

MARKET ACCELERATOR FOR GREEN CONSTRUCTION (MAGC)



Creating Markets, Creating Opportunities

MAGC - IFC's Program with UK's BEIS to Accelerate Green Construction

The goal of the *Market Accelerator for Green Construction (MAGC)* program is to boost the uptake of greener practices and technologies focused on developing countries' construction markets.

The program has four components, that will be adjusted and refined according to individual country needs:

1. Firm-level technical assistance and blended finance to FIs

2. Country level capacity building

**UK-IFC Market
Accelerator for Green
Construction**

3. EDGE certification platform maintenance, operations and improvements

4. Green building performance report and dissemination

MAGC Alignment with IFC Strategy 3.0

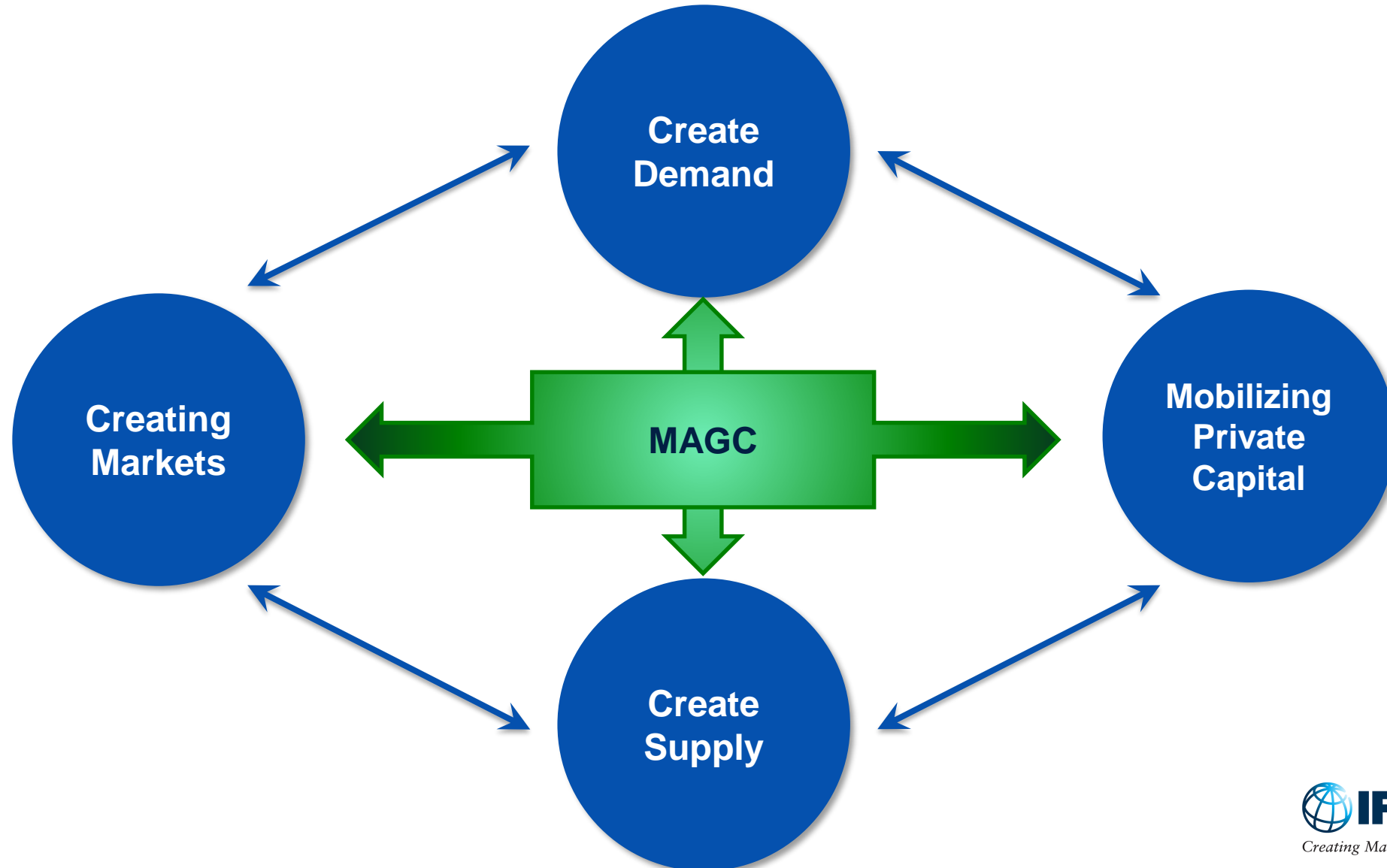
Creating Markets

- ✓ Focus on an area where capital doesn't flow at **scale**
- ✓ Expand **pipeline** of bankable private sector projects
- ✓ Leveraging **EDGE certification/methodology**
- ✓ Providing support to **regulators and governments** to promote Green Construction
- ✓ Providing **CAFI methodology** to capture impact
- ✓ Comprehensive analysis of Green Construction **business case**

Mobilizing Private Capital

- ✓ Working with at least 24 FIs to **leverage private finance** for Green Construction
- ✓ Providing **concessional finance** for various types of financial product
- ✓ Providing **advisory support** to all partner FIs

MAGC Alignment with IFC Strategy 3.0



Geographical Scope of the Program

To prioritise countries, the program surveyed emerging and developing economies according to current green building market, urban growth, energy costs and carbon intensity of energy

