IFC-GEF Hotel Green Revitalization Program (HGRP)

Part I: Project Information

GEF ID
10766

Project Type
FSP

Type of Trust Fund
GET

CBIT/NGI
CBIT **No**
NGI **Yes**

Project Title
IFC-GEF Hotel Green Revitalization Program (HGRP)

Countries
Global

Agency(ies)
World Bank

Other Executing Partner(s)
IFC, Financial Intermediaries (Private Sector)

Executing Partner Type
Private Sector

GEF Focal Area
Climate Change

Taxonomy
Focal Areas, Stakeholders, Integrated Programs, Climate Change, Climate Change Mitigation, Renewable Energy, Financing, Energy Efficiency, Technology Transfer, Climate Change Adaptation, Private sector, Influencing models, Demonstrate innovative approache, Convene multi-stakeholder alliances, Deploy innovative financial instruments, Private Sector, Individuals/Entrepreneurs, SMEs, Financial intermediaries and market facilitators, Project Reflow, Large corporations, Non-Grant Pilot, Capital providers, Gender Equality, Gender Mainstreaming, Beneficiaries, Sex-disaggregated indicators, Gender-sensitive indicators, Sustainable Cities, Energy efficiency, Buildings, Urban Resilience, Capacity, Knowledge and Research, Innovation, Enabling Activities

Rio Markers
Climate Change Mitigation
Climate Change Mitigation 2

Climate Change Adaptation
Climate Change Adaptation 1

Duration
144 In Months

Agency Fee($)
867,580.00

Submission Date
2/25/2021

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount($)	Co-Fin Amount($)
CCM-1-1	GET	4,566,210.00	401,250,000.00
CCM-1-2	GET	4,566,210.00	401,250,000.00
	Total Project Cost ($)	**9,132,420.00**	**802,500,000.00**

B. Indicative Project description summary

Project Objective

IFC, as an Executing Agency of the World Bank, proposes a unique and ambitious global financing platform, the Hotel Green Revitalization Program ("HGRP") that will incentivize retrofit greening of 760+ SME hotels through 60+ financial intermediaries in more than 30 countries, while also providing a vital rapid COVID-response for medium tenor, local currency relief financing for sector devastated by the economic consequences of the pandemic. HGRP aims to create emissions savings of 1.8 million tonnes of CO2e, setting the industry on a greener and more sustainable path.

Project Outcomes

1) Increase financing for green infrastructure and climate sustainability improvements in SME hotels, including eligible lending for energy efficiency upgrades and resource efficiency through a meaningful counter-cyclical COVID-response that supports job preservation and creation.

2) Increase capability to certify retrofitted green buildings with internationally recognized standards while increasing awareness of benefits of green building to encourage replication.

Note that M&E costs are embedded at the project level. Among the benefits of IFC's co-investment model with blended concessional finance projects is that it allows concessional investments to automatically benefit from IFC processes and procedures, including IFC's integrity, monitoring & evaluation and environmental and social or other due diligence already done for IFC-own account transactions. IFC's monitoring and evaluation is done through project supervision that is regularly performed by IFC project staff and captured in standard project monitoring and supervision reports. Climate change outcomes and impacts, such as GHG mitigation, are also captured in IFC's Results Measurement System. This model allows blended finance transactions access to monitoring and evaluation for very limited additional costs. Additional reporting requirements, including environmental and social performance, measures of financial and development performance, if applicable, are covered from donor administrative fees, which also support IFC's separate governance structure for blended concessional finance projects across the full project lifecycle from initiation to closure.

Project Component	Financing Type	Trust Fund	GEF Amount($)	Co-Fin Amount($)
Component 1: Promote a Build-Back-Greener Recovery through a meaningful counter-cyclical COVID crisis response for SME hotels in emerging markets	Investment	GET	9,132,420.00	800,000,000.00
Component 2: Aggregate Lessons Learned for SME Hotels and FIs	Technical Assistance	GET		2,500,000.00
		Sub Total ($)	**9,132,420.00**	**802,500,000.00**

Project Management Cost (PMC)

Sub Total($)	0.00	0.00
Total Project Cost($)	9,132,420.00	802,500,000.00

C. Indicative sources of Co-financing for the Project by name and by type

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount($)
Private Sector	Financial Institutions	Loans	Investment mobilized	400,000,000.00
GEF Agency	World Bank (IFC)	Guarantee	Investment mobilized	290,000,000.00
Donor Agency	Climate (IDA donors)	Guarantee	Investment mobilized	45,000,000.00
GEF Agency	World Bank (IFC)	Grant	Recurrent expenditures	2,500,000.00
Donor Agency	Climate Donors (Non-IDA)	Guarantee	Investment mobilized	65,000,000.00
			Total Project Cost($)	**802,500,000.00**

Describe how any "Investment Mobilized" was identified

Funding structure will be 50:50 Risk Sharing facility with pooled first loss (PFLG) to support local banks onlending to SMEs committed to "build-back-better" green retrofits over 18 to 24 months. Pipeline was identified during Concept review and endorsement. Technical assistance and advisory support to FI/banks, as well as the associated costs of the EDGE 3.0 rollout and trainings for select hotels will be covered by IFC. The expected Facility size is US$800 million, with IFC expected to cover up to $400 million of FI portfolio loans. The IFC US$400 million investment will be backed by a donor tranche that provides partial coverage for any losses. In order to reflect this in the cofinancing table, financing from IFC has been lowered, as the donor portion covers some potential losses, but does not increase the overall size of the Facility. Further clarification on this point is available in the supporting materials provided to the Secretariat.

D. Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)	Total($)
World Bank	GET	Global	Climate Change	NGI	9,132,420	867,580	10,000,000.00
				Total GEF Resources($)	**9,132,420.00**	**867,580.00**	**10,000,000.00**

E. Project Preparation Grant (PPG)

PPG Required **false**

PPG Amount ($)

PPG Agency Fee ($)

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount($)	Fee($)	Total($)
				Total Project Costs($)	0.00	0.00	0.00

Core Indicators

Indicator 6 Greenhouse Gas Emissions Mitigated

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO_2e (direct)	1776640	0	0	0
Expected metric tons of CO_2e (indirect)	0	0	0	0

Indicator 6.1 Carbon Sequestered or Emissions Avoided in the AFOLU (Agriculture, Forestry and Other Land Use) sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO_2e (direct)				
Expected metric tons of CO_2e (indirect)				
Anticipated start year of accounting				
Duration of accounting				

Indicator 6.2 Emissions Avoided Outside AFOLU (Agriculture, Forestry and Other Land Use) Sector

Total Target Benefit	(At PIF)	(At CEO Endorsement)	(Achieved at MTR)	(Achieved at TE)
Expected metric tons of CO_2e (direct)	1,776,640			
Expected metric tons of CO_2e (indirect)				
Anticipated start year of accounting	2021			
Duration of accounting	20			

Indicator 6.3 Energy Saved (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Total Target Benefit	Energy (MJ) (At PIF)	Energy (MJ) (At CEO Endorsement)	Energy (MJ) (Achieved at MTR)	Energy (MJ) (Achieved at TE)
Target Energy Saved (MJ)				

Indicator 6.4 Increase in Installed Renewable Energy Capacity per Technology (Use this sub-indicator in addition to the sub-indicator 6.2 if applicable)

Technology	Capacity (MW) (Expected at PIF)	Capacity (MW) (Expected at CEO Endorsement)	Capacity (MW) (Achieved at MTR)	Capacity (MW) (Achieved at TE)

Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	7,980			
Male	3,420			
Total	11400	0	0	0

Part II. Project Justification

1b. Project Map and Coordinates

Please provide geo-referenced information and map where the project interventions will take place.

This intervention will be global. Please see PIF (attached).

2. Stakeholders

Select the stakeholders that have participated in consultations during the project identification phase:

Indigenous Peoples and Local Communities

Civil Society Organizations No

Private Sector Entities Yes

If none of the above, please explain why:

In addition, provide indicative information on how stakeholders, including civil society and indigenous peoples, will be engaged in the project preparation, and their respective roles and means of engagement

Section II. STAKEHOLDERS

The travel and tourism industry is diverse, geographically dispersed and has numerous national, international and civil stakeholders across the public and private sector. These include, but are not limited to:

- **Private sector companies,** banks, funds, business owners, property developers
- **Technology developers**, engineering companies, engineering firms, energy efficiency equipment manufacturers, etc.
- **International green building organizations, including EDGE, LEED, BREEAM (other national green building certifications, as applicable)**
- **Government ministries, including tourism bureaus**
- **Civil Society Organizations (CSOs) and Non-Government Organizations (NGOs) that provide input or represent the priorities of sustainability, sustainable tourism and eco-friendly properties, depending on the local market context**

IFC and the World Bank Group have extensive networks and active consultations with the majority of the industry's stakeholders. In the initial phase of the Platform, the focus will be to operationalize and demonstrate the commercial sustainability of green retrofits for the tourism industry. As the Project establishes its efficacy, it will refine its offering knowledge management events with relevant NGOs and civil societies, which will be able to offer further guidance on potentially available technology offerings. Learnings from these knowledge events will be adopted by the Platform accordingly and disseminated to the larger industry group. The team has also engaged with World Bank, Creating Market Advisory colleagues working in the tourism space to ensure lack of overlap in the scope of projects and confirm complementarity which has enhance the value addition from this platform to help the hotel sector recover from COVID-19 and also move towards greening.

The team is also working with external partners like UNWTO and Booking.com to ensure that the solution is holistic. As the leading international organization in the field of tourism, UNWTO promotes tourism as a driver of economic growth, inclusive development and environmental sustainability and offers leadership and support to the sector in advancing knowledge and tourism policies worldwide. UNWTO's membership includes 159 Member States, 6 Associate Members and over 500 Affiliate Members representing the private sector, educational institutions, tourism associations and local tourism authorities. UNWTO has been supporting this program through its advocacy work to create awareness on benefits of retrofit greening. As part of this partnership, UNWTO has been holding webinars targeting the tourism industry to raise awareness of retrofit greening, in which representatives from HRGP are participating to raise awareness of the program itself.

The HGRP Program is a unique and first-of-its-kind initiative. Due to the global nature of the program's ambition, IFC will be able to work with only a limited number of FIs in each country. Therefore, the role of additional industry stakeholders will be critical for the successful scale-up of the program beyond the initial set of IFC-financed clients. Industry associations are expected to play an important role for the Program's business development, as well as providing forums for the dissemination of the HGRP's lessons learned and experiences to date that are anticipated to build future demand for green building loan products. The dissemination of the Program's results through various channels, such as industry associations and asset managers, will be critical to provide compelling evidence that green retrofits provide a viable and commerical business model for FIs. Demonstrations of the success of existing portfolios may encourage other FIs to build green building lending products without the need for additional concessionality. Mapping of local stakeholders for these efforts, including training, capacity building and awareness raising (in addition to direct engagement with the proposed client FIs) will be scoped as part of the Advisory engagement.

A wide range of stakeholders were engaged for the diagnostics and scoping exercise preceding the design of the Hotel Green Revitalization Program (HGRP), to ensure the viability of the project and design a holistic solution. The engagements were mainly through four channels - an assessment conducted across 273 hotels from 7 countries, a global workshop where hotels and FIs attended to represent their views and needs of different continents, global advocacy collaboration with UNWTO, and IFC team's conversations with existing FI clients in emerging markets. More details on this stakeholder mapping are outlined below.

INTIAL STAKEHOLDER MAPPING

IFC has also performed an extensive assessment of stakeholders across potential markets in preparation for HGRP. The assessment survey engaged over 200 hotel industry stakeholders across seven emerging tourism markets – the Caribbean, India, Indonesia, South Africa, Thailand, the Philippines, and Vietnam. This included individual hotel owners, corporate-level executives from hotel companies that engage directly with hotel owners across their managed or owned portfolios (e.g. Marriott, Radisson), and industry stakeholders such as hotel associations, tourism ministries or departments, and intermediaries involved in hotel development, investment, and asset management.

Survey results showed that hotel business in the identified markets have been seriously impacted by COVID-19 and has led to direct and indirect employment instability and job losses. While, hotels had plans for renovation in medium term and becoming greener over the long-term, if adequate medium-tenor capital (shorter tenor capital is being used for working capital needs of hotels) is provided from investors and commercial banks they would like to utilize the downturn in business to undertake green retrofit.

