# IFC Supporting Decarbonization and Sustainable Finance



Creating Markets, Creating Opportunities

#### IFC: A MEMBER OF THE WORLD BANK GROUP

Advancing economic development and improving the lives of people by encouraging the growth of the private sector in developing countries

#### **The World Bank Group**



IBRD	IDA	IFC	MIGA	ICSID
International Bank for Reconstruc- tion and Development	International Development Association	International Finance Corporation	Multilateral Investment and Guarantee Agency	International Center for Settlement of Investment Disputes

In working to **end extreme poverty** and **boost shared prosperity**, IFC collaborates closely with other members of the World Bank Group

Loans to middle-income and credit-worthy low-income country governments

Interest-free loans and grants to governments of poorest Countries

Solutions in private sector development

Guarantees of private sector investments' non-commercial risks

Conciliation and arbitration of investment disputes











#### IFC: Quick Facts

- Founded in 1956
- Over 60-year history in emerging markets
- Owned by 186 member countries
- \$43.7bn in investment commitments (LT & ST) in FY23



~4,400
staff in 100+ offices
in 95+ countries.



AAA/Aaa S&P/Moody's Rating



#### **INDUSTRY DIVISIONS**



Infrastructure & Natural Resources



Manufacturing, Agriculture & Services



**Financial Institutions** 



Private Equity & Venture Capital

#### **OUR PRODUCTS AND SERVICES**

A one stop-shop from debt to equity

#### **Investment**

Loans	Equity	Trade & Commodity Finance	Derivative & Structured Finance	Blended Finance
<ul> <li>Corporate and project financing</li> <li>On-lending through intermediary institutions</li> <li>Sustainable and climate finance linked loans and bonds</li> </ul>	<ul> <li>Direct equity investments</li> <li>Private equity funds</li> </ul>	Guarantee of trade- related payment obligations of approved financial institutions	Derivative products to hedge interest rate, currency, or commodity-price exposures of IFC clients	Using donor funds to crowd in private financing

### **Advisory**

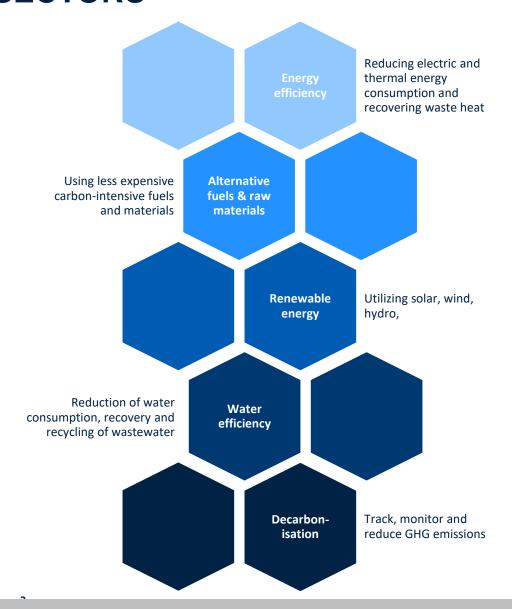
Creating Markets	Firm level	Project Development	
Expertise in creating enabling business environment in specific industries	Strengthen clients' performance and impact	<ul><li>Co-develop early-stage projects</li><li>Help pilot new markets</li></ul>	
Track record on working with governments on implementing reforms	<ul> <li>Strengthen capacity of suppliers (e.g. farmers) and distributors (SMEs)</li> </ul>	<ul><li>Unlock investment opportunities</li><li>Improve ESG standards</li></ul>	
<ul> <li>Deep relationships across WBG help to improve coordination and delivery</li> </ul>	<ul> <li>Sector-specific advisory including PPP Transaction Advisory</li> </ul>	improve 250 standards	

#### **Mobilization**

Over 80 co-financiers: banks, funds, development finance institutions



# CLIMATE ADVISORY SOLUTIONS ACROSS MANUFACTURING & AGRI SECTORS





# IFC SUPPORT TO CLIMATE AGENDA – 3 PILLARS

# PROJECT DEVELOPMENT SUPPORT

- Assessment of resource efficiency and decarbonization opportunities
- Development of specific projects and solutions
- Building knowledge and capacity for successful project implementation

# STRATEGIC SUPPORT FOR DECARBONIZATION

- Support of GHG metering and monitoring activities
- Development of emission reduction goals and milestone
- Development of detailed low-carbon roadmap with linkages to specific projects and initiative

# DEVELOPMENT OF GREEN FINANCING INSTRUMENTS

- Development of the green financing principles and framework
- Support in obtaining external verification
- Mobilizing financing



