



Scaling Private Sector Investment in Sustainable Projects

INTERIM REPORT
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Introduction

Today, the world's biggest sustainable development challenges are inextricably linked: From the economic destruction caused by climate-driven weather events to a health challenge – the pandemic – that has exacerbated social exclusion in vulnerable communities, the impacts come together to create tangible and ever-present threats to lives and livelihoods. This is especially true in emerging economies, whose communities are among the most exposed to the effects of climate change, food insecurity, economic exclusion and social injustice, but also in mature economies, where poverty persists in large segments of the population. This underscores the urgent need to accelerate sustainable development. Governments and development finance institutions (DFIs) have been working to provide the necessary public financing. However, given the scale of the challenges, far greater levels of private investment will be needed.

This is one of the priorities of His Royal Highness The Prince of Wales (HRH) through the Sustainable Markets Initiative (SMI), as will be set out in this report. Using the SMI's convening power – particularly in the emerging market countries of the Commonwealth – its goal is to find new ways to harness private capital and bring together critical stakeholders to work towards the standardisation that is essential to scaling private capital flows. In this way, the SMI aims to contribute to the development of an enabling environment for a sustainable finance system that can accelerate progress towards sustainable development. And while its initial focus is on the Commonwealth, the SMI aims to develop solutions that can be applied globally.

While the sustainable investing market is growing rapidly, further expansion is needed in countries of all income levels, but particularly in emerging economies. From trust and information gaps to technical capabilities, there are many barriers to overcome. More broadly, an enabling environment for private investment needs to be created to complement public funding flows and drive greater private capital flows into climate action – both mitigation and adaptation – which in emerging markets is more urgently needed and harder to secure. This report explores some of the challenges in depth. And while it is just one part of the sustainable development agenda, climate adaptation is given special attention because of the widespread social and economic impact of climate change. As the hurdles are considerable, private capital will be essential to helping solve some of the world's biggest social and environmental problems while building long-term resilience, boosting economic growth and improving livelihoods. The recommendations in this report form an important part of the solution.

The Private Financing Imperative

The appetite for sustainable investing is growing rapidly. Given the keen interest among investors – ranging from pension funds to high-net-worth individuals – in directing their funds towards investments that deliver social and environmental as well as financial returns, sources of finance are increasingly available. In a 2020 survey conducted by the Global Impact Investing Network, 85% of asset managers said that they were focusing on impact investing because of client demand.¹ By 2018, sustainable assets under management had reached a total of almost \$31 trillion across the five major world markets, a 34% increase from two years earlier.² Yet despite this growing wave of investor interest in sustainable finance, funds are not yet flowing at scale to emerging economies for climate action, and where funds are available for climate-focused projects, they are directed predominately towards mitigation rather than adaptation.

Discrepancies between supply and demand persist, leaving large gaps in the capital flows needed to support sustainable development in emerging economies. The numbers speak for themselves: Globally, as of 2018, the private sector provided 56% of total sustainable financing while the public sector made up the remaining 44%, with 37% of global funding coming from DFIs.³ It is essential to foster increased cross-sector collaboration and attract large-scale private investment by reducing risk to meet sustainable development and climate goals.

The data also points to a need to increase the cross-border flow of funds across countries and regions. As of 2018, for example, 76% of climate finance – which supports mitigation and adaptation actions that address climate change⁴ – was invested domestically, suggesting that investors are more comfortable in places where they understand the risks and are familiar with national policy and related frameworks.³ While the data only reflects climate funding, the inextricable link between healthy societies and economies and climate change means that shifts in climate funding have a broader impact.

The need to make this shift is even more urgent in emerging economies, with the data around climate financing acting as a proxy to illustrate challenges on the broader sustainable development investment landscape. For example, while approximately 62% of total global climate finance went to non-OECD countries as of 2018 – 46% from domestic resources and 16% from international resources – investments are not yet flowing to emerging markets at scale.³

One example that can be used to illustrate this is the fact that only 10% of clean energy investments flow to low-income and lower-middle income countries.⁵ Furthermore, the majority of climate finance dedicated to developing countries is concentrated in East Asia and Pacific, with very low investment levels being directed towards middle- and lower-income countries in Africa or Latin America and the Caribbean. This means that funding flows are not reaching those with the greatest need and who face significant risks from climate change effects for which they have not been the cause. Temperatures in East Africa, for instance, are predicted to rise 2°C during the period from 2040 to 2059, accompanied by a rise in the region's precipitation.⁶

