Canada-IFC Blended Climate Finance Program

2020 Implementation Progress Report
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<tr>
<th>Abbreviation</th>
<th>Description</th>
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</thead>
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<tr>
<td>AIMM</td>
<td>Anticipated Impact Measurement and Monitoring system</td>
</tr>
<tr>
<td>BCFP</td>
<td>Blended Climate Finance Program</td>
</tr>
<tr>
<td>BFC</td>
<td>Blended Finance Committee</td>
</tr>
<tr>
<td>BFD</td>
<td>Blended Finance Department</td>
</tr>
<tr>
<td>CCCP</td>
<td>Canada Climate Change Program</td>
</tr>
<tr>
<td>DFI</td>
<td>Development Finance Institution</td>
</tr>
<tr>
<td>FI</td>
<td>Financial Institution</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>GHG</td>
<td>Greenhouse Gas</td>
</tr>
<tr>
<td>GoC</td>
<td>Government of Canada</td>
</tr>
<tr>
<td>GWh</td>
<td>Gigawatt-hour</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>ODA</td>
<td>Overseas Development Assistance</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnerships</td>
</tr>
<tr>
<td>PSW</td>
<td>Private Sector Window</td>
</tr>
<tr>
<td>PV</td>
<td>Photovoltaic</td>
</tr>
<tr>
<td>RE</td>
<td>Renewable Energy</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>tCO2e</td>
<td>Metric ton of CO2 equivalent</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
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</tbody>
</table>
The following report provides an update on the Canada-IFC Blended Climate Finance Program results, progress and changes that have occurred between July 1, 2019 and June 30, 2020. While the Program implementation continued steadily moving forward, the COVID-19 pandemic presented new challenges, particularly in the least developed countries. While those challenges have slowed progress and complicated logistics, they also present opportunities for blended concessional finance to facilitate projects with high development impact where risks to the private sector would otherwise be too high.

For more information, the comprehensive 2019 Canada-IFC Blended Climate Finance Program report is available at https://www.ifc.org/blendedfinance

Program Overview

The Blended Climate Finance Program (BCFP or the “Program”), established in 2018, is a partnership between the Government of Canada (“GoC”) and International Finance Corporation (IFC) to catalyze private sector financing for resilient infrastructure, climate-smart agriculture, and renewable energy. The Program provides concessional financing (financing at below-market rates and/or lenient grace periods) for private-sector led projects across the globe, with a growing focus on the poorest and most vulnerable countries. The BCFP promotes gender-responsive climate action, recognizing that climate change disproportionately affects girls and women.

Canada and IFC

Canada was IFC’s first bilateral provider of blended concessional finance across all sectors and themes. In 2015, pursuant to the Paris Agreement, the GoC announced it would contribute a historic 2.65 billion Canadian dollars over five years to help developing countries tackle climate change, with a focus on adaptation and resilience efforts for the world’s most poor and vulnerable countries. In line with this commitment, the Canada-IFC partnership on climate grew from the IFC-Canada Climate Change Program (CA$291 million, 2011-2018) to include two other programs that will mobilize private capital for global climate action: the Canada-IFC Blended Climate Finance Program (CA$250 million, March 2018) and the Canada-IFC Renewable Energy Program for Africa (CA$150 million, December 2017).
PROGRAM GOVERNANCE AND TRANSPARENCY

IFC acts as an implementing entity, blending Canada's concessional funds alongside IFC’s own commercial resources to support projects that have met both Blended Concessional Finance Principles and Program eligibility requirements. Disciplined use of concessional financing allows IFC to boost climate-smart private investments where they would not otherwise exist, ensuring there is no market distortion and that these new markets can continue on fully commercial terms in the future.

ELIGIBLE COUNTRIES

Program funds can only be invested in eligible projects in countries eligible to receive Official Development Assistance (ODA) from the GoC, which include the following:

Africa
Algeria
Angola
Benin
Burkina Faso
Burundi
Botswana
Cabo Verde
Cameroon
Congo
Côte d’Ivoire
Chad
Comoros
Democratic Republic of Congo
Djibouti
Egypt
Equatorial Guinea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritius
Mauritania
Morocco
Mozambique
Namibia
Niger
Nigeria
Rwanda
Sao Tome & Principe
Senegal
Sierra Leone
South Africa
eSwatini (formerly Swaziland)
Tanzania
Togo
Tunisia
Turkmenistan
Uganda
Zambia

Asia-Pacific
Afghanistan
Azerbaijan
Bangladesh
Bhutan
Cambodia
Cook Islands
Fiji
Georgia
India
Indonesia
Kazakhstan
Kiribati
Kyrgyz Republic
Laos
Malaysia
Maldives
Marshall Islands
Micronesia
Mongolia
Myanmar
Nauru
Nepal
Palau
Pakistan
Papua New Guinea
Philippines
Samoa
Si Lanka
Solomon Islands
Tajikistan
Timor-Leste
Thailand
Tokelau
Tonga
Tuvalu
Uzbekistan
Vanuatu
Viet Nam
Yemen