### PILLAR 1: "CLASSIC" RESOURCE EFFICIENCY

# PROJECT DEVELOPMENT SUPPORT

- Assessment of resource efficiency and decarbonization opportunities
- Development of specific projects and solutions
- Building knowledge and capacity for successful project implementation

- "Technical" angle
- Process (and later value-chain oriented)
- Often less sophisticated clients (lack of technical and/or managerial capacity, of non-core expertise, of the resources that can be deployed in a local market)



### "CLASSIC" RESOURCE EFFICIENCY



# DEVELOPMENT OF SOLUTIONS

Analysis of technology options

Technical and economic feasibility assessment

Development of performance and design specifications

3-9 months



# ENABLING ENVIRONMENT AND KNOWLEDGE

Information, guidance and awareness to increase uptake of scalable and replicable technologies

Policy recommendations to unlock projects and investment

Continuous, at a sector level



Assessment of baseline consumption of resources, operational practices and supply chains

Benchmarking and gap analysis and identification of opportunity areas

6-8 weeks



#### **IMPLEMENTATION SUPPORT**

Advice on technology selection and service providers

Supply chain linkages

Deal structuring and assistance with mobilizing financing

12 months

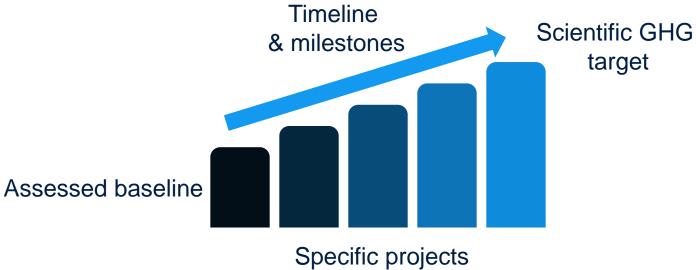


### **PILLAR 2: STRATEGIC DECARBONIZATION**

# Comprehensive longer-term strategic approach

- Carbon footprint assessment (Scopes 1, 2 and where feasible 3)
- GHG reduction target setting: SBTi (or equivalent)
- Identify options for decarbonization (e.g. direct emissions reduction via energy and resource efficiency, renewable energy, explore circular economy solutions, manure management, carbon credits)

- Review and incorporate existing CAPEX plans
- Design decarbonization roadmap
- Facilitate setting internal carbon pricing
- Provide capital through Investment programs compliant with Sustainable Finance Principles
- Work with local Governments to remove barriers and adopt supportive policies



### PILLAR 3: SUPPORT FOR SUSTAINABLE FINANCE INSTRUMENTS



# STRUCTURING OF FINANCING INSTRUMENTS

- | Development of a fit-for-| purpose financing| framework
- Support in selection of second-party opinion (SPO) providers
- Support in impact assessment and reporting



# STRATEGIC ADVICE AND GUIDANCE

Development, review and revision of:

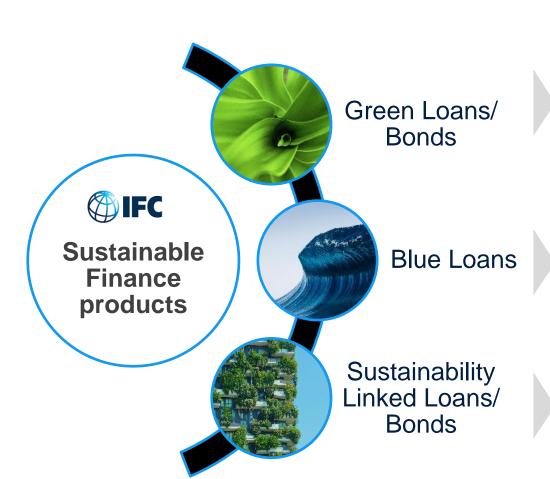
- Low-carbon strategies,
   roadmaps and pathways
- Environmental, social and governance framework
- Capital expenditure plans
- Sustainable debt programs



#### **MOBILIZING CAPITAL**

- Performing a sustainability coordinator role
- Mobilization of investors
- Support in achieving compliance with listing requirements

### TYPES OF PRODUCTS AND INSTRUMENTS



#### "Use of Proceeds" - Green / Blue / ESG / Social

- A loan or bond that exclusively finances "Eligible Green Projects" as defined in the issuer's independently verified Green Finance Framework
- Follows the internationally recognized Green Loan/Bond Principles
- Issuers must report annually on use of proceeds and the impact achieved
- Additional transition finance theme may be applicable
- A loan that exclusively finances investments that protect oceans & water, supporting SDGs 6 and 14
- Follows the IFC "Blue" taxonomy that specifies activities that address: (i) protection of marine ecosystems and (ii) water management
- Issuers report on use of proceeds and the impact achieved

