



Finland-IFC Blended Finance for Climate Program

July 1, 2021 - December 31, 2022
Annual Report

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ABBREVIATIONS & ACRONYMS

AIMM	Anticipated Impact Measurement and Monitoring system
BFCP	Finland-IFC Blended Finance for Climate Program
BFC	Blended Finance Committee
BFD	Blended Finance Department
DFI	Development Finance Institution
FI	Financial Institution
FY	Fiscal Year
GHG	Greenhouse Gases
GoF	Government of Finland
IDA PSW	International Development Association Private Sector Window
IFC	International Finance Corporation
MW	megawatt
ODA	Official Development Assistance
PPCR	Pilot Program for Climate Resilience
PV	Photovoltaic
RE	Renewable Energy
SDGs	Sustainable Development Goals
tCO_{2e} p.a	tonnes (t) of carbon dioxide (CO ₂) equivalent (e) per (p) annum (a)
WBG	World Bank Group

Program Overview

The Blended Finance for Climate Program (BFCP or the “Program”), established in 2017, is a partnership between the Government of Finland (GoF) and the International Finance Corporation (IFC) to catalyze innovative investments and unlock private financing into climate-smart projects in developing countries. The Program provides concessional financing for private-sector led projects across the globe, with a focus on low income countries. In fiscal year 2022, in a climate of unprecedented global instability, the Program committed three new projects in priority areas: blue economy/plastics reduction (**Circulate Capital Ocean Fund**); innovative waste treatment (**Bac Ninh Waste-to-Energy**); and a first-of-its kind solar PV project in a fragile and conflict-affected setting (**CnC Greenshare**).

More information on IFC Blended Finance and the Finland-IFC Blended Finance for Climate Program is available at www.ifc.org/blendedfinance

INVESTMENT COMPONENT

The investment component of the BFCP includes a contribution from the GoF of EURO 114 million, structured as concessional co-investments alongside IFC’s own commercial funds in climate-finance projects. The concessional funds will bear additional risk or accept lower returns relative to IFC’s commercial financing and other commercial investors in the projects’ financial structure. By doing so, Finland’s contribution will catalyze high-risk projects and help support impact that would not otherwise happen. In addition to concessionality on pricing, other risk-mitigation features such as subordination, longer tenor, payment deferrals, unsecured tranches, etc. can support innovative structures where investors and lenders are often not yet prepared to take such risks or invest at commercial terms. Originally conceived of as a 5-year investment period, the active Investment period of the program was extended to six years to allow for delays as a result of COVID-19.

As the first European country to enter a blended concessional finance partnership with IFC, Finland is at the frontier of blended climate finance. A unique focus of the Program includes efforts to strengthen collaboration opportunities between IFC and Finnish companies and other stakeholders. This provides opportunities for Finland to promote its climate and development policy agenda in global arenas, and organize tailored workshops to engage Finnish companies.

PROJECT DEVELOPMENT COMPONENT

Key Features



Size of the fund: €114 million



Duration: 26 years, including a 6-year active investment period (October 2017-December 2023)



Priority sectors: Renewable energy; energy efficiency in buildings; agriculture, forestry and land-use; water, wastewater, and sanitation; meteorology; food security; sustainable forestry



Geographies: Global, targeting the funds to projects in least developed countries, other low-income countries, and lower middle-income countries and territories



Instruments: Equity, senior debt, mezzanine debt, and guarantees



The “upstream project-support” component was launched in October 2018 under the BFCP. This work encompasses activities that occur *before* the traditional investment cycle to develop necessary precursors to an investment. The work can entail identifying and creating projects that IFC will offer to potential investors. Unlike broader engagement in country development work, this early-stage project-support work has a clear line of sight to a potential private sector investment within reasonable amount of time and has a clear focus on identifying and addressing barriers to investment. These interventions are aimed at creating the conditions for a private sector investment that otherwise would not have occurred if left to market forces alone.

The Project Development Component of the BFCP was created to support early-stage development of high-potential projects

that in turn could potentially be supported by the main BFCP. These early-stage project development activities can include e.g., market mapping; pre-feasibility and feasibility studies; identifying and developing new financial mechanisms or structures; piloting new technologies; and project demonstration activities, etc.

At initiation, the Project Development Component has an allocation of €1.54 million for activities that support the development of first-of-their-kind projects. To date the component has allocated funding for two projects: \$200,000 for a floating solar pilot project in Bangladesh and \$500,000 for an Advance Practices for Environmental Excellence in Cities (APEX) program.

Approved Allocations from the BFCP Project Development Component

FLOATING SOLAR IN BANGLADESH

Bangladesh is heavily dependent on thermal power with natural gas, heavy fuel oil, diesel, and coal accounting for over 90 percent of the current generation mix. The Project Development Component will support the building of a 774 kilowatt-peak (kWp) Floating Solar PV Demo Project in Bangladesh to assess the technical feasibility of deploying floating solar on a large scale to increase energy reliability, access to affordable energy, and contribute to transitioning Bangladesh toward the use of water surface instead of land for low-carbon and resource-efficient energy resources. The Project aims to help Bangladesh reduce its carbon footprint and facilitate access to finance via mainstream investments for Floating Solar PV projects, diversify its energy mix toward sustainable and clean energy, and support the country's goal for 10 percent energy generation from renewable sources.

The Project is expected to generate approximately 384 MWh of energy per annum, sufficient to provide electricity to over 1000 people. The revised total estimated cost is US\$1,220,000 of which the developer will fund approximately \$920,000 and the funding gap of \$200,000 from the Project Development Component of the Finland-IFC Climate Change Program and the remaining \$100,000 by IFC.

ADVANCE PRACTICES FOR ENVIRONMENTAL EXCELLENCE IN CITIES (APEX)

The Advance Practices for Environmental Excellence in Cities¹ (APEX) is a new IFC product that supports cities in emerging economies to accelerate the implementation of ambitious and transformative investment projects and policy actions that significantly contribute to transitioning to low-carbon and resource-efficient growth pathways. The product is anchored around the APEX Tool software, which provides a cost-efficient and user-friendly interface to help cities understand their environmental footprint in terms of carbon emissions and resource usage across the key sectors of water, buildings and energy, transport, and waste management; as well as to help them plan investment and policy interventions.