Caribbean and Central America
Belize
Costa Rica
Dominica
Dominican Republic
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Nicaragua
Panama
Saint Lucia
Saint Vincent & the Grenadines
Suriname

South America
Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Paraguay
Peru

Eastern Europe & Middle East
Albania
Armenia
Belarus
Bosnia & Herzegovina
Jordan
Kosovo
Lebanon
Macedonia
Moldova
Montenegro
Serbia
Turkey
Ukraine
West Bank and Gaza
ELIGIBLE SECTORS

The BCFP 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.

Climate mitigation

To support climate mitigation efforts, the Program targets investments catalyzing private sector financing flows into renewable energies such as solar power, wind, hydropower and biofuels like bioethanol. Activities also include industrial process improvements to support the reduction of greenhouse-gas emissions and accelerate the transition to a low-carbon economy in these markets.

Climate adaptation and resilience

To catalyze private investment in climate adaptation and resilience, the BCFP targets projects that reduce vulnerability to the effects of climate change, such as improving resilience of water treatment plants, changes in the design of sanitation to respond to extreme weather events, investments in the development of climate resilience crops and high-efficiency irrigation systems in agriculture, as well as gender-responsive emergency response systems. Market-based climate disaster risk financing solutions (e.g. insurance) to support timely post-disaster recovery by governments, businesses, communities, and households, are other examples of eligible investments to support adaptation and resilience.
Implementation update as of June 30, 2020

BCFP INVESTMENT PORTFOLIO AS OF JUNE 30, 2020

Table 1: BCFP Committed Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Country</th>
<th>Year Committed</th>
<th>BCFP Funding</th>
<th>IFC Funding</th>
<th>Other Funding</th>
<th>Total Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climate Smart Agriculture</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka Agri-finance Program:</td>
<td>Sri Lanka</td>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alliance</td>
<td></td>
<td></td>
<td>2</td>
<td>8.1</td>
<td>-</td>
<td>10.1</td>
</tr>
<tr>
<td>Central Finance</td>
<td></td>
<td></td>
<td>3</td>
<td>12</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>5</strong></td>
<td><strong>20.1</strong></td>
<td>-</td>
<td><strong>25.1</strong></td>
</tr>
<tr>
<td><strong>Waste Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgrade Waste-to-Energy</td>
<td>Serbia</td>
<td>2019</td>
<td>23</td>
<td>23</td>
<td>253</td>
<td>289</td>
</tr>
<tr>
<td><strong>Energy Efficiency leasing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBVA Leasing</td>
<td>Mexico</td>
<td>2020</td>
<td>15</td>
<td>120²</td>
<td>35</td>
<td>105</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>43</strong></td>
<td><strong>163.1</strong></td>
<td><strong>253</strong></td>
<td><strong>449.1</strong></td>
</tr>
</tbody>
</table>
INVESTMENT CONTEXT

The Program continued developing a pipeline and committing projects over the reporting period. However, the speed of the progress was impacted by the COVID-19 crisis. Several projects that had initially been included in the pipeline were dropped as the speed of their progress deteriorated significantly. For Nepal’s Upper Trisuli-1 hydropower project, the final financing structure accommodated for the role played by the Asian Development Bank (ADB) and included a tranche of Canada funds provided through the ADB. Therefore, funding from the Canada-IFC BCFP was not utilized, further reducing the size of the pipeline. A few other projects entered the early-stage pipeline but were dropped or put on hold due to uncertain economic conditions.

These factors resulted in a slower than expected progress in building the BCFP portfolio. However, the pipeline is now being actively filled with more innovative projects.

THE IMPACT OF COVID-19 — AND SUPPORTING A RESILIENT RECOVERY

While governments around the world are leading the response to COVID-19, there are also major roles for the private sector, which can speed economic recovery and protect jobs in uncertain times. In normal times, blended concessional finance helps IFC support higher-risk projects, increase development impact, and create markets. As the world faces the human and economic impact caused by the COVID-19 crisis, IFC’s blended concessional finance facilities continue to address increased risks, provide the needed relief, and prevent reversal of development outcomes. In the COVID-19 context, blended concessional finance deployed by DFIs like IFC will play an even greater role, as it can help bridge critical financing gaps by placing important projects within the risk tolerance of private sector investors and DFIs, despite great market and financial uncertainty. The support that blended concessional finance programs have been able to provide for COVID-19 response has also been dependent on the risk tolerance of the concessional capital provider. Programs with returnable capital expectations may be less suited to support initial recovery efforts, but their patient capital and concessional features will be key in supporting a green, inclusive, and resilient recovery.

