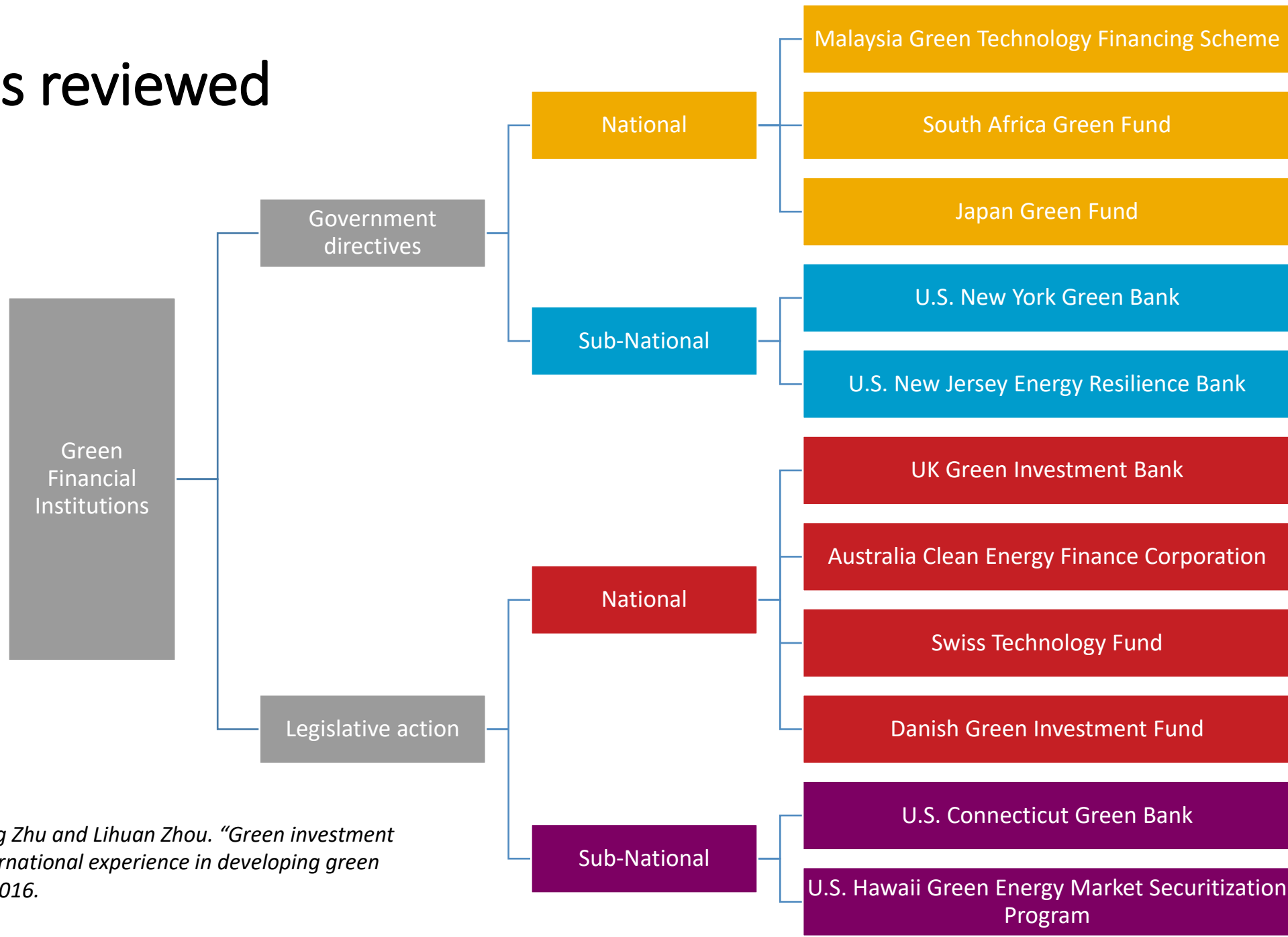


Green Financial Institutions: Considerations for Developing Countries

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Insights from a recent survey of 11 GFIs

GFIs reviewed



Source: Shouqing Zhu and Lihuan Zhou. "Green investment institutions: International experience in developing green finance.", WRI, 2016.

Developing country GFIs have “all of the above” mandates

Name	Renewable Energy	Energy Efficiency	Pollution Control	Adaptation
Malaysia Green Technology Financing Scheme	Y	Y	Y	Y
South Africa Green Fund	Y	Y	Y	Y
Danish Green Investment Fund	Y	Y	Y	Y
UK Green Investment Bank	Y	Y	N	N
Australia Clean Energy Finance Corporation	Y	Y	N	N
U.S. Connecticut Green Bank	Y	Y	N	N
Japan Green Fund	Y	N	N	N
U.S. New York Green Bank	Y	Y	N	N
U.S. New Jersey Energy Resilience Bank	Y	N	N	Y
U.S. Hawaii Green Energy Market Securitization Program	Y	N	N	N
Swiss Technology Fund	Y	Y	N	N

Source: Shouqing Zhu and Lihuan Zhou. “Green investment institutions: International experience in developing green finance.”, WRI, 2016.