APEX is a pre-feasibility climate investment tool that helps cities to identify and evaluate green investments, policies, and planning opportunities. It will support IFC's investment stream as a business development product ("door-opener") by working with cities to create a reservoir of green pipeline projects. APEX will also help to define what is "green" in a city through city-as-a-whole approach. The APEX tool will also create investment opportunities that can be supported by the BFCP to create incentives for market adoption of green cities practices. The Project Development component will support the development of the APEX tool in the amount of \$500,000 to upgrade the prototype APEX Tool into a full online platform, develop a scalable approach, and incorporate the use of APEX tool in the investment stream to build green investment pipelines in cities.

ELIGIBILITY²

The BFCP has coverage allowing it to respond to evolving private sector needs and changes in market conditions, leveraging IFC's global reach and ability to deploy Program funds effectively.

Sub-Saharan Africa

Angola
Benin
Burkina Faso
Burundi
Cameroon
Cabo Verde
Central African Republic
Chad
Comoros
Congo, Dem. Rep.
Congo, Rep.
Côte d'Ivoire
Djibouti
Eritrea
Eswatini
Ethiopia
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Nigeria
Rwanda
Sao Tome and Principe

Senegal
Sierra Leone
Somalia
South Sudan
Sudan
Tanzania
Togo
Uganda
Zambia
Zimbabwe

East Asia and Pacific

Cambodia
Democratic People's Rep. of Korea
Indonesia
Kiribati
Lao PDR
Micronesia
Mongolia
Myanmar
Papua New Guinea
Philippines
Solomon Islands
Timor-Leste
Tuvalu
Tokelau
Vanuatu
Viet Nam
Europe and Central Asia
Armenia
Georgia
Kosovo
Kyrgyzstan

Moldova
Tajikistan
Ukraine
Uzbekistan

Latin America & Caribbean

Bolivia
El Salvador
Guatemala
Haiti
Honduras
Nicaragua

Middle East & North

Africa
Egypt
Jordan
Morocco
Syrian Arab Republic
Tunisia
West Bank and Gaza Strip
Yemen

South & Southeast Asia

Afghanistan
Bhutan
Bangladesh
India
Nepal
Pakistan
Sri Lanka



ELIGIBLE SECTORS

The BFCP is designed to support a wide range of projects and be adaptive to challenging environments and markets. Program funds are dedicated to projects in climate mitigation as well as adaptation and resilience, with an emphasis on investments in high priority sectors for Finland.

- **Climate Change Mitigation:** Renewable energy; Energy efficiency in buildings; Agriculture, Forestry and land-use; Water and wastewater
- **Climate Change Adaptation:** Meteorology; Water and sanitation; Food security; Sustainable forestry

Activities defined by IFC as "Energy efficiency in industry", "Non-energy GHG reduction", and "Special climate" (i.e., climate projects that contribute to mitigation, but for which GHG reduction calculation are not available) are approved by the GoF on a case-by-case basis based on their climate and development benefits and impact.

Blended Concessional Finance at IFC

Blended finance, where concessional funds from partners are blended with IFC's own financing, can support projects with high development impact that are on the threshold of commercial viability but need additional financial support to de-risk or rebalance the risk-return profile to attract private sector investors. There are several examples of how thoughtfully applied blended concessional finance can ignite private sector investment that would not otherwise exist, creating new markets in Emerging Markets and Developing Economies (EMDEs). These critical investments in renewables support countries in diversifying their energy matrix and reducing reliance on imported fossil fuels.

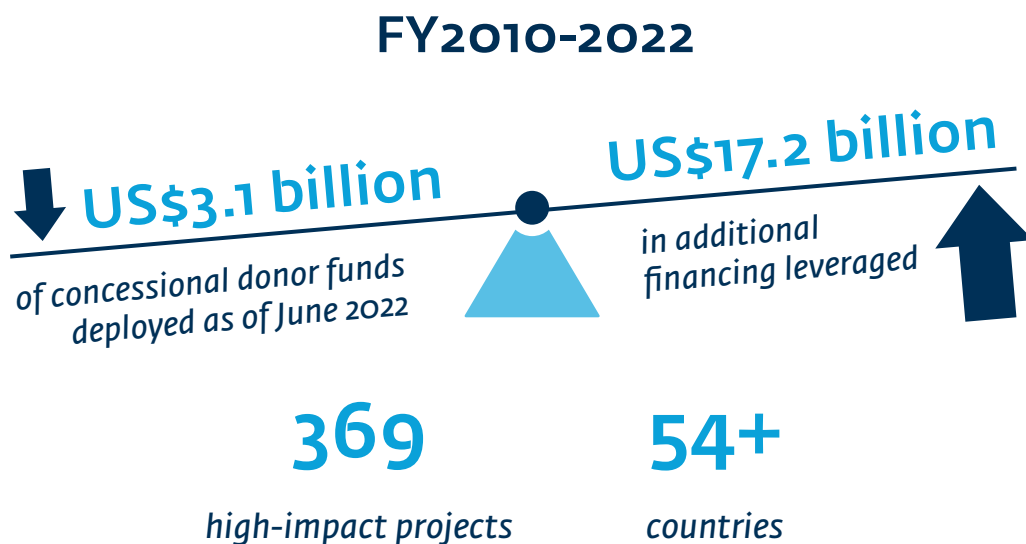
MOBILIZATION AND IMPACT

As of June 2022, IFC had deployed \$3.1 billion of concessional donor funds in key areas such as low income and fragile markets, climate, gender, health and agriculture & food security, to support 369 high-impact projects in 55 countries. These projects have leveraged \$9.48 billion in IFC financing and more than \$7.7 billion from other private sources. This means that \$1 dollar of concessional resources from partners like Finland has leveraged over \$6 dollars of IFC and other party financing toward high-impact projects across the developing

world. In climate investments specifically, including those supported by the BFCP, the leverage average reaches 1:10.

