

FAST – Infra (‘Finance to Accelerate the Sustainable Transition – Infrastructure’)

Background to FAST-Infra

FAST-Infra started under the auspices of the One Planet Lab as a collaboration between the HSBC, the OECD, the IFC, GIF (World Bank) and CPI, and which has evolved into a broad-based private-public partnership involving banks, asset managers, governments, MDBs, NDBs, academics and NGOs.

FAST-Infra (Finance to Accelerate the Sustainable Transition – Infrastructure) aims to accelerate the flow of private investment to sustainable infrastructure in developing countries.

FAST-Infra is developing a label for sustainable infrastructure. This label should focus governments and developers at pre-construction phase on building resilient assets with limited environmental impact; and encourage institutional investors at post-construction phase looking to refinance sustainable infrastructure assets. FAST-Infra is also working on four market mechanisms that have the potential further to mobilize private capital (see synopsis and sub-working group information below).

As the world thinks of building back better, FAST-Infra could provide the right framework to mobilize governments, development banks, and private finance around an ambitious financing platform for sustainable infrastructure.

Synopsis of FAST Infra

FAST-Infra is based on the premise that no single institution can address the many barriers that hinder the mobilization of finance. It is a collaborative platform involving public and private sector participation. And it is designed to propose practical and inclusive solutions aimed at establishing sustainable infrastructure as an asset class, while embedding sustainability across the life cycle of projects and expanding the pipeline of bankable projects.

Global Engagement

On May 27-28, 2020, FAST-Infra hosted two global roundtables to present its goals and to invite the key stakeholders in the infrastructure ecosystem to join as participants in developing:

- 1) A sustainable infrastructure labelling system;
- 2) Market interventions to mobilize private investment, particularly through the use of blended finance and guarantees.

From May to November, participants of FAST-Infra formed working groups to collaborate on the initiative.

On November 12, 2020, FAST-Infra concluded the first stage with great progress presented on labelling and concrete financing solutions.

Close to 100 institutions have participated in the roundtables, with most subsequently joining FAST-Infra, including:

- Global investors: Temasek, Swiss Re, Aviva, HSBC Global Asset Management, LGIM, Meridiam, LTIIA, Rockefeller Foundation, Impax Asset Management, M&G
- Financial intermediaries: HSBC, Citi, JPM, BNP Paribas, Macquarie, ICBC, MUFG, Liquidnet

- Development Finance Institutions: WB, IFC, ADB, AIIB, IDB, Green Climate Fund, AFD/Proparco, DBSA, CAF, EDFI
- Governments/Multilaterals: UK, US, France, Germany, Japan, OECD
- Rating agencies and other stakeholders: Moody's, S&P, Willis Tower Watson, WWF, GRESB, IBM, EDF, Mazars, Brookings, Carbon Trust, Climate Bond Initiative, Convergence

Next Steps

In January 2021, FAST-Infra will unveil its proposed labelling mechanism with associated standards running a consultation period with the intention to launch the label and standards in quarter 2, in addition four sustainable infrastructure financing solutions are being developed that will serve as proofs of concept as pilots.

Four pilots under development:

A) Technology Enabled Securitization Platform

Project finance is document intensive, and the key terms associated with any deal are spread throughout numerous documents, some of which can be 800 pages long. FAST-Infra is interested in engaging with a NLP (natural language processor) firm to build a data set of the key financial and legal terms of major infrastructure projects globally. Once these key terms are captured and malleable, a number of services could be added to supplement the data store: asset managers may be interested in undertaking portfolio analysis and 'what-if' scenario work; governments examining the terms of a proposed new infrastructure project may want to compare project terms with comparable projects in similar countries; FAST-Infra collectively might be interested in developing a technology enabled securitisation programme.

B) Off Take / Revenue Guarantee

Many developing world electric utilities are prepared to sign PPAs (power purchase agreements) to buy power from Independent Power Producers (IPPs). However, the credit rating of the utility is often so low that the PPA is not bankable. FAST-Infra will investigate the creation of a global provider of project off-take revenue or liquidity guarantees for sustainable infrastructure projects. This could attract private sector investment to small sustainable infrastructure projects faced with revenue receipt risk. The global revenue guarantee provider could be a specialty insurance company that provides project partial revenue / liquidity guarantees for a fee. Alternatively, instead of providing a partial guarantee to the PPA and funds to the IPP, the program could offer to counter-guarantee a bank, which would provide the facility.

C) Open-sourced Managed Co-Lending Portfolio Programme (OMCPP)

FAST-Infra is interested in investigating whether it can create a modified and open version of the IFC's managed co-lending portfolio programme (MCP). The IFC's is a syndication tool whereby partners to IFC agree to participate in loans and financings that the IFC brings to the MCP. FAST-Infra will investigate whether a 'modified' and 'open' version of MCP could be created involving other a number of multilateral development banks, with a variety of private sector entities co-lending alongside the MDBs. FAST-Infra will work to develop the concept: FAST-Infra participants could either seek to lend into the modified MCP; or buy loans syndicated through the programme.

D) Sustainable Financing Facility (SFF) for National Development Banks

FAST-Infra thinks that National development banks (NDBs) can play a critical role in providing sustainable infrastructure in the developing world. NDBs are prepared to take on construction risk, they have local knowledge and they are often able to take exposure to domestic and foreign currencies. FAST-Infra will investigate FAST-Infra partners lending facility to a portfolio of NDBs. This might allow the NDBs to take on the financing of domestic sustainable infrastructure projects. FAST-Infra partners would lend to the NDBs on the proviso that they only lend against sustainable infrastructure projects, and/or projects assigned the FAST-infra sustainable infrastructure label.

For more information on FAST-Infra contact:

- Michael Ridley, HSBC GAM michael.a.ridley@hsbc.com
- Stephanie Akinyelure, HSBC stephanie.akinyelure@hsbc.com