Finance to Accelerate the Sustainable Transition: Infrastructure
FAST-Infra Project Deliverables Progress Meeting #1
FEB 2021
Opening

Christian Deseglise
Head of Sustainable Finance and Investments, HSBC
Overview of the workstreams and the proceedings

Michael Ridley
Director, Senior Responsible Investment Specialist, HSBC GAM
Finance to Accelerate the Sustainable Transition: ‘FAST-Infra’

Goals

- Develop sustainable infrastructure into a deep and liquid asset class
- Scale-up private investment in sustainable infrastructure in emerging and developing countries

Two key components

- Develop a sustainable infrastructure label
- Develop platforms for targeted financial interventions

Broad participation

- Founding partners: CPI, GIF, HSBC, IFC, OECD
- Finance industry-led, private-public partnership – broad-based, open and inclusive
Overview of the workstreams and proceedings

FAST-Infra Label
- Sustainable infra label with underlying standards, governance / reporting rules and terms by which it is awarded

Technology-Enabled Platform
- An ‘end to end’ workflow system allowing a more rapid and concentrated flow of documentation and data throughout the various project phases of sustainable infrastructure financing.

Global Renewable Energy Guarantees
- Regional diversified guarantee funds / off-take guarantees covering several months of debt payments (e.g. for PPAs) with interest / premium payments.

Open-Sourced Managed Co-Lending Portfolio Programme (OMCPP)
- Syndication structure allowing for participation from a wide range of MDBs in emerging markets and investors.

Sustainable Financing Facility (SFF)
- Banks and concessional capital lend to NDBs for on-lending to sustainable infra projects
Sustainable Infrastructure Label (WG-1)

Lori Kerr, Global Infrastructure Facility, World Bank
Robin Grenfell, Green Investment Group, Macquarie
SI Label framework overview

- Not ‘reinvent the wheel’; build on existing frameworks and standards
- **Inexhaustive, indicative list of assets** that lend themselves to sustainability
- **Four ‘dimensions’** of sustainability
  - Environmental, Social, Governance, Adaptation & Resiliency
- Each ‘dimension’ includes a series of ‘criteria’ (15 criteria in total) that, taken together, define ‘sustainability’ under the SI Label
- Each ‘criteria’ is further described/defined by reference to existing standards and associated with a series of ‘indicators’
- Requirement: IFC Performance Standards + ‘gaps filled’ + **positive contribution** across one or more criteria (reflecting best practice)
- Designed in alignment with the SDGs and QII Principles
- Transparent disclosure & impact reporting required; self-declaration / independent review at different lifecycle stages
- Governance structure inspired by Green Bond Principles (Members, Observers, Executive Committee)
- SI Label framework will evolve over time as market develops
Types of sustainable infrastructure

Indicative, inexhaustive list of eligible sustainable infrastructure assets

- List is ‘done’; final inputs from WG-1 members welcome prior to consultation

### Inexhaustive, Indicative List of Eligible Sustainable Infrastructure Assets

**Renewable Energy**
- Electricity and/or heat/cool from: solar, wind, hydro, geothermal, bio-energy, ocean energy, waste-to-energy

**Clean Transport**
- Electric and/or hybrid for public, urban/inter-urban rail, freight, multi-modal transport
- Active transportation
- Infrastructure for clean energy vehicles and reduction of harmful emissions
- Dry ports

**Water, Wastewater, & Sanitation**
- Water, wastewater, and/or sewage supply and/or recycling systems, including treatment, storage, transportation, distribution, and monitoring
- Water harvesting, irrigation, and drainage systems

**Solid Waste Management**
- Solid waste collection, storage, processing, treatment, recycling, transport, and disposal
- Anaerobic digestion of bio-waste, composting of bio-waste
- Landfill gas capture, transport, and/or sequestration

**Green Buildings & Social Infrastructure**
- Greenfield and retrofit of buildings/facilities for residential, health, education, and commercial purposes (e.g., storage, processing facilities, cold storage), and other buildings/facilities using low-carbon technologies and/or sustainable products

**Data Infrastructure**
- Broadband networks
- Smart technology
- Infrastructure for remote power system management and/or GHG emission reductions

**Electricity Transmission & Distribution**
- Transmission lines
- Distribution systems
- Energy storage
- Smart grids for renewable energy
- Mini grids/distributed generation systems

