EMPOWERED

How IFC Clients Are Financing Climate-Friendly Projects
ABOUT IFC

IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In fiscal year 2018, we delivered more than $23 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org
ARGENTINA
Banking on biomass
Banco Galicia & Agribusiness: Farmers Reap Budgetary Benefits of Climate-Smart Cultivation

SRI LANKA
Forging a Green Future
Commercial Bank of Ceylon: Bringing New Hope to the Emerald Isle

CHINA
Innovating financial frameworks
- China’s MRCB: A Global Pioneer in Green Commercial Banking
- Agricultural Bank of China: A Banking Giant becomes a Green-Finance Powerhouse

UKRAINE
Turning toward the sun
Ukrgasbank: Creating Markets for a Climate-Resilient Ukraine

LEBANON
Business saves with sustainable energy use
Fransabank: Forging the Green Path to Energy Self-Sufficiency

COLOMBIA
Building green growth
- Bancolombia: The First Latin American Bank to Issue Green Bonds Ranks Globally in Sustainability
- Davivienda: A Committed Citizen Cultivates a Market in Colombia

YEMEN
Solar-powered light brings hope to a fragile environment
Al Kuraimi Islamic Bank: Defying Darkness with Solar Solutions

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IFC estimates that the actions required by the 2015 Paris Agreement will open up about $23 trillion in investment opportunities in 21 of the largest emerging markets between now and 2030.¹ The kinds of investments necessary to stop, slow or adapt to climate change are many and varied. The construction of green buildings and transportation systems, the development of infrastructure for renewable energy and storage, facilities for waste recycling and management, and equipment that is energy efficient—these are just some examples of the capital outlays needed.

Most governments lack the capacity to finance the trillions required for their nationally determined contributions (NDCs) to the Paris accords, which is why the private sector—including financial institutions—has stepped up. Even though banks by their nature are conservative, banks in emerging markets have recognized that climate finance presents them with a huge opportunity. Based on IFC’s estimates, about 30 percent of banks’ loan portfolios could be climate-related by 2030, up from 7 percent today.²

Such a shift will require changes in the way banks operate. They now need the expertise to assess climate-related investment opportunities, the systems to monitor and report on this business and its impact, and the long-term financing to make the investments. These are some of the climate-finance gaps that IFC addresses. The stories in this book discuss our Advisory and Investment Services, which help banks to grow, adapt and create markets for climate finance in the countries they serve.

Much of the recent discussion about climate change and the financial sector has focused on risk, such as in the guidance on climate-related financial disclosures provided by the Financial Stability Board and the work of the Network for Greening the Financial System. This is important work that the financial sector is just beginning to fully acknowledge.

We believe that the business of making climate investments will prove far more compelling during the next decade. An innovative, high-growth industry, climate finance is particularly attractive for banks in emerging markets.

Among IFC’s financial-institution clients, we have seen a steady increase in banks and non-bank financial institutions offering climate-related financing, up from 62 percent just three years ago to 78 percent now. Their experience provides a demonstration effect for other financial institutions that aim to enter the market for climate finance. Our client banks’ stories also show how the rewards of climate investment accrue not only to banks but to business owners, communities and to the emerging economies themselves.

This book presents some of the banks that, with IFC’s support, are seizing the market opportunity to make a meaningful contribution to our future.

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**Banco Galicia & Agribusiness**

Argentina has abundant renewable energy resources—mainly in the form of biomass generated from agriculture. Since 2015, to meet its part toward achieving its commitments in the Paris Agreement, the government has been greening the agricultural sector and its financial institutions. Its target is to produce 20 percent of Argentina’s electricity from renewable sources by 2025.

IFC and the World Bank have collaborated on a holistic approach toward helping achieve Argentina’s “green crusade.” While the World Bank began addressing regulatory and other public-sector requirements, IFC developed a strategy to create a new green market for Argentine banks. The Climate Finance team planned investment and advisory solutions to build banks’ businesses in climate finance, with a specific focus on climate-smart agriculture (CSA) and resource efficiency.

Banco Galicia, the largest bank in Argentina, seemed an appropriate first partner for the green-finance initiative. IFC’s Climate Finance team and World Bank colleagues in the Agriculture, Energy and Water Global Practices engaged with Banco Galicia to measure its existing green portfolio and to investigate the kinds of resource-efficiency projects that large farms and agricultural businesses could implement.

In parallel, the World Bank approved a $150 million project to foster the development of a risk-management system for the agricultural sector in Argentina. Of the total project budget, 77 percent went to initiatives aimed directly at creating climate co-benefits (defined by the Intergovernmental Panel on Climate Change as “the positive benefits related to the reduction of greenhouse gases. Examples include reduced air pollution, greater innovation, diversity and improved security in the energy supply, lower energy costs, and job-generation”). This first step helped agribusiness leaders to start appreciating the need to switch to environmentally friendly agriculture.