The Upstream workshop was held in September 2020, it was designed to accelerate the IFC upstream pipeline development effort and design products/solutions which address the market needs. The workshop focused on creating market for "building back greener" through the provision of IFC's investments and technical assistance to FIs which in turn would support, hotels, and other players. The global workshop included deep-dive on 3 markets - Thailand, Kenya, and the Caribbean. The participants consisted of both hotels and FIs from prominent each country, and included Radisson Hotel (Global), Minor Hotels (Thailand), Sarova Hotels (Kenya), Sandals Resorts (Caribbean) from the hotels, and KKP Bank (Thailand), KCB (Kenya), Republic Bank (Caribbean) and UNWTO (Global). Through the workshop, the IFC participants were able to further understand these stakeholders' current situation and their needs, and it was established that IFC is uniquely positioned to convene all stakeholders to create the market for green retrofits by setting standards, providing necessary investment and technical assistance (EDGE 3.0, FI capacity building etc).

The advocacy work with UNWTO and other international and local organization focused on creating awareness of the benefits of retrofit greening. During the assessment, UNWTO, along with IFC's Climate Business Department specializing on EDGE, organized two sessions in August 2020 to disseminate the idea of the program and to encourage responding to the survey. Another webinar session was held in March 2021, by UNWTO in collaboration with PATA in Thailand, to familiarize the program with the tourism sector in Thailand, which received several positive reactions to the program. In addition, IFC along with UNWTO, is exploring with Bookings.com the feasibility of creating a filter on the website for green certified hotels. This aims to address the growing importance of greening standards that customers place when choosing their destinations and can help encourage hotels to retrofit to increase their energy efficiency.

The IFC team has been engaging with existing FI clients to develop the pipeline of RSF's to further the implementation of HGRP program across emerging market. For example, the team is in discussion in the Caribbean and in Thailand (non-IDA country) for pipeline transaction and would solicit donor support for providing the necessary first loss to enable IFC's to provide risk mitigation to these FIs who in-turn would help tourism sector build back greener and support job creation and preservation.

3. Gender Equality and Women's Empowerment

Briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis).

Section III. GENDER EQUALITY AND WOMEN'S EMPOWERMENT

In December 2015, the World Bank Group launched a Gender Strategy (FY16-23), for the first time jointly committing the institutions of the WBG (including IFC) to support public and private sector clients in closing gaps between men and women. Following the WBG Gender Strategy, IFC developed a Gender Strategy Implementation Plan (GSIP), which outlines how IFC will prioritize its work on closing gaps between men and women. IFC's priorities are to improve women's access to more and better jobs, and to enhance women's access to assets, including finance, technology, and markets. IFC address gender in its projects through several channels, including embedding gender metrics into project ESS, risk and M&E frameworks. As part of the E&S assessment, IFC expects clients to minimize gender-related risks from business activities and unintended gender differentiated impacts. For example, consultations to affected communities, as part of PS1, should reflect the different concerns and priorities of men and women about impacts, mitigation mechanisms and benefits. IFC works with companies on recruiting and retaining diverse talent, including getting certified on gender outcomes and narrowing the gap in management and on corporate boards. IFC continues to expand its work in closing gender gaps through investments, with recent commitments to quadruple annual financing dedicated to women-led businesses and achieve a 50 percent share of women directors where IFC has a board seat.

Consistent with IFC's Gender Strategy, the project will undertake, as and when appropriate, a gender-responsive approach to investments. Concessional investments have development impacts and co-benefits that must allow women, along with their families and communities, opportunities for employment, access to services, income generation, and entrepreneurship. Investments may also present challenges that need to be addressed to ensure both women and men benefit, which IFC will consider and take into account during project development. Investments may further benefit, where appropriate from other sources of IFC concessional financing, specifically geared to support women-owned businesses and women entrepreneurs, such as We-Fi which may provide additional incentives to reach women-owned properties.

The hotel industry provides multiple opportunities to address gender gaps. Of the hotels surveyed by IFC during preliminary scoping, women held minority ownership in almost 17 percent of the properties. More than 8 percent of properties were women-owned and 99 percent had female representation in management positions. It should also be noted that the industry is dominated by women in the labor force – nearly 7 out of ten employees in the hotel industry are female. During the project design phase, IFC will evaluate the use of gender disaggregated metrics. IFC expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts. With this in mind, within the structure envisioned under HGRP (pooled first loss), IFC does not have the ability to specifically prioritize gender-sensitive indicators. There may be opportunities, on a country by country basis, to explore complementary interventions to incent lending to a particular segment, such as women-owned businesses, which IFC will explore at the FI-level.

Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment? TBD

closing gender gaps in access to and control over natural resources;

improving women's participation and decision-making; and/or No

generating socio-economic benefits or services for women.

Will the project's results framework or logical framework include gender-sensitive indicators?

TBD

4. Private sector engagement

Will there be private sector engagement in the project?

Yes

Please briefly explain the rationale behind your answer.

Section IV. PRIVATE SECTOR ENGAGEMENT

The mobilization of private sector financing is instrumental to changing the rising trajectory of global emissions. This investment is anticipated to be highly visible among private sector players, as it incorporates the following:

(i) Transforming Policy and Regulatory Environments to Encourage Sustainable Business

A key component of the IFC upstream engagement included designing and piloting EDGE 3.0 with enhanced capabilities which allow IFC to certify retrofit green buildings. This tool is now ready for deployment. It is being complemented with a) advocacy work with UNWTO and other international and local organization to create awareness on benefits of retrofit greening; and b) collaboration with Booking.com to create a filter on website for green certified hotels. This mainstream project benefits from the upfront Upstream engagement to enable market creation and setting of standards across emerging markets regarding retrofit green building certification, like we have done for new constructions.

(ii) Deploying innovative financial instruments

The HGRP project includes an innovative risk sharing structure with a dual mandate for both risk mitigation and greening. The structure, paired with the advocacy and capacity building in collaboration with industry associations and networks (UNWTO) and leveraging the use of the new EDGE 3.0 for certifying green retrofits, this project offers a comprehensive, multi-country, climate-focused, pooled first loss structure that will be a first-of-its-kind for IFC.

