



Frankfurt School
UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

The background of the page is a photograph of solar panels in the lower-left corner, extending towards the center. The rest of the background is a clear blue sky with a bright sun in the upper-right quadrant, creating a lens flare effect. A solid green rectangular box is overlaid on the left side of the image, containing the title text.

CLIMATE FINANCE INNOVATION FACILITY

SUPPORTING NEW FINANCIAL PRODUCTS

The Facility supports the development of new financial products and programmes that engage investments in low-carbon energy infrastructure.

CFIF provides developing country financial institutions (FIs) based in the Asia-Pacific region with technical assistance and funding for the development of climate focused financial products and services. It thereby helps FIs innovate new products and services for climate mitigation sectors such as Renewable Energy and Energy Efficiency. The programme provides funding support in the form of grants for eligible financial product development activities. The support covers up to 50% of actual costs, dispersed in milestone based tranches.

ACTIVITIES ELIGIBLE FOR SUPPORT

- Feasibility studies
- Market assessments
- Business planning
- Regulatory and environmental analyses
- Capacity building/Training
- Marketing
- Procedural development
- Other business support activities, as approved.

APPLICATION PROCESS

FIs should make contact with the Facility to discuss a prospective application before submitting any documentation. The application procedure consists of a two-step process:

1st Step – Submission of concept note to present the basic elements of the proposal.

2nd Step – Successful submissions will be short listed and invited to submit full proposals.

CRITERIA

- Innovativeness and market potential of the proposed financial product or service (i.e., technically, commercially, geographically);
- Institutional and financial capacity of the applicant to develop new products for the low carbon energy sectors;
- Association with consultants who could provide technical assistance services (optional);
- Eligible applicants include FIs operating in developing countries of the Asia-Pacific region.

CFIF SUPPORTS THE FOLLOWING PROJECTS

Bank of Taizhou, China
Small Business Energy Efficiency Lending

ICICI, India
Credit Financing of Green Homes and Solar Off-grid Equipment

Ace Development Bank, Nepal
Credit Financing of Solar Home Systems for Deprived Communities

Tameer Microfinance Bank, Pakistan
Promotion of Renewable Energy Technologies

Vision Fund, Cambodia
Feasibility Study on Access to Financing for RE Appliances for Rural Poor

XacBank, Mongolia
XacBank Enhanced Growth

CARD MRI, Philippines
Empowering the Poor through Increasing Access to Renewable/Efficient Energy

Impact Investment Exchange Asia, Singapore
Mitigating and Adapting to Climate Change

Bank of Kathmandu, Nepal
Introducing Biogas for Business [B4B]

ABOUT THE CLIMATE FINANCE INNOVATION FACILITY (CFIF)

CFIF supports finance-industry engagement in the new climate sectors such as renewable energy, energy efficiency and sustainable forestry.

The Facility provides developing country financial institutions with technical assistance and funding for the development of climate focused financial products and services. It thereby helps financial institutions innovate new products and services for climate technology. A broad range of activities are eligible for support, ranging from feasibility studies, to market assessments and legal reviews.

The overall aim of CFIF is to help mobilise a scaling up of financial flows into climate change solutions. More broadly, by encouraging early action within the finance community, the Facility helps cultivate on-the-ground leadership amongst financial actors that can have replication effects across markets and geographies.

Initiators of the Facility are the United Nations Environment Programme and the Frankfurt School of Finance & Management. Investment Committee members come from ADB, BMU, KfW and UNEP.

ABOUT THE INITIATORS



UNEP is working to create the policy and economic framework whereby low carbon technologies can increasingly meet the global climate challenge. The UNEP approach to sustainable banking

is based on the need to enhance the linkages between environmental sustainability and economic decision-making which is emerging as a key nexus for public policymaking and market development. Changing attitudes and helping mainstream financiers to consider sustainable energy and low carbon investments are key components of this work

and the starting point for its cooperation with the Frankfurt School of Finance and Management.



Frankfurt School of
Finance & Management
Bankakademie | HfB

Frankfurt School is
a leading private
business school and

implements consulting and training projects in emerging markets and developing countries via its International Advisory Services. It offers a broad range of services in the fields of consulting and training to build up and strengthen institutional capacities in the financial sector. Within its competence centre 'Sustainable Energy Finance' Frankfurt School has implemented energy efficiency and renewable energy projects worldwide. In Asia Frankfurt School implemented various projects regarding the promotion of energy efficiency and renewable energy.