By matching investors with projects that deliver the shorter-term, commercial returns they often seek, increased private capital can be secured, reducing dependence on DFIs and other public sources of finance. Playing a vital role, if it can be delivered more efficiently, will be blended finance – in which public sector investments can adjust perceived and actual risk to crowd-in private capital

and increase total investment in sustainable development projects. Additionally, an increase in private capital will expand the availability of public capital for projects that have long time horizons or low-to-no returns but benefit nature and the people who rely on natural resources. An increase in private capital leaves more public sector resources available to develop support mechanisms and market data that will make more challenging projects attractive to private sector investors and facilitate public-private sector collaboration. Greater inflows of private capital will also free up critical public resources to deliver humanitarian assistance, build resilience and meet sustainable development goals.

The good news is that potential sources of private sector funding are broad, with capital at the ready, an appetite to allocate it to investments that meet environmental and social goals, and a willingness to innovate and collaborate across sectors. These sources range from venture capitalists and private equity and debt funds to institutional investors such as pension funds and hedge funds, impact investors, philanthropists and ultra-high-net-worth individuals. Many of these investors are strongly motivated to direct funds towards sustainable investments. And given the acceleration of financing innovation, there is great potential to develop and advance blended finance structures for which the skills of the private sector can help reduce costs and improve delivery efficiency.

Across the world, organisations such as the World Bank, through its Maximizing Finance for Development approach,⁷ and the United Nations, through its Environment Programme Finance Initiative,⁸ are similarly working to increase the amount of capital flowing to sustainable development projects as well as initiatives to address climate change.

Financing for Climate Adaptation and Resilience

Given the strong links between social and environmental challenges, accelerating the pace of sustainable development calls for a focus on climate action. And while climate adaptation is just part of the sustainable investing agenda, it merits special attention because of the widespread social and economic impact of climate change.

While mitigation efforts are essential to limit temperature rises and remain within the 1.5°C scenario the Intergovernmental Panel on Climate Change has proposed,⁹ adaptation measures must be put into place to tackle the impacts of climate change already felt globally and likely to intensify.

Rising sea levels are already affecting coastal cities, and warmer temperatures are impacting agricultural productivity and water irrigation methods. Most affected are low-income countries experiencing increasingly frequent climate-related disasters such as droughts, floods and landslides. And in small island states such as Fiji and Barbados, rises in sea levels, flooding and severe weather events could destroy livelihoods reliant on fishing and tourism. This means investments in adaptation and resilience projects are just as important as those for mitigation.

However, financing that flows towards adaptation projects accounted for approximately 5% of the total funding globally in 2017/2018 (about \$30 billion), falling far short of what is needed. Estimates indicate that annual adaptation investments of \$180 billion are needed between 2020 and 2030. The vast majority (over 90%) of combined public and private finances continue to flow towards

mitigation, within which more than 90% of private funding is dedicated to renewable energy generation.³

Driving these funding flow disparities is the fact that investments in adaptation – such as infrastructure that protects communities from flooding or early warning systems that can prevent the devastation and loss of life caused by extreme weather events – are often less desirable to finance. Adaptation projects require “softer” investments in areas such as education and training, where returns are hard to price. Moreover, because adaptation projects currently lack credible revenue models, greater financial innovation, including the development of blended finance structures, is needed to draw private capital into these projects at scale.

Barriers to Increased Private Sector Funding Flows

Several key barriers exist to overcoming the mismatch between investor appetite for sustainable development projects and the supply of bankable projects. They include:

- **Insufficient Supply of Investment-Ready Sustainable Development Projects.** Many projects – particularly in sectors such as sustainable agriculture – are too small for larger private sector investors. Many are seeking to reduce transaction costs by creating economies of scale through earlier-stage engagement and project packaging. Meanwhile, institutional investors prefer to allocate larger amounts (often more than \$100 million)¹⁰ per transaction than the typical sustainable investment opportunity allows. The problem is even more acute for private investors looking to enter new emerging and frontier markets.
- **High Barriers to Entry.** Deal flows continue to be hampered by everything from due diligence costs to challenges in establishing local partnerships and gaining an understanding of the local operating context. In addition, a lack of consistency in these projects across preparation, execution and documentation can increase the cost of capital, particularly when institutional and governmental capacity is also stretched. To increase the deployment of private finance to scalable sustainability solutions in smaller countries, the economics of investing in small non-standardised projects need to be improved.
- **High Perceptions of Risk.** Lack of disclosure and the fragmented landscape of small projects make it hard to obtain the high-quality, standardised information needed to assess the risks accurately, and many investors lack awareness of sustainable finance, risk mitigation instruments and co-benefits. Meanwhile, an absence of relevant policies and targets undermines investor confidence in both the investment opportunities and the governmental and regulatory support they require.
- **Expanding and Interlinked Vulnerabilities.** Many structural challenges and vulnerabilities are no longer directly linked to national income levels. This is true for a large proportion (41%) of Commonwealth countries, which are classified as middle-income countries (30% upper-middle income and 11% lower-middle income).¹¹ When countries graduate to a classification as middle income, they lose access to de-risking options such as concessionary finance and other support measures. Yet many of these countries, along with lower-income

countries, are exposed to a range of intensifying vulnerabilities – vulnerabilities that are not properly characterised by current indices, which tend to focus narrowly on economic or environmental vulnerabilities, as do public support mechanisms, which are siloed and do not take into account the multitude of interconnected vulnerabilities. Taking lower-income countries as an example, while 52% of Ethiopians are currently food insecure (with 21% of this group experiencing acute food insecurity), this is exacerbated by low rainfall, locust plagues and climate-induced population displacement.¹² Similarly, 40% of Kenyans lack access to safe water, with their situation worsened by climate-related disasters.¹³ In 2019, 60% of all internal displacements in East and Horn of Africa regions were due to climate-induced disasters.¹⁴

- **Information Gaps.** An absence of robust and updated metrics and data to determine the effectiveness and attractiveness of sustainable investments is a key limitation. Poor national data on issues such as vulnerability and discrepancies in climate funding data also make it hard for governments and investors to know where to prioritise their activities and reinforces their perception of risk.
- **Lack of Public-Private Collaboration.** Sustainable development projects could do more to bring all actors together to co-develop opportunities. In cases of public-private collaboration, private sector investors are often brought into a project too late in the process to collaborate effectively on investment opportunities.¹⁰ DFIs can play a bigger role in ensuring the private sector is involved in projects at an early stage. Moreover, the incentives of different players are not always aligned, with public climate funds more focused on adaptation rather than adaptation and mitigation and the private sector primarily focused on investment returns through mitigation activities. If deals are not structured to meet the needs of specific projects in emerging economies, it can hamper the efficient mobilisation of private finance. For example, according to the Blended Finance Taskforce, only 30% of the activities of multilateral development banks currently involve the private sector and, when they do, the mobilisation ratio (the ratio of private investment mobilised) is often just 1:1. With the right tailoring of blended solutions, the taskforce estimates that mobilisation ratios could be as high as 4:1.¹⁵ This underscores the need for projects to be designed to meet the needs of all investors by aiming to provide both financial returns and social and environmental returns.
- **Financial Complexity.** While a wave of innovation is leading to new blended finance instruments that meet the needs of specific projects in emerging economies, these require a high degree of engagement among those involved, whether government agencies, project leaders or funders. In addition, the bespoke nature of many of these financing mechanisms increases transaction costs, which can deter investors.
- **Functional and Capability Gaps.** Public sector organisations often lack the dedicated units needed to increase efficiencies in project development and execution and to help investors navigate jurisdictional variables, which reduces transaction costs and project duration. This leads to a lack of consistency and efficiency in project preparation and execution. In the absence of such units, it is hard to provide support to project sponsors in conceptualising and developing projects that meet the needs of international financiers.
- **Gaps in Project Structuring Capabilities.** Despite an increase in training, as well as collaboration with professional bodies, industry associations and coalitions of finance ministers, more needs to be done to boost the project structuring capabilities of the public

sector. The focus thus far has been limited to building climate capabilities without expanding this to the more interconnected capabilities required for sustainable investing that addresses climate change effects as well as broader social and economic opportunities. Without the knowledge and experience needed to navigate the increasingly sophisticated requirements of blended finance structures, central ministries cannot mobilise private finance at scale.

