Financing and use of the CDM
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** *initiated neutral, unbiased, non-commercial support for several activities* and added several additional
- **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

*The Board hosted a half-day in-session workshop during SB44 (as per 6/CMP.11, para 9), a report is available online.*
Representation globally

Banque Ouest Africaine de Développement (BOAD)
Corporacion Andina de Fomento (CAF)
East African Development Bank (EADB)
Institute for Global Environmental Strategies (IGES)
Windward Islands Research & Education Foundation (WINDREF)
Supporting the CDM-EB since 2016

Board approved activities:

**Green Bond** support development of CDM project financing via green bonds

**Crowd-finance** for projects via crowd-investing & -funding platforms

**EADB** support to the East African Development Bank

**BOAD** support to the West African Development Bank

**IDBZ** support to the Infrastructure Development Bank of Zimbabwe

**UDB** support to the Uganda Development Bank

**ASEAN** loans and bonds for CDM projects in south east Asia
Climate for finance (F4C)

✓ Works with governments actively promote low carbon and climate resilient investments in their countries and disseminate information on their enabling investment environments to investors and other market players.

✓ Works with financiers to find markets, identify co-financiers to form consortia, access project development funding to support investment-mature projects, provide access to risk mitigation instruments, help structure projects and financing along the Paris Agreement.

✓ Works with project owners to provide increased visibility for their projects, making it easier to identify relevant financiers, advisors, service providers for specific needs and enable targeted and relevant engagements.

✓ Works with financial institutions in particular bilateral funds, regional, multilateral development banks on mobilizing private capital, assisting on guarantees platforms, and supporting infrastructure investment.

The Green Investment Catalyst is a key tool.
Prepare

Groundwork preparation of funding, investment vehicles, initiatives, programmes & transactions

Catalyze

Launch space and refine in a roundtable

Exit

Hand-over to partners ensuring consistency with the Paris Agreement

Domestic market transformation, scale, private sector mobilization, NDC implementation

neutral intermediary

International recognition

results

Pre-Paris finance meant the transfer resources from financial contributor(s) to recipient(s)

Post Paris finance means consistent achievement a common set of measurable results with the private sector
Objective

- **GIC** focuses squarely on *implementation*, each GIC cycle is designed to catalyse several investment or finance vehicles e.g. debt (loans), equity (working capital), risk-sharing (guarantees, first-loss funds) or creditworthy intermediaries.

- **GIC** connects the dots on finance for climate, by bringing together sources of finance with investment ready projects while ensuring implementation that supports alignment with a below 2-degree pathway.

- **GIC** provides a *platform* for effective translation of policies, NDCs and national roadmaps into investment plans, producing integrated pipelines of bankable green and climate projects for long term capital market investment.

To:

- Ensure demonstration effect – can others follow, and capital market take over
- Ensure additionality of finance - would the investment have otherwise occurred
- Ensure reduction of GHG emissions and resilience – does it contrib
**Approach**

**GIC** is a three phase process executed with pre-selected partners:

- **Phase 1: Prepare**
  - Laying the **groundwork** through preparation of funding or investment vehicles finance, and/or programmes that are NDC aligned - with a dedicated expert in country for 6-12 months

- **Phase 2: Catalyse**
  - The neutral intermediary **space** where these programmes are refined, **catalysed**, and launched via a roundtable format or a similar event, supported by a large team

- **Phase 3: Exit**
  - The post-event **continuity** where the Phases 1 and 2 are followed-up and handed-over to result in tangible investments and projects on the ground that are consistent with the objectives of the Paris Agreement
Results – Africa

Established a high level advisory council of permanent secretaries of state (environment, finance, energy)

Development of a green finance framework & guidelines

IDBZ Climate Finance Division & demonstration projects, issuance of a first domestic green bond

Address capital markets issues and open up to international markets

Established a green finance (loan and bond) framework for Zimbabwe with the aim to encourage sustainable financial products such as green sustainable bonds and loans. Green finance frameworks will act as an investment promotion instrument to implement the NDC.
Results – Africa

Establishment of a Climate Finance Division at the Infrastructure Development Bank of Zimbabwe