Frankfurt School - the UNEP Collaborating Centre for Climate & Sustainable Energy Finance (the Centre) is a strategic cooperation between the United Nations Environment Programme (UNEP) and the Frankfurt School of Finance & Management (Frankfurt School). The Centre is committed to facilitating the necessary structural change of energy supply and use around the globe by helping to catalyse private sector capital flow towards investments in sustainable energy and climate change mitigation and adaptation.

Supported by:



Federal Ministry for the
Environment, Nature Conservation
and Nuclear Safety

based on a decision of the Parliament
of the Federal Republic of Germany

CREDIT FINANCING OF GREEN HOMES AND SOLAR OFF-GRID EQUIPMENT

The programme will design and implement two financial products: green home credit finance and solar off-grid applications credit finance by ICICI Bank of India.

In addition to its wide range of banking services, the ICICI, which is the second largest bank of India, has been instrumental in supporting the financing of innovative environmental friendly products since 1985. The bank played a leading role in promoting the concept of energy efficiency, use of clean technologies and environment awareness across India. Leveraging the government subsidy schemes in clean energy technologies and using the bank's strong presence in the environment financing programme, the proposed financial products aim to make clean energy products available to specific target groups, namely the middle class and rural communities of India.



The green homes concept supports energy efficient buildings and will be incorporated within the bank's current housing finance scheme. In order to mobilize the targeted middle class groups the programme will provide the benefits of reduced energy consumption, a reduction in environmental pollution and increased (energy) saving opportunities through the financing of solar equipment.

By extending credit facilities to rural communities for the provision of solar home lighting system(s) and water pumps this financing scheme will boost agricultural and rural economies in off-grid areas.

CFIF SUPPORT

CFIF supports the following activities:

- Feasibility study and market analysis.
- Financial product design and risk analysis.
- Technical assistance on the solar energy applications and green building technology.
- Pilot programme monitoring and launching of the final product.
- Staff training and awareness campaign through seminars and marketing.

EXPECTED RESULTS

- Initially, the programme will be launched on pilot basis in a few states during 2011-2012 and will be replicated across India following successful implementation of the pilot.

OUR PARTNERS IN THIS PROJECT

- ICICI
- Linus Strategic Energy Solutions
- Crestar Capital India Private Limited
- Emergent Ventures International (EVI)

CREDIT FINANCING OF SOLAR HOME SYSTEMS FOR DEPRIVED COMMUNITIES

The programme works to improve energy access livelihoods in rural Nepal through the creation of viable micro-credit financing mechanisms for Solar Home Systems (SHS).

SHS is one of the (promising) alternatives to provide lighting to some 2.4 million rural Nepalese households which currently do not have access to the grid. Access to micro credit is vital because poor rural households cannot afford SHS even with existing government subsidies. The programme approach would be to leverage commercial/development bank resources and government subsidy, increase affordability of the poor to purchase SHS on credit through channeling microfinance loans to the local MFIs, build capacities of local MFIs to deliver sustainable SHS financing and enhance rural livelihoods through locally based small and medium enterprises.

Ace Development Bank Limited (ACE), a public limited company, acts as the lending arm of the programme, provides refinance facility to the local MFIs for SHS installation. The programme involves intermediary implementing partners that are responsible for managing the project at the local level and that will provide marketing and credit financing trainings to the local MFIs. Winrock International serves as the technical advisor to help implement project activities through coordination with the implement partners, local MFIs, rural communities, equipment suppliers as well as government and non government stakeholders.

CFIF SUPPORT

CFIF supports the following activities:

- Technical Assistance to ACE on credit financing of SHS through LFI networks.

- Building capacities of LFIs to finance SHS as loan product.
- Assist ACE for energy financing and linkage with prospective new business.
- Enhance rural livelihoods by establishing rural enterprises using energy generated.

EXPECTED RESULTS

- Facilitate installation of at least 3,500 SHSs through credit financing of at least 3,500 loans over a thirty month programme implementation period.
- Facilitate installation of additional 1,500 SHSs without programme support within two years following project completion.

