



ASEAN CATALYTIC GREEN FINANCE FACILITY

An ASEAN Infrastructure Fund Initiative



Operations Plan 2019–2021

February 2020



About this Document

This document outlines the operations strategy and plan for the ASEAN Catalytic Green Finance Facility pilot phase (2019–2021). It details the approach and targets of the pilot phase, and serves as a guide for the ASEAN Infrastructure Fund administration team and the ACGF project structuring team in the Asian Development Bank (ADB).

The document was prepared under the oversight and leadership of the ADB Southeast Asia Department’s Alfredo Perdiguero, administrator of the ASEAN Infrastructure Fund, and Anouj Mehta, ACGF Unit Head. Naeeda Crishna Morgado, Camille Bautista-Laguda, Nguyen Ba Hung, and Duncan McLeod made up the ADB team that developed this document.



Contents

ABBREVIATIONS	iv
I. INTRODUCTION	1
II. OBJECTIVES AND SCOPE OF THE ASEAN CATALYTIC GREEN FINANCE FACILITY	5
III. PROJECT ORIGINATION AND SELECTION	7
IV. FINANCING PRODUCTS AND ELIGIBILITY CRITERIA	11
V. KNOWLEDGE AND AWARENESS BUILDING	14
VI. FUNDING AND IN-KIND CONTRIBUTIONS TOWARDS ACGF PROJECTS	16
VII. IMPLEMENTATION ARRANGEMENTS	20
APPENDIX: ACGF TIMELINE AND IMPLEMENTATION TARGETS FOR THE PILOT PHASE (2019–2021)	23
TABLES	
1 ACGF Lending Terms	12
2 ACGF Cofinancing Partners	18
3 ACGF In-Kind Partnerships	19
FIGURES	
1 Project Preparation Stages and Phasing of ACGF Support	8
2 Origination and Project Selection Process for ACGF Projects	10
3 Proposed Structure of Overall Framework of Support for ACGF Projects	17

Abbreviations

ACGF – ASEAN Catalytic Green Finance Facility

ADB – Asian Development Bank

AIF – ASEAN Infrastructure Fund

ASEAN – Association of Southeast Asian Nations

GHG – greenhouse gas

PIM – project information memorandum

PST – project structuring team

Note

In this report, “\$” refers to United States dollars and “€” refers to Euros, unless otherwise indicated.



I. INTRODUCTION



Photo Credit: Asian Development Bank

Background

The ASEAN Infrastructure Fund (AIF) was established by Association of Southeast Asian Nations (ASEAN) member states and Asian Development Bank (ADB) in 2011. Using equity from its shareholders, AIF commenced its lending operations in 2013, offering financing for infrastructure projects to its member countries. In November 2018, the AIF Board of Directors approved the creation of a “Green and Inclusive Infrastructure Window” on a 3-year pilot basis as a means of leveraging the fund’s remaining equity resources and creating a value added proposition for its future direction.¹ This window includes the ASEAN Catalytic Green Finance Facility (ACGF) and a smaller Inclusive Finance Facility that will offer limited concessional loans to Cambodia, the Lao People’s Democratic Republic (Lao PDR), and Myanmar only.²

The ACGF was launched on 4 April 2019 in Chiang Rai, Thailand during the 23rd ASEAN Finance Ministers’ Meeting as one of the first regional green financing initiatives in Southeast Asia. It is an innovative financing initiative that can accelerate progress toward Southeast Asian countries’ climate change and environmental sustainability goals by developing a pipeline of green infrastructure projects and helping to catalyze private capital and other resources for these projects. The ACGF provides loans from AIF equity, ADB, and cofinancing partners, as well as technical assistance, to originate, structure, and bridge the viability gap for green infrastructure projects.

Rationale

Southeast Asia needs to transition to greener development pathways. ASEAN member states have seen rapid economic growth and development in recent years, and this trend is expected to continue, with projected gross domestic product (GDP) growth rates of 5.2% during 2018–2022.³ Infrastructure is critical to improved connectivity in Southeast Asia, and is also important in reducing poverty and achieving development outcomes. While infrastructure is the backbone of economic growth in the region, its environmental costs remain high. Currently, large-scale infrastructure development continues to be associated with social and environmental impacts, such as fragmentation of ecosystems, increasing waste, and air and water pollution, which in turn affects the health and well-being of people throughout the region. At the same time, the climate is changing, and Southeast Asia is particularly vulnerable. ADB estimates that the impact of climate change on the region could be as much as 11% of GDP by 2100 due to impacts on agriculture and tourism, health, ecosystems, and labor productivity, and because of catastrophic risks.⁴

ADB estimates that the impact of climate change in the region could be as much as 11% of GDP by 2100

- 1 The available resources for the window could vary from time to time, depending on disbursements and repayments, and is subject to a cap set by the AIF Board (based on the recommendation of the Administrator).
- 2 The objective is to offer an opportunity to lower middle-income member countries who are otherwise unable to access AIF resources due to its pricing, in the spirit of ASEAN solidarity.
- 3 OECD. 2018. Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth through Digitalisation. Paris. www.oecd.org/dev/SAEO2018_Preliminary_version.pdf.
- 4 ADB. 2016. *Southeast Asia and the Economics of Global Climate Stabilization*. Manila. January. www.adb.org/publications/southeast-asia-economics-global-climate-stabilization.



ASEAN countries are making progress on climate and environmental policy, however, considering the urgency of changing development pathways to achieve the goals of the Paris Agreement and the Sustainable Development Goals, there is a need to spur the development of green infrastructure projects in the region. All 10 ASEAN member states have ratified the Paris Agreement, and submitted nationally determined contributions (NDCs) to the United Nations Framework Convention on Climate Change. Most members have committed to mitigation targets in their NDCs (e.g., percentage reduction in greenhouse gas [GHG] emissions or emission intensity), and infrastructure sectors are key across ASEAN NDCs.⁵

Despite these commitments, more needs to be done. ASEAN member states have committed to increasing renewable energy to 23% of the region’s energy mix by 2025,⁶ and renewable energy supply has increased in recent years. At the same time, the most rapid relative increases in the energy mix has come from carbon-intensive fuels such as coal.⁷ ADB estimates that GHG emissions in several ASEAN member states have increased at the same pace as economic growth over the last decade, driven by the high energy intensity of growth. Much of the investment in Southeast Asia will be in new infrastructure with long lifespans and investing in environmentally sustainable infrastructure will help ASEAN member states avoid locking-in unsustainable development pathways for the medium- to long-term future.

Green finance can help ASEAN bridge the investment gap and transition to greener infrastructure choices

The rising momentum on green finance in the region offers an opportunity. Financing for environmentally and socially sustainable investments (i.e., green finance)—especially from commercial banks, financial and strategic investors—can help ASEAN member states bridge the investment gap and transition to greener infrastructure investment choices. DBS Bank and the United Nations

Environment Inquiry estimate that the size of the “green finance opportunity” in Southeast Asia is \$3 trillion from 2016 to 2030 from four sectors: infrastructure, renewable energy, energy efficiency and food, agriculture and land use.⁸ Investment will be required throughout Southeast Asia, with the greatest volumes in Indonesia, Thailand, and Viet Nam.

