Case studies of many of the Lab’s solutions are highlighted throughout the report.
DRIVING SUSTAINABLE INVESTMENT: THE NEED FOR THE LAB
Sustainable investment is critical to tackle the key global challenges of the 21st century

**Climate Change**
Meeting the Paris Agreement goals and ramping up ambition in emissions reductions

**Sustainable Development**
Meeting the Sustainable Development Goals

Sustainable investment is critical to tackle the key global challenges of the 21st century.
Climate investment is increasing, but falls short of global needs
The Lab identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development.

<table>
<thead>
<tr>
<th>Key Statistic</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruments launched</td>
<td>49</td>
</tr>
<tr>
<td>Public and private Lab Member institutions</td>
<td>70+</td>
</tr>
<tr>
<td>Supporting experts, nearly half from developing regions</td>
<td>300+</td>
</tr>
</tbody>
</table>
The Lab brings together over 70 institutions to address the sustainable investment gap
$2.4+ bn mobilized by 49 instruments for climate action in developing countries

$370+ mn invested by Lab Member institutions

Lab instruments have mobilized $2.0+ bn catalyzed in additional investment

200x what funders have invested in the Lab Secretariat
Global and Regional Synergies

The Lab program in Brazil was established in 2016 to identify, develop, and support implementation of finance solutions to drive funds for the country’s national climate priorities.

The Lab program in India was launched in 2015 and focuses on solutions to finance infrastructure for renewable energy and other channels for green growth in India.

The Lab program in Southern Africa created a program for Southern Africa countries, tailored to suit the region’s market for climate finance instruments.

The Global Innovation Lab for Climate Finance was established in 2014 and accepts submissions for ideas in all developing country regions.

India

Brazil

Southern Africa
LAB IMPACT HIGHLIGHTS: 2014-2020
Since 2014, the Lab has launched 49 solutions that tackle investment barriers in the most critical sectors and regions for action on climate change.

Number of Lab instruments:

- **Renewable Energy**: 21
- **Sustainable Cities**: 19
- **Climate Risk**: 15
- **Agriculture, Land Use, Forestry**: 15
- **Energy Efficiency**: 9
- **Energy Access**: 9
- **Asia**: 22
- **Africa**: 20
- **Latin America**: 18
- **Global**: 7
Lab Member investments have catalyzed an additional $2 billion. More than 5x their original investments.
Lab instruments have successfully mobilized over $800 million in investment from the private sector.

More than 90% of measured private finance has come from institutional investors and commercial banks. A small amount has also come from private equity investors.

Private investors also co-invest in projects on the ground, which is more difficult to measure.
The Lab has prioritized innovation in adaptation finance by supporting instruments that tackle critical barriers to investment.

To date, 16 Lab instruments address climate change adaptation challenges. They include:

- **Monetizing Water Savings** – A collaborative “pay for performance” approach to accelerate sustainable agriculture practices in water-stressed regions, piloting in Mexico.

- **Climate Adaptation Notes** – Streamlines water scarcity adaptation project financing into a single instrument through a partnership between commercial banks and institutional investors.

- **Rural Prosperity Bond** – Accelerates land restoration efforts by combining financing and capacity-building for restoration enterprises that are too small for commercial banks and too large for microfinance.
Lab instruments support the Sustainable Development Goals

Number of Lab instruments by SDG:
HOW THE LAB WORKS:
FROM IDEA TO IMPACT
The Lab’s three ingredients to success

Public-Private Collaboration
Strengthened partnership between the public and private sectors builds capacity and knowledge to identify and deploy effective climate finance solutions.

Innovation & Transformative Solutions
Innovative, actionable, catalytic, and financially sustainable solutions reduce risks and barriers to investment in sustainable development.

Mobilizing Finance
Catalytic finance from Lab Members and the broader network enables piloting and implementation of transformative solutions.
The Lab process has five steps

1. Call for Ideas
   The Lab publicizes an open call for innovative sustainable investment solutions

2. Selection
   Lab Members select the most promising ideas to take forward in each annual cycle

3. Development
   Selected ideas benefit from 7 months of analysis, stress-testing, and guidance from experts and investors

4. Endorsement & Launch
   Lab Members vote to endorse and launch the ideas for piloting

5. Implementation
   The ideas move into action and fundraising to launch pilots, with continued support from the Lab network
300+ experts from around the world have participated in the five Lab cycles.

Nearly half of our participating experts come from developing regions. Our regional programs leverage the strengths local networks, market knowledge and depth of context.

Half of the Lab’s participants come from the private sector and half from public institutions, including government agencies and ministries, and development banks.

The Lab has strong representation from the financial sector. A quarter of partners are from development banks and another quarter are from financial services.

The Lab also utilizes observers and other strategic partners, who help create linkages outside the Lab to funding opportunities and other technical support, including to help scale ideas once proven.