With the groundwork laid for CSA finance in Argentina and with IFC support, Banco Galicia issued a $100 million green bond in June 2018. IFC supported the bank’s preparations for the green bond issuance by shaping a green bond framework and aligning the bank’s organization and processes with the Green Bond Principles and IFC’s climate vocabulary.

The first to be issued by a private financial institution in the country, the green bond has a seven-year tenor—supplying a much-needed source of medium- to long-term finance for green projects. IFC fully subscribed to the $100 million bond, which has enabled Galicia to increase its investments in climate-change mitigation projects. These include investments in energy efficiency, renewable energy, and sustainable construction projects that span corporate and agribusiness lending.
In fiscal year 2018, Banco Galicia financed $9.5 million in climate-friendly investments, which are expected to reduce GHG emissions by 190,000 tons CO$_2$e, the equivalent of taking 38,000 cars off the road. Of the projects financed to date, the major categories are technology for utilities to scale their use of renewables (including biomass, to complement the bank’s agricultural lending) and to promote energy efficiency.

By financing biofuels, Banco Galicia supports Argentina’s climate objective of satisfying a large portion of the country’s energy needs with biofuels. (These fuels use crop residues to generate energy with a lower environmental impact and at lower prices.) As energy costs in Argentina have increased, Banco Galicia is in turn expanding financing for energy efficiency and renewables projects that generate value for businesses and consumers. Its recent climate-friendly projects include the following:

- In Provincia de Tucuman, Banco Galicia is investing in a sugar-cane company that produces biomass from bagasse. With the financing, the company expects to have an installed capacity of 2 MW and anticipates generating 8,900 MW annually.

- In Provincia de Corrientes, the bank has invested $30 million in a bioelectric company that produces biomass from pine and eucalyptus plantations as well as sawmill waste. The company expects to start producing energy by 2020 with an installed capacity of 36 MW; it anticipates generating 289,000 MW annually.

- In Provincia de San Luis, Tigonbú, a cattle and agriculture company that produces biofuel from corn waste, received $1.3 million in a first disbursement from Banco Galicia last May. Building a plant with an expected, installed capacity of 2.4 MW, the company estimates it should generate 16,000 MW annually—reducing GHG emissions by 8,164 tons annually. Farmers contributing to the collection of the corn and manure waste to generate biomass energy are adding 30 percent and 70 percent more, respectively, to their earnings.

- In Provincia de San Luis, the bank has doubled the water and energy efficiency of a cattle company by investing in more efficient irrigation and pumping systems. The company previously consumed 2 million cubic meters per year. Since the project was completed, the company consumes half that amount; it has also halved its electricity consumption.

“The green bond reflects Banco Galicia’s commitment to the environment and consolidates its leadership in sustainable banking in Argentina,” said Fabián Kon, Banco Galicia’s CEO. “We are committed to offering our clients new financial instruments for projects that have a specific focus on the environment, such as renewable energy, energy efficiency, clean transport, and waste management.”

“Our partnership with IFC has helped us to identify the eligible operations in green projects and improve our environmental and social analysis in each of the projects financed by green bonds. With IFC’s support, we have now developed a model of analysis, strengthened our application and formed Banco Galicia’s green portfolio,” said Laura Schiavone, the SEMS (Social and Environmental Management Systems) Officer at Banco Galicia.

IFC estimates that the projects enabled by this bond will reduce greenhouse gas emissions in Argentina by about 157,500 metric tons of carbon dioxide (CO$_2$) per year.

By combining World Bank and IFC’s expertise, the partnership with Banco Galicia generated a market for climate finance in Argentina. Issuance of the first green bond by the largest private financial institution in the country paved the way for future issuances. Now Argentine agribusinesses, farmers and bankers will begin to see climate finance for the opportunity that it provides. Banco Galicia’s success with its green bond has triggered interest from several other banks in the country and across Latin America.
The pioneering bank has embarked on an ambitious mission to become the world’s first green commercial bank and has embraced green development as its business philosophy. By 2025, the bank aims to dedicate 60 percent of its loan portfolio to climate-friendly projects. In addition, the bank has set goals to make 70 percent of its financial products green, and to ensure MRCB’s operations are 100 percent carbon-neutral.

As the first pilot partner under IFC’s Green Commercial Bank Framework, MRCB has already created financial offerings tailored specifically for green buildings. More products for climate-smart agribusiness, transport, wastewater treatment, and waste-to-energy projects are in the pipeline.

“We are partnering with IFC to transform into a green bank in all aspects of our operation and business, including designing green financing products that meet the unique needs of our clients in a variety of sectors. Our ultimate aim is to incorporate climate finance into all business lines and embed green elements in all products and services. That is the heart of our business.” said MRCB Chairman, Sun Xiao.

