



Blending Finance for Sustainable Development

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Tanneries Greening Project

Massive Air,
Water, Ground
Pollution



Greening
Infrastructure
Needed

CETPs

Factory Production
Processes Modernisation

Enforcement



- Who Pays?
- Un-monetised Green Benefits – not revenues, so no private finance?
- Shut down? Killing jobs and city growth (short term anyway)?



Blended Finance Approach

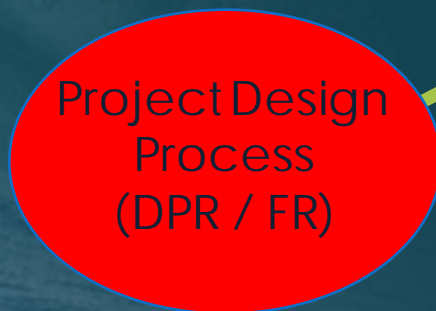
- Public Sector Grants/Funds – Capex subsidy + revenue supportfor risk-return bankability
- Private Sector D/E Funds – then catalysed



Key Messages

Money is not the problem: a lack of sustainable + bankable project pipelines are

Sustainability Approaches & Funding Support Needed Across the whole Project Value Chain



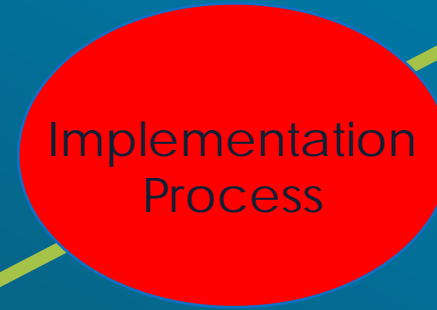
Issue: Costing Sustainability - VFgM Principles Needed



Issue: Lifecycle sustainability analysis not capex alone, and monetising sustainability benefits - Principles needed



Issue: Risk Management & Leveraging - Principles needed



Issue: Not just monitoring BUT also incentives for faster greening - Principles needed

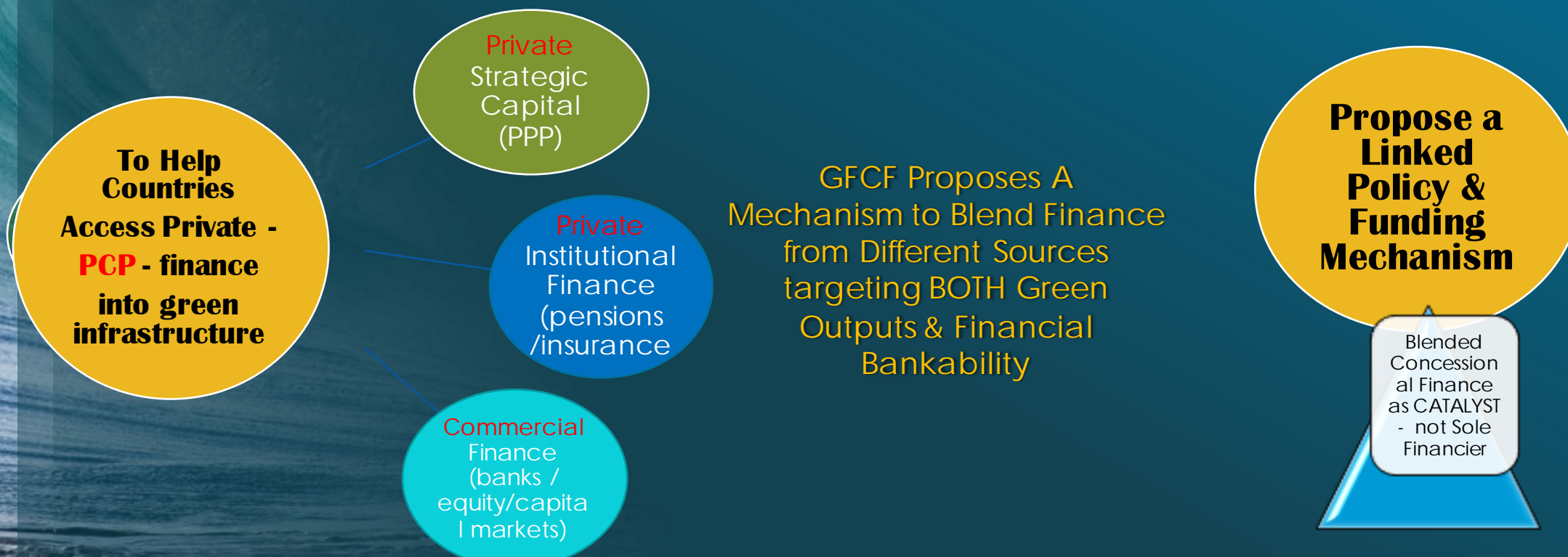
Governments + Development Agencies have a role to play

- Concessional Finance
- Sustainability Frameworks / Policies
- Capacity
- Pilot Projects