By combining information on the GHG reduction potential combined with IFC's in-country knowledge, including market intelligence on the investment opportunities in developing and emerging countries, the country prioritisation exercise identified the following list of countries:

- ❖ **Latin America & Caribbean:** Argentina, Brazil, Colombia, Costa Rica, Mexico, Panama, Peru
- ❖ **Sub-Saharan Africa:** Cote d'Ivoire, Ghana, Kenya, Nigeria, South Africa
- ❖ **Middle East and North Africa:** Egypt, Morocco
- ❖ **South Asia:** Bangladesh, India, Pakistan
- ❖ **East Asia:** China (*advisory only*), Indonesia, Mongolia, Myanmar, Philippines, Vietnam.

Projected Green Building construction as a % of total construction market

East Asia & Pacific	Latin America & Caribbean	Sub-Saharan Africa
Lower middle income:	Upper middle income:	Lower middle income:
Indonesia (20%)	Argentina (13%)	Côte d'Ivoire (2%)
Mongolia	Brazil (19%)	Ghana (10%)
Myanmar	Colombia (11%)	Kenya (11%)
Philippines (21%)	Costa Rica	Nigeria (13%)
Vietnam (22%)	Mexico (19%)	
	Panama	Upper middle income:
	Peru (10%)	South Africa (16%)
South Asia	Middle East and North Africa	
Lower middle income:	Lower middle income:	
Bangladesh (11%)	Egypt (7%)	
India (13%)	Morocco (9%)	
Pakistan (7%)		

Financial Instruments

The program will utilise a range of financial instruments designed to maximise impact whilst minimising subsidy in support of proving the commercial case for green construction. Concessionality will be provided by blending UK and IFC finance to financial intermediaries to drive green construction finance, based on market need, barriers and the principle of using minimal concessionality.