Already, the bank’s climate-finance operations have supported more than $67.56 million in investments in renewable and clean energy projects, and a further $74 million in investments in industrial energy efficiency and green buildings.

The results speak for themselves. In 2018, MRCB reported that its green financing had reduced greenhouse gas emissions by more than 600,000 tons—the equivalent of removing 127,000 cars from the road. In addition, the energy savings from its green loans are estimated to amount to almost 265,000 tons of burned coal.

For MRCB, going green is much more than a marketing slogan. It brought that mission home when its headquarters became the first commercial bank in China to be certified to IFC’s EDGE green building standard. To achieve certification, buildings must use 20 percent less energy, 20 percent less water, and 20 percent less embodied energy in materials compared to conventional buildings. Moving forward, MRCB plans to apply the EDGE standard to all its new office buildings.

The bank is also digitizing its operating system and lending activities by using IFC’s Green Finance Operating System. With technical
support from IFC, MRCB is also developing quantitative assessment tools to identify, assess, and evaluate green projects.

Information and awareness will be a key part of the green-banking revolution. To this end, IFC supported MRCB in launching a green digital-finance platform. Green-fin.com provides all stakeholders with open access to the latest climate-finance policies, market information, business opportunities, project databases, and technical advice. The bank also developed a WeChat mini app. The app captures and calculates the environmental benefits of the bank’s climate-finance operations and encourages clients and employees to offset their carbon footprints.

The bank’s environmentally friendly philosophy extends throughout its organizational culture. The most senior levels of management have taken a hands-on approach to MRCB’s green banking operations and to building its climate-smart brand. This cultural change has proven to be influential in its success. The bank also developed a green-financing manual for staff, and by 2025, the bank estimates 80 percent of all employees will have been trained through IFC’s Green Finance Certificate Program, which fosters the talent needed to grow the green finance sector.

Using its global network of partners, IFC helped MRCB embark on collaborations with some of the world’s preeminent innovators in green finance. The bank is working with Lawrence Berkeley National Laboratory in California on ways to accelerate the research, development, and deployment of new products that will unlock primary and secondary market capital and scale market adoption of climate finance. MRCB also partners with the renowned School of Environment and Natural Resources at Renmin University and the International Institute of Green Finance at China’s Central University of Finance and Economics in policy research, industry studies, tools, and market development papers.

In partnership with IFC, MRCB’s innovative work is creating a roadmap for a sustainable future for small and medium-sized banks. By seizing on green finance and environmental standards as opportunities, rather than impediments, MRCB is demonstrating that it’s possible to outperform competitors, expand market share, and increase profitability while ushering in an era of green growth for China and the planet.
China is one of the world’s biggest consumers of energy and it faces daunting environmental challenges. ABC—the world’s third-largest bank by asset size—wanted to be part of the solution. So it sought out IFC’s expertise, and within just three years, this collaboration has delivered remarkable results.

ABC’s green portfolio has jumped by 62 percent, while its climate-smart investment through lending nearly doubled from $97 billion in 2016 to $157 billion by the end of 2018. This translates to greenhouse gas reductions of than 60 million tons annually—the equivalent of removing more than 12 million cars from the road or eliminating emissions from over 15 coal-fired power plants.

“As one of the Big Four banks in China, we feel a great sense of responsibility to take up the environmental challenges facing our country and the globe,” said Zheng Qiao, head of ABC’s green finance office. “We’re proud of what we’ve been able to do through our partnership with IFC. It’s setting a precedent for banks, no matter what their size, to emulate.”

Using advice and technical support from IFC, ABC established and strengthened its mechanisms and capacity to build a sustainable—and scalable—green finance business.

Since 2006, IFC had been at the forefront of efforts to support green banking through its China Climate Finance Program (formerly known as CHUEE). By 2016, IFC’s work with seven Chinese commercial banks had reduced over 20 million tons of greenhouse gas emissions per year and helped these financial institutions to build a combined green portfolio of more than $100 billion.

However, its partnership with ABC took this impact to the next level and ushered in a new era of impactful green financing.

With IFC’s support, ABC became the first of China’s Big Four banks to launch and implement a standalone green finance strategy. This leveraged ABC’s enormous branch network and client base to scale up green finance volumes in the banking sector, which in turn supported secondary markets. The strategy paid off. By the end of 2018, ABC’s renewable energy portfolio was valued at $45 billion and its energy efficiency portfolio rose to $8.2 billion.

Deploying its expertise and experience, IFC advised ABC on the issuance of the first green Assets-Backed Securities (ABS) in China. IFC also provided third-party verification of the environmental performance of the securities’
underlying assets.

Since partnering with IFC, ABC has become much more than one of the most active banks in green finance in China. It’s also the first Chinese bank to issue green bonds in the international financial market.