CONTRIBUTING PARTNERS AND IMPACT

Blended concessional finance for private sector projects is one of the most significant tools that Development Finance Institutions (DFIs) can use, in cooperation with development partners, to increase financing for important private sector activities, help address the SDGs, and mobilize private capital. Concessional funds can catalyze private financing that would not otherwise be available to projects with high development impact, enabling projects to take place over time, demonstrating their viability and paving the way for financing on fully commercial terms. With increased interest in the use of blended concessional finance in transformative projects, IFC pays particular attention to its ability to measure project outcomes and impact. IFC's Anticipated Impact Measurement and Monitoring (AIMM) system³ is designed to review and rate potential projects based on their expected development outcomes. This approach allows IFC to optimize project design and helps IFC maintain a connection between immediate project goals to the World Bank Groups' goals.



IFC's Blended Finance Approval Process and Project Cycle

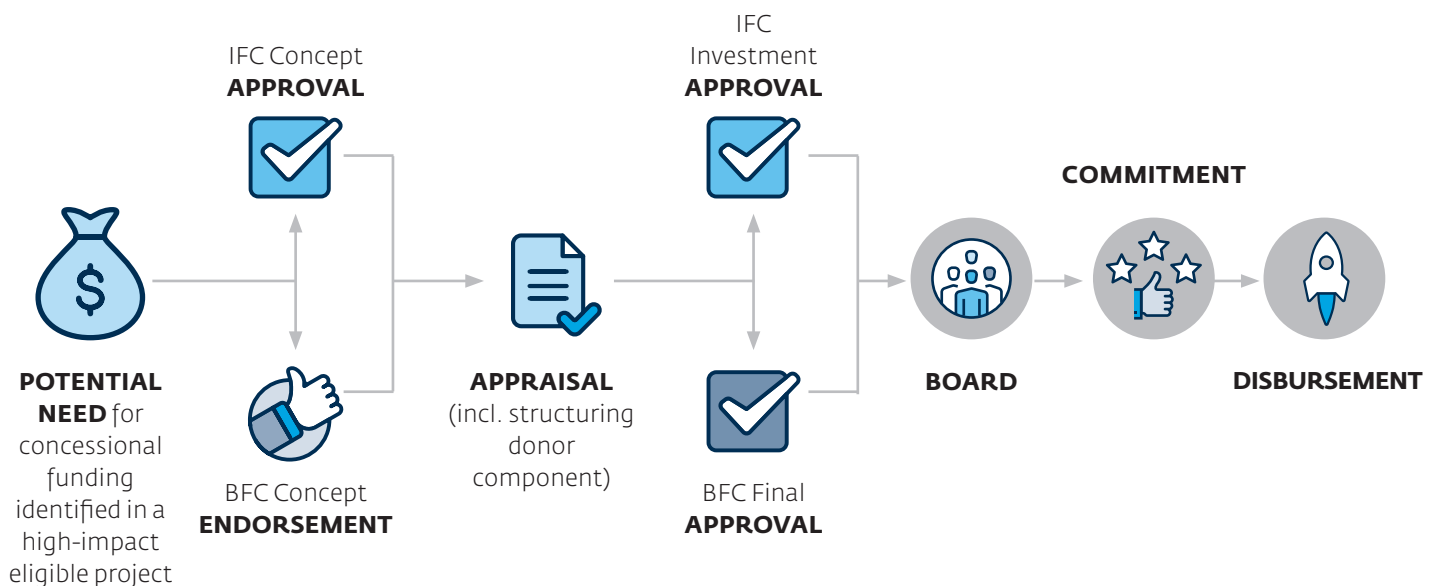
IFC has a well-established, strategic, and rigorous approach to blending concessional funds alongside its own capital, including the principles and governance by which it applies such funds. All blended concessional finance funds at IFC are managed by the Blended Finance Department (BFD). The process followed by the BFD is closely linked to and mirrors the IFC's own project approval process to create efficiency, while balancing the need for strong governance and transparency.

WHERE WE START

Often the investment process begins with establishing the conditions in a country that lead to private investments. Early stage upstream work is critical, as one of the main reasons for a lack of private investment in many developing countries is a shortage of commercially viable investment opportunities. To attract capital, IFC works to remove barriers to investment and enhance the operating environment for

private business. Typical barriers in frontier and emerging markets include lack of financing as well as operational and other challenges prevalent in these markets preventing a company or entrepreneur to establish a new venture or expand an existing enterprise. IFC helps develop private sector in these challenging environments in a variety of ways, including investing in companies through loans, equity investments, debt securities and guarantees; mobilizing capital from other lenders and investors through loan participations, parallel loans and other means; and advising businesses and governments to encourage private investment and improve the investment climate. IFC is focused on working "Upstream"(advisory services and project preparation work including pre-investment and pre-pipeline activities) and getting involved earlier in the project-development cycle to seed investment opportunities, in some cases working to create markets where none existed.

Figure 1: Process for Blended Finance Transactions



This approach also addresses one of the biggest obstacles to nurturing the private sector in developing countries: the lack of projects with enough financial backing and business promise to be considered “bankable” by international investors. In this operational context, IFC’s actions are tightly focused on intervening to create the conditions for promising projects. To achieve this IFC applies financial resources, technical expertise, global experience, and innovative thinking to help private sector to overcome a wide set of challenges, including mobilizing more private capital for development purposes. Crowding-in private finance to deliver sustainable impact in the developing world is thus at the core of IFC’s actions. Blended concessional finance for private sector projects is one of the most significant tools that IFC uses to address market failures and to help mobilize private investment in pioneering projects and challenging environments.

IFC business development staff in regional and global industry departments initiate the investment process by screening opportunities, conducting preliminary discussions with potential clients, and compiling relevant market research, in addition to performing initial integrity due diligence checks.