The current annual flow of green finance supply in Southeast Asia to support all economic sectors is estimated at \$40 billion.⁹ Approximately 75% of current flows come from public finance and 25% from private finance, largely in the form of commercial loans—this balance implies a greater effort is needed to mobilize and catalyze private resources into projects. The Climate Bonds Initiative estimates that green bonds are on the rise in the region, with a total issuance of \$5 billion as of 2018 but that the overall share of ASEAN issuances are still low, estimated at 1% of global green bond issuance.¹⁰

5 J. Amponin and W. Evans. 2016. Assessing the Intended Nationally Determined Contributions of ADB Developing Members, *ADB Sustainable Development Working Paper Series* No. 44. Manila. <https://www.adb.org/sites/default/files/publication/189882/sdwp-044.pdf>.

6 ASEAN Centre for Energy. RE in the Context of ASEAN Clean Energy Corridor. <http://www.aseanenergy.org/programme-area/re/> (accessed 18 February 2019).

7 Footnote 4.

8 DBS Bank and United Nations Environment Inquiry. 2017. *Green Finance Opportunities in ASEAN*. November. www.dbs.com/iwov-resources/images/sustainability/img/Green_Finance_Opportunities_in_ASEAN.pdf.

9 Footnote 8.

10 Climate Bonds Initiative. 2018. *ASEAN Green Finance State of the Market 2018*. <https://www.climatebonds.net/resources/reports/asean-green-finance-state-market-2018>.

ASEAN member states face a major investment gap for infrastructure, and public finance will not be enough. ADB estimates that Southeast Asia will require \$184 billion per year from 2016 to 2030 to support needed investment in infrastructure, and this increases to \$210 billion per year when considering the additional costs required to ensure all new infrastructure is climate-compatible.¹¹ Infrastructure investment, particularly from private capital sources, is far below the levels needed, with an estimated gap of between 3.8% to 4.1% of GDP (when taking climate change into account) in selected ASEAN member countries for 2016–2020. Public budgets continue to remain the major source of financing for infrastructure in ASEAN countries, especially for transport and water supply and sanitation, but the magnitude of the investment gap and constrained public budgets means greater levels of private investment will be needed. The way public funds are spent will have to change to enable and catalyze greater volumes of private investment.

Bankable projects are needed to enable the scaling up of green private capital flows. Greater private investment for green infrastructure in Southeast Asia—through instruments such as green bonds—is hindered by a lack of commercially bankable projects with attractive risk-return profiles. This occurs for several reasons: renewable energy or sustainable transport projects often entail higher up-front costs than conventional alternatives and are based on technologies that are relatively new to many ministries and regulators in the region. Revenue streams, especially for utilities, are often influenced by broader questions around affordability and are dependent on public policies and regulations. This can increase the risk profiles of such projects, especially if coupled with more expensive technologies or financing costs. Developers lack access to long-term capital and exchange rate volatility hinders overseas investment.

Bankable projects are needed to enable the scale up of green private capital flows.

The ACGF combines financial structuring support to create bankable projects with the innovative use of concessional funds to de-risk projects

Value-added of the ASEAN Catalytic Green Finance Facility. Creating and financing bankable green investments i.e., those with risk-return profiles that are attractive to commercial and institutional investors, will require public finance, especially concessional finance, to be used strategically to de-risk the riskiest aspects of a green project. There is also a need for green projects to be better structured. While there are several climate and other environment-related funds available to ASEAN member states, currently,

sources of this finance do not necessarily provide the structured finance or advisory assistance needed to help develop bankable projects that are clearly linked to green targets and catalyze private resources. On the other hand, generic project preparation support often focuses on the technical preparation of projects and do not incentivize change toward greener alternatives. The ACGF has been developed to bridge this gap by providing (i) support for the development of project pipelines, (ii) capacity building for green and innovative finance approaches, (iii) project financial structuring support to create bankable projects, and (iv) an innovative use of concessional funds to de-risk projects. As a facility, in contrast to a project, the ACGF facilitates the development of a portfolio of projects with common criteria and themes, as well as efficiency in financing administration.

¹¹ ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila. www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf.



II. OBJECTIVES AND SCOPE OF THE ASEAN CATALYTIC GREEN FINANCE FACILITY



Photo Credit: Asian Development Bank

The ACGF Design Approach

The ACGF approach is based on the concept of a “green finance catalyzing facility” proposed by ADB in 2017,¹² and subsequently tested in discussions with governments of the ASEAN member states, financial institutions, and investors in 2018. The design of the ACGF is based on the following principles:



Catalytic. The ACGF will help source private finance in the long term by directing funds to de-risk and improve the bankability of projects. Beyond the impact of the projects themselves, the ACGF will help to build robust, green infrastructure pipelines in ASEAN member states by working with governments and partners to develop project opportunities, provide advice and technical assistance to structure these, and raise development and private resources for projects.



Green. The ACGF will support green infrastructure projects i.e., energy, transport, water, urban and multisector projects that actively contribute to environmental sustainability and climate goals. Examples of green infrastructure include, but are not limited to, renewable energy, energy efficiency, sustainable transport systems, sustainable water supply and sanitation, etc.

The ACGF will support green infrastructure that actively contribute to environmental sustainability and climate goals



Leveraging facility. The ACGF will use the remaining AIF equity provided by ASEAN members and ADB, alongside support from ADB and other development partners. As a leveraging facility, it will help governments in the region use public and concessional funds better, so that each dollar can mobilize commercial funds for projects which are currently not attracting these sources of finance.

Aims and Objectives

The mission of the ACGF is to accelerate the development of green infrastructure in Southeast Asia by better utilizing public funds to create bankable projects and catalyze private capital, integrate innovative technologies, and improve management efficiencies.

The expected impact of the ACGF is to support ASEAN member states to shift to low-emission, climate-resilient infrastructure development

The pilot phase of the ACGF (2019–2021) will identify the need for scaling up and replicating the ACGF model. In line with this, the expected outcome of the pilot phase is the structuring and approval of ACGF projects that reduce greenhouse gas emissions and improve climate-resilience, contribute to other environmental benefits and catalyze private, commercial, and institutional finance. The target of the pilot phase is to approve projects with the potential to reduce at least 150,000 tons carbon dioxide equivalent

per annum. In the long-term, the expected impact of the ACGF pilot phase is to support the ASEAN member states’ shift to low-emission and climate-resilient infrastructure development. A timeline for the implementation of the pilot phase is in the Appendix.

Three types of activities will be carried out during the pilot phase: (i) originating and structuring of projects, (ii) providing de-risking funds to improve the bankability of green infrastructure projects, and (iii) building knowledge and capacity on green finance in the region.

