

UK-IFC MARKET ACCELERATOR FOR GREEN CONSTRUCTION (MAGC) IN A NUTSHELL

IFC and the UK Government have partnered to provide blended concessional finance for financial intermediaries in 23 countries to expand their green building portfolios.

The MAGC program helps expand FIs green buildings portfolios by (i) providing concessional finance, and (ii) funding technical assistance whose goal is to develop green buildings pipeline. An associated research program is designed to reinforce the business case for green buildings.

Green Building Market Context

Buildings account for 39% of energy-related GHG emissions. Buildings related emissions have increased by 45% since 1990. This growth will continue as economies, incomes and urbanization rates grow. The construction boom in developing countries will lock in assets with a 40 to 70 year economic lifespan. It is therefore critical to minimize the emissions profile of buildings now. That is why building efficiency is a growing focus for policymakers in terms of establishing definitions in green taxonomies, launching fiscal and non-fiscal incentives, and tightening regulations particularly at the time of sale or rental. **The MAGC program helps IFC financial intermediary clients respond to the opportunities and risks of this changing business environment.**

Why banks are launching green building portfolios.

Potential green building investment flow is very large (IFC estimates \$24.7 trillion between 2018 and 2030 in developing countries) and energy efficiency is a good investment. Incremental capital costs to incorporate green options in new buildings are generally less than 3% of construction costs. Payback from lower utility costs, is usually less than 3 years. Financial institutions have a unique opportunity to encourage their borrowers to decarbonize their real estate portfolios, and thereby **futureproof against increased energy costs, stricter regulation and changing occupant preferences** while also being able to **tap the growing demand for green finance** and claim **leadership** in alignment with the Paris Agreement. By adding green buildings to their pool

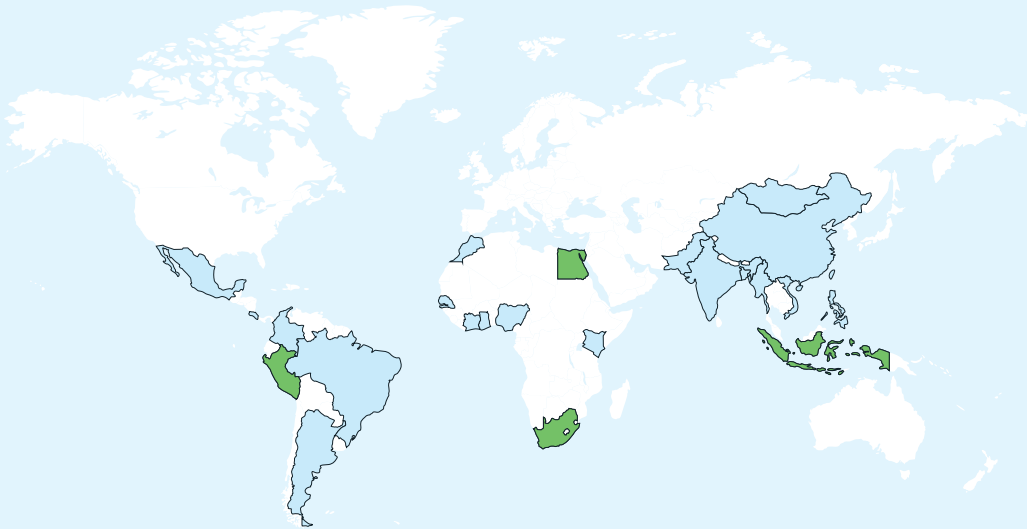
of eligible green assets, financial intermediaries can develop a material asset base **to issue green bonds**. As an example, CIB was the first bank and first private sector entity in Egypt to issue a green bond with its \$100 million issuance in in 2021.

How MAGC works

Concessional finance is deployed alongside IFC financing to lower cost of capital, extend tenor, or reduce a portfolio's risk profile if needed to help a bank grow its certified green building investments in new construction or refurbishment and/or incentivize borrowers to strive for ever greater levels of decarbonization. Recipient banks may help IFC access data about the performance of the underlying assets, which in turns expands the evidence base of the commercial and environmental advantages of green buildings and green building finance.



EDGE is currently funded by the UK Government



Geographic coverage

MAGC is currently available in the following countries (other countries may be added over time):

- ▶ Argentina
- ▶ Brazil
- ▶ Colombia
- ▶ Costa Rica
- ▶ Mexico
- ▶ Peru
- ▶ Côte d'Ivoire
- ▶ Ghana
- ▶ Kenya
- ▶ Nigeria
- ▶ Senegal
- ▶ South Africa
- ▶ Egypt
- ▶ Morocco
- ▶ Bangladesh
- ▶ India
- ▶ Pakistan
- ▶ Burma
- ▶ China (technical assistance only)
- ▶ Indonesia
- ▶ Mongolia
- ▶ Philippines
- ▶ Vietnam

Notable MAGC investments

- ▶ **Indonesia - Bank OCBC NISP - \$100m green bond.** Proceeds from the green bond will be used to provide green loans/mortgages to real estate developers and homeowners. Second green bond for the issuer.
- ▶ **Egypt - CIB - \$100m senior green bond.** At least half the proceeds from the green bond will be used to provide green construction finance for developers. First green bond from the private sector in Egypt.
- ▶ **South Africa - Business Partners Limited - \$41m secured green loan.** Proceeds from the green loan will be used to retrofit commercial buildings owned by or leased out to SMEs.
- ▶ **South Africa - Nedbank Limited - \$71m senior unsecured green bond.** Proceeds from the green bond will be used to finance EDGE-certified residential housing developments with a portion that will target the affordable housing segment. First green bond in Africa to finance homes.
- ▶ **Peru - BBVA - \$60m senior green loan.** Proceeds from the green bond will be used to launch the first private sector green mortgage program in Peru.

Eligibility

MAGC concessional finance is available primarily for new build mid-to low-income housing but all types of buildings are eligible except luxury assets. Refurbishment financing is also eligible. Refurbishment exposure is capped at 35% for the MAGC program as a whole but an individual transaction can be 100% refurbishment. In all cases, the asset to be built or refurbished must meet to IFC's Green Building definition. This requires: Green building certification (using LEED, BREEAM, EDGE, or other systems approved by IFC); Expected improvement of 20% in energy performance against the local baseline; and Measurement of expected impact (energy saved/ GHGs emissions reduced).

Conditions

MAGC concessional finance must go hand in hand with an **IFC investment** and a **technical assistance** program to maximize chances of success. **Reporting** on portfolio results is required in terms of disbursements to end borrowers, and green building certification documentation at the design and/or the post-construction stage. The financial institution is also expected to provide **green incentives to borrowers** to foment greater demand for and/or supply of green building stock. Financial institutions may also help IFC in gathering evidence of the business case for green buildings as a research partner.