**Nature-Based Solutions**
- Utilization of existing or rebuilt natural landscapes – such as forests, floodplains, and wetlands – that provide ecosystem services, as standalone and/or as part of a built infrastructure solution
Standards that underpin the SI Label

Sustainability dimensions and criteria, with corresponding indicators and reference standards

- List of 15 sustainability criteria across four dimensions of sustainability – provisional tables to be circulated to WG-1 members for feedback/comment
- Refining definition of baseline criteria (IFC Performance Standards + ‘gaps filled’) and ‘stretch’ criteria (positive contribution above the baseline)
- Further identifying array of relevant indicators/KPIs and reference standards best aligned to the ‘stretch’ criteria
- Exploring integration of ‘Paris alignment’ methodology as part of baseline criteria requirements (Environmental Dimension)

### Dimensions and criteria table

<table>
<thead>
<tr>
<th>Environmental Dimension</th>
<th>ADAPTATION &amp; RESILIENCE DIMENSION</th>
<th>SOCIAL DIMENSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protect &amp; Achieve Net Gain of Biodiversity &amp; the Environment</td>
<td>Climate Adaptation</td>
<td>Gender &amp; Ability Inclusivity</td>
</tr>
<tr>
<td>Climate Change Mitigation/GHG Emissions Reduction</td>
<td>Resilience to Climate Risk &amp; Disasters</td>
<td>Health &amp; Safety</td>
</tr>
<tr>
<td>Efficient Use of Natural Resources/Materials/Waste Reduction &amp; Transition to a Circular Economy</td>
<td>Social Resilience</td>
<td>Human &amp; Labour Rights</td>
</tr>
<tr>
<td>Pollution Prevention</td>
<td>GOVERNANCE DIMENSION</td>
<td>Land Acquisition &amp; Resettlement</td>
</tr>
<tr>
<td>Anticorruption Protocols &amp; Procedures</td>
<td>Transparency &amp; Accountability</td>
<td>Stakeholder Engagement</td>
</tr>
<tr>
<td>Sustainability &amp; Compliance</td>
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</tbody>
</table>

### Environmental Dimension

<table>
<thead>
<tr>
<th>Environmental Criteria</th>
<th>Reference Standards &amp; Indicators</th>
</tr>
</thead>
</table>
| Protect & Achieve Net Gain of Biodiversity & the Natural Environment | - Maintenance/safeguarding/increase of protected area/other effective area-based conservation (OECM/habitat in km² and in % for increase [ICMA - GBP])
- Clear and measurable biodiversity conservation outcomes are identified, benchmarked and periodically assessed [IUCN]
- Project activities should not lead to the conversion, fragmentation or unsustainable intensification of high-nature-value land, wetlands, forests, or other areas of high-biodiversity value [EU Taxonomy] |
Stock-take – Where we are (Topic 3: Governance and reporting)

Governance and reporting

- Directional consensus on (1) structure (i.e., modeled after ICMA – Green Bond Principles approach), (2) process involving declaration and external independent review (i.e., self-declaration, second/third-party opinion, verification, certification), and (3) important role of market (i.e., ‘let market decide’ over heavier regulation)

- Development of draft impact reporting template; to be further refined and shared with WG-1 for feedback prior to consultation

INITIATION STAGE
(Initial self-declaration, can happen at any stage of project lifecycle)

- Disclosure: Self-declaration of expected/alignment with SI Label criteria required to be disclosed; kicks off ongoing reporting/disclosure

- Reporting: Impact reporting, including indicators and associated methodologies, required (as appropriate for lifecycle stage)

- External assessments: Verification and/or certification not required, but highly encouraged

- Accountability: Capital provider(s) must include covenant in requisite documentation on disclosure, reporting, and at least maintenance of baseline

END OF YEAR 1 & SUBSEQUENT YEARS
(one year following initiation stage and for each year following)

- Disclosure: Re-declaration of expected/alignment with SI Label criteria on annual basis required to be disclosed

- Reporting: Annual impact reporting, including indicators and associated methodologies, required (as part of re-declaration)

- External assessments: Verification and/or certification not required, but highly encouraged

- Accountability: Capital provider(s) must maintain covenant in requisite documentation on disclosure, reporting, and at least maintenance of baseline
Stock-take – Where we are (Framework Document)

Draft Framework Document to be circulated with WG for feedback/comment that covers:

- Introduction of SI Label, overall framing of methodology and approach
- Eligible types of sustainable infrastructure assets (including table of indicative, inexhaustive list of SI assets)
- Sustainability methodology, including table of dimensions, criteria, and associated list of illustrative indicators/KPIs
- Minimum safeguards and risk management (baseline/floor)
- Measuring, monitoring, and reporting
- Declaration and external review
- Governance structure
- Appendices (e.g., defined terms, list of indicators/KPIs related to SI asset type)
# 2021 Workplan – Where we are going

## Upcoming deliverables:

- **Finalisation of dimensions/criteria/indicators table, assets/indicators table, and draft Framework Document (March)**
- **Preliminary consultation process with broader WG-1 and 6-8 roundtables with key stakeholders (April)**
- **Consolidation of feedback, preparation for formal public consultation period (launch early May)**

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### FAST-Infra Indicative Detailed Workplan

<table>
<thead>
<tr>
<th>Dimensions, Criteria &amp; Indicators Table</th>
<th>February</th>
<th>March</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>- WG-1 co-chairs refine criteria &amp; indicators table, re-circulate to sub-WG-1</td>
<td>Week 3</td>
<td>Week 1</td>
<td>Week 1</td>
</tr>
<tr>
<td>- Sub-WG-1 finalize provisional minimum safeguards + gaps and proposed indicators, reconcile with updated criteria &amp; indicators table, send back to co-chairs</td>
<td>Week 3</td>
<td>Week 2</td>
<td>Week 3</td>
</tr>
<tr>
<td>- WG-1 co-chairs make final provisional revisions, re-circulate to sub-WG-1 for VoBo</td>
<td>Week 4</td>
<td>Week 3</td>
<td>Week 4</td>
</tr>
<tr>
<td>- Circulate provisional dimensions, criteria &amp; indicators table to broader WG-1</td>
<td>Week 4</td>
<td>Week 4</td>
<td>Week 1</td>
</tr>
<tr>
<td>- Finalize provisional standards &amp; indicators table based on all inputs received from WG-1</td>
<td>Week 4</td>
<td>Week 4</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset &amp; Indicators Table</th>
<th>February</th>
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</tr>
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<tbody>
<tr>
<td>- Sub-WG-1 finalize provisional indicators for WG-1 co-chair review</td>
<td>Week 3</td>
<td>Week 2</td>
<td>Week 1</td>
</tr>
<tr>
<td>- WG-1 co-chairs refine table, re-circulate to sub-WG-1 for final provisional revisions</td>
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<table>
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<tr>
<td>- WG-1 co-chairs incorporate feedback; send to broader WG-1</td>
<td>Week 4</td>
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</tr>
<tr>
<td>- Finalize provisional Framework Document based on all inputs received from WG-1</td>
<td>Week 4</td>
<td>Week 4</td>
<td>Week 4</td>
</tr>
<tr>
<td>- Finalize provisional Framework Document based on all inputs received from Roundtables</td>
<td>Week 4</td>
<td>Week 4</td>
<td>Week 4</td>
</tr>
</tbody>
</table>

### Targeted Roundtable Consultations

- Send out invitations and materials for roundtables
- Roundtables w/ broader private sector (e.g. FAST-Infra participants, GIF Advisory Partners, GISD, ILN, CFLI, FSTF, etc.)
- Roundtables w/ developers
- Roundtable w/ rating agencies (e.g. S&P, etc.)
- Roundtable w/ second-party opinion providers (e.g. Sustainalytics, etc.)
- Roundtable w/ standard-setters (ISCA, GIB, ISI, Ceequal, etc.)
- Roundtable w/ ICP (MDBs) / ECAs
- Roundtable w/ civil society
- Roundtable w/ science-based targets experts

### Public Consultation Period

- If you are interested in participating in the preliminary roundtables and/or have recommendations, please reach out to the WG-1 co-chairs
## FAST-Infra Label: User consensus

### Questions with possible options – Poll

<table>
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<tr>
<th>Consensus on feasibility :</th>
<th>Possible options :</th>
</tr>
</thead>
</table>
| **Label requirements:** without yet having a detailed review, the dimensions, criteria and indicators seem directionally positive to me | a) Yes  
b) No |
| **Label use:** all things being equal, my organization would likely align with the SI Label | a) Yes  
b) No |
| **Label feedback:** I (or my organization) would be interested in participating in a more detailed roundtable discussion or public consultation | a) Yes  
b) No |
Q&A
Facilitated by Michael Ridley, HSBC
Case Study – Proof of Concept

Alexandra Basirov, BNP Paribas
Technology Enabled Platform (SG-A)

Michael Ridley, HSBC
Dr Murray Simpson and Lutamyo Mtawali, IBM
FAST-Infra technology enabled platform and concept
High level overview of FAST-Infra initiative focusing on the development of an end-to-end technology enabled platform

Current challenges
- Private Terms: Many infrastructure financings occur in the loan market, where terms often are private.
- Documentation: Key concession and financing terms are likely to be spread across numerous long and complex documents.
- Standardisation: There is a lack of standardisation for the key terms.