Interest Rate Buy-down (50%)

- This instrument provides a rebate on the interest that clients pay on the loan
- Targets that “stretch” clients’ capabilities, and reward FIs that meet them
- Allows high leverage of donor funds to private funds and therefore greater impact

Senior Loans (25%)

- This instrument provides an incentive in a form of principal repayment forgiveness
- The principal forgiveness is conditional to meeting pre-agreed performance targets (e.g. an agreed volume of green mortgages)

Subordinated/Mezzanine Loans/Quasi-Equity (12.5%)

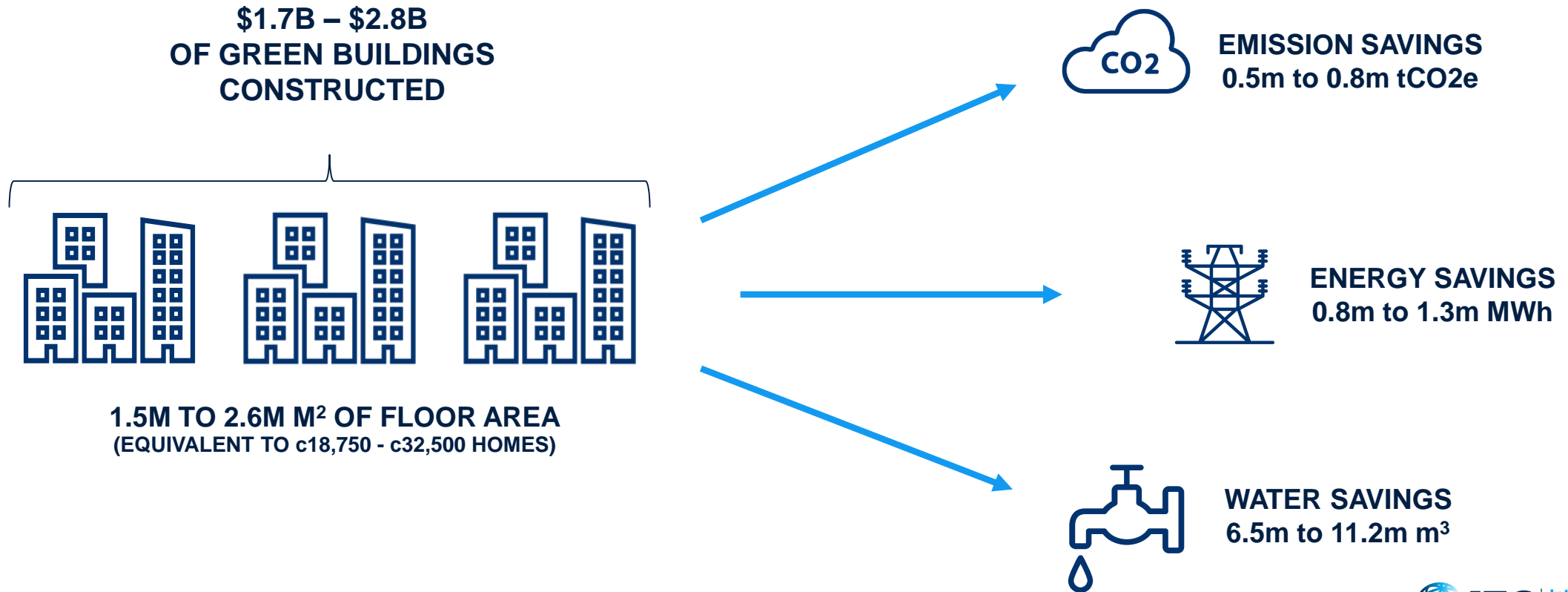
- Newly originated loans/leases have to meet pre-agreed eligibility criteria
- Typically has lower seniority (ranks below loans of senior lenders) thus making it an effective tool to share and alleviate project-related risks
- Generally used for first-of-kind projects or untested technologies or untested business models with little or no track record that investors tend to shy away from

Risk Sharing Facility (12.5%)

- Under this instrument the investor(s) shares the credit risk on an underlying portfolio of newly originated loans
- RSF consists of a first loss tranche and a senior tranche
- First loss tranche covers the expected losses of the facility
- Senior tranche will cover the losses of the facility that are still outstanding after the first loss account(s) have been depleted

Expected Impact

The expected impact of the program will be energy/water savings and reduced emissions achieved through the construction of the new buildings in selected countries