There is an urgent need to address these barriers. Without doing so, it will be hard to scale up the development, execution and financing of projects needed to foster sustainable development and help build climate adaptation and mitigation across the Commonwealth and emerging economies more broadly. Addressing these barriers is also integral to fuelling economic growth and job creation and ensuring a just transition that protects livelihoods and human rights in the shift to a low-carbon, nature-focused economy.

Towards an Enabling Environment for Private Capital

While the case for directing more private capital towards sustainability projects is clear, this does not mean public financing has no role – far from it. Public finance can have an outsized impact when used strategically to direct private financing sources to marginally bankable projects and, more broadly, to demonstrate the viability of the sustainable financing market and create an enabling environment for the deployment of private capital. The building blocks include:

- **Increased Public-Private Collaboration.** To mobilise private capital effectively and to reduce the risk associated with sustainable development projects, there is an urgent need to increase collaboration between public sector and private sector organisations through both regulation and blended finance structures. By combining funds from different sources, these structures can make it easier to harness all available sources of sustainable finance while reducing risk and creating scale.
- **Investment De-Risking.** Public funding can be used strategically to crowd-in private market rate capital sources by adjusting the risk-return ratio to an acceptable level and by de-risking projects to support blended solutions through mechanisms such as first-loss guarantees and other structures that support capital preservation or even low, positive return. The bundling of small projects can also be used to address the barriers of scale facing large investors.
- **A Robust Investment Ecosystem.** Public funds are critical in removing obstacles to investment from the private sector. Funds can be directed towards improved data collection and analysis, which gives investors a clear picture of the potential costs and benefits of sustainable development projects. It is essential to build the commercial and technical skills required to develop a bankable project – from knowledge of environmental and social standards to project finance expertise. Promoting local sustainability literacy, data capabilities, digitalisation and accounting proficiency is also needed to increase investor confidence in the feasibility of projects. Also critical is the role of intermediaries – project developers and brokers who can connect investable pipeline deals with financiers and encourage them to take on pilot deals to familiarise themselves with these markets.

- **Policy, Planning and the Political Landscape.** Effective national and local government policy and planning give investors confidence over longer-term horizons, facilitating the flow of private capital. Strategic plans for scaling up national or regional pipelines of sustainable development projects such as clean energy and community infrastructure open up opportunities for institutional investors and create economies of scale by prioritising and backing clean energy technologies that provide standardised project types. The Nationally Determined Contributions at the heart of the Paris Agreement¹⁶ and the National Adaptation Plans established under the Cancun Adaptation Framework¹⁷ should inform strong climate and sustainable development policies. They should also inform decisions on individual sustainability projects and the implementation of just and equitable energy transitions through investment in low-carbon technologies and systems and, in emerging economies, adaptation and resilience projects. Political support for projects, particularly for longer-term infrastructure investments, is critical in providing investor confidence and lowering the cost of capital.
- **Regulatory Frameworks.** A clear, robust and enforceable regulatory and legal framework is crucial for the long-term planning and implementation of sustainable development projects. Structured and enforceable legal frameworks, supported by independent regulatory monitoring and oversight, help enable independent decision-making and protect key parties. This is particularly important in the sustainable finance arena since national legislators may need to initiate reforms or introduce new legislation as markets evolve. Moreover, because of the need to bundle small-scale projects to entice investors, governments must align country policies and regulations to enable this bundling to happen faster and in a more co-ordinated way.
- **Policy Incentives as a Catalyst for Investment.** Whether implementing subsidy programmes, tax breaks or other forms of incentives, public sector organisations have plenty of tools with which to encourage private investors to engage in investments that enable the deployment at scale of blended capital or other risk-sharing instruments. Not only can public budgets nudge investors in the right direction, but they also play an important role in improving the risk-return profile of projects and, therefore, the viability of sustainable investments.
- **The Credit Environment and Financial Risk Factors.** By taking into account factors such as currency risk and interest rate volatility, credit ratings are an important tool in attracting private sector financing, particularly for large-scale sustainability projects. In environments where there are challenging or no credit ratings, increasing the attractiveness of projects to investors will depend on the availability of data on how projects have been structured to be commercially viable.
- **A Strong Fiscal Environment.** Effective management of government spending and appropriate tax rates and collection relating to projects provide the foundations for sound revenue bases, increasing the economic attractiveness of projects to investors. This includes a government's ability to adapt and manage differently in the face of specific events or exogenous shocks such as COVID-19.
- **A Multidisciplinary Approach.** Developments in everything from technology to the increasing overlap of investments in sectors such as energy and transportation mean that to