(iii) Convening multi-stakeholder alliances

As part of this project, IFC will continue advocacy work with UNWTO and other international and local organizations to create awareness on benefits of retrofit greening. This will include continuing collaboration with Booking.com to create and operationalize a filter on website for green certified hotels.

(iv) Strengthening institutional capacity

In order to ensure the use of blended concessional funds will have a strong development impact and will not undermine the functioning of private sector markets, the Program will be subject to IFC's Blended Finance governance framework. IFC’s investment standards and blended finance principles and processes will be adhered to under the proposed Program and the individual RSFs. The demonstration effect of investment projects is expected to scale up the institutional capacity of financial intermediaries to increase their lending for green buildings. Within the realm of private sector engagement, IFC believes that each investment financed strengthens the institutional capacity of our clients. IFC brings rigorous due diligence and E&S Standards to all its investments and demands a threshold of performance from its clients that is aligned with global best practice. For each investment, a team of IFC E&S specialists works directly with the client company to strengthen reporting, ensure safeguards and protect local communities, in line with the World Bank Group's Performance Standards.

(v) Demonstrating innovative approaches

A private-sector engagement through the project will encourage sustainable business investment by providing innovative instruments and solutions customized to provide minimum concessionality and move markets towards sustainability. Investments will also target the scale up of the new, cleaner technologies, including mainstreaming green technologies such a solar thermal, which can be combined with other enhancements for health and safety, such contactless entry, that will reduce emissions and lower operational costs for businesses.

(vi) Crowding in private sector financing

Crowding in private sector financing is at the core of IFC's business. At the global level, the project is expected to crowd in a minimum of US$400 million of private sector financing for greener retrofits. A successful project is expected to scale up rapidly, across multiple countries and clients, incorporating additional private sector investors and increasing financing ratios for GEF's investment.

With over six decades of experience, IFC has become a leading mobilizer of third-party resources for projects in developing markets. IFC's willingness to engage in difficult environments and its leadership in crowding-in private finance enables it to extend its development impact well beyond its direct resources.

Between FY10 and FY20, IFC deployed US$1.6 billion in blended finance to mobilize US$13.2 billion in IFC and 3rd party capital for 266 high-impact projects spanning sectors such as climate, SMEs, gender, and agriculture. More than half of the investment mobilized by IFC projects came from private, third party capital sources.

Additionally, as the Chair of the DFI Working Group on Blended Concessional Finance for Private Sector Projects and a market leader in the use of blended concessional finance in private sector projects, IFC applies the DFI Enhanced Blended Concessional Finance Principles for every concessional transaction. These Principles, including crowding-in the private sector and adhering to minimum concessionality, are part of IFC's continued commitment to catalyze market development and mobilize private sector resources to maximize finance for development.

5. Environmental and Social Safeguard (ESS) Risks

Provide information on the identified environmental and social risks and potential impacts associated with the project/program based on your organization's ESS systems and procedures

Overall Project/Program Risk Classification*

PIF	CEO Endorsement/Approval	MTR	TE
Not available at this stage			

Measures to address identified risks and impacts

Provide preliminary information on the types and levels of risk classifications/ratings of any identified environmental and social risks and potential impacts associated with the project (considering the GEF ESS Minimum Standards) and describe measures to address these risks during the project design.

As a GEF Agency, the World Bank is aligned with GEF Environmental and Social Safeguards policies; in instances where requirements for private sector projects executed by IFC may differ from the World Bank' s Environmental and Social Framework, the World Bank will seek to review and align such requirements and share this review with the GEF Secretariat in advance of CEO endorsement.

IFC requires that all projects are assessed and screened for environmental and social risks. Risk screening for the HGRP portfolio will prior to approval, at the transaction level, for each of the 60+ financial intermediaries that IFC anticipates supporting.

IFC projects are required to meet and operate in a manner consistent with IFC's Sustainability Framework, including IFC's Performance Standards (PS) on Environmental and Social Sustainability. The Sustainability Framework enables IFC to incorporate E&S risk management into investment analysis and decision-making processes through a transparent and disciplined approach. The World Bank as GEF Agency and IFC as Executing Agency commit to sharing the E&S Review Summary with the GEF Secretariat in advance of CEO Endorsement.

Additional information on IFC's Performance Standards and Sustainability Framework has been included for the Secretariat's review.

Supporting Documents

Upload available ESS supporting documents.

Title	Submitted
PS_English_2012_Full-Document	

Part III: Approval/Endorsement By GEF Operational Focal Point(S) And GEF Agency(ies)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter with this template).

Name	Position	Ministry	Date

ANNEX A:

Instructions. Please submit an indicative termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A. Termsheets submitted should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. Please ensure that by copying the termsheet in the section of the PIF/PFD, the format allows reviewers to read the content.

Annex A: Indicative Financial Terms (May 6, 2021)

GEF – INDICATIVE TERMSHEET Project/Program Title	**The Hotel Green Revitalization Program ("HGRP" or "Program")**
Project/Program Number	IFC 44907 / GEF 10766
Agency presenting the Project	**International Finance Corporation (IFC)**, acting as Executing Agency for the World Bank (WB), an Implementing Agency for the Global Environmental Facility (GEF)
Project/Program Objective	HGRP is a global platform approach to provide risk mitigation on a portfolio of up to US$800 million equivalent (unfunded facility with 50:50 risk share with IFC, backed by pooled first loss) to local banks to support the hotel industry "build back greener".
Country [ies]	Global covering over 30 countries (see Annex D) The Program has a strong pipeline of up to US$300 million in IDA countries and up to US$500 million in non-IDA countries. For details refer to the pipeline in the annex. For confidentiality reasons, potential client names are not included.
Investors	IFC will have Risk Sharing Facilities ("RSF") with IFC's existing Financial Institution ("FI") clients, who are in

