

USAID INVEST

Climate Finance Portfolio

This report highlights USAID INVEST's climate finance portfolio, illustrating a variety of climate-focused activities for both mitigation and adaptation.

June 30, 2021



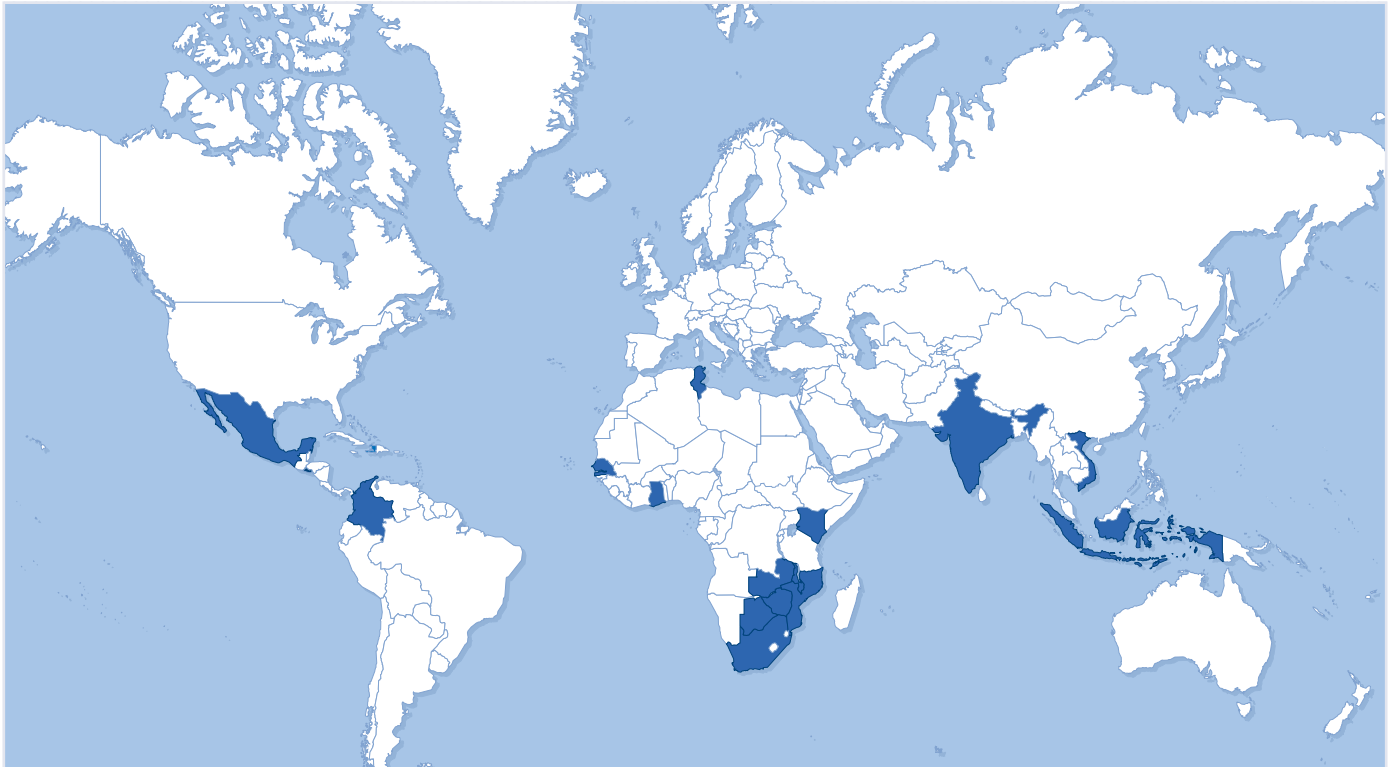
USAID
FROM THE AMERICAN PEOPLE



Climate Finance

- USAID plays a vital role in mitigating climate change and addressing its impacts by partnering with countries to reduce emissions, protect critical ecosystems, and transition to renewable energy, while building resilience and increasing the flow of capital toward climate-positive investments.
- USAID INVEST (INVEST) is a flexible buy-in mechanism currently working with 42 USAID Missions, Bureaus, and Independent Offices (MBOs) across 65 countries to mobilize investment from the private sector. As a BAA co-created mechanism, INVEST is committed to capturing learning and sharing models across USAID to promote uptake for tested approaches. INVEST provides various types of support -including investment opportunity assessments, transaction advisory services, fund and financial instrument structuring, and technical assistance.
- As of June 2021, INVEST-supported transactions have mobilized a combined value of over \$219 million in response to USAID development priorities across 15 sectors. This report highlights INVEST's variety of climate-focused activities, addressing both mitigation and adaptation.