¹² ADB. 2017. *Catalyzing Green Finance: A Concept for Leveraging Blended Finance for Green Development*. Manila. August. www.adb.org/publications/green-finance-catalyzing-facility



III. PROJECT ORIGINATION AND SELECTION



Photo Credit: Asian Development Bank

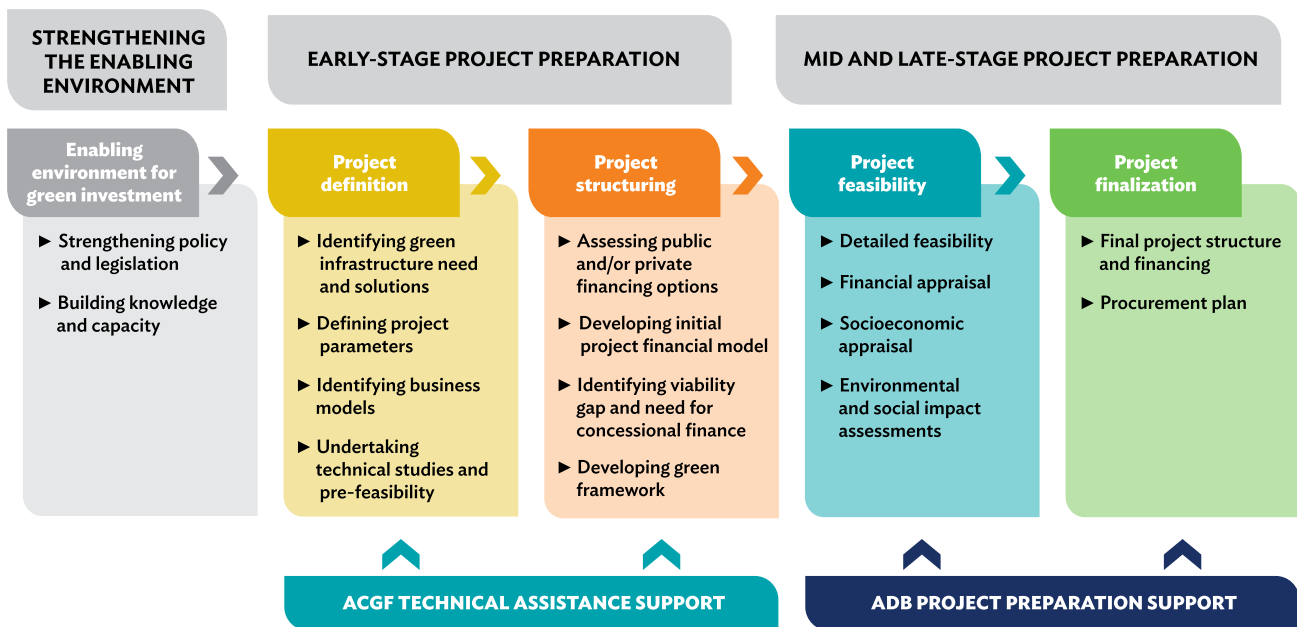
Project Structuring and Origination Activities

The pilot phase targets the design and structuring of at least five green infrastructure projects, including developing underlying financial models and identifying potential financing sources. In addition, a pipeline of further projects will be developed, with at least five additional concept notes prepared during the pilot phase. Project origination and structuring will be supported through a separate technical assistance. The targets given here were based on the technical assistance funds expected at the time this plan was developed and will be revised if further funds are committed.

The ACGF pilot phase will aim to structure up to 5 projects

Project origination and structuring will include (i) identification of project opportunities, (ii) support to assess viability of project ideas and define project parameters, (iii) support to identify and develop an underlying financial model, and (iv) identification of funding sources for the project and approaches for potential private sector participation. Support for pre-feasibility studies can also be provided in limited cases. In addition, specialist support will be provided to define climate and other environmental or green targets as well as other performance measures, identify indicators, and to conduct baseline assessments. Projects eligible for financing from the ACGF and cofinancing from ADB and other development partners will also receive support for project preparation and standard due diligence as part of normal ADB sovereign operations (Figure 1).

Figure 1: Project Preparation Stages and Phasing of ACGF Support



ACGF = ASEAN Catalytic Green Finance Facility, ADB = Asian Development Bank.
Source: Authors.



The ACGF Project Origination Approach

Like all AIF projects, the project cycles for the ACGF would dovetail those managed by ADB sovereign operations, with additional focus on project origination and development stages. Identifying green infrastructure projects for the ACGF pipeline requires an extensive outreach approach. A dedicated ACGF project structuring team (PST) will work closely with several stakeholders to market ACGF and identify project opportunities early on. Four project origination routes will be pursued as below:

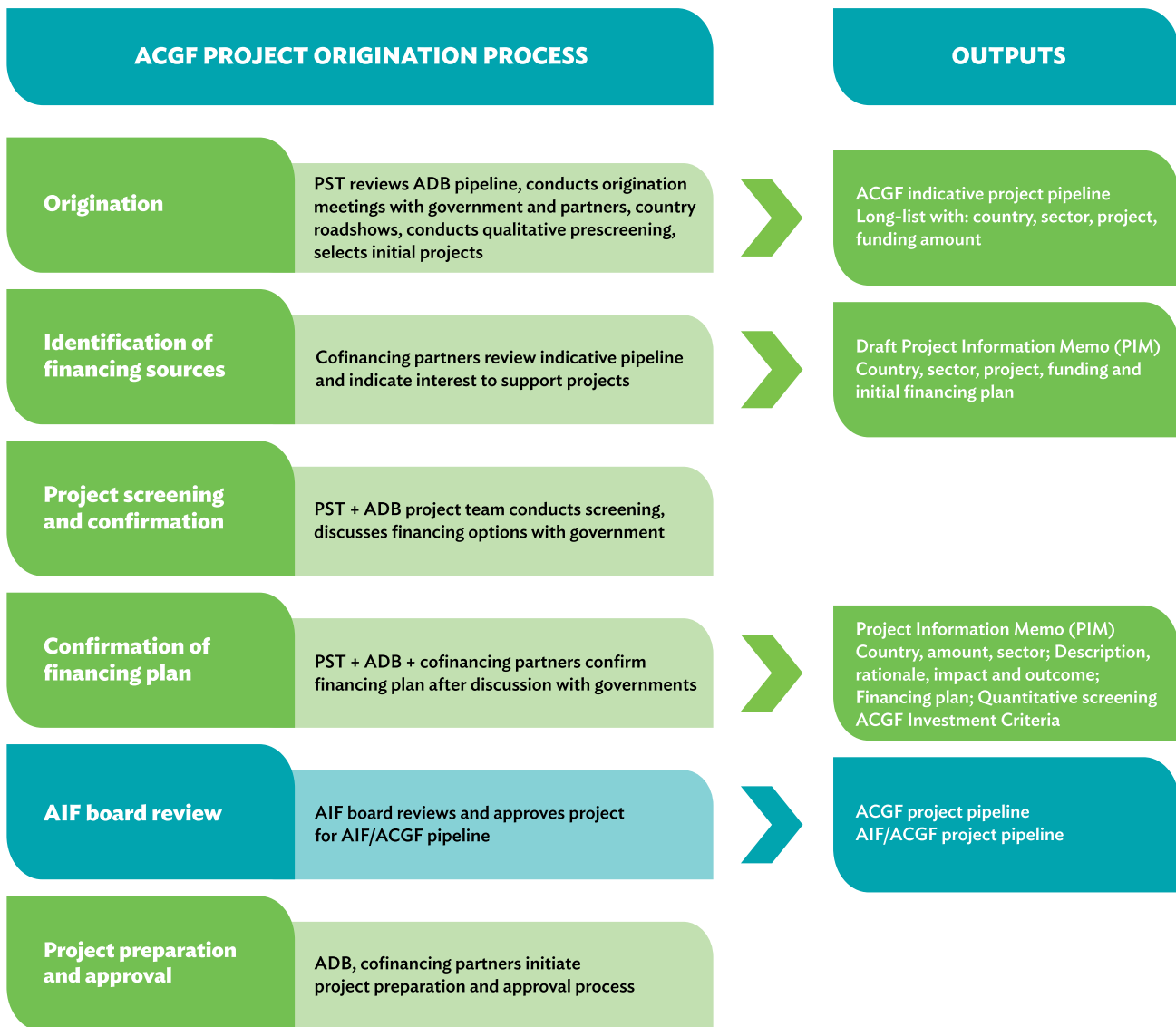
Identifying a pipeline of green infrastructure projects will require an extensive outreach approach

