

Agenda item 2.2.

Paragraph 5 of the annotated agenda, Annex 1

Financing and use of the CDM by international finance institutions

CDM EB 101

Katowice, Poland

26 to 29 November 2018



Historical background

- ✓ **CMP.1** (3/CMP.1, Annex, para B 4(d)): COP/MOP shall *assist in arranging funding* of CDM project activities, as necessary
- ✓ **CMP.1** (3/CMP.1, Annex, para C 5(i)): CDM-EB shall make publicly available information on *projects needing funding* and *investors seeking opportunities*
- ✓ **CMP.11** (6/CMP.11, para 8): encouraged the Board to explore opportunities for *financing the CDM through international financing institutions*, such as the GCF*
- ✓ **EB-88, EB-90, EB-91, EB-94, EB-97, EB-99** *initiated neutral, unbiased, non-commercial support for several activities*, incl. some new activities
- ✓ **CMP.12** (3/CMP.12, para 4): encouraged the Board to continue its *activities* in response to CMP.11 above
- ✓ **CMP.13** (3/CMP.13, para 2): encouraged the Board to continue its *cooperation with financial institutions* in response CMP.11 above



Purpose

The purpose of this note is to provide the Board with an **update** of the 7 groups of activities **supported** by the secretariat during **Q2 - Q3 2018** (April – first half of October 2018)

The period **prior** (Q1) was reported at **EB 99**

Support for the most part provided with kind **assistance** and **collaboration** of the **Regional Collaboration Centres (RCC)**



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Key issues and proposed solutions

The approved activities as per EB 97:

1. **Green Bond** support development of CDM project financing via green bonds
2. **Crowd-finance** for projects via crowd-investing & -funding platforms
3. **EADB** support to the East African Development Bank
4. **BOAD** support to the West African Development Bank
5. **IDBZ** support to the Infrastructure Development Bank of Zimbabwe
6. **UDB** support to the Uganda Development Bank – with diversion
7. **ASEAN*** loans and bonds for CDM projects in south east Asia

National and regional development banks

**Baker
McKenzie.**

ClimateMundial



bettervest
nachhaltig · effizient · rentabel



Empowered lives. Resilient nations.



EAST AFRICAN DEVELOPMENT BANK



BOAD
BANQUE OUEST AFRICAINE
DE DEVELOPPEMENT



Infrastructure Development Bank of Zimbabwe



UGANDA
DEVELOPMENT
BANK
Inspiring Development

IGES Institute for Global
Environmental Strategies



UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific



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*members of the Association of Southeast Asian Nations (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam)

1 - Green Bond

Agreed actions:

Sharing **information** on the concept with market players, CDM project developers and DNAs;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM activity inclusion with investment requirements;

Disseminating information on the concept to prospective IFIs, credit-rating agencies and development banks, and DNAs;

Establishing **links** with other finance organizations and finance networks, and including outreach and web-based promotion.

Support provided:

United Nations Development Programme (UNDP) and partners in support of the Government of The Gambia to implement a grid-connected solar energy programme for independent power producers for registration as a PoA; where CPAs will be financed in part via a green bond;

Application of green bonds in the financing of a new PoA for methane reduction in rice cultivation in the Philippines and a RE and clean cooking PoA in Ghana – incl. update and application of existing standardized baseline – facilitated by NDC-P;

Presented information on green finance, green banks, bonds and loans opportunities for CDM project financing at the annual DNA forum in Bonn in September 2018.



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2 - Crowd-finance

Agreed actions:

For CDM activities selected by the facilities, supporting the gathering of **project details** from project developers and portfolio managers interested in using the platforms;

Maintaining a **direct relationship** with platforms to ensure that projects suitable for crowd-investing are connected and benefit from crowd-funding and other innovative funding sources;

Establishing **links** with new platforms and other networks, including outreach and web-based promotion of the sources of finance and opportunities.