USAID MBIOs with Climate-Focused Activities Supported by INVEST



Latin America and the Caribbean

- USAID Mexico
- USAID Haiti
- USAID El Salvador
- USAID Colombia

Africa

- USAID Tunisia
- USAID Uganda
- USAID Bureau for Resilience and Food Security (RFS)
- Power Africa
- USAID Kenya
- USAID Southern Africa Regional (SA REGO)
- Gender Equality and Women's Empowerment (GenDev)

Asia

- USAID Vietnam
- USAID Bureau for Resilience and Food Security
- Gender Equality and Women's Empowerment (GenDev)

INVEST Climate Finance Activities

Climate finance can facilitate reductions in emissions by supporting the deployment of existing clean energy technologies; protecting forests, wetlands, and other ecosystems that capture and store carbon; and fostering new technologies to accelerate the transition to a net-zero global economy. INVEST activities represent a range of climate-focused investments.



12

Renewable Energy

Investments in new and upgraded connections to facilitate clean energy transition

Activities:

Power Africa Kenya, Power Africa Uganda UOMA, USAID Haiti (2), USAID Vietnam, SA REGO (3), USAID Tunisia (2), USAID Colombia, and USAID El Salvador



2

Sustainable Landscapes

Investment for landscape sustainability and reduction in deforestation

Activities:

USAID Mexico, SA REGO



2

Climate-smart Agriculture

Investment in agriculture to support resilience and adaptation

Activities:

RFS, SA REGO



1

Circular Economy

Investment in female-run businesses in waste management and recycling

Activities:

GenDev



1

Carbon Offset

Support for wind and wave energy projects to reduce greenhouse gas (GHG) emissions

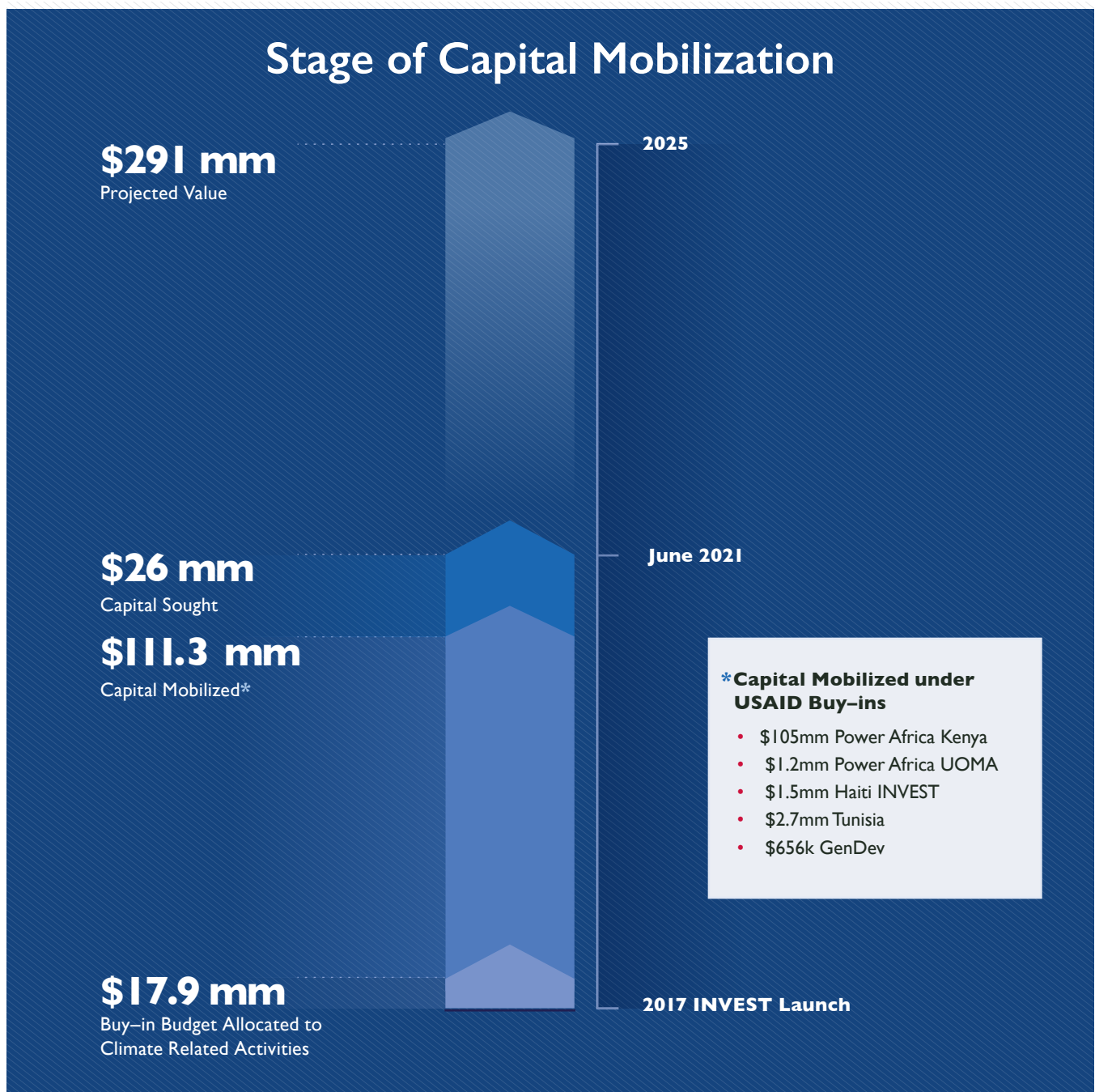
Activities:

USAID Vietnam

* Investments can address more than one objective

Climate-Focused Support & Investment

INVEST buy-in activities are in different stages of implementation. Capital mobilized is the value of closed transactions through debt or equity leveraged specifically for climate-focused investments. Capital sought is the value associated with transactions currently receiving support to raise investment capital that have not yet closed. The projected value is the additional amount of capital INVEST-supported activities are expected to mobilize by or near the end of INVEST's period of performance.



Examples of INVEST Support



Investment Opportunity Assessments

INVEST helps USAID understand market conditions and identify investment opportunities. For USAID Mexico, INVEST engaged a team of consultants to execute a consultation process with key stakeholders to inform program design and identify potential channels and strategies to attract private sector partners.



Fund and Financial Instrument Structuring and Design

INVEST designs or structures blended finance funds, investment platforms, and other financial products. For USAID's Bureau of Resilience and Food Security, INVEST engaged MCE, a non-profit impact investing firm, to design an AgriResilience Fund-I, a \$40 million blended finance fund with a focus on climate-smart agriculture. The fund will invest in approximately 30 agricultural enterprises and rural financial institutions in priority USAID markets.



Transaction Advisory

INVEST helps link capital suppliers to businesses that need investment to grow. For USAID Haiti, INVEST partner, GECA, helped ESG Group—a solar product supplier and manufacturing company in Haiti—raise \$500,000. Haiti INVEST partner, CrossBoundary, helped Solengy—a Haitian company that manufactures, installs, and manages solar and battery systems for commercial, industrial and residential customers—raise \$1 million to expand their operations.



Technical Assistance

INVEST helps strengthen the commercial viability of a project at pre- or post-investment stages by developing the capabilities of fund managers or the businesses and projects in which they invest. For USAID Vietnam, INVEST supports two wind energy projects and one wave energy project with feasibility studies, environmental and social impact assessments, and investment grade data analysis.

USAID Colombia: Energy for Peace (E4P)

Colombia E4P uses blended finance to unlock private capital to plan, build, and operate sustainable energy generation projects in conflict-affected sites in rural Colombia prioritized in the peace accords. Sustainable, stand-alone mini-grids can provide affordable electricity in remote places utilizing photovoltaic panels and battery back-up, or other renewable energy sources such as micro-hydro or wind power.