MAGC SCALE UP

\$150m

BEIS Funding

\$2,000m

IFC o/a

\$3,400m

**GB commitments
from IFC partner
FIs**

\$7,400m

**GB investments
in IFC projects**

\$400,000m

**INVESTMENTS through
replication**

Annex

IFC's Green Building Offering



- Investment in developers who adopt green standards
- IFC provides construction bridge loans, warehousing facilities, long-term loans, guarantees, and risk-sharing facilities
- Capital markets: Green bonds, covered bonds, securitization of green mortgages, etc



- Technical in-house expertise
- Green Mortgage Toolkit
- Certification tool and support to measure cost/benefit and demonstrate value
- IFC's support in identifying or developing investment pipeline, market intelligence
- Training for loan officers and developer clients



- Global awareness campaign for green buildings
- Stakeholder education through Green Building Councils
- Country-specific marketing campaigns
- Successes in government relations (national and city) for green building codes and incentives



IFC's Green Building Market Transformation Program

OBJECTIVE

- Government – new green building codes & incentives
- **Investing in construction of new homes**

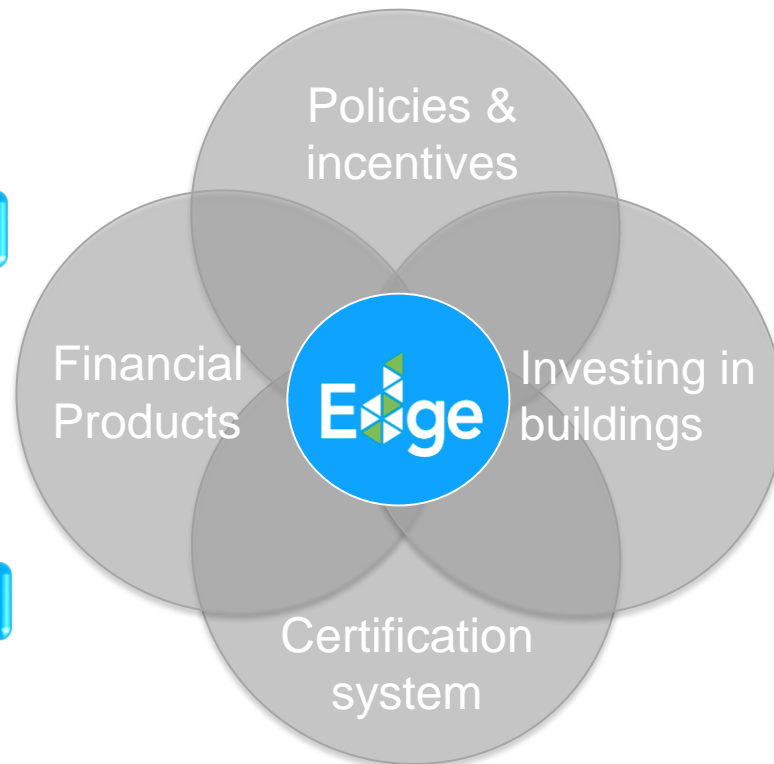
CREATE green stock

- EDGE certification system
- Partnerships with local Green Building Council

CERTIFY green stock

- Training and capacity building with associations and banks
- **Investment in credit lines**

SCALE green stock



A multi-pronged approach to incentivize market adoption of green building practices

RESULTS

Support for Governments

8
Counties supported

on green building codes that are low-cost for the private sector to implement, easily enforceable, and impactful, including both incentives & penalties.

EDGE easy-to use tool

>500
Cities

Adapted in EDGE, an investment planning tool, with specific climates, building and lifestyle data. Reliable tool for policy makers and investors.

Partnership and collaborations

>30

partnerships for collaboration for market transformation. Our partners include govts, associations, banks, corporates and NGOs.

Equity and debt for developers

\$3Bn

directly invested using IFC's balance sheet to fund clients with green demonstration projects

Support for Banks on GB innovative products

>10
banking clients

IFC has mobilized finance (\$600m) through FIs on products (e.g., green mortgages). Technical Assistance for FIs on product development, risk management, and training.

