Interact Climate Change Facility (ICCF), Association of European Development Finance Institutions

Development Assistance Committee member: Multiple, submitted by Sweden

Duration: Ongoing since 2011

Budget: EUR 460 million

Geographic focus: Developing countries

Sectoral focus: Renewable energy and energy efficiency

Offered: Senior loans and mezzanine debt

Description: The Interact Climate Change Facility (ICCF) is a private limited liability company owned by the French Development Agency (AFD) (with a commitment of EUR 100 million), the European Investment Bank (with a commitment of EUR 50 million) and eleven members of the Association of European Development Finance Institutions, which is based in Luxembourg. The ICCF finances renewable energy and energy efficiency projects in the private sector in developing countries and emerging economies.

Objectives: The ICCF seeks to promote the use of renewable energy and clean technologies as well as energy efficiency in developing and emerging countries by providing long-term financing for relevant projects. By expanding access to clean, reliable and affordable electricity in these countries, where the demand for electricity is often larger than supply, the ICCF aims to boost economic growth, enable companies to create new jobs and promote a more equitable distribution of income. Demonstrating the economic viability of projects, the ICCF also aims to act as a catalyst to attract additional financing, especially in the energy sector in developing countries.

Partners: In addition to those named above, the shareholders of the ICCF include the Belgian Investment Company for Developing Countries, the United Kingdom's Commonwealth Development Corporation, the Spanish Development Finance Company (COFIDES), Germany's German Investment and Development Corporation (DEG), the Finnish Fund for Industrial Cooperation, the Netherlands Development Finance Company (FMO), the Norwegian Investment Fund for Developing Countries, the Development Bank of Austria (OeEB), France's PROPARCO, the Swiss Investment Fund for Emerging Markets and Sweden's Swedfund.

How it works: Any climate change-related private sector project in developing countries can be eligible for ICCF funding. Funding proposals are prepared by a project company, approved by an ICCF shareholder – the Promoting Partner – intending to provide long-term funding to the project and then presented to the ICCF Investment Committee, which evaluates proposals and approves funding in a two-step process – a clearance in principle followed by a final approval. Once approved, the Investment Committee delegates authority to the Promoting Partner to undertake due diligence, establish legal contracts and monitor the project company on behalf of the ICCF. The ICCF's financing is done alongside the financing provided by the Promoting Partner – the ICCF is a co-investment facility. The authorised financial instruments are senior loans and mezzanine debt. The ICCF's financing can vary from EUR 10 million to EUR 45 million per project and amount up to 75% of the combined commitments from the Promoting Partner and ICCF. The project company will sign a contract with the Promoting Partner and report only to this entity, which is responsible for monitoring and communicating with the ICCF and any partners funding the operations. All ICCF shareholders have access to a virtual data room that contains monitoring documents, legal agreements and other key data on investments.

Monitoring and evaluation: No monitoring and evaluation documents were found.

Results: Since its establishment in 2011, the ICCF has approved 21 projects and provided a total of EUR 370 million in long-term financing, of which 43% is in wind power generation, 20% in solar power generation, 13% in hydro power generation and 13% in the improvement of energy efficiency. Examples of projects include solar energy in India, energy efficiency in existing power generation in Côte d'Ivoire and wind power in India and Kenya.

Insights: The ICCF's operational structure is characterised by an efficient fast-track process with low administrative overheads. The ICCF is an innovative co-investment facility capable of mobilising significant amounts of long-term funding for renewable energy and energy efficiency projects. The ICCF's operations are regulated by the Master Investment Agreement. The agreement delegates full authority for investment decisions to the Investment Committee, which is composed of representatives from the institutions that have committed funds. The ICCF is a good way to channel large amounts of finance to long-term environmental projects. Co-financing involves a parallel loan on the same terms as that from the sponsoring development finance institution. The ICCF works well because development finance institutions are quite similar.

SOURCES:

EDFI (n.d.), "About: ICCF", www.edfi.be/about/iccf.html (accessed 1 July 2016).

Swedfund (2015), "Sustainable business: Swedfund's integrated report 2014", Swedfund, Stockholm, www.swedfund.se/media/1619/swedfund-integrated-report-2014.pdf.