attract private capital, governments need to adapt their operations and regulatory frameworks. This, along with the increasingly interconnected nature of vulnerabilities, calls for the breakdown of departmental silos. For example, in the development of a sustainable e-mobility sector, ministries of transport, energy and technology are required to work together. Meanwhile, the connections between environmental and social and economic factors such as workforce development and reskilling are increasingly important for investors as they assess sustainable development projects. This confluence across sectors means governments need to think holistically, revise their governance models, invest heavily in delivery capacity and adapt regulations to enable investors to take advantage of opportunities in emerging technologies. It will also be important to accelerate the development of multi-vulnerability indices and indicators that can capture the specific and interconnected vulnerabilities of a country (or group of countries). This will guide programmatic support, inform assessments of risk and help to determine government access to financial as well as non-financial support.

- **Standardisation and Process Streamlining.** The public sector can contribute to streamlining approaches to scalable project planning, preparation and presentation to enhance the appeal and bankability of sustainable development projects. To attract mainstream investors, sustainable finance taxonomies and measurement of social and environmental impact, as well as financial returns, need to be standardised. Here, progress is being made, with consistency emerging in the wake of a wave of competing measurement and disclosure metrics and with the likely launch of a global Sustainability Standards Board at the United Nations' COP26 climate summit in November.¹⁸ However, those driving standardisation should remain sensitive to regional differences, leaving room to accommodate local constraints and the differing capabilities of organisations of varying sizes to report to international standards.

Strategic thinking is needed on the part of those providing public capital to ensure that, by using public funds to create an enabling environment for private capital, they are having a catalytic impact. In doing so, the public sector can use its resources in a variety of productive ways. This includes everything from improving regulatory frameworks and standardising data collection to setting up one-stop shops for private sector tendering, insurance and risk management for projects. In short, public sector engagement needs to shift from transactional to transformative.

Recommendations

In addressing the problems at hand, a range of potential solutions and tools need to be deployed, with input from different sectors and institutions. This report offers two specific recommendations as a starting point to address some of these challenges, in particular the primary barrier, which is an insufficient supply of investment-ready sustainable development projects. First, a more standardised approach to project planning and preparation is needed that increases project readiness and reduces market frictions, enabling investors to make better assessments of the opportunities and risks and helping projects to identify sources of finance and take the right steps to raise finance successfully. Second, the streamlining of processes is needed, which will drive the development of projects that can be matched with investors.

To address the first, the recommendation is for the standardisation of information disclosure, for which the SMI is developing a tool. To address the second, the recommendation is for process streamlining through the creation of project delivery units (PDUs), as well as using the convening power of organisations such as the SMI to bring together PDUs to create a wider network. For PDUs, the SMI tool will be a valuable form of support in developing investment-ready projects and a network of PDUs across governments to share experiences and knowledge.

1. Standardisation: A New Project Development Tool

To support sustainable development projects in preparing for discussions with investors, the SMI is developing and piloting a new online tool for sustainable project development. This tool will help project sponsors prepare consistent, high-quality sector and project plans. It is intended to inform discussions with investors and accelerate the closing of investment deals. The tool is designed for use by a wide range of project sponsors, from country governments and public agencies to private developers, as well as a broader set of stakeholders, including individual investors, non-governmental organisations and project teams.

The tool focuses on the information investors want to see when assessing a broad range of sustainable development investment projects. It will support project sponsors by providing prompts to the questions that investors are likely to ask at each stage of the investment conversation, from concept development soundings to formal fundraising. As such, the tool is structured in three main phases in the evolving maturity of a sustainable development project concept.