EDGE certification

2m
M2 floor area certified

using on-line certification processing and state-of-the-art marketing platform for certified projects. The simplified certification standard is focuses purely on resource efficiency.

The Need for Green Buildings

High GHG impact

19%

of world's GHG emissions are from buildings. 30%-50% of all cities' GHG emissions come from buildings

Current economic returns

80%

of the economically viable energy savings in buildings is left untapped

Rapid urbanization

58

countries will double their urban populations in the next 25 years

Share of disposable incomes

15%

Spent on utility bills by low-income

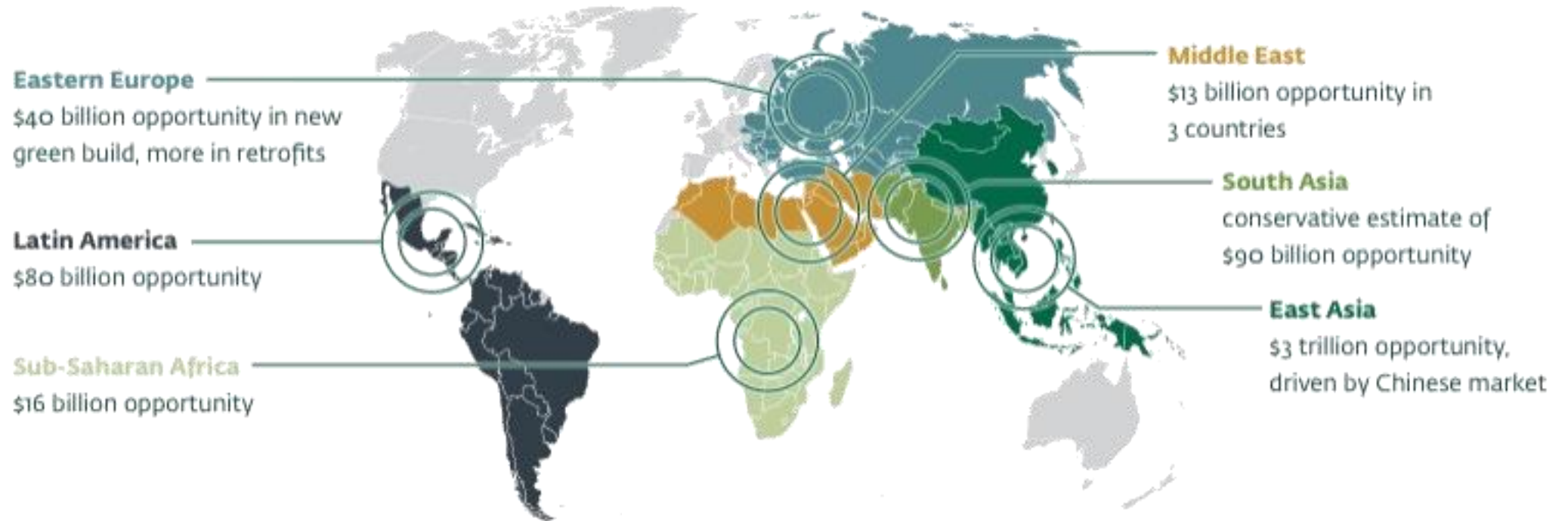
If the right investment choices are not made today, we will be locking into high-energy urban infrastructure for decades

Green construction offers a chance to secure emission cuts at a low cost and lock in energy and water savings for decades.

Market Forecast. *Emerging market green buildings potential*

- The Construction market is expected to grow at 1.8 percent annually
- The Green Construction market is expected to grow at 40 percent annually
- Green buildings are an investment opportunity: \$3 trillion to 2025 and up to \$16 trillion to 2030

Emerging market green buildings potential



Source: [Creating Markets for Climate Business Report](#)