- (i) **ADB country offices and sector teams.** The PST will liaise regularly with the ADB Southeast Asia Department to identify new project opportunities in ASEAN member states, starting with consultations with sector divisions for Southeast Asia. The PST will also work with the ADB Private Sector Operations Department to identify opportunities for which sovereign support through the ACGF could help bridge the viability gap.
- (ii) **ASEAN governments.** The PST will engage regularly with finance and sector ministries, subnational and city governments, and other public sector stakeholders, to identify emerging pipelines (for example, through established public–private partnership units), starting with country roadshows in 2019. The PST will also develop concepts for innovative finance models in response to government requests and discuss these with sector ministries.
- (iii) **Regional cooperation hubs.** The PST will engage with the ASEAN Secretariat and other regional forums, such as the Greater Mekong Subregion (GMS) working groups and regional investment plan, and the Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT) meetings to identify potential projects in regional pipelines.
- (iv) **ACGF partners.** The PST will liaise with other green project preparatory initiatives to source projects (e.g., the Global Green Growth Institute’s green investment services, the Southeast Asia Clean Energy Facility), the PST will also work to establish partnerships with private sector banks, impact investors, and investment management firms working in the region to identify early stage project opportunities.

Project Development and Selection Process

The broad steps that will be followed in the development and selection of projects are in Figure 2. Project opportunities identified through the origination process will be included in a long list of indicative projects that are broadly in line with the ACGF investment criteria. This list will be shared with cofinancing partners to identify initial interest (Section VI). Based on interest from cofinancing partners, a draft project information memorandum (PIM) will be developed, including an initial financing plan and structure. The mix of funds from the AIF, ADB, and cofinancing partners will be determined on a project-by-project basis, with the intention of transitioning projects to bankability. Pricing will follow each partner’s rates, and where possible, alignment across partners will be explored. Efforts will be made to present a joint product or offering to government project sponsors. The ultimate decision to accept the proposed financing plan for the project will be determined by the borrower government.

Figure 2: Origination and Project Selection Process for ACGF Projects



ACGF = ASEAN Catalytic Green Finance Facility, ADB = Asian Development Bank, AIF = ASEAN Infrastructure Fund, ASEAN = Association of Southeast Asian Nations, PST = project structuring team.
Source: Authors.

Should a government be interested in pursuing ACGF financing, a final PIM will be developed including a more detailed financing plan and model, and a quantitative analysis of green indicators and baselines. As appropriate, ACGF partners will have an opportunity to give no objection to the use of their funds. This will be submitted to the AIF board for approval (for the allocation of AIF resources) and will subsequently be subject to the usual due diligence and project processing by ADB and cofinancing partners.