- **Phase 1: Sector Strategy.** This section covers the high-level concept behind an investment proposition or a cluster of investments, including the sector and sub-sector. It enables the project sponsor to indicate the scale of the opportunity and the project status and to indicate a broad range of target returns. Project sponsors will also outline how their proposed investment opportunities link to policy objectives such as national development plans.
- **Phase 2: Proposition Development.** This section enables project sponsors to provide details about a specific investment transaction (or set of linked transactions), such as the specifications of the proposed development, the legal and regulatory framework within which it will operate, the existing or proposed backers and the status of preparatory documents (like pre-feasibility studies, permissions and approvals and public funding commitments). Questions at this phase are designed to move project sponsors beyond initial concept towards a tangible concept around which some early stage technical and commercial thinking has been undertaken.
- **Phase 3: Deal Execution.** This section requires project sponsors to provide detailed planning documents such as formal feasibility studies, the structure of a public-private partnership or other proposed procurement models. It also requires them to set out the opportunities they are offering to investors – whether in equity, debt or other instruments – and requires them to provide return assumptions supported by credible financial modelling as well as details on the proposed approach to developer procurement (or details of the developers appointed). With the completion of the questions at this stage of the tool, the expectation is that project sponsors should be more confident that they have the information

needed to have a productive discussion with investors about investing in the sustainable development project.

An early prototype of the tool is being developed and will be piloted by the SMI on projects across a range of Commonwealth countries, sectors and project maturity levels. The pilot will involve the SMI Financial Services Taskforce (made up of financial services firms, asset managers and owners and private equity and insurance firms) whose involvement in and feedback from the pilot will be key to its success. The tool will then be refined based on feedback from project partners and investors. The final version will be released in the run-up to the G20 and COP26 summits.

The SMI sees a specific opportunity to pilot, refine and launch this tool within the context of the Commonwealth countries, which provide the global ecosystem of supply and demand, as well as the diversity of economic scenarios, experiences and perspectives needed to demonstrate the tool's value in a range of situations.

First, mature markets have access to significant pools of capital driven by both climate action policies and the sustainability-focused agendas of investors such as banks and pension funds. Meanwhile, emerging economies, such as those in Africa, provide an abundance of nascent sustainability project ideas through scalable, fundable opportunities. With its close-knit global network of countries and diversity of economies and sources of capital, the Commonwealth is an ideal country grouping to pilot such a tool and then scale it so that the rest of the world can benefit. Therefore, developing this tool is one step towards facilitating significant levels of sustainable investment across the Commonwealth and ultimately beyond.

As the SMI pilots this tool, it strongly encourages continued engagement from all stakeholders. This will greatly assist with its plan to learn from feedback and refine the tool throughout the course of summer 2021 in partnership with the SMI projects in Commonwealth countries. The SMI's goal is for the tool to become a recognised market standard for project preparation, with the potential for the development of sectoral and sub-sectoral modules that will increase its ability to provide support for specific situations.

2. Process Streamlining: Project Delivery Units

In providing an enabling environment for private investment, the SMI recommends that the public sector work to build its project delivery capabilities. This includes creating teams of professionals who can use local knowledge and the technical expertise needed for sustainability projects to support project preparation and execution and reduce entry costs, facilitating the flow of private finance into new markets.

In emerging and vulnerable countries, these capabilities could take the form of local PDUs. These units would harness a range of professional skills – from project finance, procurement and knowledge of the local operating context to legal and engineering expertise in low-carbon technologies – as well as an understanding of the measures needed to generate positive social and economic impact in local communities. With local representation, these PDUs could provide specialist advice on the emerging technologies behind targeted sustainability assets and help make projects bankable and attractive to investors. These units could also provide support in troubleshooting some of the specific challenges facing sustainability project development and execution.

While work is needed to increase standardisation in the design, development and execution of sustainability projects – including developing case studies and blended finance best practice guides for emerging markets – local PDUs will be essential in providing guidance on the necessary adjustment to domestic circumstances while remaining sensitive to international standards.

In addition to creating country PDUs, governments need to work together by sharing experiences and knowledge, tapping into resources available from DFIs and other organisations and harnessing the diverse sectors and capabilities necessary to address broader challenges that investors face in emerging markets. This requires standardisation and an ability to connect with external stakeholders. The power of networking across both local PDUs and those in other countries – by taking advantage of the convening abilities of organisations such as the SMI – would be especially helpful to smaller countries and small island states, many of which are members of the Commonwealth. PDUs could also be used to incubate sustainability projects before presenting them to private investors.

Conclusion

The two key recommendations outlined are closely interrelated. Greater standardisation is needed to generate efficiencies, create economies of scale, lower the cost of capital and minimise perceptions of risk, making it easier for private investors to enter new and unfamiliar markets. However, since no project or region is identical, customisation will be essential. This is where local PDUs, both individually and working in the network, can play a key role, sharing best practices to support projects in preparing for investor discussions and helping investors adjust to specific technical and physical conditions, market context, regulatory frameworks and financial mechanisms.