Wide diversity in funding mechanisms and capital bases, but few GFIs can raise capital from private sector

Name	Source of Capital	Capital (USD million)	Obtain financing from private sector
Australia Clean Energy Finance Corporation	Fiscal budget	7,500	N
UK Green Investment Bank	Fiscal budget	5,000	Y (Equity, debt)
U.S. New York Green Bank	Funds from other state programs	1,000	N
Malaysia Green Technology Financing Scheme	Fiscal budget	810	N
U.S. New Jersey Energy Resilience Bank	Disaster recovery fund	200	N
U.S. Hawaii Green Energy Market Securitization Program	Green bond	150	Y (Debt)
South Africa Green Fund	Fiscal budget	60	N
U.S. Connecticut Green Bank	Utility fees, carbon trading revenues	54 (2015)	Y (Debt)
Danish Green Investment Fund	Fiscal budget	30	N
Swiss Technology Fund	Carbon tax	25	N
Japan Green Fund	Carbon tax	12	N

Source: Shouqing Zhu and Lihuan Zhou. "Green investment institutions: International experience in developing green finance.", WRI, 2016.

Business models vary widely in terms of their capabilities

Name	Leverage private capital	Recycling of funds (non-grants)	Tailored financing solutions	Information and data disclosure
Australia Clean Energy Finance Corporation	Y	Y	Y	Y
UK Green Investment Bank	Y	Y	Y	Y
U.S. Connecticut Green Bank	Y	N	Y	N
South Africa Green Fund	Y	N	Y	Y
U.S. Hawaii Green Energy Market Securitization Program	N	Y	N	Y
Japan Green Fund	Y	Y	N	Y
U.S. New York Green Bank	Y	Y	N	N
Danish Green Investment Fund	N	Y	N	Y
Swiss Technology Fund	Y	N	N	N
U.S. New Jersey Energy Resilience Bank	N	N	N	Y
Malaysia Green Technology Financing Scheme	Y	N	N	N

Source: Shouqing Zhu and Lihuan Zhou. "Green investment institutions: International experience in developing green finance.", WRI, 2016.

Commercial lending and risk mitigation are most popular instruments

Name	Commercial lending	Concessional lending	Equity	Investment funds (passive)	Risk mitigation
Australia Clean Energy Finance Corporation	Y	Y	Y	Y	Y
UK Green Investment Bank	Y	N	Y	Y	Y
U.S. New York Green Bank	Y	N	Y	N	Y
U.S. Connecticut Green Bank	Y	Y	N	N	Y
South Africa Green Fund	Y	Y	Y	N	N
Danish Green Investment Fund	Y	N	N	N	Y
Malaysia Green Technology Financing Scheme	N	Y	N	N	Y
U.S. New Jersey Energy Resilience Bank	N	Y	N	N	N
U.S. Hawaii Green Energy Market Securitization Program	Y	N	N	N	N
Japan Green Fund	Unknown	Unknown	Y	N	N
Swiss Technology Fund	N	N	N	N	Y

Source: Shouqing Zhu and Lihuan Zhou. "Green investment institutions: International experience in developing green finance.", WRI, 2016.

Observations for discussion

- **TERMINOLOGY** - Need to think beyond “green banks” and toward “GFIs”; form should follow function
- **NEW INSTITUTIONS?** – Start-up costs are high; need to consider whether new institution is necessary, and whether existing institutions can do the job through new windows/funds
- **MANDATE SOURCE** – GFIs with legislative mandates are often better insulated from leadership changes and political shifts; but beware of political mandates that go beyond climate or environmental goals
- **SECTORAL MANDATE** – Should be tailored to local needs – pollution control and climate adaptation are important to developing-country GFIs, not just renewables and energy efficiency
- **CAPABILITIES and INSTRUMENTS** – Should be well-targeted to the particular constraints of the local financial system and to drive behavior change of mainstream financial institutions
- **FUNDING MODEL** - Dependence on budget allocations is limiting; need to think about long-term and sustainable sources to grow the capital, if consistent with the overall strategy
- **DISCLOSURE** – GFIs’ disclosure policies and practices should be gold-standard; set example for the rest of the system and provide market signals

What role for external actors?

- Potential sources of seed capital, co-financing, technical assistance, knowledge exchange

But:

- The presumption should be in favor of **using existing institutions**, especially where a strong national development bank already exists
- “Green bank in a box” is likely a limited approach – **extensive customization** required; platforms for sharing information and experiences can be useful
- **Seed capital from external sources** should only be injected once an appropriate financing model has been identified and matching domestic funds have been secured
- There should be a **clear and realistic exit strategy**, with a goal of “green mainstreaming;” and mechanisms should be in place to **avoid crowding-out** the private sector

More at:

<https://www.wri.org/our-work/topics/finance>