	existing Financial Institution (FI) clients, who are in good standing [10] and with environment and social ris k rating (ESRR) of 2 or better. New FI clients will be eligible for the program if they a dhere to IFC’s E&S requirements and meet IFC’s credit standards. GEF would be a provider of PFLG for IFC’s share of RS F for non-IDA countries. Other climate donors will be also approached for PFLG for IFC’s share of RSF for n on-IDA countries. The GEF Guarantee will be separate from IDA countrie s and will not cover any defaults in IDA. The underlying portfolio shall comprise of small and mid-sized hotels as defined under IFC’s SME definitio n (employees less than 300). Some larger hotels may employ more than 300 employees but will not include any property which is deemed as high-end luxury. The selection criteria of the hotels would be: · The hotels should have been in good standin g before the COVID 19 crises i.e. the hotels s hould have been current on their repayments for at least 12 months before March 31, 202 0. · The hotels should be willing and capable to u ndertake green retrofitting. The advisory tea m (Climate Finance and EDGE) will do capaci ty building workshops and trainings for FIs to help them assess if the hotels can do retrofitt ing. This will be an ongoing engagement with IFC advisory team and FIs and there is a requ irement of regular quarterly reporting from th e FIs on the status of hotels under their respe ctive portfolio undertaking such actions.
Project Financing	IFC will provide an unfunded Risk Sharing Facility (RS F) for a 50 percent risk share with the FIs for a ring-fe nced portfolio of SME hotel projects in the emerging

nced portfolio of SME hotel projects in the emerging markets. IFC's share of RSF will be backstopped by pooled first loss.

Total Portfolio: US$800 million

- IDA Countries: US$300 million
- Non-IDA countries: US$500 million

IFC's share of Unfunded RSF: US$400 million ($290 million of IFC own-account, backed by up to $110 million in donor funds, not including GEF)

- IDA countries: US$150 million (backed by up to 30% FLG by donors)
- Non-IDA countries: US$250 million (backed by up to 30% FLG by donors)

Pooled First Loss: [TBD]

- GEF's Guarantee of US$9.1 million (net of fees) providing PFLG for IFC's RSF for non-IDA countries only.
- Guarantee from donors (including from GEF) of around US$110 million for IDA and non-IDA countries.

Proposed Co-Financing

Table: Platform Co-Financing*

Sources of Co-Financing	**Co-financier**	**Type**	**Investment Mobilized (US$)**
GEF Agency	IFC	Unfunded RSF	US$290m
	backed b	*First los*	

	y 30% FLG from donors	*First loss guarantee*	*US$110m*
Private Sector	60+ Financial Institutions	Debt	US$400m

*IFC will contribute an additional $2.5 million in the form of TA/Advisory to FIs/Hotels under the Program

*Donor funds will provide up to 30% of first loss for IFC's total eligible IDA and Non-IDA portfolio; For IDA countries, PFL is indicatively expected to be US$45m; for non-IDA PFL is anticipated to be between $45-65m.

GEF Proposed Financing in the form of Guarantee	US$9.132 million (net of fees) from GEF as a provider of Pooled First Loss Guarantee for non-IDA countries only
Agency Fees	GEF fees to Agency: US$867,580
Total Portfolio under the Program	The Program will target a portfolio of up to US$800 million over the next 3 years.
Co-financing and Co-Financing Ratio	GEF's guarantee is an integral part of the Program of US$800 million as it will enable Program extension to non-IDA countries and help to de-risk RSF exposure by pooling projects to make the Program a success. · Each GEF US$1 mobilizes US$80 of other financing from other sources · Indicative co-financing ratio for the program is 1:80x · Indicative co-financing ratio for the private sector financing is 1:40x This co-financing ratio may increase as portfolio coverage is increased.

Currency of the Guarantee	USD
Currency risk	The PFLG is denominated in USD. Payments made by GEF under the PFLG will be in US $ only. There will be no currency risk to GEF as the Guarantee amount from GEF will be capped at US$9.1 million.
Structure and Governance	**<u>Structure</u>:** Under the Program, IFC would enter Risk Sharing Agreements (RSAs) with local banks. Donors are expected to provide a pooled first loss cover and reimburse IFC for its losses under the RSAs up to a cap of US$ amount ("First Loss Amount"). Under each RSA, IFC would share losses with the Bank/FIs on its portfolio of financings to borrowers meeting pre-agreed Eligibility Criteria, typically on a pro-rata and pari-passu basis. The terms of the individual RSAs can vary, depending on each FI's need and anticipated utilization capacity. The first loss is used to pay losses coming from all the RSAs until the cap is reached. IFC will then be called for any loss allocated to it once the first loss amount is depleted. Loss rates from individual RSAs could exceed or be below the first loss percentage. The first loss utilization and portfolio risk will be actively monitored at commitment of each individual RSF to ensure that risks are in line with expectations. **<u>Governance</u>:** The blended finance component of the Program will

	manage in accordance with IFC's blended finance approach and in line with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects (see further detail in Annex C).
Program Strategy	The Program will provide the required risk mitigant and enable FIs to offer longer tenor financing both for meeting medium term liquidity constraints and post-COVID recovery phase funding needs of hotels related to: i. Immediate requirement of retrofits and improvements that bundle energy and water efficiency with immediate modernization needs (such as contact-free check-in, retrofitting capital equipment and phone operated digital keycards); and ii. Planned major renovations, to incorporate efficiency upgrade projects to lower the operational costs such as installation of solar photovoltaic (PV) system for electricity, installation of solar thermal system for water heating, building management and monitoring systems and chiller systems. The Program is expected to cover up to 760 SME hotels through 60 FIs over 20 emerging markets. **Maximum Portfolio Balance**: TBD – up to $[50] million for a single FI; 20 percent country limit **Maximum IFC Risk Amount:** TBD - 50 percent of Maximum Portfolio Balance for a single FI (i.e. up to US$25 million for a single FI). **Loans to underlying RSF portfolio**: · Term loans to hotel clients with average size of US$2.5 million and tenor of 5-year amortizing (2-year grace period)