When a project is determined to potentially need concessional funding support, investment officers from the BFD work with IFC investment teams to verify eligibility, develop optimal project structure, and follow through the entire project cycle until the end of the project repayment phase and completion. Projects seeking concessional support from one of IFC’s blended finance programs — such as the Finland Program — are reviewed by the Blended Finance Director and/or the Blended Finance Committee (BFC) at two separate stages: the concept and final approval stage. They approve the use, structure, and terms of all contributor-funded concessional investments and ensure projects are in line with DFI Enhanced

Blended Finance Principles, with an emphasis on minimum concessionality that safeguards against distorting markets through the use of concessional resources (see box 1).

INVESTMENT PROCESS

The length of time for a project to move through this process may vary significantly, depending on the sector, the geographic location, and whether the project involves financial institutions (FIs) or real sector clients. For example, infrastructure projects typically have a longer gestation period and extended business cycle. In general, the project cycle time is rarely less than six months (even for FI projects), but some projects may take more than two to five years, depending on the complexity of the deal and requirements of the parties involved. In challenging political environments, including most countries in Sub-Saharan Africa, projects receiving concessional financing may require additional time to appraise and structure. In this regard, upstream project preparation work is critical to ensure that a pipeline of bankable projects is developed. In many countries, perceptions of risk and instability are prevalent and can stagnate project progress. Many, if not all the projects—and infrastructure projects in particular—involve various regulatory approvals, agreements, and arrangements, with multiple local and federal authorities (such as Power Purchase Agreement, Land Lease agreement, etc.). The need to negotiate these often complex documents may lead to increased project timelines, uncertainties and project exposure to political cycles and changes. Regulatory reforms, work towards enabling environment, and capacity building programs are complementary to the use of blended concessional finance in the creation of investment opportunities and development of vibrant markets.

DFI Working Group and Enhanced Blended Finance Principles

As international attention to the role of blended concessional finance has grown in recent years, so too has the need for common understanding across DFIs in applying this tool for enhanced development impact. IFC plays a leadership role among DFIs and chairs a working group of over 20 DFIs on the use of blended concessional finance for private sector projects. In 2017, the DFI Working Group on Blended Concessional Finance developed a set of guidelines that aim to maximize impact and minimize potential market distortions through the use of concessional resources.

The DFI Enhanced Principles provide a common framework for the efficient, effective, and transparent use of concessional funds. The consequent updates of principles and guidance for providing blended concessional finance for private sector projects include guidelines for how to push for commercially viable solutions using minimum concessionality. In addition, they advocate for increased scrutiny of projects proportionate with the underlying risk that concessional resources could lead to market distortion.

Box 1: DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects



Rationale for Blended Concessional Finance

Contribution that is beyond what is available, otherwise absent from the market, and should not crowd out the private sector.



Crowding-in and Minimum Concessionality

Contribute to catalyzing market development and mobilization of private sector resources, with concessionality not greater than necessary



Commercial Sustainability

Impact achieved by each operation should aim to be sustainable and contribute towards commercial viability.



Reinforcing Markets

Addresses market failures effectively and efficiently minimizes the risk of market distortion or crowding out private finance.



Promoting High Standards

Promote adherence to high standards, including in areas of corporate governance, environmental impact, integrity, transparency, and disclosure.

Portfolio and Implementation Status

BFCP PORTFOLIO AS OF DECEMBER 31, 2022



Project: UPPER TRISHULI 1 HYDROPOWER PROJECT, NEPAL, \$13.1 million equity

Nepal's Trishuli River will be harnessed to create a 216-megawatt run-of-river hydropower project that will increase the country's domestic energy production and help meet its growing demand for electricity. Once operational, UT-1 will generate sufficient electricity to supply to millions of Nepalese people.



Project: SCALING SOLAR Senegal, Kahone €3.5 million senior loan

The Kahone project is a 44 MWp solar plant awarded under the World Bank Group Scaling Solar Senegal Program, which supports grid-tied solar photovoltaic (PV) power in emerging markets.



Project: SCALING SOLAR, Senegal, Kael €2.9 million senior loan

The Kael project is a 35 MWp solar plant awarded under the World Bank Group Scaling Solar Senegal Program, which supports grid-tied solar PV power in emerging markets.



Project: MASRIK SOLAR, Armenia, \$8.9 million Senior loan

Development, construction, and operation of Armenia's first grid-scale solar PV project, which includes a 55-MW power plant and a 9-kilometer transmission overhead line located in a rural community by Lake Sevan. The project is Armenia's first large utility-scale and competitively tendered solar independent power producer.



Project: MASSADER SOLAR, West Bank, \$3.2 million senior loan

Up to 350 West Bank schools are being outfitted with solar arrays over a period of three years. The project will be capable of generating 25 megawatts of electricity, enough to power the equivalent of about 16,000 homes. This project received a UN Climate Change Award In 2021.



***NEW* Project: CIRCULATE CAPITAL OCEAN FUND, South and South East Asia, \$5 million equity**

Circulate Capital Ocean is a \$50 million private equity fund targeting investments in waste management and circular solutions that combat plastic waste in Southeast Asia and South Asia. The Fund will provide access to equity capital for innovative companies tackling plastic waste challenges.



***NEW* Project: Bac-Ninh Waste-to-Energy, Vietnam, \$15 million senior loan**

Financing of the construction of a waste-to-energy plant in Bac-Ninh province which is expected to incinerate 500 tons of municipal and industrial solid waste daily.



***NEW* Project: CNC Greenshare Solar, Democratic Republic of Congo, \$0.9 million senior loan**

Diversifying the DRC's energy mix through 100 MW solar PV project that will supply to energy to local mining .

Impact and Measurement

AIMM SCORES

IFC developed the ex-ante (or forecasting) Anticipated Impact Measurement and Monitoring (AIMM) system to enable more consistent and effective measurement of development impacts. (See more on AIMM at <https://www.ifc.org/AIMM>)

LEVERAGE

The leverage ratio is one way to express the crowd-in effect of blended finance as a 'relative' ratio. Across all blended finance facilities, IFC has achieved a leverage ratio (\$ of donor funds to \$ of commercial funding from the Sponsor, IFC and other 3rd parties) of 1:7x. This ratio reaches 1:10x for climate projects supported by blended finance.

