ASEAN CATALYTIC GREEN FINANCE FACILITY

An ASEAN Infrastructure Fund Initiative

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Catalyzing resources for green infrastructure in Southeast Asia

ADB

ACGF

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WHAT IS THE ASEAN CATALYTIC GREEN FINANCE FACILITY?

The ASEAN Catalytic Green Finance Facility (ACGF) is an innovative financing initiative designed to scale up the development of green infrastructure projects in Southeast Asia, in support of the climate change and environmental sustainability goals of the Association of Southeast Asian Nations (ASEAN) member states.

The ACGF is a facility under the ASEAN Infrastructure Fund (AIF) and will direct over $1 billion from the AIF, the Asian Development Bank (ADB), and other development partners to de-risk and bridge the viability gap for green infrastructure projects. The ACGF support has the ultimate aim of leveraging greater amounts of private capital for every dollar of development funding spent.

Dedicated technical assistance will be provided to support countries to originate, prepare and structure green infrastructure projects.

Through its 3-year pilot phase (2019-2021), the ACGF will build a pipeline of energy, transport, water, urban, and multisector projects that actively contribute to environmental sustainability and climate goals and that crowd in private capital in the long term.

The ACGF’s mission:

To accelerate the development of green infrastructure in ASEAN by better utilizing public funds to create bankable projects and catalyze private capital, technologies, and management efficiencies.
The ACGF has been created as part of the Green and Inclusive Infrastructure Window of the AIF. The AIF was founded in 2011 by ADB and the ASEAN member states to support infrastructure projects in the region. To date, the AIF has committed around $500 million to nine projects, with a total portfolio size of around $3 billion, across infrastructure in sectors such as energy, urban, water, and transport.

A BTS Sky Train running in downtown of Bangkok (photo from Shutterstock.com).
The ACGF directly responds to the need for a de-risking facility that supports governments to catalyze private capital into green infrastructure development.

WHY IS THE ACGF NEEDED?

While infrastructure remains the backbone of economic growth in Southeast Asia, its environmental costs—degradation of natural resources, air and water pollution, and rising greenhouse gas emissions remain high. At the same time, ASEAN countries require investment of $210 billion per year to support infrastructure development. ASEAN countries urgently need more investment in environmentally friendly and socially inclusive infrastructure.

Public finance alone will not be enough to meet the investment need. For green private capital flows to scale up rapidly, however, there is a need for projects to be considered bankable as well as for liquid capital markets and long tenure funds. A lack of bankability has been an especially major constraint to the flow of global private capital flows into emerging markets. Private financers are wary of investing in green infrastructure projects, which often entail higher up-front costs than conventional alternatives and are still relatively new to stakeholders in the region. Creating bankable commercial green investments will require public finance to be used strategically to create conditions to leverage and crowd in private sources of green finance and investment.

Young mangrove trees along the shores of East Tanjung Pinang, Indonesia (photo from ADB).
The ACGF is based on an innovative financing design with the following key principles:

**CATALYTIC**
Mobilizing resources and building pipelines
The ACGF will help to crowd in 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 countries by working with governments and partners to originate project opportunities, provide advice and technical assistance to structure these, and raise development and private resources for projects.

**GREEN**
Promoting environmental sustainability by scaling up green infrastructure
The ACGF will support green infrastructure development in 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, green cities, and sustainable water supply and sanitation.

**FACILITY**
Leveraging public capital
The ACGF will use equity provided by ASEAN member states into the AIF 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 that are currently not attracting these sources of finance.
KEY FEATURES

GEOGRAPHIC FOCUS
Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Philippines, Thailand, and Viet Nam

PROJECT TYPE
Sovereign-backed projects from governments, cities, and state-owned enterprises

SECTOR TYPE
Infrastructure in energy, water, transport, urban, and multisector projects

ELIGIBILITY
Projects must demonstrate:
- contribution to climate change mitigation and/or adaptation, and other environmental sustainability objectives
- potential for ACGF support to improve bankability, as measured against standard financial indicators
- potential to catalyze further resources, including private, commercial, and institutional capital
ACGF projects will be supported by AIF resources combined with financing from donors and development partners through cofinancing agreements and a technical assistance program to support:

**FUNDING FOR DE-RISKING GREEN INFRASTRUCTURE PROJECTS**

The ACGF will direct financing to bridge the viability gap for green projects. Flexibility will be used to determine how loans for ACGF projects can improve bankability on a project-by-project basis. The most likely use of funds will be to cover a portion of the capital or operational costs of a project (in order to achieve bankability). New products and models can be developed to meet the needs of projects.

**PROJECT STRUCTURING AND ORIGINATION**

Technical assistance supported by a dedicated structuring team will identify, originate, design, and structure projects.

The team will develop new financing structures and support individual projects to develop targets and performance measures.

**BUILDING KNOWLEDGE AND AWARENESS**

Through a multipartner platform, the ACGF will build awareness on green finance in ASEAN countries with the aim of developing project pipelines and building capacity to better identify project opportunities. The platform will leverage and build on the strengths of existing knowledge and policy-related organizations, as well as organize regular investor roundtables.
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.

www.adb.org/acgf

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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