	· Upon receiving the loans, the underlying hotels will make a commitment to, over an 18- 24 month period, achieving certain milestones toward green retrofitting. · Only the hotels that meet the greening criteria will be eligible for inclusion in the RSF portfolio. Funding will be tied to greening elements; if progress is not observed in 18-24 months the loan will be removed from the portfolio. Defaults that may occur before greening are at the risk of the FI, who is responsible for the due diligence. The RSF with participating FIs will be complemented by advisory on capacity building of FIs on EDGE Version 3.0 for retrofits. Only those hotels will be eligible to be part of the program which can meet EDGE or other green building certification requirements over tenor of the loan.
Environmental & Social Safeguards	As a GEF Agency, the World Bank is aligned with GEF Environmental and Social Safeguards policies; in instances where requirements for private sector projects may differ from the World Bank' s Environmental and Social Framework, the World Bank will seek to review and align such requirements in accordance with its ESF and share this review with the GEF Secretariat in advance of CEO endorsement. Environmental and Social risk screening will be done at the transaction level, prior to approval, for each of the 60+ financial intermediaries IFC expects to support.
Reporting	On a quarterly basis FIs will report to IFC the milestone on retrofitting achieved by its underlying portfolio. Failure to fully meet the milestones could result in IFC's guarantee coverage to drop to lower than 50 percent on the existing portfolio or the hotel property becoming ineligible for IFC guarantee.
Life of the Program and associated investment projects	The life of the Program will be (12) twelve years: · Investment Period: Period for IFC to underwri

	te RSFs with FIs will be (3) years. · Ramp Up: Period for individual FIs to build up portfolio under the RSFs will be (3) three years. · Portfolio Loans: Underlying loans to SME hotels under the RSF will have an average tenor of 5 years with 2 years as grace period. · Additional 1 year for cleaning up the portfolio under the Program. RSF availability time period is fixed; no loans will be eligible to be extended.
Exposure Limits	GEF's guarantee will be capped at US$9.1 million (net of fees).
Guarantee Fees	Guarantee Fee for GEF will be set as a percentage portion of GEF PFLG as a portion of the total IFC risk sharing fee up to 1.75%. Final calculations will be made at the time of each risk participation agreement with an FI. Pricing will depend on the underlying risk of the portfolio created by each individual FI; in pooled first loss structures the premium is expected to be significant, which is an inherent part of the donor additionality in the provision of a first-loss guarantee. IFC expects guarantee premium between 6 – 10% depending on the composition of the portfolio. Actual risk sharing fees will be lower, without which the project will not proceed. Final calculations to be made at the time of each risk participation with the local FI. · Guarantee fees for GEF will be pari passu to IFC's Risk Sharing Fees. · Risk Sharing Fees received by IFC over time will be shared with GEF based on a pre-agreed formula. · GEF would receive a percentage portion of the risk sharing fees IFC receives, but no more than the available First Loss Amount relative to the portfolio committed amount.

	- The percentage portion used for fee sharing will be based on the target PFLG percentage (e.g. 30% for a PFLG with a 30% target first lo ss).
Reflows	Reflows will follow the same procedure IFC uses for a ll blended concessional finance projects that periodic ally reflow capital. In the case of GEF, as IFC works alongside the World Bank, reflows are made to the GEF Trustee account' I FC notifies the World Bank GEF Coordination team of the transfer.
Unused GEF Funds	Should the IFC investment window expire with excess GEF funding, above is required to be held in place by I FC's existing legal agreements with clients, excess fu nding (if any) will be reflowed back to the GEF Truste e. Reflows would follow the same process as outlined above.
Recovered Proceeds	Any proceeds from recovery of defaulted assets will g o first to IFC to make IFC whole, and subsequently to GEF, following reflow process outlined above.
Cash Waterfall (Recovered Proceeds) from Indivi dual Investment	If defaults occur, the GEF guarantee will be used to co ver IFC's loss until the full US$9.1 million (net of fees) guarantee amount is fully depleted. Any subsequent l oss of the portfolio will be borne by IFC. Any proceeds from recovery of those defaulted asset s will go first to IFC to make IFC whole, and subseque ntly to GEF.
Use of Concessionality	Discussions with FIs in the pilot markets have shown that the challenge is lack of risk mitigation tools (and not liquidity) to enable them to continue supporting th e sector. Many FI's have exposure to hotel sector, whi ch were performing well prior to COVID19, however gi ven that the sector is unlikely to recover anytime soo n, the FI's are hesitant to lend more to the sector with out risk mitigants. The unfunded 50:50 risk sharing fa

	cility (RSF) structure being proposed addresses the constraints of FIs and hotels. The proposed PFLG from GEF is a vital tool to overcome this supply side market failures risk mitigant tool. It provides credit enhancement to IFC's investment and improves the risk in order to provide the required financing at a rate that is affordable for the banks and the ultimate beneficiaries. The "minimum concessionality" principle of Blended Finance requires that the level of subsidy should not be greater than to induce the intended investments. In line with this principle, the proposed level of First Loss is optimum to rebalance the risk-return trade-off for the Program. Over time, as the pool of RSFs in the Program reaches the limit and actual performance data accumulates, IFC will consider adjusting the first loss percentage on the Program pool downward by adding new facilities without increasing the first loss.
Termination	Termination of Guarantee when the last outstanding loan under the RSF has been repaid.
Reporting	Each portfolio company under the individual RSF will provide portfolio reports and performance information on a quarterly basis. Annual financial reports will be audited based on international financial reporting standards (IFRS). IFC will report to GEF on the performance of the Program through its customary annual monitoring and reporting (AMR) channels.
Alignment with GEF Environmental & Social Safeguards	IFC commits to sharing the ESRS with the GEF Secretariat in advance of CEO endorsement. As a GEF Agency, the World Bank Group is aligned with GEF Environmental and Social Safeguards policies; in instances w

	here requirements for private sector projects may differ from the World Bank, IFC will seek to review and align such requirements in accordance with IFC's Environmental & Social policies and share this review with the GEF Secretariat in advance of CEO endorsement.
Terms and conditions for the financing instruments	All use of blended concessional co-investments must meet the DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects.
Knowledge Sharing	IFC is open to ongoing discussions with GEF Secretariat on the most effective venue/fora to disseminate the information on the performance of the Program. IFC's work is also being complemented with a) advocacy work with UNWTO and other international and local organization to create awareness on benefits of retrofit greening; and b) collaboration with Booking.com to create a filter on website for green certified hotels.

ANNEX B:

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals. Any financial returns/gains/interests earned on non-grant instruments, will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee.