In the context of Program implementation and utilization of funds, the full picture of the COVID-19 pandemic remains to be seen. 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.

In the context of the BCFP, the full impact of the pandemic on the shape of the portfolio remains to be seen. Under intermittent lockdowns and changes in supply-demand balances across various sectors, many businesses have been forced to pivot quickly and, in some cases, adapt their business models. Overall, the portfolio has demonstrated significant resilience, but IFC will continue working with clients to help find ways to withstand various adverse effects of the COVID-19 crisis and maintain sustainable, financially sound businesses.
Stories of Impact

Once on the brink of environmental disaster, now a model for modern waste management

BELGRADE WASTE-TO-ENERGY

Belgrade’s main landfill, in Vinča, a suburb of Belgrade, is operating beyond its designed capacity and well past its operating life of 30 years. Left untreated, the existing landfill would become a threat to neighboring communities, biodiversity, as well as ground waters and transit waters from the Danube and Sava Rivers.

Through the IFC-Canada Climate Change Program (established in 2011), IFC Advisory assisted the City of Belgrade to structure and tender a Public Private Partnership project to rehabilitate the existing landfill and develop and operate a new greenfield, waste-to-energy facility. The advisory team assisted Belgrade authorities in structuring a sustainable and bankable PPP project to conduct an international, competitive and transparent tender process to attract private sector participation — a first in the waste sector in Serbia. These activities helped create an enabling environment for private sector participation in the development of waste management infrastructure in Serbia, setting the foundation for the investment in Belgrade.

The closure of Vinča dumpsite — which creates significant environmental and health risks for the local community — will be replaced by an engineered sanitary landfill. Financing through the IFC-Canada Blended Climate Finance Program is enabling the cleanup of Vinča's over-saturated landfill, in addition to the construction of a modern, EU-compliant sanitary landfill as well as an estimated 340,000 tons p.a.(tpa) waste-to-energy facility and a facility for processing construction and demolition waste. The project will enable the use of municipal waste and landfill gas to generate renewable heat and electricity, helping to reduce pollution and mitigate climate change in Serbia.

Rationale for blended concessional finance

In October 2019, IFC and MIGA led a financing and guarantees package totaling $289 million4 to Beo Čista Energija for the cleanup, development, and operation of the new facility. IFC’s financing includes a concessional senior loan of approximately $23 million from the BCFP, enabling the project to go ahead by de-risking a first-of-its kind modern waste project for commercial investors. The construction of the new landfill is now underway, and the project is expected to become fully operational in 2022.
Sustainable financing and encouraging clean energy choices

**BBVA LEASING**

Mexico has a population of 127.5 million people and GDP of US$1.2 trillion. While small and medium enterprises (SMEs) account for 26 percent of Mexico’s gross production and generate 31 percent of employment, they only received 25 percent of the country’s financing in 2017.

To improve access to finance for SMEs in Mexico, alternative models of financing, outside of traditional bank lending, must be used. Leasing is an alternative that can increase access to credit for SMEs by reducing the risks for lenders, that maintain ownership of the assets financed during the leasing period as collateral. Another opportunity for lending growth is through climate financing. Equipment leasing can play a strong role as a climate financing tool. However, the offering of climate-smart leasing products and services remains limited.

Climate-smart lending currently accounts for only 5 percent of total private sector lending in Mexico.

**Rationale for blended concessional finance**

IFC provided a $116.5 million long-term financing package to BBVA Leasing Mexico to help the company expand its product offerings to SMEs and to support the economic recovery from the COVID-19 crisis. The financing package is composed of a $58 million loan from IFC’s own account, a $43.5 million loan from the IFC Managed Co-lending Portfolio Program, and a $15 million loan from the Canada-IFC Blended Climate Finance Program. Up to $40 million will be dedicated to leasing climate-smart equipment. With this partnership, IFC and BBVA Leasing are supporting the sustainable growth and competitiveness of companies in Mexico, with a focus on the efficient use of resources, renewable energy, and clean transportation.