Such moves were made possible because China had already established a leading role on the global climate stage. It was one of the first countries to issue green credit policy guidance. This requires China’s top 21 banks to report regularly on green lending and their impact on greenhouse emissions.

In 2016, China also became the world’s largest issuer of green bonds, with its Green Financial Bond Directive underscoring the need for banks to play a central role in solving China’s environmental problems.

ABC’s success in green lending and green bonds has had a ripple effect through the wider market. It’s encouraged other players to embrace green finance, ramping up much-needed support and demand for climate-smart development.

By demonstrating the positive impact of green finance on its bottom line—and providing a model of how to bring this to scale—banking giants like ABC are critical to ensuring efforts to combat climate-change pay dividends for future generations in China and worldwide.
In 2016, the bank engaged in an advisory services project with IFC’s EDGE (Excellence in Design for Greater Efficiencies) and Climate Finance teams. The goal was to improve the energy-efficiency in buildings in large cities with populations of 400,000 or more. IFC provided training for Bancolombia staff and developers from the cities, and several buildings were constructed or upgraded to be more energy-efficient.

At the project’s close, 10 buildings had applied for EDGE certification; three had obtained the certification. The certified buildings were all Social Interest Housing apartments—or subsidized apartments for residents who apply via a government program to purchase the units. The government certifies that the apartments meet strict pricing and size caps.

Before IFC’s engagement with Bancolombia, policymakers in the country had considered green building technology too expensive for Social Interest Housing budgets. The EDGE certifications enabled the government, construction and banking sectors to show that green building was not only affordable for the residents paying the utility bills; it was also possible to construct green buildings within strict budgetary guidelines.

Since 2008, Bancolombia has had an internal task force assigned to continuously evolve and improve its sustainability strategy and working plan. To evaluate progress, the bank has assessed its operations through the Dow Jones Sustainability Index (DJSI). The Index measures the sustainable performance of companies in economic, social and environmental matters. Established in 1999, the Index is a benchmark for foreign investors that include the management of sustainability as a criterion for investment decisions. Scoring 87 out of 100 in 2018, Bancolombia was named the most sustainable bank in the world.

Bancolombia continued expanding on its commitment to climate finance when it became the first private financial institution to issue green bonds in Latin America in late 2016. IFC supported the issuance by sharing

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Headquartered in Medellín, Colombia, Bancolombia also serves Bogota, pictured here. This city ranks among the 20 fastest-growing urban areas in the world. Photo © International Finance Corporation

our expertise in the green bond market with the bank and by fully subscribing to the issuance at $115 million. “Our partnership with Bancolombia on the green bond was a milestone for the bank and has paved the way for its further issuances and those of other financial institutions in the country and region,” said Allen Forlemu, the Senior Regional Industry Manager of IFC’s Financial Institutions Group in Latin America and the Caribbean.

“Sustainability is in our DNA, in the decisions that we make every day. We want to reduce our direct environmental footprint and encourage clients and partners to do the same. We’re doing this by providing services and products that enable our clients and partners to invest in renewable energy and sustainable buildings. We want to help improve life in the communities we serve,” said CEO Juan Carlos Mora Uribe.

The proceeds of the bond issuance are financing sustainable construction, cleaner energy production, energy efficiency and renewable energy (water, biomass, wind and photovoltaic solar energy) projects. So far, 56 percent of the green-bond projects consist of small, hydroelectric power plants that operate on the edge of water sources without a dam and have a capacity of less than 20 MW. The remaining 44 percent are sustainable construction projects with LEED certification. Projects aimed at mitigating the risk of flooding and promoting water management, reducing CO2 emissions, and generating thermal energy are also eligible.

The issuance is enabling Bancolombia to diversify its sources of funding while demonstrating its strong commitment to sustainable finance. For Colombia, the bond issuance with IFC stimulated domestic capital markets. It also created a new market in the country for climate-friendly investments.

“The first green bond we issued, with IFC, catalyzed the market for green-bonds and gave us a strong business case for issuing a second bond in 2018. This was a public bond, for green construction finance as well as renewable energy” said Mora. This second bond was oversubscribed by 2.8 times its value.
Davivienda

**A Committed Citizen Cultivates a Market in Colombia**

Colombia’s bold goal of reducing greenhouse gas emissions by 20 percent by 2030—in the midst of rapid urbanization—requires not only creativity and commitment, but also the good citizenship of its corporations. In 2017, demonstrating its commitment to financing projects with positive environmental impacts, Davivienda distinguished itself as a forward-thinking corporate citizen. It launched the then-largest green bond by a financial institution in Latin America. IFC fully subscribed to the $150 million bond.

The bank’s green bond also set it apart in the market by enabling it to increase financing for climate-smart projects. Colombia’s need for climate finance by 2030 is estimated to be $195 billion. Initiating the green bond meant that Davivienda seized the opportunity to mobilize some of that capital. It enabled the bank to drive Colombia’s growth by generating new jobs in environmentally healthy industries and by expanding its domestic capital markets.

