ASEAN Catalytic Green Finance Facility

AN ASEAN INFRASTRUCTURE FUND INITIATIVE

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The Association of Southeast Asian Nations (ASEAN) Catalytic Green Finance Facility (ACGF) is a regional $2 billion facility under the ASEAN Infrastructure Fund (AIF). The AIF is owned by the 10 ASEAN governments and the Asian Development Bank (ADB), and is administered by the ADB.

The ACGF was launched in 2019 to accelerate green infrastructure investments in Southeast Asia and to support countries meet their climate change and environmental sustainability goals. In June 2021, following a successful pilot phase, the ACGF was adopted as a permanent facility by the AIF Board. Nine cofinancing partners support the ACGF: ADB, Agence Française de Développement, Cassa Depositi e Prestiti, European Investment Bank, European Union, Green Climate Fund, Government of the Republic of Korea (Economic Development Co-operation Fund), KfW, and the Government of the United Kingdom (Foreign Commonwealth and Development Office).

The ACGF is poised to play a key role in supporting countries to adopt green recovery pathways post COVID-19. In collaboration with ASEAN member states and its cofinancing partners, the ACGF will continue to focus on building a strong pipeline of projects, providing technical assistance and financing support at various stages of project development.

**THE ACGF 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 made considerable progress since its launch in 2019. Between 2019 and 2021, five projects that met the ACGF’s eligibility criteria were approved for inclusion in the AIF financing pipeline.

The five ACGF-eligible projects demonstrate significant leverage, with $60 million of AIF financing committed toward an expected $3 billion in total project costs, including $1.8 billion financing from ADB and $505 million from cofinancing partners. These five projects are expected to reduce greenhouse gas emissions by 221,000 tCO2e per year.
While infrastructure remains the backbone of economic growth in Southeast Asia, its environmental costs, including the 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 these investment needs. For green private capital flows to scale up rapidly, there is a need to support commercially feasible projects which require access to liquid capital markets and financing from investment funds with long tenures. 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 green investments will require public finance to be used strategically to crowd in private sources of green finance and investment.

The ACGF supports governments to catalyze public and private capital into green infrastructure development.
The ACGF is based on an innovative financing design with the following key principles:

**CATALYTIC: Mobilizing resources and building pipelines**
The ACGF helps crowd in private capital by deploying funds to de-risk and improve the bankability of projects. Beyond the impact of the projects themselves, the ACGF helps build urgently needed robust and green infrastructure pipelines in ASEAN member states by working with governments and partners to originate, advise, provide technical assistance, help structure, and mobilize development and private resources for projects.

**GREEN: Promoting environmental sustainability by scaling up green infrastructure**
The ACGF supports 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 uses equity provided by ASEAN member states into the AIF alongside support from ADB and other development partners. As a leveraging facility, it helps 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
ADB developing member countries in the ASEAN subregion

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/adaptation and other environmental sustainability objectives
• potential to improve bankability as measured against standard financial indicators
• potential to catalyze further resources, including private, commercial, and institutional capital
ACGF-eligible projects are supported by AIF resources combined with financing from donors and development partners through cofinancing agreements and technical assistance to support:

**Funding for de-risking green infrastructure projects**

The ACGF mobilizes financing from AIF, ADB and ACGF financing partners to support green infrastructure projects.

**Project structuring and origination**

Technical assistance is provided to support origination and structuring of green infrastructure projects. The aim is to develop a pipeline of investments that integrate innovative financing mechanisms and demonstrate the potential to raise capital at scale.

**Building knowledge and capacity on green finance**

Through a multi-partner platform, the ACGF builds knowledge and capacity on green finance in ASEAN countries to develop bankable, green project pipelines.

In collaboration with partners, the ACGF organizes roundtables and capacity building initiatives on green and innovative finance through the ACGF 6 Champions Program and produces knowledge products to maximize demonstration impact.

*Young mangrove trees along the shores of East Tanjung Pinang, Indonesia (photo by ADB).*
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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ACGF Partners

Cover photo: Maintenance crew cleaning the surface of solar panels to ensure maximum electricity generation at the Sunny Bangchak solar farm in Chaiyabhum Province, Thailand (photo by ADB).