End to end platform
An ‘end to end’ work flow system could allow a more rapid and concentrated flow of documentation and data, which may in turn catalyse more infrastructure deals flow.

Benefits: Collectively inter-related ideas mentioned above could transform project finance market, drive pace, help bring more bankable projects to market, drive standardisation and improve portfolio and risk management framework.

Key Market Participants:
- Banks
- Buy side firms
- Insurance
- Asset Managers
• CURRENT CHALLENGES

- Lack of secure and robust marketplace to facilitate and address
- ~$6.9 trillion annual funding gap
- Inconsistent methods and practices across different geos
- Lack of standard documentation and highly manual processes
- Investors: limited transparency and access to well-structured and de-risked bankable projects and strong deal flow
- Project developers: access to investors + funding, and project preparation guidance (per investor requirements)

• ACCELERATORS

- Capabilities, expertise and delivery experience of FAST-Infra partners (eppf, IBM, InfraClear, Liquidnet, Scale, SIF-Source)
- Leverage and integrate partner technology components
- Collaborate on design, development and deployment

• END TO END SOLUTION APPROACH

- Iterative, incremental and phased development:
  - Design: Tech strategy and solution design
  - MVP: Enable dynamic data capture, create secure smart data rooms, integrate AI application (NLP), Advanced Analytics
  - Market Testing: Limited participants
  - Pilot: Enhance functionality – rules engine, data visualisation, reporting engine, etc.
  - Onboarding: Market participants
  - Production ready: scalability (participants, geos, deal flow)
- Convening of multi-stakeholder platforms
- Data management across full project lifecycle
- Support different financial instruments (loans, bonds, securitization, etc.)
- Support labelling: enhanced data capture & management
- Managing and enabling due diligence
- Addressing complexities in a regulated industry
- Address barriers to financing sustainable infrastructure – Mark Carney’s COP26 Private Finance Strategy

• Prepared with input from IBM, eppf, Liquidnet, Scale and SIF-Source
Case For an End-To-End solution
Essential, Effective, Achievable and Secure

PLATFORM BENEFITS¹
- Ecosystem partner connectivity
- Deal flow access and scalability
- Secure information sharing – electronically
- Advanced analytics, data insight and transparency
- Process efficiency: automated, simplified & faster
- Smart documentation and consistency

PLATFORM BENEFITS²
- Cost reduction
- Downstream and sell-on business opportunities
- Global standardisation of methods & practices (across geos)
- Auditability, reduced risk and increased trust
- Embedded data governance
- Ongoing application support (24/7, any location)

Prepared with input from IBM, epfl, Liquidnet, Scale and SIF-Source
Project Lifecycle: FAST-Infra Technology Platform
(Phased development approach and incremental enhancement of functionality to create value for users through the various project phases of sustainable infrastructure financing)

A. Deal Origination
(Identify Projects)
- Intelligent Workflow
- Dynamic data capture
- Standard templates

B. Due Diligence
(Appraise Projects)
- SDG assessment
- Validation checks
- Risk Assessment

C. Further Documentation
(Create Financial Instrument)
- Gather additional docs (per DD)

D. Investor Matching
(Market place)
- Criteria based
- Project aggregation
- Contract management

E. Project Execution
(Implement Projects)
- Funds disbursement
- Resource mobilise
- Execute plan

F. Monitoring & Reporting
(Overssee Projects)
- Audit – ongoing
- KPIs + Benchmarks
- ESG impacts

A. DO – Platform Benefits
- Automation
- Standardisation
- Consistency
- Replicable

B. DD – Platform Benefits
- Traceability
- Auditable
- Security

C. FD – Platform Benefits
- Automation
- Standardisation
- Central Repository
- Accelerated Execution

D. IM – Platform Benefits
- Insight
- Trust
- Risk reduction

Participants
- Project Sponsors
- Investors
- Advisors / Service Providers
- Data Analysts