“With this issue, Davivienda fostered the development of the green bond market in Colombia and in Latin America more broadly. The bank also showed it’s committed to mitigating the effects of climate change,” said Allen Formolu, the Senior Regional Industry Manager of IFC’s Financial Institutions Group in Latin America and the Caribbean. “By subscribing fully to the bond, IFC nurtured the capital market and demonstrated how pivotal green bonds can be to establishing a foothold for new, climate-friendly industries.”

Formolu explained that one key to IFC’s strategy in Colombia is strengthening its capital market as a financing source, which reduces the country’s dependence on foreign debt while bolstering its capacity to absorb economic shocks.

“At Davivienda, we knew that we were moving in the right direction, by committing to finance more climate-smart projects. We saw this not only as good citizenship, but also as an opportunity to show how a bank could drive innovation and future prosperity by funding new industries,” said the bank’s CEO, Efraín Forero.

The issue was part of Davivienda’s Sustainability Strategy, which has the aim of mitigating environmental impacts, adapting to climate change and strengthening its community-building initiatives. In 2012, Davivienda signed a voluntary agreement, the “Protocolo Verde” (Green Protocol), a pact between the banking sector and the government of Colombia to promote sustainability. “We seek to promote

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Banco Davivienda—one of the leading banks in Colombia—has partnered with IFC to help furnish the $195 billion needed to help the nation address the effects of climate change. Photo © International Finance Corporation

and implement good practices that encourage the sustainable consumption of natural resources,” said Forero.

Seventy-five percent of Colombia’s population now lives in urban centers, which are striving to meet the demands of their burgeoning population. Befitting the bank’s logo, a cheerful-looking red family home, much of the green-bond funds will be used to finance sustainable-construction projects.

New buildings in the country are expected to consume 10 to 45 percent less energy and water. These reductions are expected to cut nearly 190,000 metric tons of greenhouse emissions by 2021. The building codes—created in consultation with IFC’s EDGE program—will enable the capital city of Bogota to reduce emissions by 16 percent in 2019, relative to 2007 figures. Davivienda’s own green bond will mean that the bank will be responsible for eliminating 40,000 tons of emissions by 2021.

The bank’s green bond is financing the construction of two large climate-friendly office buildings. One of the structures is expected to use about 48 percent less water than other office buildings around the same size; its energy consumption is also anticipated to be about 35 percent less than older construction. Both new facilities will give preferred parking spots to vehicles with low emissions.

In addition, green finance will support cleaner energy production, energy efficiency and renewable energies—particularly hydropower, biomass, wind and photovoltaic solar energy. Projects aimed at mitigating the risk of flooding and promoting water management are other examples of projects that could access these resources. The advisory component of IFC’s engagement with Davivienda helps the bank identify and classify potential projects that would be suitable for green finance. With the market for green finance growing and still taking shape, IFC’s advisory role supports banks in successfully navigating the space.

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5 IFC’s EDGE software and certification help planners design resource-efficient buildings. Builders, planners and architects have used EDGE in the construction of residential and commercial buildings in about 120 countries. Learn more at https://www.edgebuildings.com/.
Despite the power crisis in the early 2010s, the tough operating conditions and political turmoil, Fransabank, the country’s fourth-largest bank, made a commitment to environmental sustainability. Chairman Adnan Kassar signed on to the UN Global Compact, aligning with former Secretary General Kofi Annan, and promised to make sustainability a priority in Lebanon. With IFC’s support, the bank launched the first-ever green-finance initiative in the Lebanese banking sector.

In 2013, IFC, in partnership with the Canadian Climate Change Program (CCCP), began discussions with the bank toward providing it with sustainable energy financing (SEF) credit lines for $40 million. “This was to support the bank’s strategy toward expansion into the green-lending space,” said Marcel Rached, the IFC Investment Officer in charge of the relationship with Fransabank.

IFC’s SEF Advisory Services team ramped up the bank’s capacity and its staff’s technical skills in climate finance, establishing Fransabank as a market leader in green finance. This success prompted the bank’s management to deepen its commitment by developing a first-ever green-bond program consisting of several issuances and totaling $150 million.

To introduce green bonds in the Levant region, IFC SEF Advisory Services first engaged with the Capital Markets Authority to develop guidelines for the Green Bonds’ issuances. After the first bonds were issued and the major investors, IFC and the European Bank for Reconstruction and Development (EBRD), subscribed at $45 million and $15 million, respectively, experts were convinced that the green bond program of $150 million could generate enough capital to initiate Lebanon’s transition to renewable energy. The bond received Moody’s highest green bond rating, GB1 – Excellent.

Once the financing was available, the challenge became persuading customers that they needed to go green. “The biggest challenge we faced was convincing our clients to make the switch to renewable energy sources” said Carine Azkoul, the Project Manager for Green Projects at Fransabank. “They became convinced when they learned about the cost savings.”