For the BFCP, leverage is 1:14x. When UT-1 is removed from the equation, the ratio is 1:5x, which is a more accurate reflection of the Program's leverage.

Leverage ratio also broadly reflects the risk level of key sectors and markets where the concessional funds are deployed – for instance, local currency solutions have been utilized to de-risk IFC investments primarily in lower-income countries where local financial markets are relatively less developed with less liquidity, which explains the lower capacity in attracting commercial capital in comparison.

ADDITIONAL IMPACT INDICATORS

Program total expected GHG abatement: 904,074 tCO₂e p.a. As a climate program, GHG abatement remains a core impact of the program. GHG abatement alone can be a crude indicator but taken at a broader level signifies support for energy transition through the creation of new clean energy markets that abate harmful GHGs.

Job creation is another fundamental aspect of private sector development. For climate projects, employment can be reflected in both direct (mainly during construction but also steady state employment) and also indirect (jobs created from uninterrupted sources of energy). For the BFCP, actual direct employment was 14 people.

CURRENT PORTFOLIO AND PIPELINE OF FINLAND-IFC BLENDED FINANCE FOR CLIMATE PROGRAM

Portfolio projects involved BFC approved, committed projects that are in various stages of development (some partially disbursed, some already fully disbursed and operational, etc.).

The pipeline gives an indicative look at projects that are expected to commit, but are in a much earlier stage. Approximately half of the funds are in the portfolio and half are in the pipeline.

The total cash contribution from Finland (net of set-asides) available for programming was \$122 million⁴.

As of December 30, 2022, the Program portfolio and pipeline highlights include 14 projects (8 committed, 4 BFC endorsed, 2 approved) at different pipeline stages. The highlights include:

- With 8 projects committed and an additional two projects being approved by the Blended Finance Committee,

approximately 40% of programmed funds are currently allocated to the downstream pipeline.

- With concepts endorsed for an additional eight projects, around 60% of programmed funds are currently in the midstream pipeline. Some projects have been endorsed subject to funding availability at the time they enter the downstream pipeline.
- Cumulative disbursement to projects since inception of the Program \$14.9 million disbursed (over 10% of the Program funds) by December 31, 2022.

It is important to note that not all pipeline opportunities will materialize into projects that comprise the BFCP portfolio. The data summarized in this section includes pipeline as of December 31, 2022.

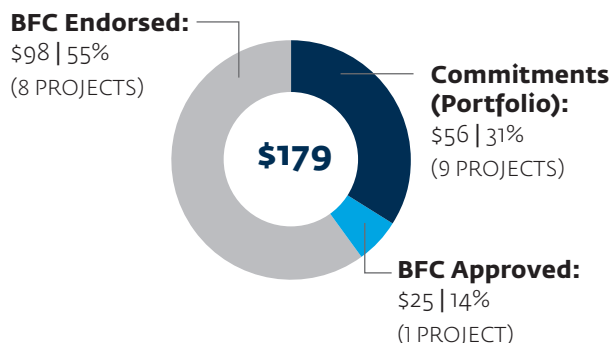
For more details of the financial and operational performance of the Program, please refer to Annex A.



BFCP Portfolio and Pipeline as of December 31, 2022

US\$, millions

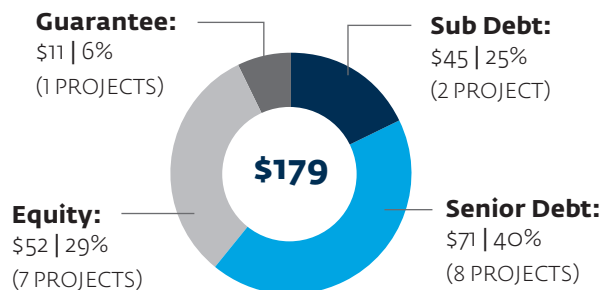
i. BFCP funds at different stages.



In order to enable the Program to take riskier positions and support more challenging and higher risk projects with potentially higher development impacts, at least 50% of the Program funds will be structured in equity, subordinated/mezzanine debt, and subordinated/first loss guarantees. The current portfolio and pipeline of the Program represents a diversified investment composition in terms of instruments, as the portfolio and current pipeline include early-stage risk capital and equity investment, subordinated debt, and senior debt. The diversification of used instruments will allow a balanced portfolio in terms of risk and reward with equity, guarantees and subordinated debt generally carrying higher risk than senior debt. Alternatively, the non-senior debt instruments usually fare better in terms of pricing and potential return expectations.

The geographical diversification of the current portfolio and pipeline is also diverse with projects in East Asia and Pacific, South Asia, Europe and Central Asia, Sub-Saharan Africa, and Middle East and North Africa. The diversification in terms of country income grouping of committed projects in the portfolio is focusing on low-income countries with five projects in Least Developed Countries, three projects in Lower Middle Income Countries, and one project in an Upper Middle Income country.

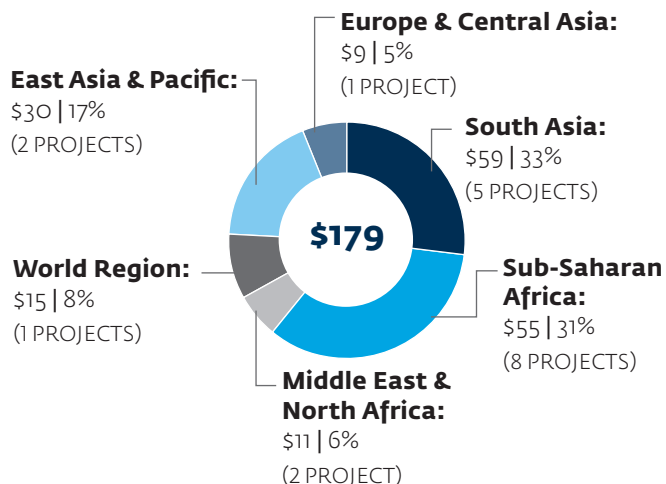
ii. BFCP funds by blended finance instrument.