Annex B: Reflows table (April 28, 2021)

Instructions. Any financial returns/gains/interests earned on non-grant instruments, will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee.17

Item Data	
GEF Project Number	No. 10766
Estimated Agency Board approval date	December 2021
Investment type description	First Loss guarantee to backstop IFC's Risk Sharing Facility with the local FIs across the emerging markets.
Expected date for start of investment	3Q2022
Amount of GEF Guarantee	US$9.1 million (net of fees)
Amount of Co-Financing	GEF Guarantee will provide FLG for IFC's RSF of US$400 million for a portfolio of US$800 million. GEF financing will be integral for the Program as it will allow extension of the Program to non-IDA countries and thus will be de-risking and diversifying the underlying projects of the Program. and
Estimated Return	TBD
Maturity	The Investment Platform will have a 12-year life.
Fees	Guarantee Fee for GEF will be set as a percentage portion of GEF PFLG as a portion of the total IFC risk sharing fee up to 1.75%. Final calculations will be made at the time of each risk participation agreement with an FI.
Repayment method description	IFC shall pay to GEF the US Dollar Equivalent Amount of the aggregate Guarantee Fees in respect of all outstanding eligible loans within thirty (30) calendar days of the end of each semi-annual period ending on TBD and TBD of each calendar year.
Frequency of reflow	• Semi-annual Guarantee Fees payable by IFC to GEF • One repayment of any unused portions (if applicable) • One final repayment for any recovered guarantee amounts
First fees repayment date	TBD
First repayment amount	Guarantee Fees (TBD)[16]
Final fees repayment date	At the end of the Availability Period, i.e. 12 years is estimated life of the Program.
Final fees repayment amount	TBD
Total interest/earnings amount to be paid-reflowed to the GEF Trust Fund	Total of Guarantee Fees, recovery amount and unused portion of funds, if any. The Program may incur losses and be unable recover the First Loss Guarantee amount.

[16] Fees are confirmed during project preparation for each individual transaction.

ANNEX C:

The GEF Agency submitting the PIF or PFD is required to respond to the questions in Annex C of the NGI Program Call for proposals in order to demonstrate its capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).

Annex C: Partner Agency Eligibility to Administer Concessional Finance

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as described below:

Track Record and Performance in Blended Concessional Finance

IFC has been successfully deploying blended finance investments for more than a decade and is currently the largest and oldest practitioner of blended finance transactions among Development Finance Institutions (DFI's). IFC conducts blended finance operations in several thematic areas and industries globally, including to SMEs, sustainable agriculture supply chains, women-owned businesses, IDA, conflict-affected and vulnerable countries, climate change, manufacturing, and infrastructure to name a few.

From fiscal year 2010 to 2020, IFC deployed US$1.6 billion in blended finance to mobilize US$13.2 billion in IFC and 3rd party capital for 266 high-impact projects spanning sectors such as climate, SMEs, gender, and agriculture. Of the US$13.2 billion mobilized by blended finance more than half, US$7.2 billion was sourced from 3rd party capital, and US$6 billion from IFC own-account investment.

Thought Leadership on Blended Concessional Finance

As the Chair of the Development Finance Institution (DFI) Working Group on Blended Concessional Finance for Private Sector Projects, a consortium of 23 multilateral development banks and financial institutions, IFC led the development and adoption of the Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations, as described below.

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Governance on Blended Concessional Finance

IFC is committed to using a disciplined and targeted approach when it comes to blending concessional donor funds with its own commercial funds. This commitment reflects a long track record and thought leadership in the application of blended finance through evidence-based learning, that encourages real-time evolution and improvements to our approach.

In 2017, IFC created a Blended Finance Department to house a team of investment and operational professionals focusing on the management and deployment of blended concessional funds. All blended finance projects are reviewed and approved by an independent Blended Finance Committee (BFC), a senior Corporate Committee, and/or the Blended Finance Director, ensuring that IFC applies best practices, balances efficiency, accountability, and transparency, and adjusts investment decisions and the use of concessional finance based on the learning that comes from project structuring and implementation. The BFC helps to ensure that IFC can continually inform its own operations, maximize its innovation tools and resources and provide the highest standard of governance for concessional transactions. IFC's governance structures are aligned to the Blended Finance principles (summarized below) and have been embedded into IFC documentation, training, and procedures.

Adherence to these principles and a robust governance framework, endorsed by our stakeholders, guide IFC's approach to blended finance and are required for every transaction using contributor funds. The DFI Enhanced Blended Concessional Finance Principles are briefly outlined below:

- *Rationale for Using Blended Concessional Finance.* Development Finance Institutions (DFI) support of the private sector should only contribute financing beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector.

- *Crowding-in and Minimum Concessionality.* DFI support to the private sector should, to the extent possible, contribute to catalyzing market development and the mobilization of private sector resources.

- *Commercial Sustainability.* DFI support of the private sector and the impact achieved by each operation should aim to be sustainable. DFI support must therefore be expected to contribute towards the commercial viability of their clients.

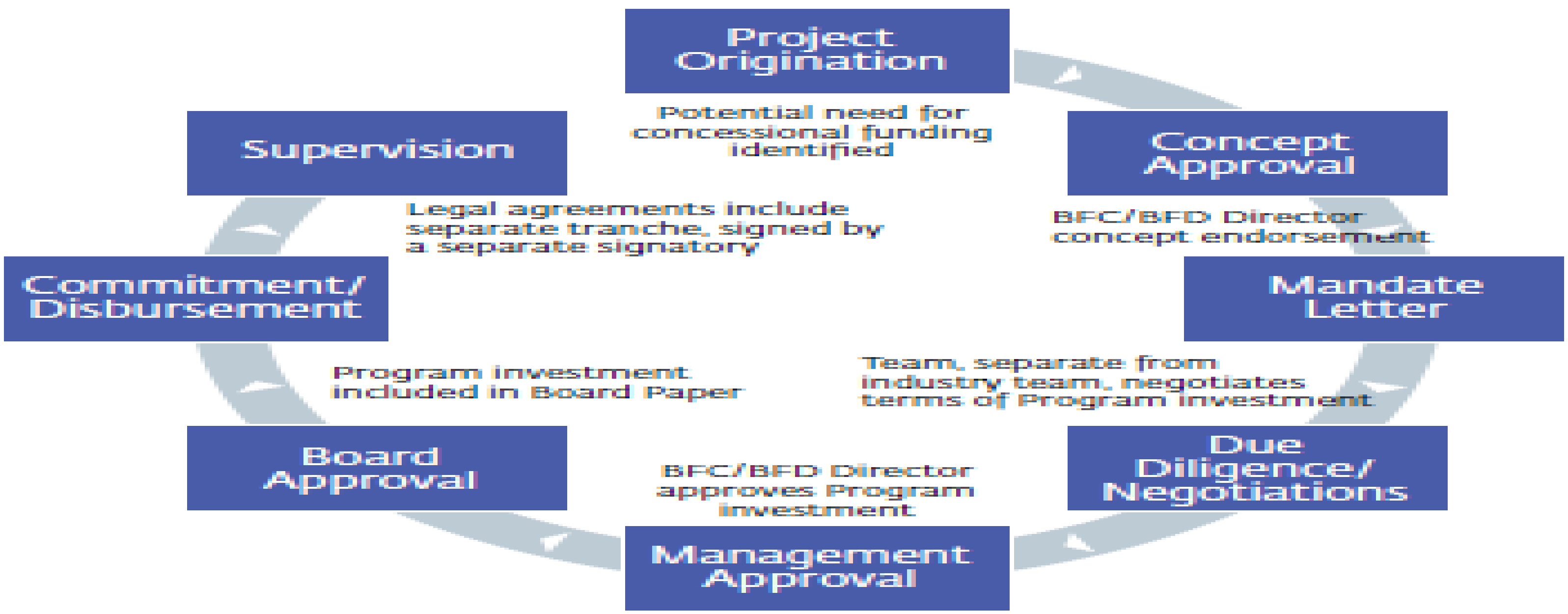
- *Reinforcing Markets.* DFI assistance to the private sector should be structured to effectively and efficiently address market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.