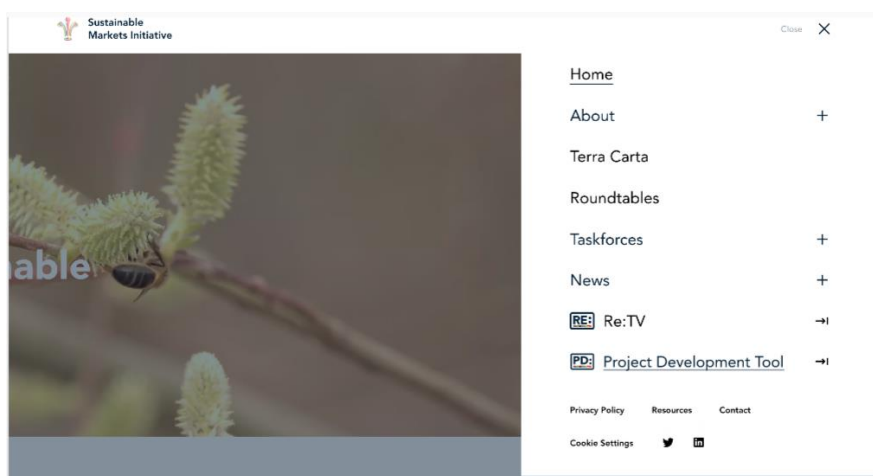
With increased standardisation and enhanced project delivery, we believe that those spearheading sustainability projects in the Commonwealth and beyond can bring increasingly large amounts of private sector funding – funding flows that are essential to developing projects that can play a key role in advancing sustainable development.

Appendix A: Prototype Project Development Tool Preview

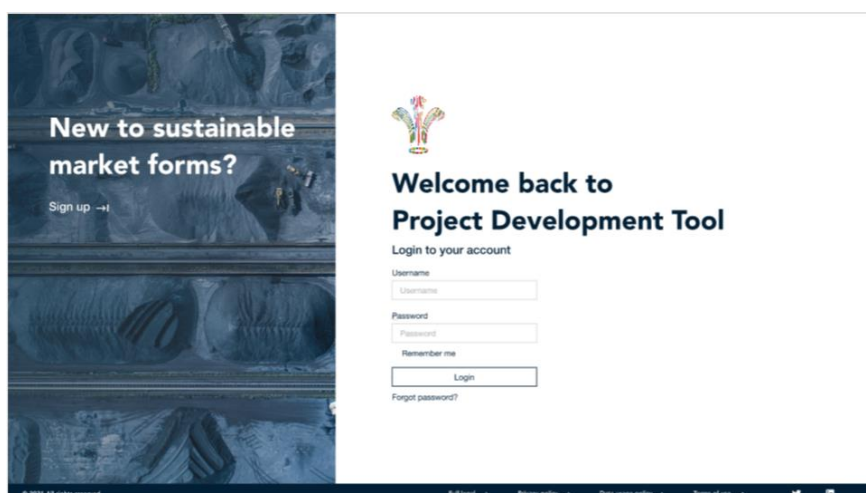
The four images below are screenshots of the draft project development tool, named 'Project Development Tool' for the purposes of the prototype only until the tool name is finalised. Please note that the tool is still in development. The screenshots are purely indicative of the tool at present. The design and content are subject to change.

The tool can be used to help identify the requisite steps to take under project planning and the preparation of investor discussions. However, it does not specify how those steps should be taken or recommend specific project or investment models or solutions. It is therefore not on its own sufficient for a sponsor or an investor to use to produce a financing proposal or to make decisions. Such decisions will need consideration of other information and of the specific facts and circumstances of the sponsor, the project or the investor(s) themselves.

1. Users will access the tool from the SMI website:



2. There will be a sign-up page for new users and a log-in page for returning users:



- Once logged in, users will have their own dashboard with saved and completed forms in one place:

The screenshot shows the 'Project Development Tool' dashboard. At the top, there is a 'New Form' button and a 'Log out' link. Below this, there are two sections: 'Recent forms' and 'Completed Forms'. Each section contains a table with columns for 'Form name', 'Created on', 'Last edited', 'Owned by', and 'Completion level'. The 'Recent forms' table has one entry: 'Energy Efficiency for Net Zero Project' with a completion level of 83%. The 'Completed Forms' table has two entries: 'Net Zero Project' and 'Energy for London Net Zero Project - test', both with a completion level of 100%.