IV. FINANCING PRODUCTS AND ELIGIBILITY CRITERIA

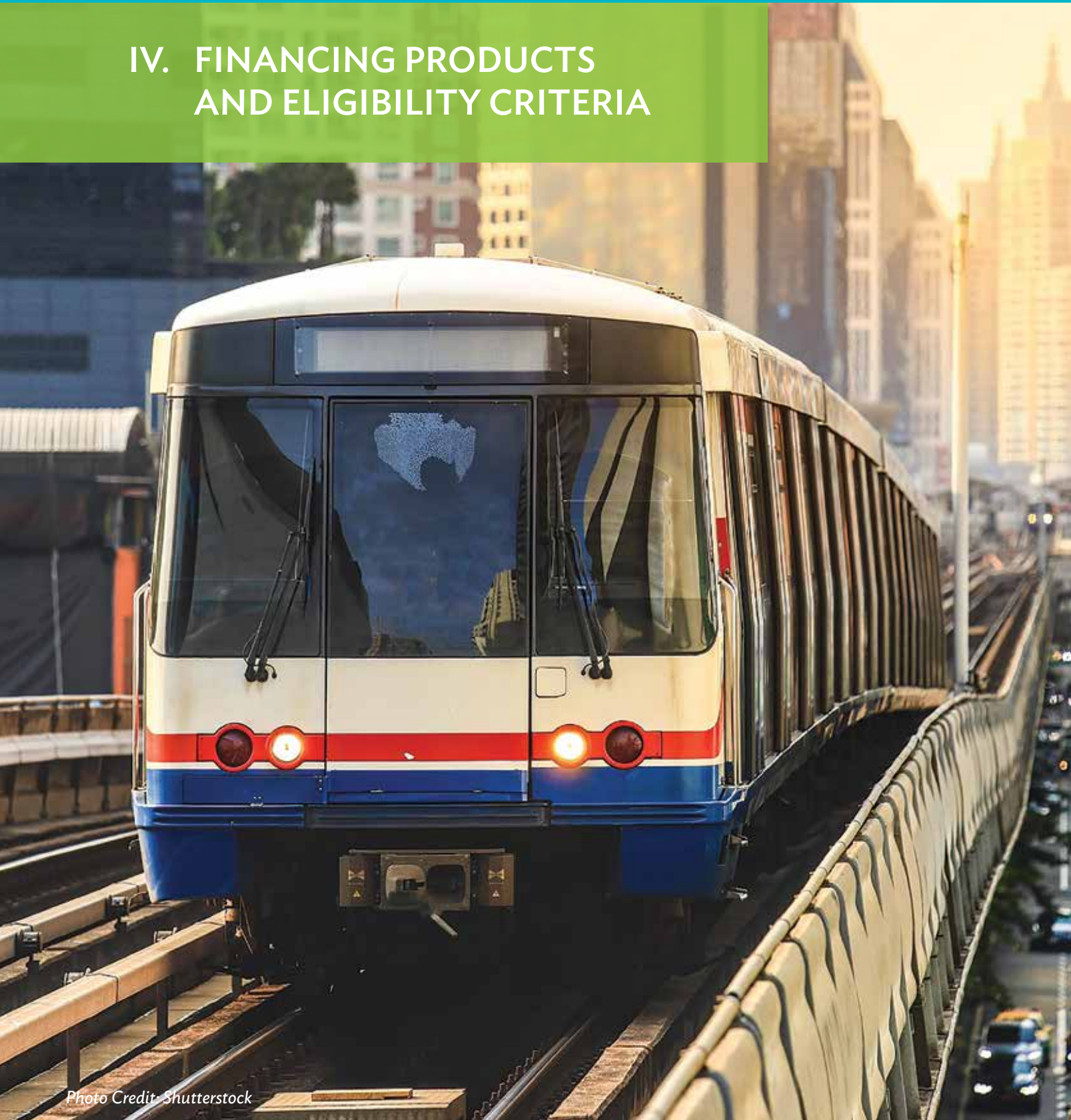


Photo Credit: Shutterstock

Terms of ASEAN Infrastructure Fund Loans for the ACGF

The ACGF pilot phase targets to approve at least three projects for financing by the AIF Board during the pilot phase. Funding for ACGF projects will include a mix of AIF resources and, where possible, cofinancing from development partners, provided alongside cofinancing from ADB sovereign operations. AIF financing will be used to provide sovereign guaranteed debt to eligible ACGF projects according to the terms in Table 1.¹³ Cofinanciers’ funds will follow their respective terms and conditions, including tenor and pricing. During the pilot phase, at least three projects will be approved for financing by the AIF Board of Directors.

Table 1: ACGF Lending Terms

Item	
Eligible Borrowers	AIF borrowing member countries
Maturity	up to 20 years
Grace Period	up to 7 years
Interest Rate	6-month \$LIBOR: during grace period 6-month \$LIBOR plus 140 bps: after grace period up to 20 years
Maximum Lending Volume	With Inclusive Finance Facility, combined limit of 15% of AIF total equity
Commitment Fee	15bps
Prepayment	No prepayment penalty

LIBOR = London Inter-bank Offered Rate
Source: Asian Development Bank

Principles for Use of Funds for De-risking

Funding for ACGF projects will be provided as sovereign-guaranteed loans to de-risk green infrastructure projects and transition them to bankability.¹⁴ Flexibility will be used to determine how loans are used for improving bankability, and funds can be used to cover capital or operational costs of a project. New products and models can also be developed if so required by the needs of projects over time. Current principles for using the ACGF funds are as follows:

Funding for ACGF projects will be provided as sovereign-guaranteed loans to de-risk green infrastructure projects and transition them to bankability

- **Funding for project capital expenditures.** This is ideally between 10% and 35% of project costs.
- **Funding for project operational expenditures.** Ideally will support only the first 3 years of operational costs and limited to 10% of capital expenditure.
- **Credit enhancement support.** This will be done for a limited period and ideally not more than 7 years, in the form of a minimum revenue guarantee to improve the project’s rate of return (e.g., to 14% internal rate of return) or a first loss structure to improve the project’s risk profile.¹⁵

¹³ All AIF loans shall be provided to projects as an ADB loan funded through the participation of the AIF, with ADB as lender of record.
¹⁴ The intention is to use the sovereign concessionality (vs. market-based commercial funds) as one of the main drivers for de-risking and incentivizing compliance with the green framework.
¹⁵ Products to support credit enhancement could be developed in the future depending on project requirements and the AIF’s financial capacity.



Eligibility Criteria

All ACGF projects will follow the same criteria as for previous AIF projects [(i) to (iii)], as well as additional criteria specific to the ACGF [(iv) to (vii)]. Further details for additional ACGF criteria, including the approach toward screening and measurement, are enumerated separately as part of the ACGF Investment Principles and Eligibility Criteria.¹⁶ The ACGF criteria is as follows:

- (i) **Eligible project type.** Sovereign or sovereign-backed infrastructure projects.
- (ii) **Eligible countries.** ADB developing member countries in Southeast Asia, i.e., Cambodia, Indonesia, the Lao PDR, Myanmar, Malaysia, the Philippines, Thailand, and Viet Nam.
- (iii) **Mandatory cofinancing.** All ACGF support is conditional on cofinancing from ADB.
- (iv) **Preferential cofinancing.** Projects with additional cofinancing from ACGF financing partners will be prioritized.
- (v) **Green impact.** All projects must qualify as “green infrastructure” projects as defined in the ACGF Investment Principles and Eligibility Criteria. Projects must show a demonstrated contribution to climate change mitigation and/or adaptation, and other environmental sustainability objectives. A subset of projects within this will be classified as “priority green” projects and will benefit from a higher cap on financing from any resources available in the ACGF Trust Fund (Section VI on structure of support available for ACGF projects).
- (vi) **Bankability.** Projects should demonstrate a contribution to financial viability and sustainability and bankability, ideally measured using financial criteria (debt service coverage ratio and internal rate of return).

Projects must show a demonstrated contribution to climate change mitigation and/or adaptation, and other environmental sustainability objectives

¹⁶ The framework incorporates inputs from internal ADB experts, as well as ACGF cofinancing partners and other external experts.