Support provided:

Maintained relations with CDM activities interested in crowd-investing and assisted with project development, CDM advice cycle and market potential for CERs;

Two crowd funding platforms were provided with information on CDM activities* in east and southern Africa for potential crowd-investment platform suitability.

some of the effort on this activity was diverted to activities 6 and 7



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* 3/CMP.1, Annex, para C 5(i), information on projects needing funding and investors seeking opportunities available

National & regional DFIs are key

National & regional development finance institutions:

- tend to be early-stage investors
- structured to allow borrowing from other institutions
- issue debt in domestic markets
- take on finance risk more readily than private financiers
- provide long-term financing in local currencies
- extend credit on favorable terms - in their local credit markets
- are better at assessing and pricing local risk
- are more effective at pushing regulators to improve enabling environments

Capacity deficits

- managing highly complex deals by themselves, e.g. interest rate hedging instruments or capital market guarantees
- climate impact assessment and measurement



3 – EADB

Agreed actions:

Providing support to the EADB in setting up an operational and **institutional framework** for using the CDM in climate finance, also drawing examples and lessons from the other activities;

Assisting the bank in **completing information** on CDM projects, as identified by the bank as suitable opportunities for its climate finance programmes;

Assisting in the establishment of a **climate finance desk** at the EADB, including capacity- and expertise-building on the use of the CDM in climate finance.

Support provided:

Follow up with the bank in their process to recruit an environmental manager and a climate finance expert to assist the bank in the process of establishing a climate finance desk;

Meetings with EADB risk department to identify requirements to establish a green revolving credit line for projects;

Presented a *Renewable Energy Infrastructure Financing* facility at the SEED Practitioner Finance Lab held in Kampala;

Approached intermediary financial institutions, including partners of the bank, to assist in identifying bankable CDM activities in the region.



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4 – BOAD

Agreed actions:

Providing support to the BOAD in setting up an operational and **institutional framework** for using the CDM in climate finance, also drawing examples and lessons from the other activities;

Assisting the bank in **completing information** on CDM activities, as identified by the bank as suitable opportunities for its climate finance programmes;

Assisting in the establishment of a **green bond programme** to finance CDM activities, including capacity- and expertise-building on the use of the CDM in climate finance.

Support provided:

Origination of projects conducted for the bond facility, which included the provision of information on proposed projects seeking funding*;

Supported on finance access and CDM cycle:

- *Projects in the advanced stage of development (feasibility study completed or undergoing):* 4 in Benin, 3 in Burkina Faso, 1 in Cote d'Ivoire, 2 in Mali, 2 in Niger, 10 in Togo, 3 in Senegal & 4 regional projects;
- *Projects in the early-stage project development (concept preparation, project idea elaboration):* 12 in Mali, 8 in Benin, & 1 in Senegal.



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*as per 3/CMP.1, Annex, para C 5(i)

Agreed actions:

Providing support to the IDBZ in setting up an operational and **institutional framework** for using the CDM in climate finance, including mainstreaming the CDM project cycle into the IDBZ's project development process;

Assisting in the establishment of a **climate finance desk** at the IDBZ, including capacity- and expertise-building on the use of the CDM in climate finance;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM activity inclusion with investment requirements;

Assisting the IDBZ in **completing information** on CDM projects as identified by the banks as suitable opportunities for its climate finance programmes and development of a green investment framework.

Support provided:

Set-up of a Climate Finance Division as staffed;

Approval of the setting up of a Climate Finance Facility (a ring-fenced and thematic trust fund dedicated to financing projects);

Feasibility study consultant sourced and hired to conduct the CFF feasibility and funding secured

Completing an outcome of the *green investment catalyst roundtable* from in Victoria Falls in Dec. 2017 to establish a Green Investment Framework for the bank;

Planning underway to:

I. Assist in the development and enhancement of domestic funding sources for the financing of projects, knowledge sharing with UNDP on how to structure green bonds;

II. Assist in knowledge and information sharing from the experiences in other developing and the more developed markets;

III. Assist in the integration of the IDBZ CFF as the bank of choice for “Support Towards the Implementation of Zimbabwe’s Nationally Determined Contributions (STIZ-NDC) Project”.



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Agreed actions:

Assisting in the establishment of a **climate finance desk** at the UDB, including capacity- and expertise-building on the use of the CDM in climate finance;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements;

Assisting the UDB in **completing information** on CDM projects as identified by the banks as suitable opportunities for its climate finance programmes, and development of a green investment framework.