PROJECTED TO RESULT IN:

\$15mm

Investment for building mini-grids

5.2 MWp

Estimated installed capacity

4,022 ton

CO₂e emissions avoided / year

\$11mm

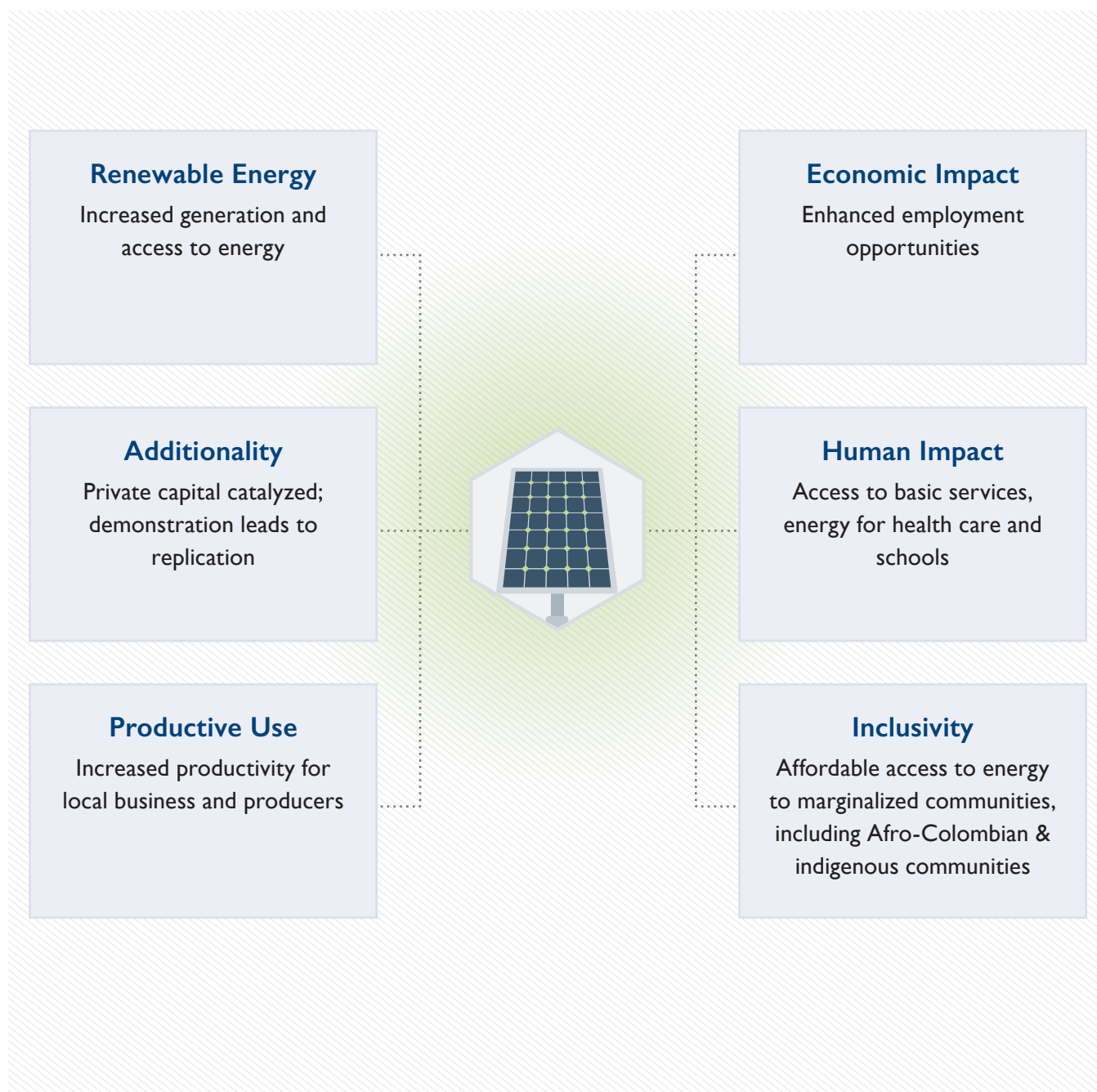
Productive annual sales in hub sites

\$4mm

Annual productivity increase

COLOMBIA: Energy for Peace (E4P)

Catalyzing private investment for clean energy helps to mitigate climate change while contributing to numerous USAID development priorities. The E4P Model is built on aggregation to control costs, private sector engagement for sustainability, and productive uses of energy to ensure effective demand as well as benefits for the local community.