- Initiation of Green Climate Fund Accreditation Process (February 2016)
- Expression of Interest to collaborate with UNFCCC on ClimFin. opportunities (September 2016)
- Nomination of IDBZ for accreditation to the GCF, by NDA (November 2016)
- CDM Board Decision to provide Technical Support for IDBZ ClimFin. Activities (May 2017)
- Approval of GCF Readiness Funding for completion of Gap Assessment towards Accreditation (October 2017)
- Engagement of Financial Sector players for First Zimbabwe Green Investment Catalyst Roundtable (December 2017)
- IDBZ Board Approval for formation of Climate Finance Division (CFD/Climat Desk (December 2017)

Ongoing technical assistance with partners
A Climate Finance Facility (CFF) at the Development Bank of Southern Africa

| Catalytic role with blended finance approach | CFF will address market constraints, **playing a catalytic role with a blended finance approach**, to increase climate related investment in the southern African region. |
| Subordinated debt/first loss + Tenor extension | CFF will focus on two main instruments: **subordinated debt / first-loss** and credit enhancements such as **tenor extension** |
| Leveraging private investment | CFF is designed to **leverage private investment** with co-funders to reach an overall portfolio leverage ratio of **1:5** (project leverage ratios will vary within this range). |
| Multiple co-funding sources | CFF will raise co-funding from multiple sources to be deployed in innovative structures and products, to support projects across southern African (SADC) countries |
Results – Asia

A launch with 200 private sector and public debt capital market representatives including targeted financial sector partners and government

Green Finance Conference 2018
5-6 June 2018, Singapore

Singapore, Cambodia, Laos, Myanmar and Thailand
PT Sarana Multi Infrastruktur (Persero) - Indonesia

**PT SMI's Concrete Steps to Resolve Climate Change Issues**

01 **Sustainable Financing**
- Establishment of Sustainable Finance Division to finance RE-projects related

02 **Bilateral / Multilateral Partnerships**
- 02 AFD
- 02 UNDP
- 02 Global Green Growth Institute
- 02 gef
- 02 giz
- Partnership in green financing for renewable energy projects

03 **Agence Française de Développement (AFD)**
- Partnership in green financing for renewable energy projects

04 **Green Bond Issuance**
- PT SMI issued the first corporate green bond in Indonesia (June 2018), awarded as Medium Green, to provide green financing

05 **Green Climate Fund (GCF)**
- PT SMI as the first accredited entity in South-East Asia

06 **Geothermal Fund Management & Innovative Products**
- Geothermal fund management with amount of IDR 3.1 Trillion from Indonesia Investment Agency (PIP)

07 **Environmental and Safety Management Frameworks (ESMF)**
- The development and implementation of Guidelines of Environmental and Safety Management Frameworks (ESMF)

Grant Agreement with World Bank (CTF and GEF Fund) amounted to USD 55.25 million for geothermal exploration activities

Innovative Projects to address SDGs with high social economic benefits
## Sustainability Bond Facility for Micro Finance Institutions (SBFMFI) – A bond facility for financing on lending to micro finance institutions in the region

### Terms and Conditions

<table>
<thead>
<tr>
<th>Issuer</th>
<th>SBFMFI, Sustainable Bond Facility for Micro Finance Institutions in Cambodia, Laos, Myanmar, and Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project company</td>
<td>SBFMFI, a joint venture company established in Thailand. The company serves as a vehicle for issuance and disbursement of funds to designated country fund manager</td>
</tr>
<tr>
<td>Structure type</td>
<td>Sustainability bonds backed by loan guarantees providing a local AAA rating to provide low cost loan funding for MFI lending to the poor</td>
</tr>
<tr>
<td>Underlying investments</td>
<td>Underlying sustainable and green projects towards smallholder farmers and urban lenders, channelled through MFIs. Include: sustainable irrigation, fertilizers, crop seed, community solar lighting, sustainable housing, sustainable related insurance products</td>
</tr>
<tr>
<td>Borrowers</td>
<td>Microfinance Institutions in Thailand, Cambodia, Myanmar and Laos with an established track record</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenor, issuance indicative size and coupon (example only)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>50, Amort. 5, AAA 3</td>
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<tr>
<td>BBa</td>
<td>25, Amort. 5, BBB 4</td>
</tr>
<tr>
<td>BBb</td>
<td>25, Bullet 5, BB 5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issue Price</th>
<th>100.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Payments</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>