V. KNOWLEDGE AND AWARENESS BUILDING

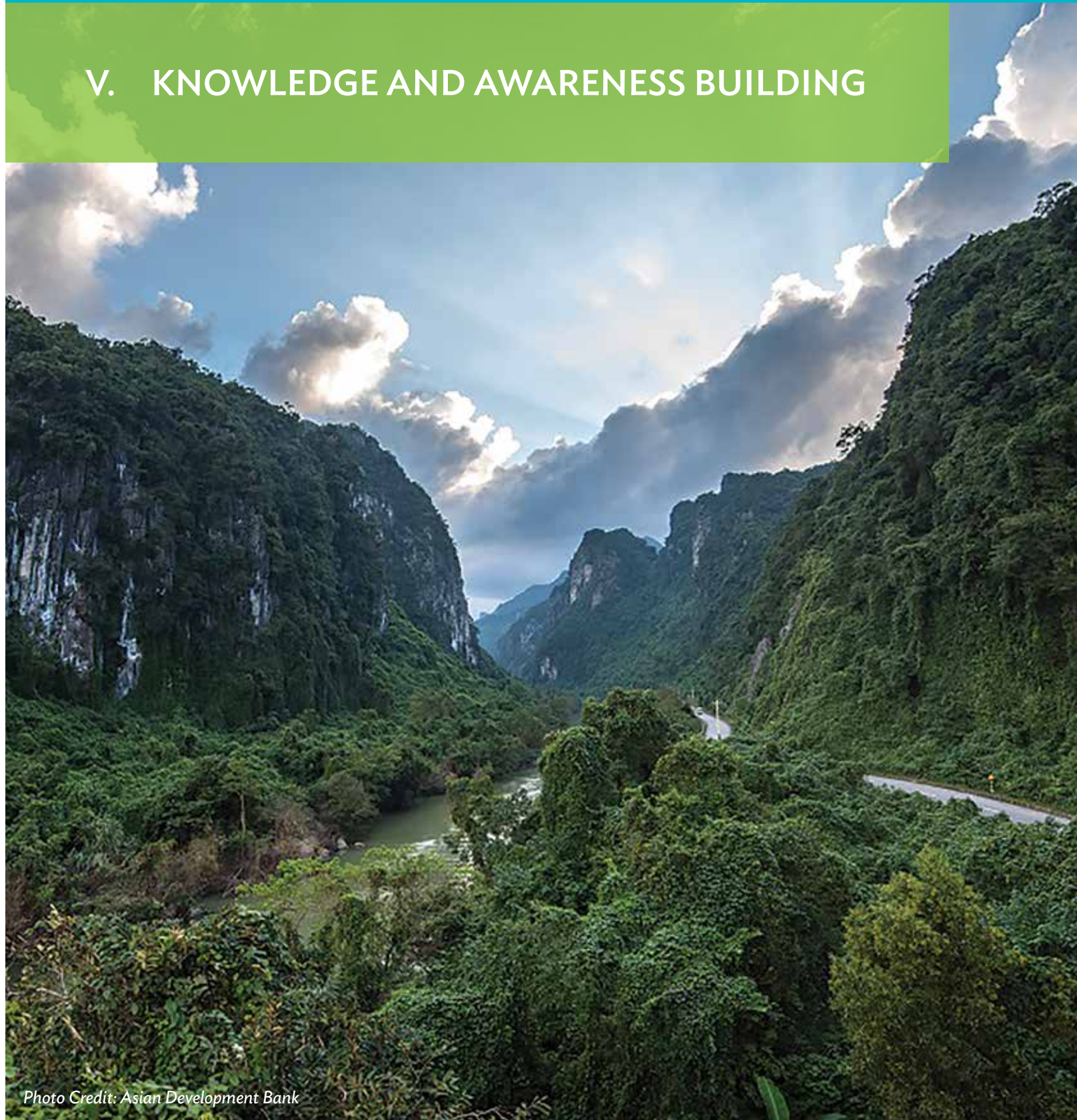


Photo Credit: Asian Development Bank



Knowledge and awareness raising activities on green finance will be organized in ASEAN member states with the aim of supporting the development of project pipelines and building capacity to better identify project opportunities. Activities conducted will leverage and build on the strengths of existing knowledge from policy related organizations, universities, and think tanks and harness these for ASEAN stakeholders. The main groups of activities will include the following:

- (i) **Annual investor roundtables.** An annual ASEAN green finance investor roundtable will be conducted back-to-back with an existing international forum on green finance. The aim of these will be to discuss (a) barriers to investment and (b) potential projects emerging from the ACGF. The first annual roundtable was hosted by the Organisation for Economic Co-operation and Development (OECD), back-to-back with the OECD Global Forum on Green Finance and Investment in Paris in October 2019.
- (ii) **The ACGF ‘6 Champions’ Program.** This program will support senior and mid-level officials from ASEAN member states to undertake training on innovative finance instruments, delivered as part of existing international programs. At least 30 ASEAN officials and finance stakeholders will be trained in innovative finance through the program during the pilot phase of the ACGF. The program will have two tracks, one for high-level decision makers to undertake executive training on green finance, and one for mid-level project developers and managers within the same ministries. The program will partner with leading international academic institutions with expertise on green finance. One of the modes of delivery of this program will be through an Innovative Finance Lab being organized in partnership with Infrastructure Asia (Singapore). Other channels will also be explored.

Activities will leverage the strengths of existing knowledge and policy related organizations, universities and think tanks and harness these for ASEAN stakeholders

In addition to these two sets of activities, regional and investor-specific roundtables will be held (e.g., with investor groups from Japan and the Republic of Korea) or with financial hubs (e.g., with London-based investors through the City of London). Technical assistance could also be provided to support pipeline development (e.g., studies to identify green project pipelines in specific regions or cities, demonstration and testing of financial models, development of “value-for-money” and other project selection tools, and development of standard project and bid templates).

VI. FUNDING AND IN-KIND CONTRIBUTIONS TOWARD ACGF PROJECTS



Photo Credit: Asian Development Bank



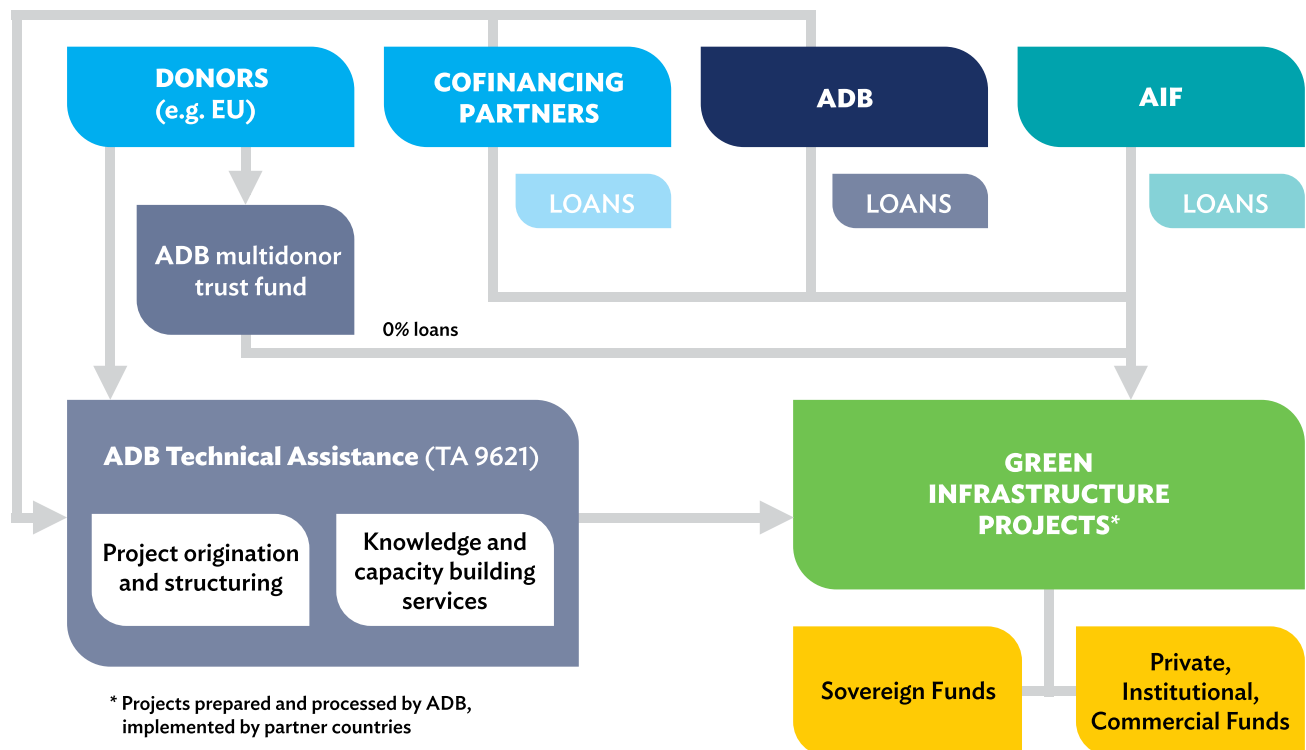
Structure and Channels of Resources to Support ACGF Projects