BUY IN CLIENT	DESCRIPTION OF CLIMATE FINANCE ACTIVITIES
Power Africa and USAID/ Kenya	<p>INVEST subcontractors CrossBoundary and Open Capital Advisors identified four high-potential off-grid energy businesses and provided transaction advisory services required to raise capital to finance enterprise growth. They also identified a development finance institution (DFI) looking to set up an energy-focused debt facility. With INVEST's assistance, the selected organizations determined appropriate capital providers. INVEST also assisted the DFI in sizing the market and defining the appropriate structure and partners for the debt facility. This activity exceeded the targets for both capital raised and electricity connections projected. The activity aimed to raise \$12 million; however, the four off-grid energy companies (Azuri, Green Light Planet, Power Gen and M-Kopa Solar) that received transaction advisory support raised more than \$105.3 million in debt and equity investments, with more than \$59.1 million allocated to the Kenyan market. The investment is projected to facilitate approximately 1.2 million new and upgraded connections in the Kenyan market, well exceeding the initial target of 125,000 new electricity connections.</p>
USAID/Uganda	<p>INVEST is supporting Power Africa and USAID/Uganda to accelerate off-grid electrification in Uganda via market-based interventions. INVEST subcontracted Open Capital to identify the most promising solar home system and mini-grid energy firms and support a subset with technical assistance and transaction advisory services. Support to firms has included landscape assessments to support expansion into new markets, preparation of financial documentation, and fundraising to grow and reach more customers. This activity also includes support to local financial intermediaries to improve lending in the off-grid renewable energy sector. Open Capital has provided targeted technical assistance and trainings to develop a pipeline of investable off-grid opportunities, improve lending practices and secure partnership between local banks and solar home system (SHS) PAYGO companies to improve access to climate finance and electrification.</p> <p>This activity has supported 13 off-grid operators to add more than 90,000 projected connections in off-grid communities in Uganda. In Task Order 7, OCA supported four operators to raise \$1.24 million, with more than \$500,000 in additional funding estimated to close later this year. Support to local financial institutions introduced 40+ off-grid opportunities to banks and provided off-grid lending and due diligence training to more than 80 bank staff. The final Task Order 7 is wrapping up. Open Capital has finalized technical activities and Mission is reviewing deliverables and charting next steps.</p>
USAID/Haiti	<p>For Haiti PPP, INVEST has engaged a team of legal, financial and technical advisors to support the Government of Haiti in running three transparent competitive international tender processes for energy concessions in the country. Two of those were originally envisioned as concessions to operate LPG or LNG power plants in Southern Haiti but have since pivoted to an all-solar solution. The shift was motivated by cost savings that would result in cheaper energy prices for the Haitian people. GOH has made the decision to declare the original tender unsuccessful and is now in the process of restructuring the process with the goal to reissue a new tender for solar energy generation. The Caracol (NE) plant is also currently in negotiations for a Concession Agreement based on a model to phase out thermal energy, replacing it with solar energy with diesel backup.</p> <p>Haiti INVEST seeks to connect SMEs with providers of capital by working directly with Transaction Advisors that serve as a bridge between these two groups. By fostering and promoting a network of advisors, Haiti INVEST aims to increase the number of SMEs that have access to advisors who are actively scouring the market to help them become "investment-ready" while working actively to identify and locate lenders/ investors, and sustainability of USAID's development efforts. Haiti INVEST has a network of 6 TAs that are actively supporting a pipeline of 40 SMEs looking for a combined total of \$37M in investments. That pipeline includes 4 renewable energy transactions, seeking \$9.5M in capital, of which \$500,000 had been closed as of June 30. Support for additional renewable energy transactions is anticipated in the second half of 2021 as INVEST onboards a partner that will focus on clean energy deals.</p>