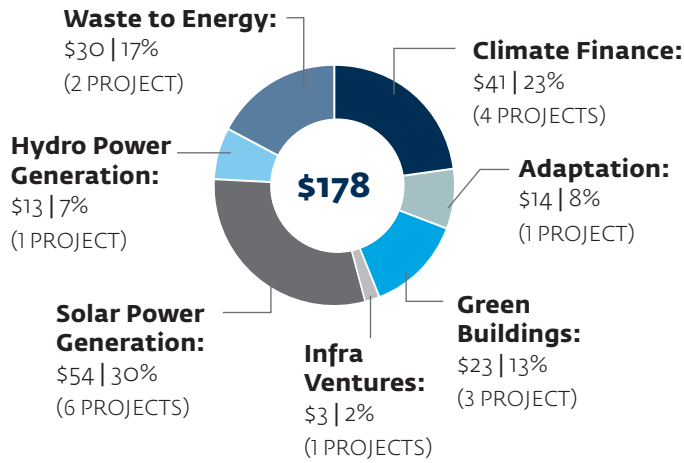
In terms of sectoral diversification and technologies supported by the Program, the portfolio and pipeline projects will deliver impact across five sectors: solar power generation, climate finance, hydropower generation, wind power, and waste to energy.

A key measure of impact for climate program is GHG abatement; beyond that the program looks at increased access to clean and reliable energy, increase energy capacity, and indirect and direct employment.

iii. Geographic breakdown of BFCP funds.



iv. BFCP Funds by Sector



All committed projects in the Program portfolio are aligned with the agreed exposure limit per project (capped to \$15 million).

For the remaining investment period, the priority for the Program will be strategically deploying the remaining Program funds in a manner that supports eligible projects that advance during this period while achieving a balanced portfolio in terms of risks, diversity in the instruments used, geographical coverage, and technology. Aligned with the “returnable capital” model of the Program, all reflows from investments (interest, fees, dividends, and repayment of principal) will be returned to Finland⁵.



Stories of Impact:

New Projects Committed this Year

A future without plastics: Circulate Capital Ocean Fund (2022)

SOUTH AND SOUTHEAST ASIA

The World Bank estimates that a staggering 11 million metric tons of plastic are entering the oceans each year. South and Southeast Asia have emerged as hot spots for this plastic pollution, driven in part by rapid urbanization.

To address plastics, investments in recycling, waste management, and innovations in alternate materials and advanced recycling technologies are urgently needed – capital is needed to support the small and medium-sized enterprises delivering these important and innovative climate solutions.

Circulate Capital, is the largest impact investing firm dedicated to fighting plastic pollution and advancing the circular economy in South and Southeast Asia. The firm's \$50 million Circulate Capital Ocean Fund has a two-pronged strategy: (i) growth capital in waste management and recycling companies and (ii) earlier-stage companies looking at targeted innovation in the plastics space.

IFC has committed a blended finance package of \$10 million to the Circulate Capital Ocean Fund, to pursue investments in waste management and circular solutions that combat plastic waste in Southeast Asia and South Asia. IFC's own-account investment of \$5 million was enabled by a \$5 million co-investment from the BFCP



in a subordinated position. The blended finance co-investment will enable IFC to participate in the Fund, deepening its support for private companies operating in the circularity space.

A blueprint for a diversified energy mix: CNC Greenshare (2022)

DEMOCRATIC REPUBLIC OF CONGO (DRC)



DRC, a low-income IDA and fragile conflict-affected situation (FCS) country, is one of the poorest in the world, facing widespread fragility and large gaps in basic infrastructure. The largest country in Sub-Saharan Africa, the DRC has incredible natural resources including minerals, biodiversity, and the world's second largest rainforest. The country also faces immense development challenges, with a long history of conflict, political upheaval, and instability, having led to an ongoing humanitarian crisis, exacerbated by COVID-19 and by recurrent disease outbreaks. According to World Bank data, only about 19 percent of DRC's population had access to electricity in 2019. Like many FCS countries, doing business can be challenging and the need to de-risk projects to crowd in private capital is vital.

Despite the need for investments in power generation, and the good solar resources in the DRC, no private sector utility-scale Independent Power Producer (IPP) has been constructed to date. The CNC Greenshare project is supporting diversification of the DRC's energy mix, with an innovative, clean energy investment in the development of the first 100MW solar power production plant. The DRC's energy mix has been historically dominated by hydropower. Located in the Katanga region in southeastern DRC, the project will sell its electricity output to the national utility, Société

Nationale d'Électricité (SNEL), which will utilize the electricity to supply mining companies in the region and potentially local communities as well.

The project was originally developed by CIGenCo, Greenshare Energy, Greenshare Congo, Volt Renewables, and Nzuri Energy IFC and Globeleq (as lead developer) joined to drive the project development forward and help it reach completion. IFC's investment involves a US\$0.9 million own-account investment and US\$0.9 million co-investment from the Finland-IFC Blended Finance for Climate Program, which is needed given the high risks to develop a utility-scale solar IPP for the first time in the DRC. The project can help establish an initial track record for other investors and developers by demonstrating the viability of developing a solar IPP in the DRC.

The project aims to increase the reliability of electricity supply to industrial customers (mines) and will add a total of 100MW of power generation capacity to the electricity grid of the DRC, which represents an increase of 7% over the current installed capacity. Construction of the solar plant is expected to begin in 2025. Once complete, it will be among the largest solar PV projects in the DRC, contributing to indirect employment and GHG abatement, by helping to limit the reliance on diesel fuel in the mining industry.