Support for ACGF projects include: (i) project structuring and origination, (ii) funds for de-risking, and (iii) knowledge, awareness, and capacity building for pipeline development. To this end, different channels of support contributing to the ACGF pilot phase 2019–2021 include:

- **resources from AIF** that will be used to provide loans for de-risking at a project level;
- **concessional loans from ADB and other development partners**, that will be used to provide funds for de-risking at a project level; and
- **a regional technical assistance**, supported by ADB technical assistance resources and grants from development partners, that supports the establishment and functioning of a PST, project structuring and origination activities, and knowledge and capacity building activities.

Further, contingent on grant or concessional funds contributions from bilateral and multilateral donors being made available, **a multi-donor trust fund** (i.e., the ACGF Trust Fund) may be set up to provide concessional financing to blend with AIF resources and cofinancing from ACGF partners to help projects transition to bankability. The proposed structure of the overall framework is in Figure 3.

Figure 3: Proposed Structure of Overall Framework of Support for ACGF Projects



ADB = Asian Development Bank, AIF = ASEAN Infrastructure Fund, EU = European Union.
Source: Authors.

Understandings with ACGF Financing Partners

For the pilot phase, cofinancing commitments have been secured from ADB and development partners with the aim of (i) creating a larger pool of funds to deploy and (ii) raising concessional funds to incentivize a shift to greener alternatives and spur the development of green infrastructure in the region. Currently, close to \$1.5 billion in commitments toward project cofinancing and technical assistance have been secured to support the ACGF’s objectives (Table 2). ADB will continue to explore further funding opportunities through the pilot phase.

Several development partners signed letters of support to provide cofinancing and technical assistance toward ACGF projects during and subsequent to the launch of the facility in April 2019 (Tables 2 and 3). In addition, memorandums of understanding (MoUs) have been developed with individual partners. The MoUs outline general non-binding commitments by individual partners, either in terms of cofinancing and providing technical assistance or providing in-kind contributions toward project origination and structuring, and knowledge and awareness-raising.

Currently, close to \$1.5 billion in commitments toward project cofinancing and technical assistance have been secured to support the ACGF’s objectives

At the project level, cofinancing partners will provide financing on a project-by-project basis and will be able to decide whether to commit funds to a project or not. Actual commitments for a project will be subject to internal approvals of development partners and necessary legal documentation. The AIF Board of Directors will be informed of financing from development partners in support of ACGF projects.

Table 2: ACGF Cofinancing Partners

Partner	Amount (cofinancing)	Type of contribution
ADB	\$300 million + \$1.5 million technical assistance	Concessional loans and TA support
Agence Française de Développement	€150M + €1M grant	Concessional loans and TA support
European Investment Bank	€150M	Concessional loans
European Union	€50M	Concessional loans and TA support
KfW	€300M	Concessional loans
Government of the Republic of Korea	\$350M + \$5M grant for technical assistance	Concessional loans and TA support

ADB = Asian Development Bank, KfW = Kreditanstalt für Wiederaufbau, TA = technical assistance.

Note: Funding from the European Union has been approved by the European Union Asia Investment Facility.

Source: Authors.



Table 3: ACGF In-kind Partnerships

Partner	Type of contribution
Global Green Growth Institute	Knowledge and events
Organisation for Economic Co-operation and Development	Knowledge and events
ADM Capital	General collaboration i.e., private investor perspectives on challenges to AIF
BNP Paribas	General collaboration i.e., private investor perspectives on challenges to AIF
Overseas Private Investment Corporation	General collaboration i.e., private investor perspectives on challenges to AIF

AIF = ASEAN Infrastructure Fund, TA = technical assistance.
Source: Authors

Future Partnerships

The availability of additional concessional funds and technical assistance for the pilot phase will continue to be explored. Any concessional resources provided to support ACGF eligible projects, and administered by ADB, will be channeled through a multi-donor trust fund (i.e., the ACGF Trust Fund). Should the ACGF Trust Fund be set up during the pilot phase, it will have its own governance structure in line with ADB trust fund management practices, including an internal ADB steering committee which will review the use of concessional funds for projects.¹⁷ ADB will develop and finalize the implementation arrangements for a potential trust fund during its establishment.

The ACGF Partners' Group includes partners providing cofinancing and in-kind contributions to support the ACGF's objectives

Governance of the ACGF and Role of Partners

As a facility under the AIF, the ACGF follows the same general governance structure and administration arrangements established for the AIF. The AIF Board of Directors will review the annual pipeline and approve ACGF projects for AIF financing, in addition to overseeing the general administration of the fund.

The ACGF Partners' Group includes partners providing cofinancing and in-kind contributions to support the ACGF's objectives. The Group will provide inputs on strategic issues related to the implementation of the ACGF, such as:

- (i) providing feedback on green criteria and investment principles for prioritizing and screening ACGF projects,
- (ii) reviewing the pipeline of potential ACGF projects to be supported with development partner funds, and
- (iii) providing feedback on the implementation of ACGF technical assistance support for project structuring and origination, and knowledge and capacity building.

Two ACGF Partners' Group meetings will be held per year: one meeting will be held back-to-back with a meeting of the AIF Board of Directors, and the second meeting will be held with the Administrator and administration team (potentially hosted by an ACGF partner).

¹⁷ Donors to a potential ADB trust fund could be given a "no-objection" period (i.e., up to a 2-week window) to review the basic information on the proposed use of their funds for a project.

VII. IMPLEMENTATION ARRANGEMENTS

Photo Credit: Asian Development Bank



Facility Management and Project Structuring Team

The existing administration arrangements of the AIF will apply to the ACGF, however, in line with the objectives of the facility, enhanced implementation arrangements will be put in place. ADB, as administrator of the AIF, will manage and oversee day-to-day operations of the facility, through the AIF Administrator and administration team (from the ADB Southeast Asia Department and other relevant ADB departments).

