



IFC

Financial Institutions Group (FIG)

Climate Finance

Industry Context

Climate change represents both a challenge and an opportunity for financial institutions in emerging markets.

Climate mitigation and adaptation needs in emerging markets and developing countries are significant, with estimates ranging between \$1.7 trillion and \$3.4 trillion annually by 2030 – an amount that cannot be financed by the public sector alone. The private sector has a critical role to play by investing in low-carbon technologies, creating jobs and skills, and building resilience into its investments and operations. Indeed, according to the IMF, 80-90% of the climate finance needed in emerging markets will have to come from the private sector. Fortunately, financial institutions are increasingly building climate finance into their long-term strategies and portfolios, and financial markets are integrating climate transition risks and opportunities into investment decision making.

As of June 2024, FIG committed



\$18.5 billion

to climate-related projects



through **361+**

emerging market
financial institutions

IFC Strategy and Portfolio

Since the 1980s, IFC has been a critical player in climate business and continues to be a leader in this space. IFC's climate business is focused in the near term on five strategic areas – clean energy, climate-smart cities, climate-smart agribusiness, green buildings, and green finance. IFC is committed to working with financial institutions to finance projects that will support mitigation and adaptation. In addition, IFC has committed to aligning 85% of its new investment projects with the objectives of the Paris Agreement starting July 1, 2023, and 100% of these investments starting July 1, 2025.

FIG focuses on investing directly in and partnering with financial institutions in climate-smart sectors to reduce GHG emissions and support climate change adaptation. FIG's climate finance strategy is guided by three priorities:

- Help create a livable planet for all by ensuring climate markets and sustainability engagements support a just transition.
- Create and grow climate markets through investment, mobilization, and institution building.
- Enable emerging market financial institutions to meet their Paris Agreement commitments.

IFC'S CLIMATE BUSINESS WITH FINANCIAL INSTITUTIONS HAS SKYROCKETED

- In FY24, FIG's climate finance projects totaled \$5 billion across 63 projects, including \$2.6 billion in own account volume and \$2.4 billion in core mobilization.
- FIG's investment partners have reported projects leading to an estimated reduction in GHG emissions of 24.33 million tCO₂e/year.
- IFC was the first issuer of a \$1 billion benchmark green bond in 2012 and, by the end of FY24, had issued more than \$13.9 billion in 207 green bonds in 21 currencies.
- IFC's advisory services facilitate global client financial institutions to build climate finance portfolios, avoiding additional millions of tons in annual GHG emissions.

Investment & Advisory Examples



BLUE FINANCE

The Global Blue Bond Project achieved significant milestones in FY24, enabling three IFC blue loans totaling \$172 million and bringing the cumulative blue financing to \$1.6 billion since its inception in 2020. IFC partnered with T. Rowe Price to develop a global blue bond investment strategy, which contributed to winning the 2024 ESG Initiative of the Year award in the Americas from Environmental Finance. Furthermore, IFC was recognized as the Best Multilateral Institution for Sustainable Finance by Global Finance, highlighting its blue-themed bonds that support sustainable ocean economies. Additionally, the Philippine SEC issued new guidelines on Blue Bond Issuance in September 2023, building on IFC's Blue Finance Guidelines and reflecting increasing global interest and commitment to the blue economy, underscoring IFC's leadership in this field.



ADAPTATION & RESILIENCE

In FY24, FIG committed \$84.4 million in own account climate adaptation & resilience finance across 15 projects in the areas of climate smart agriculture, green buildings, renewable energy, and biodiversity. Examples of deals include: IFC's commitment of \$130 million to DLL, a Rabobank subsidiary, to finance sustainable equipment for agri-SMEs in Brazil, Chile, and Poland, with at least half of the proceeds earmarked for climate adaptation. Meanwhile in Morocco, IFC provided a risk sharing facility for up to \$15.8 million to Banque Centrale Populaire to help farmers and distributors acquire photovoltaic and drip irrigation equipment, enhancing renewable energy and water management in agriculture.



DISTRIBUTED SOLAR

Global investment in rooftop/distributed solar continues to grow rapidly, despite the challenges inherent in financing small projects. FIG has been scaling up its investment and advisory services work to help clients expand their investments in these projects. This includes investment projects with banks, NBFIs, and debt funds for commercial and industrial solar and in companies financing off-grid solar and appliances. In recent years FIG has invested in several structured debt funds targeting these markets, including Africa Go Green, Afrigreen, SIMA, and the Facility for Energy Inclusion. FIG's Global Climate team leverages donor resources to support clients with their advisory needs for rooftop solar.



GREEN BUILDINGS

In South Africa, FIG committed \$250 million to First Rand Bank to support the bank's expansion of EDGE certified green buildings, including green affordable housing and low-to-middle income housing. It supports South Africa's climate goals, contributing to the country's target of reducing GHG emissions by 42% by 2025 under the Paris Agreement. This investment was a milestone for FIG, marking the first project with a specific housing carve-out that integrated climate and gender. In addition, this is the first project with performance-based incentives for certified green buildings supported jointly by the United Kingdom-IFC Market Accelerator for Green Construction (MAGC) Program and German Government's Federal Ministry for Economic Affairs and Climate Action (BMWK).



NATURE/BIODIVERSITY

In July 2024, IFC and BBVA Colombia issued a \$15 million first tranche of the world's first biodiversity bond that will amount to \$70 million, with the objective to finance projects that address the key drivers of biodiversity loss, particularly focused on reforestation, regeneration of natural forests on degraded lands, climate-smart and regenerative agriculture, and restoration of wildlife habitats. The operation will help establish eligibility criteria and reporting indicators for activities that help protect, maintain, or improve biodiversity and ecosystem services.