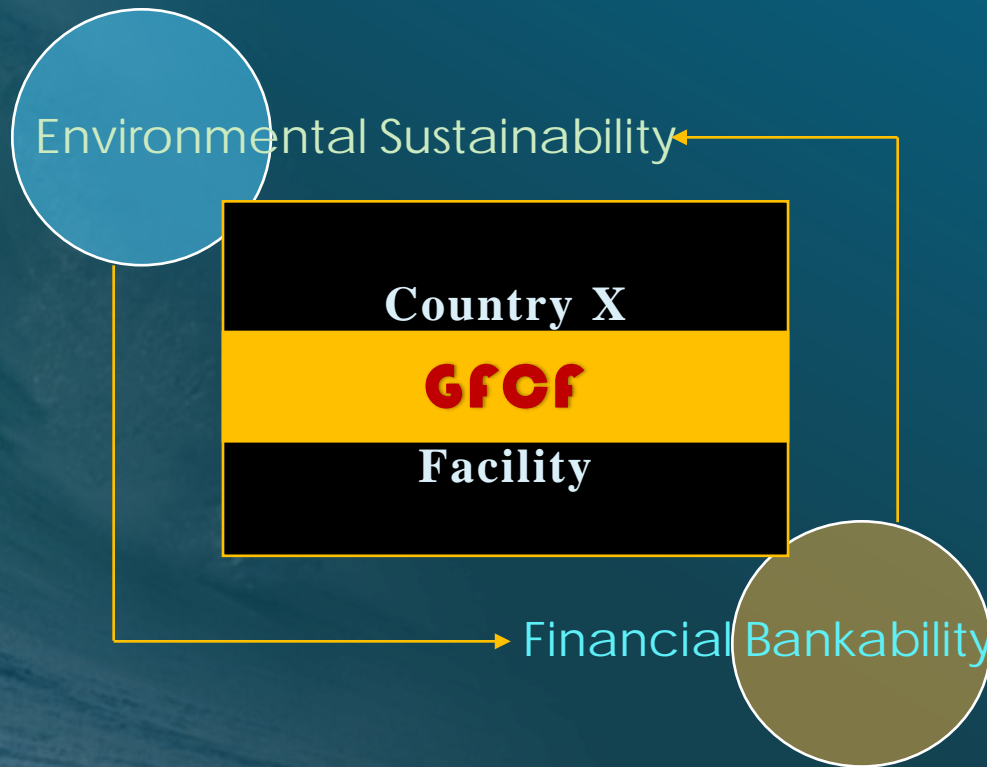
Proposed Green Finance Catalysing Facility-GFCF

A need for effective mechanisms to catalyse green finance – I.e. finance into sustainable projects

There is a need to identify institutional and market barriers to green finance, and based on country experiences, develop options on how to enhance the ability of the financial system to mobilise private capital for green investment
G20 Green Finance Study ...China Presidency 2015



The Proposed GFCE Approach & Principles



- Leverage**
1....2....3...
Facility financing linked to PCP financing in every project
- Innovate Bankability**
Provide Alternative Revenue model approaches
- Blend Finance per Risks**
Match risks and reduce cost of capital of project
- Create Pool Projects Vehicle**
For providing a diversified risk vehicle for institutional investors
- Attract Technology**
Results focus for best technology incorporation

The Proposed GFCF Mechanics

GFCF



**Structure:
GFCF
Blending
Approach**

MDB . Donors. CSR. Funds -
Concessional

Funds Flow

Government

Regulated Financial
Institution / Government
Department / Special
Purpose Vehicle

Private Institutional &
Capital Market
Pooled Funds - Commercial

Funds Flow

Ownership
Funds Flow

Projects
Preparation Unit Financing
Unit

Escrow Government Funds
for Shadow Revenues /
MRG (12%)
- Concessional

Funds Flow

Country X

GFCF

\$ million Pilot
Facility

Private - PPP - Funds
Direct to Projects -
Commercial

Funds Flow

Bankable
Green
Infrastructure
Projects

Capital Markets Access
direct by projects
Commercial

Funds Flow

**Conditions:
Project
MUST
have**

Green Indicators to achieve
(Timebound Milestones)

Bankability Model Prepared
to achieve at least 12% IRR

Sponsor Equity Minimum 10%
Required

Capital Markets access
roadmap

1 to 3 and 1 to 15 Leverage

Value For Money
Sustainability Costs

Takeaways

LOTS OF MONEY !
Especially with Greener
Infrastructure + Opex

BROADEN FUNDING SOURCES
PCP

BANKABILITY IN PROJECTS

Incentivise.....T.I.M.!

\$ 26 trillion infrastructure spend in Asia Pacific ...2016 - 2030

Private
Institutional
Finance
(pensions /insurance)

Commercial
Finance
(banks /
equity/capital
markets)

Private
Strategic
Capital
(PPP)

Invest .
Gap \$459
billion
p.a.

50% +
from
Private

Unquantified Green Benefits +
Affordability Levels + Sponsor Capacities
Need to *innovate revenue models*

Technology

Implementation
Efficiencies

Management
Efficiencies



Contact for Information

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