Supporting Labelling

Digital Platform
Enabled: Project Delivery

Participants
- Project Sponsors
- Banks & Investors
- Data Room Provider
- Third Party Verifiers
IBM Network Examples: Case Studies

**LYGON**

**Bank Guarantee Network**
- Standardising key industry processes
- Eliminating excessive paperwork
- Transparent end to end process

**Trade Finance Network**
- 16 Banks over 15 Countries
- Marketplace to drive flow
- Digital end to end process

**Global Trade network**
- Tracking 60% of Global Trade
- Data automating Trade Finance
- Joint Development with Banks

**WE.TRADE**

**TRADELENS**
Case For an End-To-End solution
Essential, Effective, Achievable and Secure

COMMUNICATION LAYER: intelligent API driven workflow – Inherent platform wide Process Automation from Deal Origination to Monitoring & Reporting

NATURAL LANGUAGE PROCESSING – AI analysis, Cognitive Data Capture, Document Storage, Search & Understanding

MATCHING ENGINE – Algorithmic Matching for Investors

IDENTIFY PROJECTS
- Dynamic Data Capture
- Standard Templates

APPRaise PROJECTS
- SDG assessment
- Validation checks
- Risk Assessment

Create financial instrument
Documentation, automation, digitisation

Structure Projects
- Criteria based
- Project aggregation
- Contract Mgmt.

Market place – Regulated, connected to all Parties. Price discovery

Implement Projects
- Funds disbursement
- Mobilise resource
- Execute project via existing market infrastructure

Oversee Projects
- Audit (ongoing)
- KPI’s/Benchmarks
- ESG Impacts

REPORTING & ANALYTICS ENGINE – Supports comprehensive reporting & analytics

DATA PROVIDERS [Infra-Clear, SOURCE, eppf etc]

SERVICE PROVIDERS [Lawyers, SCALE, SOURCE, eppf etc]

VERIFIERS (Auditors, Regulators, Credit Rating Agencies, Green Verifiers etc)

EXTERNAL EXCHANGES

APPLICANT (Project Sponsor) [SCALE]

BANKS / INVESTORS / ISSUERS / MDBs / DFIs / IDOs [eppf, etc]

MATCHING ENGINE – Algorithmic Matching for Investors

Knowledge Based Inference & Reasoning Engine – Risk Visualisation, Inference & Reasoning

Appraise Projects
- SDG assessment
- Validation checks
- Risk Assessment

Structure Projects
- Criteria based
- Project aggregation
- Contract Mgmt.

Market place – Regulated, connected to all Parties. Price discovery

Implement Projects
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- Audit (ongoing)
- KPI’s/Benchmarks
- ESG Impacts

REPORTING & ANALYTICS ENGINE – Supports comprehensive reporting & analytics

Data Platform - Data Sharing & Enrichment via controlled Data Room access and interaction as well as DLT applications

Granting of Fast Infra Label

Prepared with input from IBM, eppf, Liquidnet, Scale and SIF-Source
Q&A
Facilitated by Michael Ridley, HSBC
Global Renewable Energy Guarantees (SG-B)

Thierry Deau and Xavier Ploquin, Meridiam
Global Renewable Energy Guarantees

- Many developing world utilities will sign PPAs but their credit rating is too low for the PPA to be bankable
- Solution: regional diversified guarantee funds / off-take guarantees
- A facility covering several months of payment (e.g. for PPAs) with interest / premium payments
- Initially capitalised by MDBs, with a move to private partnership in the long run
- Priced to suit risk levels and characteristics
- Subjecting public utilities to reporting requirements and accounting / listing standards
- **Goal is to lift all project ratings to BBB**
Issues to be Addressed in “Phase 0” Planning Process January – June, 2021

• Precedent: Use of guarantees to date and proposed
• Need: survey of clean energy project developers and projects (anecdotal evidence)
• Market environment: global assessment of utility credit worthiness/ratings
• Impact: assessment of likely impact on project development, cost of capital, and results
• Contract: draft form of legal contract - with multi-stakeholder input
• Pricing: development of an initial pricing model for reserve funds and policy premiums
• Currency: development of a methodology for managing currency risks:
• Organization: consideration of different forms of a fund vs. corporation
• Ownership: share company vs. GP/LP fund vs. other
• Management and staffing: skills and talents, organization structures
• Financial plan and funding requirements - operations and reserve funds
• Business plan, funding proposal, and prospective sources of funding
Q&A