#### "Target Driven" - Sustainability-Linked Financings

- General purpose loan linked to defined KPI targets during tenor of the loan/bond
- Borrowers/issuers reports annually on progress using agreed KPIs
- Pricing structure may include incentives or penalties
- Transition finance theme may be applicable

### FINANCING FRAMEWORK DEVELOPMENT

#### **Uses of proceeds instruments**

Identification of suitable categories of eligible projects (green / blue / social etc.), eligibility thresholds, exclusion criteria

Definition of the project selection process, including management of accompanying ESG risks and safeguards for externalities

Development of the procedure for management of proceeds, including temporary placement and reallocation

#### **Sustainability-linked instruments**

Selection of relevant KPIs aligned with the company's broader ESG agenda and definition of the KPI application rules for specific instruments

Calibration of sustainability performance targets (SPT) for each KPI and definition of SPT scope for specific instruments

Development of instrument characteristics, including a framework for incentives and/or penalties on (non) achievement of the KPIs

Development of the reporting scope, framework and timeline

Considerations for ex-ante, ex-post and periodic external verification

Aligned with the international financing Principles by International Capital Markets Association (ICMA), Loan markets Association (LMA), United Nations Sustainable Development goals (UN SDGs), GHG Protocol, relevant sector decarbonization pathways

### IFC GREEN BOND / LOAN FRAMEWORK

Clearly communicate to investors:

Process by which the issuer determines what are the types and categories of eligible projects to be considered for the use of proceeds;

The eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially environmental risks associated with the projects

Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments

The annual report should include a list of the projects to which green bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated & their expected impact

**Use of Proceeds** 

Project Evaluation & Selection

**Management of Proceeds** 

Reporting

Identify eligible Green Project categories where funds will be used and disclose this in the Use of Proceeds section of the legal documentation for the green bond/ GBF

The net proceeds of the green bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer's lending and investment operations for Green Projects



# **GREEN INSTRUMENTS: EXAMPLES OF USES OF PROCEEDS**



#### **Certified Green Buildings** that meet IFC standards, e.a. IFC's Excellence in Design for Greater Efficiencies (EDGE) or other recognized certification (e.g. LEED)



#### **Circular Economy** type measures, in

products or manufacturing processes that support product redesign, waste recycling & reuse



#### **Renewable Energy**

equipment, systems or services that enable production of wind. solar hydro. biomass to power, biogas...: or the use of clean sources of power by companies



#### **Climate Smart** Forestry and **Wood Products**

afforestation. reforestation. sustainable forest management that increases carbon stock



#### **Energy Efficiency**

equipment, systems or services that result in energy savings, e.g., waste heat recovery, cogeneration. capacity upgrades, carbon capture and utilization.



#### Water Efficiency & Management

water saving / reuse / recycling, especially in water stressed areas. Waste-water treatment, methane capture, anaerobic digestion



#### **Pollution** prevention and

control such as reduction of air emissions, soil remediation, waste prevention / reduction, and emissions-efficient waste to energy.



#### Low emission transport products,

services and infrastructure such as electric vehicles. charging stations; and their value chains. Energy storage



#### **Climate-Smart Agri**

activities such as

- Increasing productivity without increasing GHGs (e.g., precision farming)
- Avoiding crop losses. reducing food losses
- Reducing N20 emissions from fertilizer use
- Climate resilient crops









#### **Activities that help** clients to Adapt to Climate Change e.g.

- Flood-proof infrastructure.
- Climate resilient ports
- Heat and water stress resilient agriculture



#### **Biodiversity** Conservation

both terrestrial and aquatic, including protection of coastal. marine and watershed environments



# SUSTAINABILITY-LINKED INSTRUMENTS: EXAMPLES OF KPIS



Wind and solar capacity
Hydrogen capacity
RE share in power
consumption



**Circular Economy** 

Share or absolute amount of recycling, reuse of materials, waste reduction



**GHG Emissions** 

Reduced GHG emissions (Scope 1 + 2)



**Energy Efficiency** 

Share of New and Refurbished Green Buildings Energy storage Efficient HVAC Reduced system losses



Wastewater treated

Freshwater use Redu



Reduce food losses Reduce input use Add crop sustainability certifications



Share of Female staff Share of Women in management



**Community** 

Community investment Youth employment Education



**Health & Safety** 

**Reduced accidents** 



**Biodiversity Conservation** 

Share or absolute amount for protection of marine ecosystems Biodiversity KPIs



Governance

Improved governance reporting / transparency



Reforestation, ustainable fores

Sustainable forest management that increases carbon stock

# Thank you



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