BUY IN CLIENT	DESCRIPTION OF CLIMATE FINANCE ACTIVITIES
USAID/El Salvador	INVEST released an EOI that resulted in an RFP for Investment Facilitation in El Salvador. The apparent successful offeror included several clean energy and other climate finance deals within their pipeline that they would support under the El Salvador buy-in. As of June 30, the subcontract was not yet fully executed.
USAID/Vietnam	INVEST is supporting two wind energy projects and one wave energy project with transaction assistance including feasibility studies, ESIA's, and investment grade data analysis; INVEST is also looking at potential PPP transactions in clean energy to support but has not yet confirmed any with updates still anticipated.
USAID/Mexico	In 2020, INVEST supported USAID/Mexico to launch a BAA and facilitate a virtual co-creation seeking partners to research, develop, test and evaluate innovative approaches to increase access to finance and catalyze investments to reduce deforestation and forest degradation in Mexico by improving land management practices and reducing the drivers of land-use change. As a result of the co-creation, USAID Mexico made an agreement with a consortium composed of Conservación Internacional México (Conservation International), MéxiCO2, Root Capital, SVX MX, Accenture, and the Centro Internacional de Agricultura Tropical (International Center for Tropical Agriculture aka CIAT). These organizations will help producers in Jalisco, Chiapas, Campeche, and Oaxaca transition from parcel-by-parcel subsidy receiving cooperatives, rural production societies, and unions with diversified production systems into collective business entities that can manage their land sustainably and access buyers and financing after the activity ends. The activity will support the development of three collective business entities in each region — marketing, logistics, and financial services — which will be owned by the local producers. This agreement is also creating a blended finance engine to mobilize private capital alongside government aid and philanthropic resources. The consortium will launch two investment funds. One will target pension funds and will be registered under the Mexican Stock Exchange. The other, the Sustainable Landscape Mutual Fund (SLMF), will provide loans to small-and medium-sized enterprises to help these conservation-conscious businesses become “investment ready” and overcome the challenges of raising risk tolerant capital and meeting investor expectations. In 2021, USAID/Mexico developed a new program to decrease GHG emissions and increase smallholder producer income by catalyzing innovative solutions and fostering collaboration among stakeholders along zero-deforestation value chains. As part of that process, INVEST engaged a team of consultants to execute a consultation process with key stakeholders to inform USAID's program design and identify potential channels and strategies to attract private sector partners. Ongoing work includes conducting an extensive mapping of the sustainable landscapes sector in Mexico to support USAID and other programming in the future.
USAID PSE Hub	The USAID/INVEST-led Scale Blended Finance Working Group activity is focused on (i) scaling blended finance transactions capable of mobilizing \$200+ million of investment for developing countries that contributes to (ii) climate solutions. The participating development agencies and donor organizations are exploring opportunities to pool and deploy catalytic donor funding to blended finance vehicles that can mobilize private investment in transactions that contribute to the Net-Zero, Paris Agreement, COP 26 and SDG goals.
Gender Equality and Women's Empowerment (GenDev)	Under the GenDev GLI buy-in, INVEST is supporting partners to raise capital for gender lens investment funds and incorporate gender smart policies and practices. By targeting women entrepreneurs and businesses some partners like WIC Capital tend to invest in sustainable businesses. As a result of RFP-078, INVEST will work with a green fund to incorporate GLI strategies at the fund and the portfolio company level. The activity will also aim to develop sector specific tools and guides.
USAID/Colombia	Through INVEST, USAID Colombia seeks to utilize a catalytic financial structure to unlock the potential of private capital to plan, build, operate and potentially transfer (BOT) sustainable energy generation mini-grids (solar with battery backup) and productivity hubs in ~10+ prioritized sites in rural Colombia (known by their Colombian acronym PDETs for territorial development as part of the peace accords).