Facilitated by Michael Ridley, HSBC
Open-sourced Managed Co-Lending Portfolio Programme (SG-C)

Benjamin Zy Lu, HSBC
Open-sourced Managed Co-Lending Portfolio Programme (OMCPP)

Overview

- An extension of the successful Managed Co-Lending Portfolio Program (MCPP), which is a syndications platform for debt investments, first designed and implemented by IFC. It aims to increase the pool of available financings in sustainable infrastructure in emerging markets, by allowing multiple development banks to originate deals with pre-determined sustainability/ESG criteria for a variety of investors.

- Instead of a bilateral structure, the proposal envisages an open platform with various sources of origination (mostly regional development banks) and investors (e.g., insurance companies or sovereign wealth funds) with pre-determined investment criteria, to allow faster, broader distribution of risk.

- Building on the work of FAST-Infra WG 1, a sustainable infrastructure label could be used as part of the eligibility criteria for all loans on the platform.

- Given the multiple parties in the structure, an intermediary entity could act as facilitator to manage the portfolio of infrastructure financings and design loan portfolios to meet specific investor criteria.

- In this structure, various development banks would take the origination role, as highly trusted organizations, with all funding following pre-determined ESG-related standards. This approach would provide investors with direct access to the portfolio of loans originated by the development banks in emerging markets, to which they may have little to or no prior knowledge or affiliation.

- The transaction would be structured as a fixed income investment and investors would participate in the Senior tranche of the loan fund - eligible loans include senior infrastructure loans. Senior Investors are also allocated cash flows ahead of Junior Investors. Initial capital allocation is structured to ensure the senior tranche has investment grade characteristics. The junior tranche in OMCPP would be proportionally taken by participating development banks along with potential other first-loss partners.
To give comfort to investors, eligible originators could be limited to a select group of MDBs.

Eligibility criteria should be agreed at the outset, to ensure that participating originators have appropriate due diligence processes and controls.

Conduct due diligence on participating MDBs for investors.

Similar to a GP/LP structure, a standardisation process in which investors agree to the terms by which they can choose their loans.
OMCPP Benefits

- **Borrowers**
  - Increase the accessibility and supply of funding for sustainable infrastructure in emerging markets.
  - The sustainable infrastructure label (from WG1) would provide standards/guidelines for borrowers.

- **Originators**
  - Enable Development Banks to do more and larger transactions.
  - Get more MDBs to participate in existing MCPP type programme.
  - Lower the cost and time to complete financing packages by simplifying the syndication process.
  - Expand a proven solution for mobilising new sources of financing for development.
  - Standardise governance/lending process among DFIs.

- **Investors**
  - Gain first-time entry into emerging markets for a large group of investors.
  - Achieve diversification.
  - Include capacity to create global or tailored portfolios.
  - Avoid the need to build origination capacity in global markets.
  - Access to recognised sustainable infrastructure asset class through reputable DBs.
Topics to be addressed

- Warehousing facility
- The degree of diversification of the portfolio
- The time to build a diversified portfolio
- Investors’ appetite of different exposures
- Funding allocation among originators
- Standardisation of lending processes / considerations among originators
- Due diligence on the originators
- Tranches (whether to include first loss)
FAST-Infra OMCPP: User consensus

Questions with possible options – Poll

Consensus on feasibility:

1. **OMCPP concept**: without yet having a detailed review on the structure and terms, conceptually, OMCPP sounds a good idea to connect investors and MDBs to scale up sustainable infrastructure, especially in emerging markets?
   - a) Yes
   - b) No

2. **OMCPP challenges**: from your view, what could be the most critical issue(s) to be solved when further developing the OMCPP idea?
   - a) Appetite from investors
   - b) Willingness from MDBs
   - c) Structure: a warehousing facility to build up the portfolio
   - d) Structure: time to build and reach diversification of the portfolio
   - e) Due diligence and Standardisation of lending processes on various MDBs
   - f) Others
Q&A
Facilitated by Michael Ridley, HSBC
Sustainable Financing Facility (SG-D)

Fuat Savas, JP Morgan
Sustainable Financing Facility (SFF) for National Development Banks

Overview

- National development banks (NDBs) and other publicly owned financial institutions based in emerging and developing countries (e.g., TSKB, FDN, IDCOL, DBSA, BNDES, etc.) are well placed to provide financing to support the transition to a low carbon economy in their domestic markets. However, they lack regular access to international capital markets.