Support provided:

UDB is undergoing an international credit rating process, hence;

Some effort diverted to assist the DBSA in GCF approval of the CFF as model for UDB, IDBZ, BOAD, EADB and other NDBs and RDBs;

CFF (FP098) approved at GCF B.21

Currently assisting in origination of projects via provision of information on proposed projects seeking funding*

Africa's first green bank – to crowd in private capital for projects

DBSA Climate Finance Facility - crowds-in private commercial bank lending for projects in Rand Monetary Area that struggle to access affordable financing at commercial terms

**Sustainable
finance**

to catalyze **climate projects** in SADC countries (no FX exposure)

Reduced risk

main instruments: **subordinated debt / first-loss** and **tenor extension**

**Leveraged
private capital**

domestic private capital (av. portfolio leverage ratio 1:4) from local banks

Co-funded

by GCF, DFI, Pension fund



GREEN
CLIMATE
FUND



PUBLIC INVESTMENT
CORPORATION



DBSA

Development Bank
of Southern Africa



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Agreed actions:

Supporting the **identification of green loan and bond market actors** that are interested in issuing green debt and bonds in at least two countries with mature capital markets and two in developing capital markets to include CDM project debt;

Raising interest in green loan and bond actors in providing refinancing for CDM activities through **capacity-building activities** to further enhance understanding of green loans and bonds for public and private sector bodies, including convening a green investment catalyst roundtable in the region, with relevant partners;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements;

Establishing **links** with other finance organizations and finance networks, and including outreach and web-based promotion.

Support provided:

Convened a *green investment catalyst roundtable* in Singapore in association with ASIFMA and UN-ESCAP attended by 200+ private and public sector capital market actors. The 2nd day focused on the launch of project funding facilities with partners:

I. *Asia-Pacific Green Lending Facility* – a finance facility for specifically designed for discerning investor funds, high-net-worth-individuals, family offices and endowment investors;

II. *Sustainability Bond Facility for Micro Finance Institutions* – a bond facility for providing on-lending to projects funded through micro finance institutions in the region;

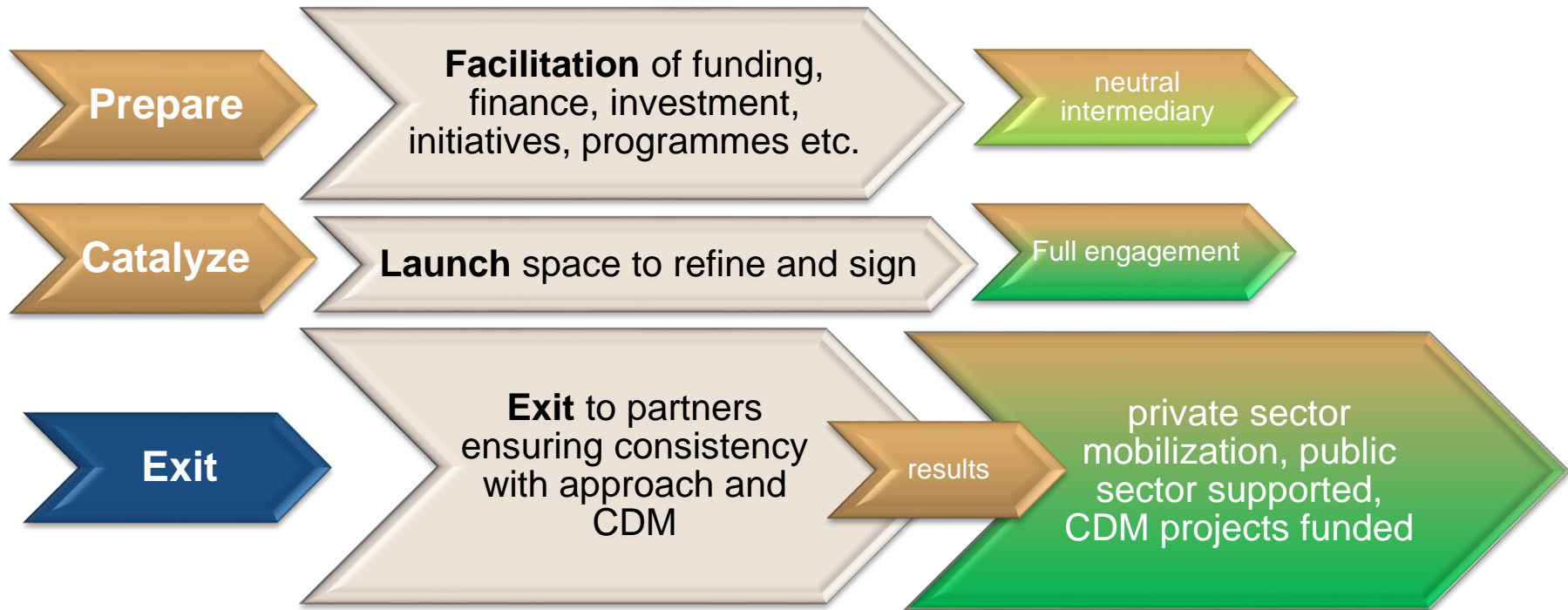
III. *Syndicated Regional Green Lending Facility* – a loan facility to provide mid-scale syndicated concessional loans to domestic banks in the region for on-lending to projects;