With IFC’s help, the bank launched a
market-outreach strategy. IFC conducted energy audits and assessments for customers representing vital sectors of the Lebanese economy—such as agriculture and manufacturing. When undergoing the audits, clients started to see Fransabank as a strategic partner. The bank was helping them reduce costs by investing in energy efficiency and renewables.

The CEO and owner of Zeenni Steel Industries & Trading, Ziad Zeenni, reported, “We did an energy audit and found out that we had imbalances in consumption that we could remedy by making small investments that would save us up to 65 percent of our previous energy costs.”

With the efficiency measures and renewable energy features Zeenni added at the factory, the company saves up to $340,000 per year in fuel costs and prevents 1.3 million kilograms of CO₂ emissions from being spewed into the atmosphere. Zeenni is glad he decided to have the energy audit. His experience exemplifies Fransabank’s green-finance goal—to encourage projects that benefit the end user, the environment, and market stakeholders.

To ensure the bank reached a wide range of customers, it collaborated with IFC on a multi-layered marketing strategy. Groundwork was key. There was a need to organize stakeholders and influencers to produce, promote and participate in regional and sector-specific green workshops, roadshows, client visits and energy audits like the one at Zeenni’s factory.

For this, the bank and IFC built strategic alliances, cultivating an ecosystem of market partners that could efficiently reach clients that wanted to green their operations. This ecosystem now covers key decision makers, policy influencers, market players—such as the Lebanese Center for Energy Conservation, the Association of Lebanese Industrialists, the Ministry of Industry, the Tripoli Chamber of Commerce and municipalities. All play vital roles, building awareness and offering incentives to key communities and organizations, such as the Order of Engineers and Architects, independent energy experts, renewable energy integrators and energy-services companies, to adopt energy-efficiency and renewable-energy measures.

“We reach out through communities and networks so that we can recruit a wider group of potential customers,” said Riccardo Ambrosini, the Regional Climate Finance Specialist with IFC. In this way, Fransabank has provided climate finance to a university library—thus contributing through energy-cost savings to making education more affordable. The bank has also financed green projects for several small and medium-sized enterprises (SMEs), farmers, office buildings, and others, creating success stories across Lebanon and setting yardsticks for targets to achieve and examples to follow.

To date, Fransabank’s Sustainable Energy Finance portfolio reports strong results, such as the following (as of March 2019):

- More than 138 disbursed sustainable-energy loans (44 with green bonds) totaling more than $76 million
- More than 20 sustainable-energy loans for the industrial sector
- 20.5 GWh of fossil-fuel energy savings (16.6 GWh with green bonds)
- 15,200 tons of equivalent CO₂ emissions (12,500 tons of that with green bonds)

Considering the growth in the global market for green bonds and the vast climate-investment opportunities available in the Levant region, Fransabank’s decision to go green is looking wise, profitable and environmentally conscious.
Recognizing the need to preserve this stunning environment — and build sustainability into its business — Sri Lanka’s largest private financial institution, the Commercial Bank of Ceylon (CBC), teamed up with IFC to significantly expand financing for climate-smart projects across the island. In 2017, IFC committed $100 million to help CBC boost its lending for local renewable energy and energy-efficiency projects. Leveraging IFC’s financial backing, advice, and technical support, the bank was able to harness a jump in private sector interest in green projects.

“IFC has been an invaluable partner in our ‘green’ journey, providing us guidance to develop a robust green financing strategy,” said CBC’s Chief Executive Officer, Sivakrishnarajah Renganathan.

“This partnership has been instrumental in Commercial Bank’s enhanced ability to make financing available to our customers, who are committed to contributing to a cleaner and more sustainable environment by mitigating or adapting to climate change risks,” he added.

Sri Lanka’s first commercially-viable wind power project is among the pioneering projects supported by CBC, along with the first commercial-scale solar power project developed in the country. In 2018, the bank financed over $31 million in green initiatives. To date, renewable energy projects account for approximately a quarter of the bank’s green loan disbursements. It is also supporting energy and water efficiency, waste management, emission reductions, and environmentally-friendly transport projects.

However, to make a truly lasting impact, both IFC and CBC recognized that this green financing initiative needed to do more than benefit the environment; it had to make good business sense for the bank and its clients too. That’s why IFC’s seven-year financing commitment was combined with a holistic program of training, capacity building, and technical assistance.

Creating a profitable pipeline of green finance deals would be critical for success, and over 18 months, IFC and CBC worked together to develop and implement a green banking strategy that would grow the bank’s loan portfolio in a sustainable manner.