At the forefront of waste treatment: Bac Ninh waste-to-energy (2021)

VIETNAM

With about 1.4 million people and 16 industrial parks, Bac Ninh Province in Vietnam generates over 1,000 tons of municipal solid waste every day. Only 50 percent of it is treated, mostly through inefficient incinerators without energy recovery or robust emission control. Nationwide, the amount of solid waste was about 36 million tons in 2019, and this is expected to double by 2030, with more than 60 percent of the waste not being treated or disposed of efficiently. Against this backdrop, a new waste-to-energy (WTE) plant will introduce an environmentally sound waste treatment and disposal solution, helping avoid serious health and environmental issues related to soil and groundwater contamination.

Supporting Vietnam's efforts to reach net-zero carbon emissions by 2050, IFC is providing a \$30 million financing package to fund the construction of the WTE plant in Bac Ninh. The aim is to increase the province's waste treatment capacity and reduce its environmental footprint while protecting residents from health risks associated with untreated waste.

IFC's support includes an own-account investment of \$15 million and a \$15 million concessional loan from the Finland-IFC Blended Finance for Climate Program. The WTE plant is one of the first of its kind in a nascent sector.



The financing will allow construction and operation of waste treatment facilities to develop a modern, replicable WTE plant that will incinerate 500 tons of municipal and industrial solid waste every day, significantly boosting the province's current waste treatment capacity.



Lessons learned

PACE OF COMMITMENT

Direct investments in climate and infrastructure often require significantly more lead time to originate and bring to financial close. This observed lead-time for climate and infrastructure projects is consistent with upstream requirements necessary for financing real sector, greenfield projects, such as negotiation of power purchase agreements, land right acquisition, environmental and social due diligence and complex investor agreements, among others. Even projects considered to be “fast movers” take around three years, and that number could go up depending on the level of complexity and country conditions.

These lead times were further increased during COVID-19 and general global instability brought about by Russia’s Invasion of Ukraine. There are some early indications that projects may face delays and move slower in the pipeline due to (i) direct impact on different project development aspects and (ii) general economic slowdown across Program countries and regions.

Some projects may also face increased risks of being dropped from the pipeline as, for instance, project sponsors may be revising their priorities due to the worsening global economic outlook.

Conclusion

The scope for private sector development is being challenged in unprecedented ways. Increased fragility and conflict, surging inflation, unsustainable debt levels, climate change, supply shortages, and more instability is making private investors less inclined to deploy funds, just when their involvement is needed. In the current context, concessional financing that addresses temporary market risks and incentivizes investors to follow is vital to near term economic recovery and achieving the Sustainable Development Goals. Blended finance has contributed to sustainable development impact in challenging markets and novel sectors for close to 20 years. If collectively the global development community can reach the scale needed, the next decade will be the most impactful.

The ability of the BFCP to provide equity and risk capital has enabled high-impact projects where they would not have advanced without the support of the Program. In addition, the geographical and sectoral flexibility as well as the ability to provide Euro-denominated loans without the need for hedging have been the strengths of the Program to de-risk first-mover projects and avoid complex structuring through hedging from US dollars to Euro. The provision of flexible capital, particularly for middle income countries (MICs), will be critical for the

use of blended finance to crowd in private capital to address mounting global challenges.

Many of the frontier climate technologies (such as battery storage, Solar DG, etc.) are often first piloted in MICs before they can be successfully deployed in more challenging markets such as those supported by the Program. However, the use of concessional resources in lower income countries (LICs) remains critical in setting the stage for future climate investments, and most critically, improving living conditions through access to clean, reliable energy.

The magnitude and complexity of today's global challenges calls for an expanded availability of concessional resources to developing countries across the income spectrum – including protecting and growing those resources already at the disposal of LICs and other IDA-eligible countries

At a time of continued global instability, programs that can reach the most challenging countries to address climate change and support economic development are vital. The IFC-Finland Blended Finance for Climate Program exemplifies this kind of approach and is well positioned for continued impact in the places that need it most.

Annexes

ANNEX A: PORTFOLIO OF PROJECTS

The following annex details the investment projects committed under the BFCP as of December 31, 2022. All amounts in USD unless otherwise indicated. Note that greenhouse gas emission reduction numbers lag and reflect results to December 31, 2021.

BAC NINH WTE					
Country	Vietnam	Total Project Cost	\$76.7 million	Program leverage to all parties	4x
Product	Senior Debt	IFC Funds	\$15 million	Program leverage to IFC	1x
Commitment Date	Dec 2021	Program Funds	\$15 million		
Description	Greenfield 10MW waste-to-energy plant located on 4.8 hectares of land in the Thuan Thanh district of Bac Ninh province, approximately 40 km east of Hanoi, Vietnam. The Project will process up to 350 tons per day (tpd) of municipal solid waste generated in Bac Ninh province and up to 150 tpd of non-hazardous industrial solid waste generated in factories in northern Vietnam. The Project will generate income from waste tipping fees and from power sold to the national grid via a 20-year power purchase agreement with Electricity of Vietnam.				

CIRCULATE CAPITAL					
Country	South Asia	Total Project Cost	\$51 million	Program leverage to all parties	9x
Product	Equity	IFC Funds	\$5 million	Program leverage to IFC	1x
Commitment Date	June 2022	Program Funds	\$5 million		
Description	The Fund is managed by Circulate Capital, an impact-focused investment management firm dedicated to climate-smart solutions for reducing ocean plastic pollution, which raised a first fund, Circulate Capital Ocean Fund I (Fund I or CCOF1) a US\$112 million fund in 2018, with large global, corporate investors. The Fund has a two-pronged strategy: (i) growth capital in companies across the plastic recycling and waste management value chain (at least 70 percent of the Fund), and (ii) earlier-stage companies looking at early-stage disruptive innovation and technology, such as new delivery models, advanced recycling technologies, and new alternatives to single-use plastic (up to 30 percent of the Fund). The Project contributes to climate mitigation by supporting the growth of plastic recycling, and the creation and growth of plastic circularity through investments in the Fund's portfolio companies.				