IFC will support the company through a series of green workshops designed to help them improve the risk assessments of their climate-smart/green leasing products and classify their green assets in line with best practices.
Conclusion

IFC continues to expand the frontier of thinking and practice around blended concessional finance. The origin of blended concessional finance at IFC was in climate where investments in renewables and other climate-friendly initiatives were higher risk but have become mainstreamed over time. The focus has shifted to low-income countries, new markets, complex challenges, and helping middle-income countries bear the up-front costs of transitioning to newer technologies in the renewables’ space. Emerging areas in climate like battery storage, hydrogen, offshore wind, waste management and distributed generation require innovative use of blended concessional finance as an instrument to catalyze the development of new markets. These new areas require a more thoughtful approach in evaluating benefits. For example, energy storage alone does not generate GHG emission reductions but is critical in grid decarbonization. Faced with the challenges of climate change and the COVID-19 pandemic, continuous investment in climate solutions has never been more vital. In partnership with Canada, IFC will continue to seek out high-impact, climate-smart investments — and continue to be optimistic about a low-carbon future and a more equal world.
### Annexes

**ANNEX A: PORTFOLIO OF PROJECTS AS OF JUNE 30, 2020**

The following annex details the investment projects committed under the BCFP as of June 30, 2020. All numbers in USD unless otherwise indicated.

#### BBVA Leasing

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Project Cost</th>
<th>Program leverage to all parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>$116 million</td>
<td>6.7x</td>
</tr>
</tbody>
</table>

**Product**

| Senior Debt | IFC Funds | $58 million | Program leverage to IFC | 3.9x |

**Commitment Date**

| Program Funds | $15 million |

**Description**

The BBVA Leasing project will increase access to finance for SMEs in Mexico by helping BBVA Leasing grow its outstanding lease portfolio as well as its outstanding portfolio of green leases. The project supports the sustainable growth and competitiveness of companies in Mexico, with a focus on the efficient use of resources, renewable energy, and clean transportation. At least $40 million of the proceeds are expected to go to financing BBVA Leasing’s climate-smart/green leasing products.

#### BELGRADE WASTE-TO-ENERGY

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Project Cost</th>
<th>Program leverage to all parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>€339 million</td>
<td>16x</td>
</tr>
</tbody>
</table>

**Product**

| Senior Debt | IFC Funds | €70 million | Program leverage to IFC | 3.5x |

**Commitment Date**

| Program Funds | €20 million |

**Description**

This modern waste management project consists of the following components: i) cleanup of an over-saturated landfill outside of Belgrade; ii) construction of a modern, EU-compliant sanitary landfill iii) an estimated 340,000 tons p.a. (tpa) waste-to-energy facility and iv) facility for processing construction and demolition waste. The total financing package includes financing from EBRD and a 20-year guarantee from MIGA.

#### Sri Lanka Agri Finance (Alliance and Central Finance)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Project Cost</th>
<th>Program leverage to all parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>$5.3 million</td>
<td>8.5x</td>
</tr>
</tbody>
</table>

**Product**

| Senior Debt | IFC Funds | $45 million | Program leverage to IFC | 8.5x |

**Commitment Date**

| Program Funds | $5.3 million |

**Description**

Building on an investment through the IFC-Canada Climate Change Program, the BCFP and the Women Entrepreneurs Opportunity Facility (WEOF) are enabling three Financial Institutions (FIs) in Sri Lanka to allocate a certain portion of agri finance for Climate Smart Agriculture, specifically to women-owned agri enterprises and women farmers. FIs will receive additional price reductions if certain pre-agreed gender targets are reached.
ANNEX B: MONITORING AND REPORTING

IFC Impact Assessment and Reporting: AIMM Scores

The Anticipated Impact Measurement and Monitoring (AIMM) system, launched in July 2017, is IFC’s development impact rating system. The system helps IFC maintain a connection between immediate project goals to the World Bank Groups’ twin goals of ending extreme poverty and boosting shared prosperity and the SDGs. Potential projects are rated and reviewed based on their expected development outcomes. This approach enables IFC to set ambitious yet achievable targets, select projects with the greatest potential for development impact, and optimize project design.

The AIMM system enables IFC to assess project’s outcomes as well as its effect on market creation. It looks at how project beneficiaries — including employees, customers, and suppliers — are affected. It also examines broader effects on the economy and society. With the AIMM system, IFC can examine how a project promotes objectives that contribute to the creation of markets by enhancing competitiveness, resilience, integration, inclusiveness, and sustainability. The AIMM system incorporates country context in all of its assessments and captures greater development impact potential in projects that seek to address the widest gaps in the most difficult environments. AIMM also provides a critical economic and social impact rationale for projects in which blended concessional finance can catalyze investment where it would otherwise not happen. Average AIMM scores tend to be higher for projects supported by blended finance.

ENDNOTES

1 See https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/solutions/products+and+services/blended-finance/blended-finance-principles and also page 12

2 Including a trust loan of up to US$50 million from IFC acting in its capacity as the implementing entity for the Managed Co-Lending Portfolio Program (MCP). https://www.ifc.org/wps/wcm/connect/ffcdbd73-16d7-4281-9165-7213222a5d3db/EMCompass_Note_99-10-Feb. pdf?MOD=AJPERES&CVID=nxbODQg


4 Actual cost is EUR339 million; EUR20 million from BCFP
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