MDBs in the Green Finance Ecosystem: how development finance institutions and the public and private sectors work together to meet green finance goals

Sixth Annual Green Bank Congress
Rethinking development finance for climate

2018 Green Bank Congress, 29th November 2018, Shanghai

Naeeda Crishna Morgado, Development Co-operation Directorate, OECD
Share of MDB climate finance for infrastructures shows gaps

Share of MDB commitments for infrastructure that are climate-related, by sector, 2015-16 average

- Energy
  - Mitigation: 47%
  - Adaptation: 1%
  - Non-climate: 5%

- Transport & storage
  - Mitigation: 20%
  - Adaptation: 4%

- Water supply & sanitation
  - Mitigation: 5%
  - Adaptation: 12%

- Communications
  - Mitigation: 2%

Significant variation in shares of IDFC members’ green finance

IDFC members: green finance commitments as share of overall commitments, 2015 and 2016, by total asset size

IDFC (2017), IDFC Green Finance Mapping Report 2017
Moving towards blending 2.0

Combining different sources of public development finance

Attracting commercial finance at scale

From blending today to Blended Finance 2.0

OECD (2018), Making Blended Finance work for the SDGs, OECD, Paris

Development banks need to transition from ‘financer’ to ‘mobiliser’
Financing Climate Futures: Rethinking development banks for climate

Strengthen development banks’ mandates and incentives to deliver transformative climate action, especially in NDBs.

Bring new investors and sources of finance to investments to create new climate markets.

Use concessional finance to enable development banks to drive the transformation.
Thank you!
What to do NOW?

Direct Financing: Was easier,

But available money is not enough.

No choice but to optimize
Guarantees

Transfers (& Contingent)

Development of ESG and MRV

Credit Enhancements

Blended Financing

Off Balance Operations

Development of Smooth Project Pipeline

Regulations and Legal Frameworks (APP’s)
Supporting National Development Banks all along the issuance process: Green / Sustainable Bonds / Structure / Guarantees

1. Portfolio identification
   • Existing portfolio and potential pipeline identification
   • Application of existing taxonomy and standards
   • M&E design
   • Institutional capacity building across departments
   • Development of methodologies for specific sectors

2. Bond structuring
   • Sustainable framework preparation
   • Feasibility study for credit enhancement (IDB Group or external)
   • Feasibility study for anchor investment (IDB Group or external)
   • Technical support to Treasury and Financial departments

3. Second Party Opinion
   • SPO
   • CBI certification when relevant

4. Roadshow
   • Design of the final offer
   • Support to communication plan & roadshow

5. Issuance
   • Knowledge sharing

IDB Inter-American Development Bank
THANK YOU!
6th Annual Green Bank Congress

Exploring Effective Tools to Mobilize Private Investment in Low Carbon Climate Resilient Infrastructure

Shanghai - 29/11/2018
AFD GROUP: A GROWING GLOBAL NETWORK

2,500 staff
85 agencies
3,600 projects supported
109 countries of operation
80 nationalities

A WORLD IN COMMON
#MondeEnCommun
AGENCE FRANÇAISE DE DÉVELOPPEMENT
Goals

- Consistency of AFD Group activity with the Paris agreement, support to low carbon and resilient development pathways
- Maximize climate impact and leverage
- An enhanced role within IFIs committed on Climate

Objectives

- Make the entirety of financings consistent with low carbon and resilient development. Support the development of low carbon and resilient long term trajectories by countries.
- Increase the levels of climate financing
- Contribute to the redirection of financial flows
- Contribute to the definition of solutions and standards
TFCS – TRANSFORMING FINANCIAL SYSTEMS FOR CLIMATE

Expected benefits

- > 30MT CO₂ reduced of avoided during the programme lifetime (2.3MT Annually)
- 880 Companies developing low carbon or climate resilient investment or services
- >200 000 direct beneficiaries (50% women)
- 280 MW of renewable installed capacity
- 200 GWh of energy savings per year
- 30 + financial institutions implementing or improving climate strategies
- > 900 bank staff trained on climate issues
WHAT IS IDFC?

- Leading national & regional development banks
- International reach
- Regional balance

IDFC, created in 2011, is the leading group of 24 national and regional development banks from all over the world, a majority active in emerging markets. IDFC is the largest provider of public development and climate finance globally, with USD 4 trillion in combined assets and annual commitments above USD 850 billion.
<table>
<thead>
<tr>
<th>$219 billion in green finance in 2017</th>
<th>26% increase on 2016</th>
<th>87% in home country of IDFC member</th>
</tr>
</thead>
<tbody>
<tr>
<td>84% of total finance committed in 2017 in Green energy and Mitigation of Greenhouse Gases</td>
<td>X2 growth in adaptation finance</td>
<td>$26 billion international finance to projects in non-OECD countries</td>
</tr>
</tbody>
</table>
CONNECTING GLOBAL CHALLENGES AND LOCAL ACTION TOWARDS GREEN FINANCE

✓ IDFC: component of development finance architecture, distinct from and complementary to the multilateral system
✓ IDFC members are

Rooted in domestic economic & social fabric

Connected to Regional & Global Agendas

Recognized channel for International Funds (10+ accreditations GCF)

Able to translate international priorities into local action

IDFC members have the unique function of supporting domestic policies while transferring international priorities into their own constituencies.
THANK YOU
GCF Support on Green Banking

Leo Park
Funding proposal and PPF

Readiness programme

Awareness raising & outreach

FI team aspires to green the financial sector and players in developing countries as the finance sector is a backbone of the real economy.

