



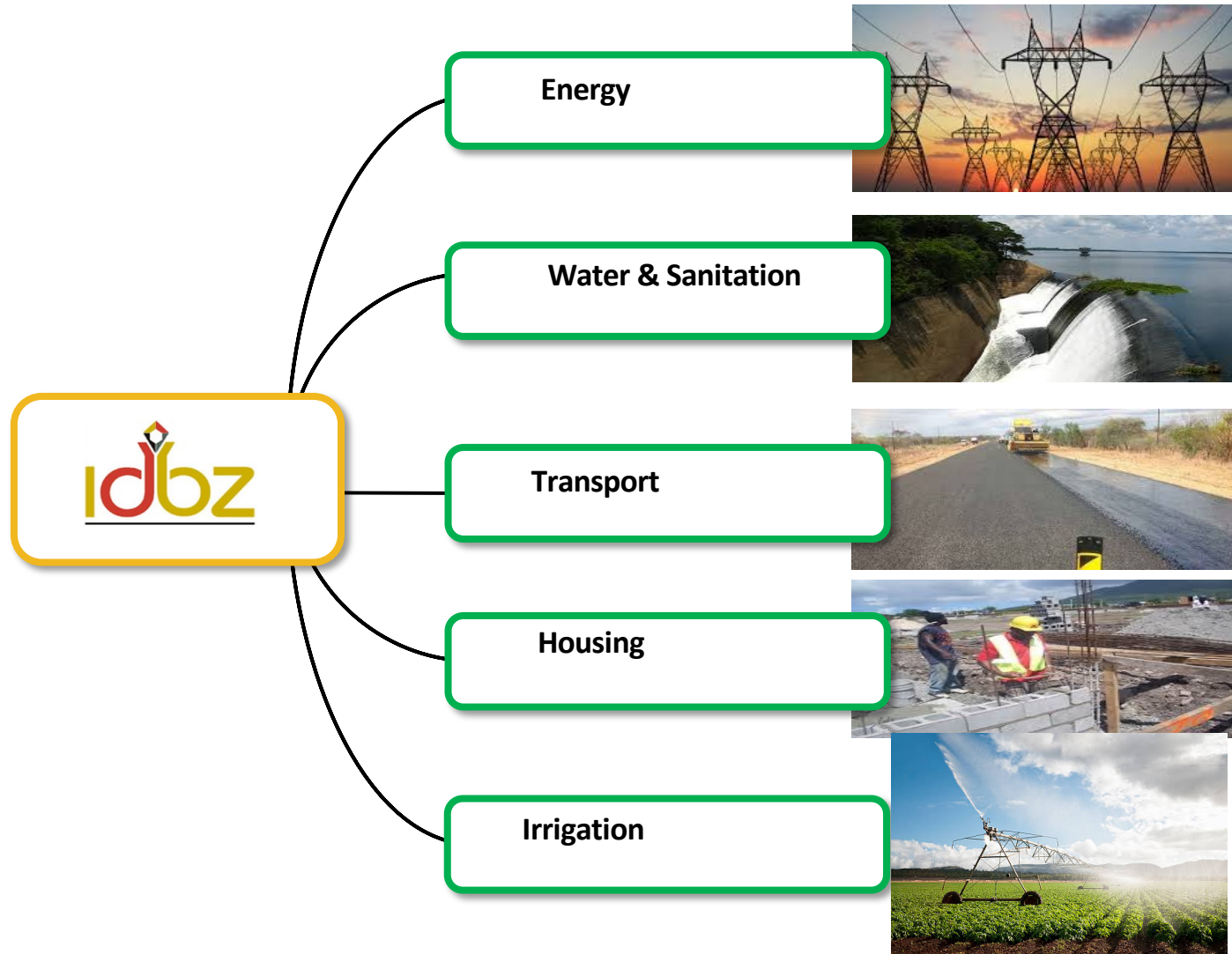
Financing Sustainable Infrastructure: Case of IDBZ

1st December 2021

IDBZ Mandate

- The IDBZ is a **national DFI** with a mandate on long-term **infrastructure finance and development**.
- The Bank is alive to the Sustainable Development Goals discourse and climate change issues.
- The Bank seeks to fulfil its mandate through various interventions including:
 - => **providing technical capability** in project preparation/packaging, contract negotiations and implementation monitoring;
 - => **mobilising resources** for project development and implementation;
 - => providing **Capacity Building and Knowledge Sharing**.
- The IDBZ **values the importance of partnerships between the Bank and both public and private sector stakeholders**.

IDBZ Primary Sectors



These sectors are identified as **key enablers** for sustainable and inclusive socio-economic development.

Infrastructure Finance

- Infrastructure development lies at the nexus of economic growth, productive investment, job creation, and poverty reduction.
- We have a huge financing gap.
- According to the World Bank, emerging economies require US\$1.3 trillion annually to meet the infrastructure requirements of the economies if we are to meet the SDG targets.
- On the one hand, the infrastructure needs exceed sources of traditional funding. On the other hand, the traditional sources may even contract due to reduced fiscal and donor resources as well as tighter international banking regulations.
- The international development community acknowledges the increasing need for enhanced participation of the private sector, especially as long-term financier, in infrastructure projects.

