form the backbone of India's economy, accounting for 63% of formal employment and representing 97% of registered firms. These businesses are critical for economic growth but face significant challenges due to high energy costs, emission intensity, and air pollution. Scaling up PRSF would channel precious climate finance to this underserved sector, driving clean energy transitions while safeguarding millions of jobs.

**4. Transformative Climate Impact:**

The industrial sector is India's largest and fastest-growing energy consumer, contributing to 43.4% of energy demand and 50% of greenhouse gas emissions. With industrial energy demand expected to double by 2070, decarbonizing this sector is a critical next step on India's pathway to net-zero. PRSF expansion directly addresses financing pain points and knowledge gaps, enabling the adoption of cutting-edge decarbonization technologies on a massive scale.

**5. Mobilizing Private Sector Financing:**

India's 2070 net-zero commitment hinges on the adoption of innovative technologies across its industrial sector. Meeting this target will require \$2.6 trillion by 2070, amounting to 17% of India's total climate finance needs. A scaled-up PRSF aligns seamlessly with the World Bank's private sector mobilization agenda, creating the financial and technical ecosystems needed to catalyze transformative change. By targeting MSMEs, PRSF can unlock a multiplier effect for industrial net zero, fostering broad-based economic and environmental gains.

**Next Steps to Justify Request for an Extension and Ensure Approval by the Proposed Target Date  
(Describe all activities to be completed during the extension)**

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- Develop a strong pipeline to ensure proposed developed impact.
- Revise Project Operational Manual (OM) to reflect expanded scope.
- Update M&V framework to include new development indicators.
- Obtain World Bank approval for additional finance with restructuring.
- Build stakeholder capacities to scale decarbonization investment to achieve development objectives.

**Version: December 2024**

Link to Documents Management – [here](#)

CCH – [here](#)

CIF Website – [here](#)

CIF Pipeline Management and Cancellation Policy - [here](#)

CIF Financial Terms and Conditions Policy updated for FY24 - [here](#)

CIF Operational Modalities For New Strategic Programs - [here](#)

FY25 Pricing Policy - [here](#)

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