Focus sessions helped CBC relationship managers identify and map potential clients. Teams established eligibility criteria for loans...
IFC helped the Commercial Bank of Ceylon (CBC) to finance the first commercial-scale solar project in Sri Lanka. Photo © Commercial Bank of Ceylon

and developed a range of green finance products tailored specifically to the needs of the Sri Lankan market.

IFC methodology and tools provided the bank with the means to assess the technological and financial viability of proposed green projects, and teams visited client operations to conduct preliminary technical assessments.

The bank expanded its network of partners and clients by leveraging IFC’s long-standing relationships with developers, government counterparts, and key stakeholders in climate finance, such as energy-service companies specializing in energy efficiency.

IFC also worked with CBC to strengthen its communications capacity, meet international best practices, successfully market its climate finance offerings to key clients, and establish the bank as a market leader in green financing.

By incorporating train-the-trainer programs, the CBC has been able to continuously strengthen and broaden its green finance operations with an eye to the future. In fact, it has already expanded its array of green banking offerings, adding new leasing products for electric and hybrid vehicles, residential solar panels, efficient lighting systems, and other climate-smart products.

CBC’s commitment to green banking has garnered international recognition. In 2018, the bank was named “Green Company of the Year” at the Asia Corporate Excellence and Sustainability Awards.

With the Sri Lankan government setting a 2030 goal for achieving energy self-sufficiency, using domestic renewable energy supplies and natural gas to transition away from its reliance on polluting coal and oil, CBC is well positioned to continue leading the banking sector in greening the economy on the Emerald Isle.
I
n December 2018, Ukrgasbank had financed every second megawatt of new renewable energy in Ukraine—a swift change for a bank that only two and a half years before had adopted a strategy to become the country’s climate-finance bank of record. It also became the first commercial green bank in Eastern Europe.

The transformation began in 2015, when the government started to overhaul the banking system after an economic crisis in which the International Monetary Fund intervened with a $17.5 billion assistance package. In a plan to privatize state banks, the government first sought to reform and strengthen the country’s financial institutions. This gave the leadership at Ukrgasbank the opportunity to rebrand and build an undeveloped market for climate finance.

Greening Ukrgasbank would also help the government (the 95 percent owner of the bank)—beset with land degradation, radiation contamination and inefficient Soviet-era infrastructure—achieve its 2020 energy targets. These include increasing the share of renewables in total energy production from 1.5 to 11 percent; decreasing gas imports by 40 percent; and reducing consumption by 9 percent. Ukraine had also set the goal of ensuring that by 2035, 25 percent of the nation’s energy would come from renewable sources.

Committed government leadership and IFC’s partnership helped the bank to quickly promote and implement its forward-thinking climate strategy. IFC had estimated that Ukraine had a green-finance gap worth $73 billion6 and consumed three times more energy than its neighboring countries in Europe. By bringing in IFC as a strategic partner in its transition, Ukrgasbank could rely on an organization with technical knowledge in environmental-impact assessment, investment analysis and green banking.

“In May 2016, IFC and Ukrgasbank started a joint green-finance development project for companies interested in implementing projects...
in renewable energy, energy efficiency and environmental protection,” explained Viktor Duma, Deputy Head of External Relations at the bank.

Carefully tailoring its approach, IFC provided Ukrgasbank with a comprehensive set of advisory services, including training programs, extensive support for credit managers in the technical aspects of project evaluation, assistance with developing policies and procedures for green loans, and help with identifying target markets for green finance.

With IFC’s assistance, Ukrgasbank instituted a green finance team, which includes experts to monitor the technical side of climate-finance projects. IFC also helped the bank incorporate the IFC Performance Standards into green-loan agreements.

Training more than 100 participants in at least 40 workshops, IFC covered a wide range of topics—from assisting SMEs and corporations in improving their environmental performance and identifying potential energy-saving projects to environmental and social-risk management and communications strategy. Motivated by the chance to do something helpful for the environment, bank staff eagerly joined in training.

On the demand side, IFC supported the bank in organizing conferences and seminars to raise awareness of the need to switch to energy-efficient technology and renewable sources of energy—with the help of climate finance from Ukrgasbank. IFC and the bank helped SMEs understand the potential cost and energy savings that climate-related projects can yield. “We’ve developed and implemented a range of green products for all customer segments, including corporates, SMEs and retail,” said Kyrylo Shevchenko.

Fitting its pioneering role in green banking across Eastern Europe, Ukrgasbank provided the first green loan for the installation of treatment facilities at one of the largest metallurgical plants in Europe, PJSC Zaporizhstal Integrated Iron & Steel Works.

Since embarking on its green journey with IFC, Ukrgasbank has disbursed finance more than 400 loans for mid-to-large-scale climate projects. The partners have mobilized more than $800 million as a result of the three-year engagement. More than half of the bank’s new SME business consists of eco-loans.