**The Lab’s Participants**

**The Steering Group**
- makes strategic decisions about the Lab overall

**Lab Members**
- are the core of the Lab, selecting ideas and providing technical and financial support to ideas as they progress

**Working Groups**
- provide expert advice during idea development phase

**Secretariat**
- Climate Policy Initiative manages the partnership and provides analytical support

**Idea Proponents**
- develop ideas & lead implementation

**Observers and Other Strategic Partners**
- help create the needed links outside the Lab to help accelerate implementation
Lab Members from diverse sectors and regions drive innovation

“The Lab is a great example of how a focused, technical, and collaborative approach can identify and leverage innovative business solutions to some of the great challenges we face as society.”

Karine Bueno, Head of Sustainability/Corporate Social Responsibility, Santander

“It has been exciting to partner with the Lab to support the identification and development of early stage concepts into more developed instruments that now actively mobilize global capital for climate finance. The Lab format brings together a diverse set of stakeholders, skills and perspectives, and through active knowledge sharing, discussion and debate, helps incubate and accelerate the commercialization of viable ideas.”

Alan Synnott, Managing Director, BlackRock Real Assets
<table>
<thead>
<tr>
<th><strong>Lab ideas meet four key selection criteria</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Actionable</strong></td>
</tr>
<tr>
<td>Identifies</td>
</tr>
<tr>
<td>1. The type of entity(ies) that could implement it</td>
</tr>
<tr>
<td>2. The pathway towards implementation, including the timeframe, activities, and key milestones, and</td>
</tr>
<tr>
<td>3. Possible challenges to implementation and related management strategies.</td>
</tr>
<tr>
<td><strong>Innovative</strong></td>
</tr>
<tr>
<td>Demonstrates the ability to address, directly or indirectly, barriers to private climate finance that</td>
</tr>
<tr>
<td>1. Have not yet been addressed or</td>
</tr>
<tr>
<td>2. That will be addressed more effectively compared to other instruments in the market.</td>
</tr>
<tr>
<td><strong>Catalytic</strong></td>
</tr>
<tr>
<td>Demonstrates potential to</td>
</tr>
<tr>
<td>1. Mobilize private climate capital within a sizeable market,</td>
</tr>
<tr>
<td>2. Be scaled up or replicated in other contexts and,</td>
</tr>
<tr>
<td>3. Achieve socioeconomic, development, and environmental impacts.</td>
</tr>
<tr>
<td><strong>Financially Sustainable</strong></td>
</tr>
<tr>
<td>Identifies</td>
</tr>
<tr>
<td>1. A strategy to phase out public financial support, thereby achieving market viability and</td>
</tr>
<tr>
<td>2. Possible challenges to achieving its intended objectives and related management strategies.</td>
</tr>
</tbody>
</table>
Lab instruments are structured to meet a variety of needs for climate solutions in emerging markets

Lab instruments represent a range of financial innovations that help scale climate action. They are proposed by enterprises, fund managers, and market experts to overcome market barriers to investment.

They use a variety of finance sources: 32 make use of equity, 27 use commercial debt, 18 use preparation-stage grants, 15 use concessional debt, and 12 employ guarantees, among others.
Lab instruments represent a diverse array of financial mechanisms.
Proponents are supported throughout the Lab process and beyond

Lab ideas receive USD 250k of in-kind analytical and communications support from the Lab.

Ideas also receive guidance and support from Lab Members who contribute expertise, political capital, and financial capital.

After endorsement and launch, Lab instruments benefit from continued support, including bespoke analytical support and continued connections with the Lab investor network and beyond.
COVID-19 Response & Resilience

COVID-19 response integration
- Instrument analysis
- Working groups
- Endorsement focus

Developed Fundraising in the Era of COVID proponent guidance
- Health outcomes
- Job creation
- Supply chain resilience

Highlighted shovel-ready Lab instruments
- Matches COVID pivot of many funders/investors
- Aligns with green recovery goals

The 2020 Lab Instrument Conexus Impact Fund launched a USD 2 million emergency credit line to assist members of the fund's target base that are suffering the economic effects of the pandemic.
"By providing early stage analysis and market scoping for bold concepts, the Lab plays a vital role in bringing innovative finance mechanisms to market. More specifically, the Lab has moved forward some very interesting blended finance vehicles that Convergence has been able to engage with at a later stage."

"Supporting the core principles of the NDF strategy, the Lab provides a good channel for NDF to identify innovative climate financing initiatives for further financing and development in the risky early phases. As a clear signal of the importance of the Lab, NDF is proud to hold the position as the institution which, to date, has funded the largest number of early-stage financial instruments developed through the Lab."
CRAFT is the first commercial investment vehicle to focus on technologies and solutions for climate adaptation.

Using a blended finance structure, it invests growth equity in companies delivering climate intelligence or physical products and services for resilience.