Mission and Three Pillars
<table>
<thead>
<tr>
<th>Potential Interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accreditation</strong></td>
</tr>
<tr>
<td>• Banks naturally become greener by going through GCF accreditation process</td>
</tr>
<tr>
<td><strong>Readiness Programme</strong></td>
</tr>
<tr>
<td>• Promote country-level green finance initiatives and knowledge sharing</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
</tr>
<tr>
<td>• Green credit lines and green bonds to FIs to finance green projects</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
</tr>
<tr>
<td>• Equity investment in green FIs, platforms, and funds</td>
</tr>
<tr>
<td><strong>Grant</strong></td>
</tr>
<tr>
<td>• Technical assistance for capacity building of FIs, ESS/gender mainstreaming, etc.</td>
</tr>
</tbody>
</table>
Funding Proposal and PPF

Green lending (on-lending) programme
- Extend green credit lines to FIs to finance green projects
  - e.g. XacBank programmes and PPF, EBRD SEFF programme, NABARD rooftop solar programme, AFD TFSC, CAPI CAMELIO II

Risk sharing programme
- Set up a risk sharing platform with local FIs
  - e.g. DB UGEAP, IDB MSME programme

Establishing green FIs or units
- Set up new green financial institutions or units within an existing institution, convert existing institutions into green banks and/or transform MFIs into fully-fledged green banks e.g. DBSA CFF
B20: DBSA CLIMATE FINANCE FACILITY

**GCF (USD 55m)**
- FAA Trust Agreement
- USD 55m Repayments USD
- DBSA Loan Agreement (in ZAR)
- DBSA is the Executing Entity for the Programme

**DBSA (R 650m)**
- Trust Account for GCF funding
- DBSA is the Executing Entity for the Programme
- Repayments (in ZAR)
- DBSA Loan Agreement (in ZAR)
- Repayments of DBSA

**Co-financiers (R700m)**
- Programme level co-financing
  (on pari passu basis with the GCF)
- Repayments (in ZAR)

**Local banks**
- ~USD 680mln
- Loan Agreement (Senior Debt in ZAR)
- Repayments (in ZAR)

**Project Sponsors**
- ~USD 170mln
- Equity (min 20% of projects cost)

**Expected leverage at sub-projects level**
(USD 850mln – ZAR equivalent)

**DBSA will provide GCF tranche in USD**
at a 1% fixed interest rate in USD

**Repayment of GCF tranche**

**Climate Mitigation & Adaptation sub-projects**
New Development Bank:
Strategic focus on sustainable infrastructure development

- **Mandate**: support global growth and development, mobilizing resources for infrastructure and sustainable development projects
- **Strategic Focus**: Sustainable infrastructure development
- **Regulatory requirements**: green bonds, social bonds & sustainability bonds
- **Accountability to shareholders and stakeholders**: development impact
- **Helping member countries to meet their international commitments**:
  - Sustainable Development Goals
  - Paris Agreement
### Cumulative loan approvals by key area and country (as of Nov-2018)

#### Total in USD

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>2,727.1 mm</td>
</tr>
<tr>
<td>Clean Energy</td>
<td>2,178.9 mm</td>
</tr>
<tr>
<td>Water / Sanitation</td>
<td>1,535.0 mm</td>
</tr>
<tr>
<td>Environmental Projects</td>
<td>700.0 mm</td>
</tr>
<tr>
<td>Urban Development</td>
<td>570.0 mm</td>
</tr>
<tr>
<td>Other</td>
<td>460.0 mm</td>
</tr>
</tbody>
</table>

#### By Country in USD

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2,751.2 mm</td>
</tr>
<tr>
<td>India</td>
<td>2,650.0 mm</td>
</tr>
<tr>
<td>Russia</td>
<td>1,468.8 mm</td>
</tr>
<tr>
<td>South Africa</td>
<td>680.0 mm</td>
</tr>
<tr>
<td>Brazil</td>
<td>621.0 mm</td>
</tr>
</tbody>
</table>

#### Portfolio by key area

- Transport: 33%
- Clean Energy: 27%
- Water and Sanitation: 19%
- Environmental Protection Projects: 8%
- Urban Development: 7%
- Other: 6%

#### SI, Renewables, Clean Energy in total portfolio

- SI, Renewables, Clean Energy Portfolio: 46%
- Other: 54%

#### SI, Renewables, Clean Energy portfolio allocation

- Renewables and Clean Energy: 58%
- SI, other than Renewables and Clean Energy: 42%
Cumulative loan approvals reached USD 8.2bn (as of Nov-2018)

Cumulative approvals in USD

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.5 bi</td>
<td>3.5 bi</td>
<td>8.2 bi</td>
</tr>
</tbody>
</table>

Total number of project

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7</td>
<td>13</td>
<td>30</td>
</tr>
</tbody>
</table>

Cumulative approvals by country in USD

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>300.0 mm</td>
<td>621.0 mm</td>
<td>660.0 mm</td>
</tr>
<tr>
<td>Russia</td>
<td>100.0 mm</td>
<td>628.8 mm</td>
<td>2,650.0 mm</td>
</tr>
<tr>
<td>India</td>
<td>600.0 mm</td>
<td>362.1 mm</td>
<td>1,468.8 mm</td>
</tr>
<tr>
<td>China</td>
<td>180.0 mm</td>
<td>1,515.0 mm</td>
<td>2,751.2 mm</td>
</tr>
<tr>
<td>South Africa</td>
<td>180.0 mm</td>
<td>862.1 mm</td>
<td>1,950.0 mm</td>
</tr>
</tbody>
</table>

Total number of project

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>1</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>South Africa</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>
MDBs in the Green Finance Ecosystem: how development finance institutions and the public and private sectors work together to meet green finance goals

Discussion & Questions

Sixth Annual Green Bank Congress