“We estimate that collectively, the projects we have financed prevent about 1 million tons of CO₂ emissions a year, and we continue to expand this part of our business,” said Kyrylo Shevchenko, the bank’s CEO. The bank’s green lending amounts to 27 percent of the total customer loan portfolio; the plan is to nearly double the share of green-energy loans by 2021.

In Ukraine before IFC’s engagement with Ukrgasbank, no role models existed for commercial banks wishing to develop healthy climate-finance businesses. IFC and Ukrgasbank solved this problem for the private sector by showing how successful the transformation of a bank into a specialized green-finance institution could be. The bank’s experience showed that sustainable energy finance could be viable even in a challenging market, with political and macroeconomic instability. Ukrgasbank created a strong demonstration effect not only for Ukraine, but also for the Eastern European region.

And since last year, the bank has begun serving as an active partner in the Carbon Pricing Leadership Coalition, a group that benchmarks carbon pricing to drive the market for green technology and finance toward increased competitiveness, innovation, job growth and greater emissions reduction around the world. Now, privatization is sure to lead to even greener pastures for Ukrgasbank and its customers.
Since 2015, an upsurge in violence has wrought terrible hardship on the residents of Sana’a and across Yemen. Half of the country’s population lives in poverty. Jobs and economic opportunities are scarce. With most of the electricity grid destroyed, locals have increasingly turned to solar energy to power their homes, hospitals, schools, and businesses.

However, the cost of solar powered lights and appliances is still out of reach for most people, and an influx of poor-quality products in the market threatens to lower confidence in the fledgling industry. Recognizing the need for a more robust renewable power sector, IFC partnered with Al Kuraimi Islamic Bank (KIB) to develop a green financing model to support sustainable and affordable solar projects in the country.

“Our solar financing products reach out to key sectors in the country so they can benefit from solar power, reduce their costs, and sustain their businesses under very hard circumstances,” said KIB’s Head of Financing Sector, Taha Eskandar.

IFC and KIB have a long-standing and positive relationship. KIB originated as a family-run money transfer and currency exchange business in 1995. It built a strong reputation and vast branch network across the country. Then, in 2010, not long after receiving a microfinance bank license, it began working with IFC and the World Bank to expand its operations.

While the ongoing conflict prompted many financial institutions to scale back their presence in Yemen, KIB strengthened its commitment to serving the community. Its financing, deposit, transfer, and salary payment operations are now a crucial financial lifeline for many local people and small-scale entrepreneurs, and in 2018 it was granted a full commercial banking license.

Even before the escalation of armed conflict, the World Bank estimated 60 percent of the population could not access the national power grid. Both IFC and KIB saw that the nascent solar industry in Yemen possessed the potential to be a game-changer—generating new business for the bank and its clients, while delivering much needed energy to the country.

So in 2018, IFC and KIB began work to identify and map the existing scope and future potential of the solar photovoltaic (PV) market. Demand among residential customers has boomed. In fact, the widespread destruction of Yemen’s already limited conventional power infrastructure led...
to annual growth rates in the solar industry that normally take a decade or more to achieve.

Providing the agricultural sector with access to financing is also key to shoring up the foundation of the Yemeni economy and combatting widespread famine, which the United Nations warns could soon be the deadliest in history.

So, IFC and KIB began to pilot green finance solutions that would enable farmers to replace their expensive diesel and electric water pumps. Demand proved strong, and in just a few months, KIB financed over 73 solar-powered pumping systems.

“With the help of IFC we were able to build a solid structure internally to support our loan officers in the field and help them go after renewable energy projects,” said Eskandar.

IFC and KIB developed a go-to-market strategy that included designing finance products specifically tailored to meet local market needs.

KIB created a dedicated solar support unit within the bank, and IFC facilitated training to build the capacity of staff to manage climate-finance projects. IFC also helped the KIB team connect with solar suppliers and other key players in the Yemeni market.

Minimizing risk was another key component in the strategy to build KIB’s climate finance business. IFC helped the bank adapt internal audit and compliance procedures, and put in place screening criteria for solar suppliers, as well as tools and methods to evaluate the technical and financial viability of potential solar projects.

“We aim to be the leaders in this sector and create new opportunities that benefit clients, solar suppliers, and the environment,” said Eskandar.

The KIB-IFC partnership has already produced impressive results, with the bank financing over $1.4 million dollars of solar products for agricultural, residential, and small business customers, avoiding 1000 tons of greenhouse gas emissions, and building a healthy pipeline of future projects.

There’s no denying that Yemen still faces many daunting challenges. From the rooftops of the old city of Sana’a to the country’s remote farming fields, IFC and KIB are committed to helping the community bring power and light back into their lives.
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Produced with the support of Denmark and Japan

Cover Photo: IFC and its client, Al Kuraimi Islamic Bank (KIB), are defying the darkness which ensued from the conflict in Yemen. This wind farm is one of the projects KIB financed. © Al Kuraimi Islamic Bank (KIB)

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