**THE LAB’S ROLE**

- Helped develop and refine CRAFT’s blended fund structure
- Engaged critical working group audiences to test investment thesis of the fund
- Facilitated intros and pitches to key investors and funders, particularly on the public/DFI side
- Led a deep dive design study examining structures of comparable technical assistance facilities to inform CRAFT’s TA delivery mechanism

**PROGRESS TO DATE**

- **Reached first close** with investments from Lab members The Rockefeller Foundation and KfW as well as Lab observer EIB alongside other public and private investors
- **Identified 20 relevant climate resilience market segments totaling $130 bn+** of current spending and mapped more than 700 companies within these segments

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**Sanjay Wagle, The Lightsmith Group and proponent of CRAFT**

“The Lab was ideal at the early stage to incubate and develop a nascent idea and formalize it before it was taken out into the world…The questions that Lab advisors asked were the same ones that investors and governments would ask us later.”
Sustainable Energy Bonds are a class of bonds to drive impact investment to sustainable energy projects in India by offering debt exposure, sufficient returns, and standardized impact measures. Target projects include distributed renewable energy (small-scale and off-grid solutions), energy efficiency for buildings and industry, projects for increasing energy access, and projects to encourage sustainable urbanization.

THE LAB’S ROLE

- Reached out to potential investors to understand common impact measures and confirm definitions of measures
- Helped formalize impact measures to give standardized information to investors and engaged with investors and the market

PROGRESS TO DATE

- **Raised $3 mn from CalCEF in 2018 towards first issuance to finance:**
  - 75% rooftop solar
  - 20% solar pumps and other energy access projects
  - 5% energy efficiency
- **$15 mn second issuance** anticipated in the near term

“Lab support was really valuable in helping to formalize impact measures so that we could give needed information to investors. Standardization was crucial. The Lab liaised with investor groups to understand what was needed in this space.”

Pawan Mehra, cKers Finance and proponent of SEBs
The Green FIDC is a project finance instrument that allows clean energy and energy efficiency projects to secure financing based on future cash flows from energy sales. In 2019, the team received a $300k design grant from Convergence and two pilots are underway with private developer Órigo Energia to finance up to 750 MW of distributed and community solar systems helping to drastically reduce energy costs. The next step is to reach financial close for the pilot Green FIDCs and scale the concept to other sectors.

**THE LAB’S ROLE**

- Helped Green FIDC navigate development finance and supported fundraising efforts
- Modeled climate and development impacts, helped communicate these effectively
- Provided validation and network to support investor engagement

**PROGRESS TO DATE**

- Raised $10+ mn towards $25+ mn close for pilot
- Secured Convergence design grant to structure a community solar Green FIDC
- Ongoing discussions to scale the concept to energy efficiency and water infrastructure sectors

"The Lab was able to not only provide us with valuable networking, but also guide us to navigate the complexities of aligning concessional and commercial capital effectively.”

Paulo Todaro, Albion Capital and proponent of Green FIDC
WHAT’S NEXT?
In 2020, the Lab launched a new class of instruments

<table>
<thead>
<tr>
<th>Southern Africa</th>
<th>Brazil</th>
<th>Energy Access</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climate Adaptation Notes</strong>&lt;br&gt;A new funding source for water and waste-related climate adaptation infrastructure projects in Southern Africa that have struggled to attract long-term sustainable financing.</td>
<td><strong>Conexus Impact Fund</strong>&lt;br&gt;A business platform to develop financial products to specific communities and enterprises, addressing the gap in the way small-scale farms and forest-dwellers access available financing.</td>
<td><strong>GreenStreet Africa Development Company</strong>&lt;br&gt;An energy as a service model to allow private ownership, operation and financing for distributed solar generation projects to supply Nigerian public facilities.</td>
<td><strong>GROVE: Forestry Smart Ledger (FSL)</strong>&lt;br&gt;Combines satellite monitoring and remote sensing with blockchain verification of restoration agreements to create performance rewards for Indian communities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nature-Based Solutions</th>
<th>Sustainable Agriculture</th>
<th>Sustainable Cities</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monetizing Water Savings</strong>&lt;br&gt;A “pay-for-success” model to monetize water conservation and efficiency, creating incentives and revenue streams in areas where users often lack the necessary financial resources.</td>
<td><strong>Rural Prosperity Bond</strong>&lt;br&gt;Allows SMEs who sell products and services that support sustainable agriculture to offer their products to smallholders on financially reliable credit.</td>
<td><strong>Sub-National Climate Finance Initiative</strong>&lt;br&gt;Creates a blended investment vehicle that increases the flow of capital for mid-size (USD 5-75M) sustainable urban infrastructure projects.</td>
<td><strong>Sustainable Agriculture Finance Facility</strong>&lt;br&gt;Customized bundled loans that match the farmers’ needs and take into account specific ICLF (integrated crop-livestock-forest systems) parameters.</td>
</tr>
</tbody>
</table>
In 2021, the Lab will develop mitigation and adaptation ideas in sectors and geographies critical for climate action and a sustainable recovery.

**Adaptation and Mitigation**
Transformative ideas in developing & emerging economies

**Sustainable Food Systems**
Improving sustainability throughout the food system

**Sustainable Energy Access**
Deployment of renewable energy for productive use

- India
- Brazil
- Southern Africa
With deep expertise in finance and policy, CPI is an analysis and advisory organization that works to improve the most important energy and land use practices around the world. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has six offices around the world in Brazil, Europe, Kenya, India, Indonesia, and the U.S.

Climate Policy Initiative, as Lab Secretariat:
- Manages the Lab
- Leads analytical support
- Supports ideas to succeed and scale
- Communicates findings, impacts, and lessons learned
- Convenes the Lab and gathers public and private investors