OUR PARTNERS IN THIS PROJECT

- Ace Development Bank Limited
- Winrock International (Nepal)

“DUE TO THE STRONG PROJECTS PARTNERS ACE IS COMMITTED TO INVEST USD 2 MILLION AND TO PROMOTE SOLAR USE OF RURAL HOUSEHOLDS IN NEPAL.”

Siddhant Raj Pandey
Chief Executive Office



BANK OF TAIZHOU ENERGY EFFICIENCY LENDING

The programme will establish energy efficiency (EE) loan products for the micro SME entrepreneurs through the Bank of Taizhou (TZB), a micro SME bank operating in Taizhou region of China.

Due to the lack of adequate environmental awareness, government legislation and (a) shortage of capital the long term economic and environmental benefits of EE products are oftentimes overlooked, leaving Micro-SMEs only able to focus on the immediate short term needs. By encouraging greener business practices among the supported Micro-SMEs the programme will foster a sustainable combination of value and profit among the predominantly underserved SME market segment. Some of these practices include the effective (and efficient) use of energy, cost reductions, and the expansion opportunities in new investments and a greener business environment.

TZB intends to achieve its goal of greener and less harmful-to-the-climate business practices by offering a combination of finance facilities, environmental consultation and awareness building among its 20,000 clients base. Frankfurt School of Finance & Management acts as the lead consultant in facilitating CFIF supports for the programme.

CFIF SUPPORT

CFIF supports the following activities:

- Detailed market study on EE lending opportunities.
- Product design and business planning.
- Staff trainings.
- Advisory services during roll out phase.

EXPECTED RESULTS

Based on the market study conducted by Frankfurt School of Finance & Management, the following programme results are expected:

- Total potential demand of EE loans among existing TZB clients is estimated at USD 43 million.
- About 4,000 micro SME clients could opt for loans to implement EE projects.
- Design of medium and long term financial products for EE projects.

OUR PARTNER IN THIS PROJECT

- Bank of Taizhou

"CFIF IS HELPING US TO PROVIDE MICRO AND SMALL ENTERPRISES WITH ENERGY EFFICIENCY LENDING PRODUCTS THAT ARE USUALLY ONLY AVAILABLE TO LARGE SCALE COMPANIES."

Jörn Helms
Vice President



PROMOTION OF RENEWABLE ENERGY TECHNOLOGIES

The programme envisages facilitating lower income households with access to three alternative energy solutions comprised of Solar Home Systems, Improved Cook Stoves and Biogas Digesters across Pakistan.

Capitalizing on Tameer Microfinance Bank's core business experience in micro finance, the programme will establish a new associate company "Micro Green Energy Company" (MGEC), with Winrock International serving as its advisory partner.

As part of its lending strategy, Tameer Bank will act as the lending arm to refinance the MGEC up to 90 percent of the product price. It will also develop risk assessment and controlling strategies and provide MGEC with training on sales and loan collection techniques. MGEC would be responsible for programme operation and marketing, providing installation and after sales maintenance services, monthly loan collection services and basic product trainings to the households.

Following the world-acclaimed Grameen Shakti micro finance model, the project endeavors to offer affordable and self-sustainable low-carbon business models to rural households. Technology trainings, staff capacity building, after sales services, strong credit risk management and continuous monitoring are identified as the key components of this programme.

CFIF SUPPORT

CFIF supports the following activities:

- Assessment of market opportunity and feasibility study.
- Design and development of energy lending products, reference manual and promotional materials for renewable energy lending.
- Development of business plan and support regulatory arrangements for the creation of micro green organization "MGEC".
- Capacity building among staffs through training sessions in renewable energy technologies, financing, marketing, carbon benefits and institutional processes.
- Design and conduct baseline studies and develop appropriate strategies for exploiting carbon benefits for the project.

EXPECTED RESULTS

- Installation of about 11,600 alternative energy products (10,000 improved cook stoves, 1,000 solar home systems and 600 biogas digesters) during the year 1 project period (2011-12).
- Loan disbursement of USD 568,000 during year 1 project period which is expected to be increased at USD 4.6 million in the next 5 years.
- About 11,874 tons/annum CO₂ emission reduction from the installed alternative energy products.
- Improvements in quality of life for rural households by providing improved environmental conditions and promoting sustainable economic activities to mobilize and expand local employment opportunities.

OUR PARTNERS IN THIS PROJECT

- Tameer Microfinance Bank
- Winrock International (Pakistan)



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