What is Sustainable Infrastructure?

- Infrastructure that is planned, designed, constructed and operated to optimise environmental, social and economic outcomes over the long-term(*Infrastructure Sustainability Technical Manual*)
- So, the required investments should be increasingly targeted towards low carbon, sustainable infrastructure projects that ensure economic, financial, social, environmental (including climate resilience), and institutional sustainability.
- Sustainable infrastructure investments avoid negative impacts on the environment, enhance the quality of life of local communities, provide for economic growth and productivity, and promote climate resilient infrastructure assets.
- Sustainable infrastructure investments are also key in helping governments achieve their Nationally Determined Contributions (NDC) as part of the 2015 Paris Agreement.

Sustainability Overview

- The **shift from brown to green actions** calls for **additional resources** and this follows also the need to address the impacts of climate change, including enhancing resilience of communities.
- The world will have to invest \$90 trillion in sustainable infrastructure by 2030, according to estimates by The New Climate Economy.
- The current climate finance flows fall short of the required US\$5 - \$7 trillion per annum for the global infrastructure to address climate change towards resilience and sustainability and remain below the 2 Degree Celsius temperature goal by 2030.
- These figures indicate that developing countries account for about US\$4trillion per year, representing approximately two-thirds of global infrastructure investment.
- Hence, it is important to further understand how countries can **scale up sustainable, green climate finance to meet low-carbon, climate-resilient investment needs**, enhance existing investment levels and future needs in line with the increasing global average temperatures.

Sustainability Overview

- 70% of the Greenhouse Gases come from Infrastructure, including energy, buildings etc
- There are existing obstacles to mobilise investment or green finance in low carbon and climate resilient infrastructure
- Sustainability and resilience may be perceived as critical in the financial sector but well-defined concepts are not spread
- Sustainability is not always defined in monetary but rather qualitative terms
- Sustainability factors involve a long-term investment horizon such as reduction of climate risks
- Comprehensive and efficient measurement tools are needed to make risks and benefits transparent

IDBZ Green Finance and Sustainability

Initiative 1

- Accreditation to the Green Climate Fund

Initiative 2

- Strengthening of IDBZ's Fiduciary, Environmental and Social Safeguards Standards and Gender Policies

Initiative 3

- Establishment of a Green Investment Framework (Climate Finance Facility and Green Bond Framework)

Initiative 4

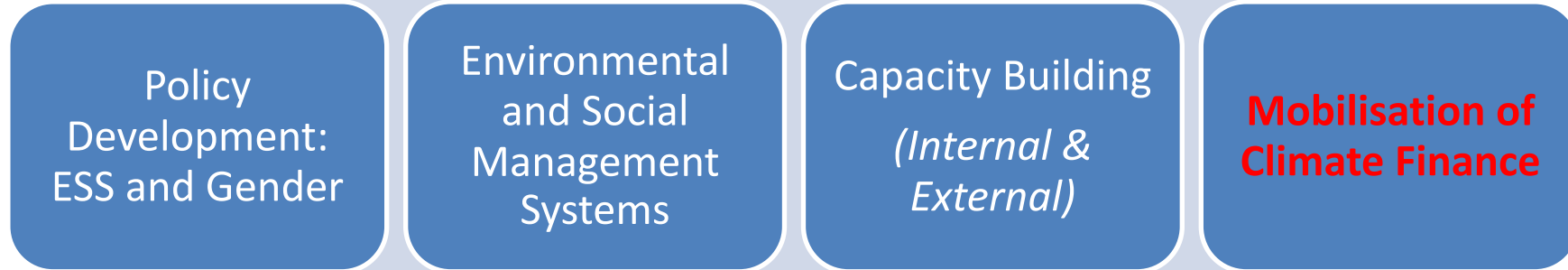
- Sustainability Standards and Certification Initiative

IDBZ nominated by Government (through MoEWC) to act as National Implementing Entity (NIE) – a national institution responsible for coordinating national efforts to package green projects and accessing climate financing from the Green Climate Fund (GCF).

Initiative 1: Green Climate Fund Accreditation

- A thriving green banking sector can play a fundamental role in implanting NDCs and assisting the country to meet its obligations.
- The Bank was accredited by the GCF in 2021

Initiative 2: Institutional Strengthening for Climate Finance Readiness



Objectives of Institutional Strengthening:

- To address key gaps in institution's fiduciary and ESS standards as identified in the **GCF Gap Assessment (project at risk assessment strengthening)**
- Align IDBZ processes and institutional arrangements to requirements of climate funding platforms e.g. GCF, GEF and IFC/World Bank.
- Position the Bank as a Direct Access Entity for channelling climate finance resources towards country's NDC Work Programme ***(in line with NCP)***.
- Trickle down institutional strengthening to executing entities through ESS, Gender and Procurement Framework requirements.

Initiative 3: Green Investment Framework

An initiative that the Bank is working on with the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement.

