



# Canada-IFC Blended Climate Finance Program

## 2020 Implementation Progress Report

IN PARTNERSHIP

**Canada** 

 **IFC** | **International Finance Corporation**  
WORLD BANK GROUP  
*Creating Markets, Creating Opportunities*

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## ABBREVIATIONS & ACRONYMS

<b>AIMM</b>	Anticipated Impact Measurement and Monitoring system
<b>BCFP</b>	Blended Climate Finance Program
<b>BFC</b>	Blended Finance Committee
<b>BFD</b>	Blended Finance Department
<b>CCCP</b>	Canada Climate Change Program
<b>DFI</b>	Development Finance Institution
<b>FI</b>	Financial Institution
<b>FY</b>	Fiscal Year
<b>GHG</b>	Greenhouse Gas
<b>GoC</b>	Government of Canada
<b>GWh</b>	Gigawatt-hour
<b>IDA</b>	International Development Association
<b>IFC</b>	International Finance Corporation
<b>ODA</b>	Overseas Development Assistance
<b>PPP</b>	Public Private Partnerships
<b>PSW</b>	Private Sector Window
<b>PV</b>	Photovoltaic
<b>RE</b>	Renewable Energy
<b>SDGs</b>	Sustainable Development Goals
<b>tCO<sub>2</sub>e</b>	Metric ton of CO <sub>2</sub> equivalent
<b>WBG</b>	World Bank Group





**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

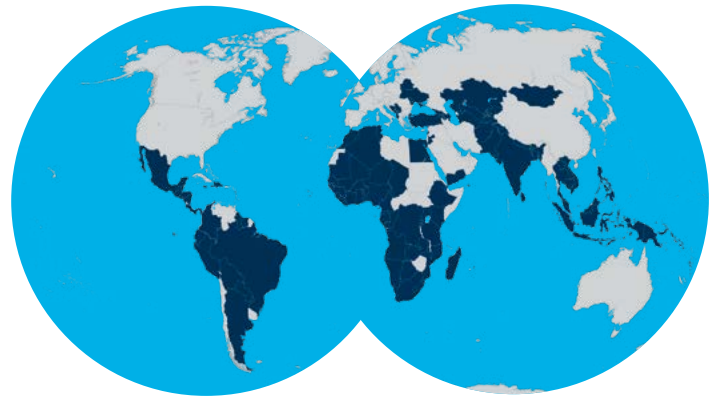
The Blended Climate Finance Program (BCFP or the “Program”), established in 2018, is a partnership between the Government of Canada (“GoC”) and International Finance Corporation (IFC) to catalyze private sector financing for resilient infrastructure, climate-smart agriculture, and renewable energy. The 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<sup>1</sup> 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  
Sri Lanka  
Solomon Islands  
Tajikistan  
Timor-Leste  
Thailand  
Tokelau  
Tonga  
Tuvalu  
Uzbekistan  
Vanuatu  
Viet Nam  
Yemen

### South America

Argentina  
Bolivia  
Brazil  
Chile  
Colombia

Ecuador  
Paraguay  
Peru

### Caribbean and Central America

Belize  
Costa Rica  
Dominica  
Dominican Republic  
El Salvador  
Grenada  
Guatemala  
Guyana  
Haïti  
Honduras  
Jamaica  
Mexico  
Montserrat  
Nicaragua  
Panama  
Saint Lucia  
Saint Vincent & the Grenadines  
Suriname

### 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

Project	Country	Year Committed	BCFP Funding	IFC Funding	Other Funding	Total Project Cost
			in million US\$			
<b>Climate Smart Agriculture</b>						
Sri Lanka Agri-finance Program:	Sri Lanka	2018				
Alliance			2	8.1	-	10.1
Central Finance			3	12	-	15
<b>Total</b>			<b>5</b>	<b>20.1</b>	<b>-</b>	<b>25.1</b>
<b>Waste Management</b>						
Belgrade Waste-to-Energy	Serbia	2019	23	23	253	289
<b>Energy Efficiency leasing</b>						
BBVA Leasing	Mexico	2020	15	120 <sup>2</sup>	35	105
<b>Total</b>			<b>43</b>	<b>163.1</b>	<b>253</b>	<b>449.1</b>



## 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<sup>3</sup>. 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

**B**elgrade'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 million<sup>4</sup> 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

**M**exico 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.

<b>BBVA Leasing</b>					
Country	Mexico	Total Project Cost	\$116 million	Program leverage to all parties	6.7x
Product	Senior Debt	IFC Funds	\$58 million	Program leverage to IFC	3.9x
Commitment Date	2020	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.				

<b>BELGRADE WASTE-TO-ENERGY</b>					
Country	Serbia	Total Project Cost	€339 million	Program leverage to all parties	16x
Product	Senior Debt	IFC Funds	€70 million	Program leverage to IFC	3.5x
Commitment Date	April 2020	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.				

<b>Sri Lanka Agri Finance (Alliance and Central Finance)</b>					
Country	Sri Lanka	Total Project Cost	\$5.3 million	Program leverage to all parties	8.5x
Product	Senior Debt	IFC Funds	\$45 million	Program leverage to IFC	8.5x
Commitment Date	June 2018	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](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).
- 3 Blended Concessional Finance and COVID-19, pg.1 IFC 2021. [https://www.ifc.org/wps/wcm/connect/ffcdbd73-16d7-4281-91e5-721322a5d3db/EMCompass\\_Note\\_99-10-Feb.pdf?MOD=AJPERES&CVID=nxbODQg](https://www.ifc.org/wps/wcm/connect/ffcdbd73-16d7-4281-91e5-721322a5d3db/EMCompass_Note_99-10-Feb.pdf?MOD=AJPERES&CVID=nxbODQg)
- 4 Actual cost is EUR339 million; EUR20 million from BCFP

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