BUY IN CLIENT	DESCRIPTION OF CLIMATE FINANCE ACTIVITIES
<p>Power Africa and USAID/ Southern Africa Regional (REGO)</p>	<p>INVEST partner, Lion's Head Global Partners, will help harness the resources of institutional investors in support of advancing USAID/Power Africa's objective to increase the number of people and businesses with access to power in sub-Saharan Africa. This project intervention will take place at the intersection of two key activity areas: (1) Pooling of institutional investment assets into investment vehicles and products capable of mobilizing significant capital into the renewable energy sector in South Africa; (2) Transaction facilitation and advisory services to connect institutional investors to attractive investment vehicles to finance renewable energy infrastructure in 1-2 additional sub-Saharan Africa countries, resulting in closed deals. Possible investment vehicles include (but are not limited to) securitization of loans, corporate bond issuances, asset-backed financing, refinancing solar plants and financing new solar projects.</p> <p>Under Prosper Africa Track 2, INVEST is supporting an investment into the Botswana Innovation Hub for the development of a 5MW solar plant. Through this subcontract, Lion's Head Global Partners will provide transaction advisory services for an identified USAID Southern Africa Regional Mission (REGO) strategic opportunity, the Botswana Innovation Hub (referred to as "BIH" hereafter). BIH is seeking support to develop a 5MW solar power facility with the initial aim of supplying power to its tenants in the BIH Technology Park with the possibility for future expansion to 20MW (noting that the power not consumed onsite is to be injected in the national grid) (the Project). USAID/REGO SA's support to BIH will foster the development of the tech sector in Botswana by providing infrastructure, space and incentives to companies in the ICT and Biotech fields. The project will support Botswana's journey to self-reliance by improving domestic production of clean and renewable energy and decreasing the dependence on energy imports. Developing commercial proof of concept for the BIH Solar Project will have a market signaling effect, further catalyzing private capital into the Southern African energy sector.</p> <p>Under Southern Africa Catalytic Contributions, INVEST is supporting an asset manager, ThirdWay Africa, which structured and deployed a permanent capital vehicle, the ThirdWay Africa Rural Development Corporation (TWARDC). TWARDC started in Mozambique in 2019, and it invests to scale nucleus farms in the region and develop a strong commercial proof of concept for mid-scale agriculture. Support from USAID/Southern Africa has enabled ThirdWay Africa to develop an ESG policy and impact framework to ensure its investments foster a scalable model of agribusiness that combines community impact, environmental stewardship, and a sustainable commercial outlook. Its impact strategy is centered on catalyzing rural development through a focus on four development pillars: livelihoods, wellness, education and being climate smart. TWARDC is implementing a wide range of renewable energy and sustainable landscaping activities. On TWARDC's first farm asset in Northern Mozambique, taken on prior to INVEST's support, they have partnered with local smallholder farmers to pilot an off-season solar irrigation bean pilot program. The ESG framework developed with INVEST support has been used to evaluate the farm's climate activities. Based on the pilot's early success, and leveraging INVEST support, TWARDC will look to expand the solar irrigation program to include more farmers and hectares under solar irrigation. In addition, TWARDC is partnering with community organizations to protect a 4,500 hectare water catchment area around their first farm asset. Planned activities include reforestation and sustainable community irrigation.</p>
<p>USAID Bureau for Resilience and Food Security</p>	<p>MCE is in the design stage for MCE AgriResilience Fund-I, a \$40 million agriculture-focused blended finance fund with a focus on frontier markets and climate-smart agriculture. The fund will invest debt capital (\$250k-\$3.0M tickets) in ~30 agricultural enterprises and rural financial institutions in priority USAID markets, across value chains and agricultural activities (e.g., financing, production, processing, trading). Priority countries and Kenya, Ghana, and Indonesia. RFS will provide \$200K in catalytic funds to defray initial start-up costs.</p>

BUY IN CLIENT	DESCRIPTION OF CLIMATE FINANCE ACTIVITIES
USAID/Tunisia	<p>As part of an effort to facilitate increased private sector investment in Tunisia for investment-ready enterprises identified during the Prosper Africa Conference in Tunis in February of 2020, INVEST partner, CrossBoundary, provided transaction advisory support to Methania, securing a \$2.7 million equity investment to expand production and marketing of a compact biogas and combined power solution for dairy farmers to transform waste into a revenue generating asset, while lowering environmentally harmful methane emissions. Methania designs, builds and installs a suite of products that digest various forms of biogas (methane) waste – feedstock, organic biomass, sewage gas, or landfill – to generate energy. The financing secured with CrossBoundary support will reduce an estimated 80,000 tons of CO2 equivalent emissions over the next 4 years (800 tons per installation and projected to sell 100 in 4 years) and expand electricity access to new markets/individuals.</p> <p>Another INVEST subcontractor, CrossBoundary, is providing transaction advisory support to Akuo Energy Afrique SAS to help secure ~\$9.5 million in debt financing for a 10MW solar project in Limaoua, Gabès, Tunisia. As part of a larger activity supporting high-potential Tunisian entrepreneurs and companies impacted by COVID-19 obtain the working capital and funding needed to sustain and grow their businesses, CrossBoundary supported Akuo with investor outreach and follow-up; helped analyze indicative terms received from lenders; scheduled follow up calls with lenders to discuss and negotiate terms; provided recommendations to Akuo on lender shortlist/selection; and is currently advising Akuo during the due diligence process of the selected lender.</p>



Kristi Ragan, DAI, Chief of Party

Matt Nigrelli, USAID, Interim Contracting Officer's Representative

This report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents of this document are the sole responsibility of INVEST implemented by DAI and do not necessarily reflect the views of USAID or the United States Government.