- **NDC Financing Strategy** - discussed **challenges facing Zimbabwe in financing the implementation of its Nationally Determined Contribution (NDC)** and re-engagement of international capital markets.
- **Mainstreaming Green Investment** - To rapidly establish a process that will spur sustainable financial products such as green, social and sustainable bonds/notes and loans, which will contribute to achieving the NDC, improve risk perception, attract greater inflows of foreign capital and scale up pipelines of bankable projects and domestic investments.
- **Development of Green Investment Catalyst Framework** - To be envisaged as Zimbabwe's green finance (loan and bond) framework (guidelines, taxonomies etc.)
- **IDBZ Role as Demonstration Issuer** – Once green finance framework is developed, the IDBZ to develop Zimbabwe's first green bond/note issue with assistance from international technical partners.

Initiative 3: Climate Finance Facility

- The Climate Finance Facility and Green Bond Framework are the two initiatives set to support the Zimbabwe Green Investment Framework.
- The **Climate Finance Facility (CFF)** is essentially a **ring-fenced Fund dedicated to financing green projects** in Zimbabwe in the priority areas of renewable energy (including off-grid systems), irrigation schemes, waste management, etc.
- **The intention is therefore to use the CFF as a platform/tool to crowd in various climate finance sources and private sector investment into the financing of green projects so that as a country we don't rely solely on the GCF for funding.**
- **GCF is not the only source of climate financing** – there is **need to broaden sources of climate financing**, including accreditation to other climate funds which supports environmentally friendly and sustainable development initiatives.
- The Bank is engaging a consultant to conduct a Climate Finance Facility Feasibility Study to inform its viability, possible legal and governance structure, capitalization and co-financing.

Initiative 4: Sustainability Standards and Certification Initiative

- IDBZ is pursuing the Sustainability Standards and Certification Initiative (“SSCI”) being implemented by the European Organisation Sustainable Development (EOSD).
- This initiative seeks to:
 - Strengthen the Bank’s institutional arrangements in implementing sustainability (e.g. corporate governance, vision, impact investment and evaluation);
 - Enhance the Bank’s innovation Strategy;
 - Enhance mainstreaming of social value and environmental issues in the Bank’s policies, procedures and operations;
 - Internal reporting systems for banks needed to be linked to social values and environmental sustainability; and
 - Enhance information disclosure, transparency and accountability.

Initiative 5: Infrastructure Value Chain Financing Facility

Objectives

- To promote infrastructure development in Zimbabwe by enhancing the capacity of key players in the infrastructure value chain to improve their effectiveness and efficiency in their operations through provision of working capital and capital expenditure finance.
- To provide advisory services for the promotion of sustainable project management initiatives by the borrowers.

Collaboration Opportunities

- There is scope for collaboration with other financiers who are actively championing the cause for green projects through syndication and joint ventures with municipalities, government departments and private sector.

Initiative 6: Project Preparation and Development

- The Bank is working on an integrated project life cycle which combines the ESSM cycle with the Bank Loans and Project Investment Approval Process.
- The integration ensures that environmental and social risks and impacts are identified, assessed, evaluated, mitigated, managed and compensated while positive impacts are enhanced throughout all the project phases:
 - i. Project Identification
 - ii. Project Appraisal
 - iii. Project Implementation
 - iv. Project Completion
- The integrated project cycle is being applied for all IDBZ projects and those that the Bank is a financial intermediary.
- Project bankability is critical to accessing finance.

Project Preparation and Development

Activities done during project preparation to attract green financing:

- Compliance with all applicable Zimbabwean legislation such as Environmental Management Act (*Chapter 20:27*) and related regulations, National Social Security Authority (NSSA) Regulations etc and the national obligations under international law e.g. United Nations Framework Convention on Climate Change (UNFCCC) and relevant standards to which IDBZ subscribes.
- For all projects, the adopted International Finance Corporation (IFC) Performance Standards PS1-PS8 are used to examine the project's environmental and social impacts.
- Streamlining climate change in project preparation and development:
 - i. Ensuring low carbon footprint on all projects and promoting low carbon strategies in projects; and
 - ii. Maximizing on opportunities for climate change mitigation and adaptation actions in projects.
- Timely identification and engagement of stakeholders is done for all projects to guarantee project buy in, sustainability and success for all.

Project Financing



- Project financing is a specialised funding structure that relies on the future cash flow of a project as primary source of repayment, and holds the project's assets, rights and interests as collateral security.
- It is also referred to as non- or limited recourse finance, i.e. lenders have no- or limited recourse to the sponsors or shareholders of the project company for repayment of the loan.
- IDBZ has relied on project financing for most of its projects.

Public-Private-Partnerships



- *Another available financing route is a PPP structure.*
- *A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.*

Conclusion



- There are various sources of finance for infrastructure;
- A lack of bankable projects has made it difficult to raise funding. A robust pipeline of bankable projects is critical.
- There is need to strengthen the institutional frameworks in order to access funding.
- **The IDBZ seeks to play a key role in the country's green and climate actions.**

THANK YOU.



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