| Listing | Thailand (SET) market |

### Key Aspects

- Transaction is a million multi-tranche senior secured fixed rate notes supported by a guarantee attracting various investor profiles
- Transaction is a sustainability bond facility to be aligned with the Sustainability Bond Guidelines, potentially an external review
- Issued in Stock Exchange of Thailand (SET) the bond intends to attract local investors familiar with the CLMT markets
- International investors targeted through A rating sustainable bond rating
- Underlying projects are identified and are aligned with sustainability criteria monitored and supported on the ground by MFIs with KFMIs
- Creditworthiness of MFIs, track record, governance issues and funds disbursement to be handled by local partner due diligence
- Technical assistance for meeting sustainability criteria and for project implementation to be provided by donor funds or programme developers
- Potential for development of a standardized baseline emission factor for methane emission from rice in CLMT countries
- Potential for carbon finance to cover incremental costs for monitoring and reporting

### Underlying projects identified

- Smart irrigation for smallholder farmer rice fields as well as other crops – reduction of flood irrigation in the region
- GHG emission avoidance by reduced anaerobic decomposition of organic matter in rice cropping soils
- Project implementation with smallholder farmers to be done through MFIs distribution within the community
- Funding support channelled through MFIs from SBFMFI and technical support for implementation provided by the project developer and donor support
- Others include: crop protection insurance with a local insurance companies supported by international reinsurance firms
- Solar rooftops and lighting as well as energy efficiency initiatives

### Next steps

- Gathering firm commitments by MFIs, establishing demand for facility
- Lining up clear underlying projects with technical support elements where required
- SPV: Structure formation and regulatory discussions in countries where required
Syndicated Regional Green Lending Facility (SRGLF) – A loan facility to provide mid-scale syndicated concessional loans to domestic banks in the s.e. Asian region

Results – Asia

Syndicated Regional Green Lending Facility (SRGLF): USD denominated multi-million equivalent for SMEs in CLMT

Key Aspects

- A medium size project (USD 5-15m) loan syndication facility to provide a market based risk sharing approach
- Full range offering: Longer term loans, revolving facility, project finance, senior tranches and equity
- SRGLF partners are local banks with strong corporate/project lending and equity investment capabilities
- Facility channels scalable green funds to identified projects utilizing external debt capital support mechanisms
- Investment is made alongside local banks identifying and executing transaction
- Technical assistance will be provided by facility partners and donor funds for meeting green criteria and for project implementation
- External reviews to rate the greenhouse gas impact in accordance with international standards and include continuous monitoring
- The margin and terms of the loans or green credits notes are to be tied to the rating of the impact, providing concessory terms
- Dialog with policy makers for enabling green regulatory market conditions is required
- All loans to be compliant with the Asia Pacific Loan Association & LMA Green Loan Principals (GLP)
- Potential for Earn retro-fee to cover incremental costs for monitoring and reporting

Underlying projects identified

- Large scale modern irrigation systems working with municipalities, 5-7-year tenor project USD 15m loan
- Rural durable steel sustainable housing project with energy efficiency element, $10m renewable project involving a 5-7 years lending facility
- Electric bikes manufacturer, distributor, wishing to finance its retail/operative customers via term green loans
- Sustainable rice mill expansion and refinancing, $15m equity and $15m loan structure
- Solar rooftops and lighting / energy efficiency initiatives
- Energy efficiency projects pending new regulatory standards

Next steps

- Further focusing of facility is required based on investors’ appetite
- Local banks partnering and underlying transaction identified
- Facility structuring – cost effective syndication and legal structure
- Currency (non-cumulative), political and credit risk cover
- Green monitoring and implementation incremental cost support
- Dialog with policy makers for country specific policy and regulatory requirements

Cambodia, Laos, Myanmar and Thailand
Intelligent networking within finance districts

Sustainable Finance Bangkok

BANGKOK FINANCE DISTRICT
AFTER WORK COCKTAIL RECEPTION
CLIMATE-CONSISTENT INVESTING

10 MAY, 2018

Raising awareness, identifying partners, catalyzing opportunities
Thank you