- The proposal is to establish a Sustainable Financing Facility (SFF) for National Development Banks and other FIs, i.e., a special purpose vehicle that would supply funds to eligible NDBs and local institutions for on-lending to sustainable infrastructure projects.

- Initially, the proposed approach would be for a Green Climate Fund / DFI funding tool (possibly with participation from commercial banks), which would then move on to become a capital markets issuer as it builds a wider borrower base amongst NDBs and other FIs (possibly a group of GCF Accredited Entities).

- Eventually, the facility would provide funding to a well-diversified portfolio of NDBs/FIs from emerging markets and would raise capital in global financial markets.
Concept illustration

Loan Portfolio originated by [World bank or IFC]

Sustainable Financing Facility (SFF)

Initial stage

Funding
Principal & Interest

Funding from Lenders/ DFIs/ GCF with possible tiering

Later stage

Capital Markets issuance

Class A Notes
Class B Notes
Class C Notes
Subordinated Notes (Equity)

Payment

Loans/ Bonds

Loans Funding

EM NDBs

Sustainable Infrastructures

Funding
Principal & Interest

(SPV)
Main Stakeholders and economics

Main Stakeholders

- Originator / Servicer
- Lenders
  - (Senior: banks, insurance companies)
  - (Mezzanine lenders: MDBs / DFIs)
- First Loss Investors
  - (GCF, philanthropic and other catalytic capital)

Illustration of economics for brainstorming

<table>
<thead>
<tr>
<th>Assets</th>
<th>Loan notional (mm)</th>
<th>Spread (LIBOR + bps)</th>
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<tr>
<th>Funding</th>
<th>% of total</th>
<th>Loan notional (mm)</th>
<th>Spread (LIBOR + bps)</th>
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<tr>
<td>Senior (banks)</td>
<td>40%</td>
<td>$260</td>
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<tr>
<td>Mezzanine (DFIs)</td>
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</tr>
<tr>
<td>Junior (GCF)</td>
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<tr>
<td>Portfolio</td>
<td></td>
<td>$650</td>
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</table>
Topics to be addressed

- Who will determine NDB selection?
- Who will determine NDB loan pricing?
- Will the SFF originate loans itself or buy them from a warehouse?
- Who will service the loans?
- What are the minimum requisite funding tenors for the NDBs?
- What types of infrastructure will be financed (climate-related or broader)?
Q&A
Facilitated by Michael Ridley, HSBC
Next steps

Michael Ridley, HSBC
### Next steps

#### Key actions leading to Pilot Phase

- Engagement with market participants – concept finalisation and commitment
- “Phase 0” planning and launch preparation

<table>
<thead>
<tr>
<th>FI Label (WG-1)</th>
<th>Tech. Platform (SG-A)</th>
<th>Guarantees (SG-B)</th>
<th>OMCPP (SG-C)</th>
<th>SFF (SG-D)</th>
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<tr>
<td><strong>Q1 21</strong></td>
<td></td>
<td></td>
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<tr>
<td>Draft Framework Document and set up pre-consultation roundtables</td>
<td>Garage sessions and workshops with MDBs / developers</td>
<td>Prep. pitch materials, refine structure, engage with US administration</td>
<td>Discussions with GISD members and originators, refine structure</td>
<td>Prepare pitch materials and engagement strategy</td>
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<tr>
<td><strong>Q2 21</strong></td>
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<tr>
<td>Public Consultation and finalise Framework Document</td>
<td>Agree ownership, governance, funding plan and prepare business case</td>
<td>Iterative engagement with market participants, MDBs and government</td>
<td>“Phase 0” planning to create the platform</td>
<td>Engagement, finalise structure and negotiate financing term sheets</td>
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<tr>
<td><strong>July 21</strong></td>
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<tr>
<td>Governance and pre-implementation finalisation</td>
<td>POC - MVP</td>
<td>“Phase 0” planning process completed</td>
<td>Pilot projects launched</td>
<td>Facility formation, administrator appointment, funding</td>
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## Appendix: Key FAST-Infra dates

<table>
<thead>
<tr>
<th>Activity</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>August</th>
<th>Sep</th>
<th>Nov</th>
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<td>Project Delivery Progress</td>
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<td>FAST-Infra Conference</td>
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Thank-you!