Assisted in the origination of projects for facilities included provision of information on proposed projects seeking funding resulting in the opening of discussions with five proposed CDM activities, in Cambodia, Lao PDR, Sri Lanka, India and a Chinese project developer;

FI consultations conducted with several Banks, MFIs, Asset owners/managers, Security and financial service firms and DFIs;

Co-organized regional events and practitioner labs, to raise awareness on the lending opportunities for projects in the region.

GIC theory of change



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Selection equity, debt and grant providers of s.e. Asia



- Cambodia**
- 1 Finance Programme for Small Water and Rural Electrification Enterprises by AFD- FTB (also loan guarantee, output-based grant)
 - 2 Social Investment Fund for Cambodia by Arun LLD
 - 6 WASH and Clean Energy loans by Ohamroeur
 - 6 Clean Energy Revolving Fund by Nexus for Development
 - 6 Investing in Infrastructure by Palladium (output-based grant)
 - 6 Green lending programme by PRASAO-responsAbility

- Indonesia**
- 7 Aavishkaar Frontier Fund by Aavishkaar
 - 8 Cooperation for Financing Renewable Energy and Energy Efficiency projects by AFD - Public Bank Mandiri
 - 9 Capital 4 Development Asia Fund by O4D Partners (ex-1000 Investments) (also equity)
 - 10 Social Venture Fund by MercyCorps (also debt and mezzanine)

- Lao PDR**
- 11 The Stove Auction Mekong by EnDev - SNV (output-based grant)
 - 12 Energy and Environment Partnership Mekong Programme by Finland Government (output-based grant)

- Lao PDR**
- 13 Clean Energy Platform by Abraaj Capital (also grant)
 - 14 High Technology Fund by Bank Pembangunan Malaysia Berhad
 - 15 Green Technology Financing Scheme by Malaysia Debt Ventures (also mezzanine)
 - 16 SME Development Scheme by Malaysia's SME Bank

- Myanmar**
- 17 Oasis Fund by Bamboo Capital Partners
 - 18 IIX Growth Fund by Impact Investment Exchange (also mezzanine)
 - 19 Yetagon Credit / Proximity Finance by Proximity Designs
 - 20 Shift Challenge Fund - Clean Start Energy Access Window Challenge by UNODF (also debt)

- South East Asia**
- 29 Renewable Energy Asia Fund II by Berkeley Energy
 - 30 Insitor Impact / Seed Fund by Insitor Management (also debt and mezzanine)
 - 31 Crowdfunding by Kiva
 - 32 Pioneer Facility by Nexus for Development
 - 33 Global Energy Access Fund by responsAbility
 - 34 Uberis Impact Fund by Uberis Capital (also debt and grant)

- Vietnam**
- Mekong Brahmaputra Clean Development Fund by Dragon Capital
 - 26 Vietnam Green Credit Trust Fund by Vietnam Cleaner Production Centre-SEDO (also loan guarantee, output-based grant)
 - Vietnam Environment Protection Fund by Vietnam Government
 - 27 Vietnam Climate Innovation Centre by World Bank (also grant)

- Philippines**
- 21 Green Energy Loan by ASKI
 - 22 New and Renewable Energy Projects by Development Bank of Philippines
 - 23 Foundation for the Philippine Environment (also debt)
 - 24 Peace and Equity Holding by Peace and Equity Foundation (also debt and grant)



Impacts

The work promotes use of the CDM by IFIs:

- ✓ contribute to **pre-2020** climate action
- ✓ mitigation action that is **verified, additional & internationally** tracked
- ✓ contribute to the **exploration other uses of the CDM**

The work does not foresee any cost implications for third parties/stakeholders



Subsequent work and timelines

All the activities initiated will continue through into 2019.....



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Recommendations to the Board

The secretariat recommends to the Board:

Take note of the [progress of the support](#) provided by the secretariat and in collaboration with the RCCs for the period Q2 to Q3+, 2018