CnC GREENSHARE					
Country	Democratic Republic of Congo	Total Project Cost	\$6 million	Program leverage to all parties	5.7x
Product	Equity	IFC Funds	\$0.9 million	Program leverage to IFC	1x
Commitment Date	Nov 2021	Program Funds	\$0.9 million		
Description	100 MW solar PV project will be located in Kolwezi in southeastern Democratic Republic of Congo ("DRC"), will sell its electricity output to the national utility, Société Nationale d'Électricité, which will utilize the electricity to supply mining companies in the region and potentially local communities as well. The Project will contribute to diversifying the energy mix of the DRC which is dominated by hydropower, as well as provide clean and affordable power to end-users. Furthermore, the Project will have significant demonstration effect as it is expected to be the first utility-scale IPP in the DRC with a potential to be scaled up or replicated.				

MASRIK SOLAR					
Country	Armenia	Total Project Cost	\$50 million	Program leverage to all parties	1:4.6
Product	Senior debt	IFC Funds	\$8.9 million	Program leverage to IFC	1:1
Commitment Date	June 2020	Program Funds	\$8.9 million		
Description	Development, construction, and operation of Armenia's first grid-scale solar photovoltaic (PV) project, which includes a 55-MW power plant and a 9-kilometer transmission overhead line located in a rural community located by Lake Sevan.				

MASSADER SOLAR					
Country	West Bank	Total Project Cost	\$32 million	Program leverage to all parties	1:9
Product	Senior debt	IFC Funds	\$8.7 million	Program leverage to IFC	1:2.7
Commitment Date	February 2020	Program Funds	\$3.2 million		
Description	Development, finance, construction, operation, and maintenance of up to 22 MWp of rooftop solar PV capacity at up to 350 public schools across the West Bank. The Project is the first on-grid renewable project with long term PPAs to be entered into with local distribution companies in the West Bank. The Project presents a groundbreaking opportunity to harness domestic energy resources while reducing greenhouse gas emissions, improving reliability and availability of affordable electricity in the West Bank, and supporting a fragile economy.				

KAHONE SOLAIRE					
Country	Senegal	Total Project Cost	€26.1 million	Program leverage to all parties	1:6.5
Product	Senior debt	IFC Funds	€3.5 million	Program leverage to IFC	1:1
Commitment Date	July 2019	Program Funds	€3.5 million		
Local employment created	Kahone: 152 people hired during construction phase				
Description	44 MWp solar plant awarded under the World Bank Group's Scaling Solar Senegal Program.				

KAEL SOLAIRE					
Country	Senegal	Total Project Cost	€21.6 million	Program leverage to all parties	1:6.5
Product	Senior debt	IFC Funds	€2.9 million	Program leverage to IFC	1:1
Commitment Date	July 2019	Program Funds	€2.9 million		
Employment created	Kael: 145 people hired during construction phase				
Description	35 MWp solar plant awarded under the World Bank Group's Scaling Solar Senegal Program.				

UPPER TRISHULI 1 HYDROPOWER PROJECT					
Country	Nepal	Total Project Cost	\$650 million	Program leverage to all parties	50x
Product	Equity	IFC Funds	\$14.6 million	Program leverage to IFC	1:1
Commitment Date	December 2020	Program Funds	\$13.1 million		
Description	The Project involves the development, construction, operation and maintenance of a greenfield 216 MW run-of-river hydropower plant on the Trishuli River in Nepal, 70 km north of Kathmandu, by Nepal Water and Energy Development Company (NWEDC), a special purpose vehicle incorporated under the laws of Nepal. The Project will be built pursuant to a concession agreement with GoN and will sell power to NEA under a Power Purchase Agreement (PPA). The Project is a leading example of operationalizing the World Bank Group's Cascade principles, through long-term and close collaboration between World Bank, IFC and MIGA.				

ANNEX B: CANCELLED PROJECT

A partnership with Gaia Energy to catalyze the development of wind power and other renewable energy projects in Africa with a pipeline of more than twenty potential projects in nine countries in North, West and East Africa was cancelled. Due to the sponsor's inability to pay for their share of ongoing development costs, and lack of success at finding a strategic investor acceptable to IFC, IFC withdrew from the project through the signature of a Termination Agreement.

ENDNOTES

- 1 Since June 2020, EPIC Green Buildings Platform has been renamed as APEX (Advance Practices for Environmental Excellence in Cities).
- 2 Country eligibility as in June 2021. The OECD reviews its DAC list of ODA recipients and country grouping classifications every three years, and in the review of November/December 2017 Equatorial Guinea graduated from LDC to UMIC grouping; Guyana, Paraguay, and Samoa graduated from LMIC to UMIC grouping; and Jordan and Tunisia moved from UMIC grouping to LMIC grouping. At the inception of the Program the country eligibility also included Equatorial Guinea, Samoa, Guyana, and Paraguay but excluded Jordan and Tunisia.
- 3 More information at <https://www.ifc.org/AIMM>
- 4 The Signed Contributions totaled EUR 114 million (\$134 million equivalent). As of June 30, 2019, cash contributions of EUR 68 million (Tranche 1) was received, converted to \$81.52 million and allocated to US\$ Trust Fund TFC-20-A. The second contribution (Tranche 2) of EUR 46 million was received on July 1, 2019. A portion of this contribution equal to EUR 39.5 million was converted to \$44.54 million and allocated to US\$ Trust Fund TFC-20-A. The remaining portion of EUR 6.5 million stayed on the EUR Trust Fund TFC-20-B. On March 16, 2021, the available fund balance of EUR 90,120.19 was converted to \$107,279.62 and allocated to US\$ Trust Fund TFC-20-A.
- 5 Fees and interest from projects until US\$2.8 million will be held at an Extraordinary Expense sub-account of the Program to pay for the Program's pro rata share of extraordinary expenses including any potential legal expenses incurred by IFC in connection with the protection, preservation, and/or enforcement of IFC's rights and remedies in connection with the implementation and supervision of activities under the Program. Any funds not used from the Extraordinary Expense sub-account will be returned to Finland at the time the Program Trust Funds are closed.



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