- *Promoting High Standards.* DFI private sector operations should seek to promote adherence to high standards of conduct in their clients, including in the areas of Corporate Governance, Environmental Impact, Social Inclusion, Transparency, Integrity, and Disclosure.

Based on these principles, it is imperative that IFC's investments contribute beyond what financing is available, and otherwise absent from the market; otherwise the transaction will not be approved by the BFC. IFC's Blended Finance Department bears responsibility for representing its donor interests as contributors within IFC's decision making processes, ensuring appropriate structuring and use of concessional finance, and managing the blended finance co-investment portfolio after projects are committed and under implementation. To this end, IFC's separate team of blended finance investment officers identify, negotiate, and structure donor funds alongside IFC's commercial financing as co-investments. After the project is committed, this team supervises the donor-funded co-investment and reports to the development partner on the project over the course of project lifetime.

Donor funded blended finance co-investments rely on and leverages IFC's operating investment cycle. The harmonized investment origination, approval process and portfolio management approach are outlined in the graphic below.

<u>IFC Investment Cycle</u>



1. a) **Ability to accept financial returns and transfer from the GEF Agency to the GEF Trust Fund;**

In all projects and structures (other than for non-returnable capital structures such as viability gap funding or performance-based), there is an expectation of financial returns from principal repayments, interest payments, distributions or fees. IFC has more than a decade of experience with this process for its existing donor-funded blended finance facilities. IFC's strong financial management systems include the segregation of donor funds. The ability of IFC to accept and transfer financial returns to the GEF Trust Fund presents no issue.

1. **b) Ability to monitor compliance with non-grant instrument repayment terms;**

2.

3. A core part of IFC's investment operations is to monitor compliance with investment terms across the full lifecycle of the project. Typically, for IFC donor-funded facilities, this lifecycle encompasses a five- to seven- year active investment period, followed by another 15- to 18-year supervision period, for a total of 20 to 23 years.

4.

For all investments, IFC maintains a procedure for project initiation, oversight, and control, complete with risk assessments and monitoring throughout the life of the project. For IFC investments that utilize blended concessional finance, an additional layer of supervision and reporting exist alongside IFC's own account investments. IFC follows strong portfolio management practices for all of its projects. IFC's portfolio supervision teams actively monitor compliance with investment agreements, performs site visits to evaluate project status and to identify solutions that address potential problems.

IFC systematically tracks environmental and social performance and measures financial and development performance and results. IFC's projects and funds are closely monitored, and for projects in financial distress, IFC's Special Operations Department determines the appropriate remedial actions. The Special Operations Department seeks to negotiate agreements with creditors and shareholders to share the burden of any restructuring, so problems can be worked out while the project continues to operate.

5.

6. c) Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds;

1.

1. IFC will implement a GEF NGI Project an accredited Executing Agency for the World Bank Group, which is an Implementing Agency for GEF. GEF-supported investments will follow IFC's financial management and procurement policies, including financial accounting, disbursement methods and auditing. IFC will maintain separate records and ledger accounts in respect of the GEF Funds for blended concessional finance and disbursements made therein. IFC will continue to report to GEF through the World Bank, per the legal requirements agreed for earlier GEF-funded activities.
2.

<u>IFC's mechanism / process for program-level reporting to GEF</u>

As noted above, IFC will continue financial reporting to GEF through the World Bank, following the guidance and requirements agreed for earlier GEF-funded activities.

3. **d) Commitment to transfer reflows twice a year to the GEF Trust Fund;**

Typically, reflows from IFC's blended concessional funding is either accumulated and periodically refunded to the contributor, or recycled to the Trust Fund and re-deployed in subsequent investment phases. The availability of reflows varies widely depending on the project structure and the contributor's preference. IFC will transfer any financial returns, gains or interests earned on non-grant instruments, to the GEF Trust Fund as noted in Guidelines on the Project and Program Cycle Policy.[1]

And, in case of NGI for private sector beneficiaries:

1. **e) Track-record of repaid principal and financial returns from private sector beneficiaries to the GEF Agency.**
2.

IFC's relationship with the GEF spans over two decades, with over US$100 million in project approvals to enable private sector engagement in emerging markets.[2] Over this period IFC has also returned almost US$42 million to the GEF, through the World Bank. GEF-supported projects are still active in our existing portfolio.

And, in case of concessional finance for public sector recipients:

1. **f) Track-record of lending or financing arrangements with public sector recipients;**

2.

3. IFC's mandate is to support private sector development in emerging markets. Therefore, this criterion is not applicable to IFC's existing investment operations.

1. **g) Established relationship with the beneficiary countries' Ministry of Finance or equivalent.**

Please see section (f), above.

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[1] As per requirements for Non-grant Instruments in Annex 5 of the Guidelines on the Project and Program Cycle Policy (GEF/C.52/Inf.06/Rev.01)
[2] The total approved amounts do not include advisory funding under various platforms or investment funding approved prior to 2000.