ADB will manage day-to-day operations of the ACGF through a Facility Manager and dedicated Project Structuring Team

A dedicated ACGF facility manager (ADB staff located in the AIF administration team within the ADB Southeast Asia Department) will support the AIF Administrator to oversee ACGF operations. The ACGF facility manager, supported by the AIF administration team and a dedicated PST, will (i) set up the facility; (ii) oversee the development and implementation of investment principles and the facility strategy; (iii) engage and liaise with the AIF Board of Directors and ACGF partners; (iv) oversee the origination of projects for financing, engaging externally and internally (within ADB sector divisions and country missions); (v) oversee the screening and selection of projects; (vi) support ADB project teams in discussions with governments as needed; (vii) recruit consultants in the PST; (viii) develop new financial products for the facility and test these with governments; and (ix) guide knowledge and awareness building activities and oversee implementation.

A dedicated PST, consisting of full-time and intermittent consultants, has been established to support the AIF administration team on implementing the ACGF. The PST is based within ADB's Southeast Asia Department. The role of the PST is to (i) originate projects and develop a pipeline for ACGF funding, (ii) provide support to structure projects and identify financing partners, (iii) screen and prioritize projects for review by the AIF Board and ACGF cofinancing partners, (iv) provide support to develop green frameworks and targets for projects, (v) report on results framework, (vi) coordinate ACGF Partners Group meetings and discussions, (vii) design and implement ACGF knowledge and awareness raising activities and organize annual investor roundtable meetings, and (viii) support ACGF fundraising efforts.

The PST will include the following positions:

- **Facility and partnerships coordinator/s.** The coordinator/s will manage the day-to-day operations of the facility, support origination and meetings with governments, prepare the facility annual operations plans and strategies, prepare annual progress reports and monitoring updates, lead engagement with ACGF partners and identify priorities for financing projects and support ACGF Partners' Group meetings.
- **Structured finance specialists.** These specialists will originate and identify potential deals, projects, and project ideas; develop project pipelines; and structure individual projects.
- **Climate and green frameworks specialist.** This specialist will lead the development of green frameworks for project selection for ACGF support and help screen and prioritize projects based on these frameworks.
- **Outreach and communications specialist.** This specialist will support marketing of the facility, including by developing a website, preparing annual reports, and contributing to knowledge and awareness events.

In addition, consultants and/or consulting firms will be procured to support specific demand-driven functions related to project structuring such as: developing technical concept notes, supporting pre-feasibility assessments, conducting baseline assessments for climate or green targets, developing preliminary financial models and economic analyses.

Monitoring and Reporting

In general, monitoring progress and reporting will follow the same arrangements as for the AIF. General progress reports to the AIF Board of Directors will be prepared twice a year and shall be included in the regular Administrator's report to the AIF Board of Directors.

In addition, one external progress or update report on the ACGF will be prepared each year. The report will include an update on ACGF activities in the preceding year. It will also include a plan of priority activities and milestones for the following year.

An assessment of the pilot phase will be carried out at the end of 2021 to review implementation of the pilot

An assessment of the pilot phase will be carried out at the end of 2021 to review the overall implementation of the pilot, and to discuss options for activities beyond the pilot phase with the AIF Board of Directors and ACGF partners.



APPENDIX

ACGF Timeline and Implementation Targets for the Pilot Phase (2019–2021)

	2019		2020	2021
Phase	Launch and Set-up (Q1–Q2)	Operations Initiation (Q3–Q4)	First Year of Operations	Second Year of Operations
Activities	<ul style="list-style-type: none"> Organize ACGF launch Develop fundraising agreements with partners Develop ACGF operations plan Develop ACGF investment criteria Identify PST positions and initiate recruitment Set-up results and targets Initiate marketing of facility 	<ul style="list-style-type: none"> Market and promote facility in two to three ASEAN member states Initiate structuring of two projects Conduct screening of one to two projects Present one project for AIF board approval Identify indicative 2020 pipeline Organize first investor roundtable (Paris) Organize ACGF Partners Meeting 	<ul style="list-style-type: none"> Identify six to eight potential project ideas for origination/ structuring Structure two projects Present one to three projects for board approval Organize two investor roundtables (international and regional) Identify indicative 2021 pipeline Facilitate training of 15 ASEAN officials Prepare first annual report Organize ACGF Partners Meeting 	<ul style="list-style-type: none"> Identify six to eight potential project ideas for origination and/or structuring Structure two projects Present one to three projects for board approval Organize two investor roundtables (international and regional) Facilitate training of 15 ASEAN officials Prepare 2nd annual report and rapid assessment of pilot phase Develop post-2021 strategy Organize ACGF Partners Meeting
Deliverables for AIF Board	<ul style="list-style-type: none"> MoUs with financing partners 	<ul style="list-style-type: none"> First project for AIF Board pipeline approval Indicative pipeline for 2020 	<ul style="list-style-type: none"> One to three projects for AIF Board pipeline approval ACGF annual report Indicative pipeline for 2021 	<ul style="list-style-type: none"> One to three projects for AIF Board pipeline approval ACGF annual report Post-2021 strategy
Key Events	<ul style="list-style-type: none"> ACGF Launch: April 2019 	<ul style="list-style-type: none"> Green investment criteria workshop (hosted by EIB in Luxembourg) – July 2019 ASEAN Green Finance roundtable (hosted by OECD) – October 2019 	<ul style="list-style-type: none"> Investor roundtables, training week for ASEAN officials 	<ul style="list-style-type: none"> Investor roundtables, training week for ASEAN officials

ACGF = ASEAN Catalytic Green Finance Facility, AIF = ASEAN Infrastructure Fund, ASEAN = Association of Southeast Asian Nations, EIB = European Investment Bank, MoU = memorandum of understanding, OECD = Organisation for Economic Co-operation and Development, PST = project structuring team, Q = quarter.
Source: Authors.

ASEAN Catalytic Green Finance Facility: Operations Plan 2019–2021

This document outlines the operations strategy and plan for the ASEAN Catalytic Green Finance Facility (ACGF) pilot phase 2019–2021. It details the approach and targets of the pilot phase, and serves as a guide for the ASEAN Infrastructure Fund administration team and the ACGF project structuring team in ADB.

About the ASEAN Catalytic Green Finance Facility

The ACGF is an innovative finance facility under the ASEAN Infrastructure Fund dedicated to accelerating green infrastructure investments in Southeast Asia. It supports ASEAN governments to prepare and source public and private financing for infrastructure projects that promote environmental sustainability and contribute to climate change goals. The ACGF is owned by the 10 ASEAN member states and the Asian Development Bank, which also administers the facility.

For more information: www.adb.org/acgf