Form name	Created on	Last edited	Owned by	Completion level
Energy Efficiency for Net Zero Project	11.04.2021 5:23 PM	16.04.2021 7:33 PM	Larissa McMoon	83%

Form name	Created on	Submitted on	Owned by	Completion level
Net Zero Project	11.04.2021 5:23 PM	16.04.2021 7:33 PM	Larissa McMoon	100%
Energy for London Net Zero Project - test	21.05.2021 3:45 PM	09.06.2021 8:03 AM	Larissa McMoon	100%

- Each form will consist of roughly four main sections, including basic information about the project and sections pertaining to the phase of project development. A progress bar will inform users whether the section is complete or if there are any outstanding questions to be completed:

The screenshot shows a form section with a sidebar on the left containing a list of sections: 'Basic information', 'Sector strategy', 'Proposition development', 'Construction considerations', 'Development considerations', 'Government counterparty risk', 'Impact and reporting', and 'Investors and financing'. The 'Proposition development' section is currently selected and highlighted. It has a progress bar showing 82% completion. The 'Investors and financing' section is highlighted in red and shows 12/14 questions completed. The main content area displays two questions: '1. Does the project schedule allow sufficient time for finance raising?' with radio button options for 'Yes' and 'No', and '2. Please outline the expected ticket size for each class of investor.' with a text input field.

Appendix B: Reading List

#	Article	Author	Thematic	Region / Markets	Date of Publication
1	Delivering on the \$100 billion climate finance commitment and transforming climate finance	Independent Expert Group on Climate Finance	Climate Finance Landscape	Developing Countries	9/12/2020
2	Measuring the Private Capital Response to Climate Change: a proposed dashboard	Climate Policy Initiative	Tracking Climate Finance – Methodology	Global	28/10/2019
3	Global Landscape of Climate Finance 2019	Climate Policy Initiative	Climate Finance Landscape	Global	7/11/2019
4	Ocean Finance Handbook	World Economic Forum	Ocean Finance Landscape	Global	16/4/2020
5	Scaling Finance for the Sustainable Development Goals: Foreign Direct Investment, Financial Intermediation and Public-Private Partnerships	United Nations Global Compact	Mobilising Private Capital	Global	1/1/2019
6	Taskforce on Scaling Voluntary Carbon Markets: Consultation Document	Taskforce on Scaling Voluntary Carbon Markets	Carbon Markets	Global	25/1/2021
7	A blueprint for scaling voluntary carbon markets to meet the climate challenge	McKinsey	Carbon Markets	Global	29/1/2021
8	Financing the Low-Carbon Future	Climate Finance Leadership Initiative	Mitigation Projects	Global	1/9/2019
9	Unlocking Private Climate Finance in Emerging Markets	Climate Finance Leadership Initiative	Mobilising Private Capital	Developing Countries	8/4/2021
10	Energizing Finance: Understanding the Landscape 2020	Sustainable Energy for All and the Climate Policy Initiative	Climate Finance Landscape	Developing Countries	19/11/2020
11	Enabling Private Investment in Climate Adaptation and Resilience : Current Status, Barriers to Investment and Blueprint for Action	World Bank Group and the Global Facility for Disaster Reduction and Recovery	Adaptation Projects	Developing Countries	2/3/2021
12	Sustainable Finance: A Guide to Raise Finance for Sustainable Projects	Malaysian Sustainable Finance Initiative	Mobilising Capital	Global	1/7/2020

#	Article	Author	Thematic	Region / Markets	Date of Publication
13	Analysis of External Climate Finance Access and Implementation: CIF, FCPF, GCF and GEF Projects and Programs by the Inter-American Development Bank	Inter-America Development Bank	Mobilising Private Capital	Latin America and the Caribbean	1/1/2021
14	Transformative Climate Finance : A New Approach for Climate Finance to Achieve Low-Carbon Resilient Development in Developing Countries	World Bank Group	Mobilising Public Capital	Developing Countries	17/6/2020
15	Financing for Sustainable Development Report 2021	Inter-agency Task Force on Financing for Development	Sustainable Development Goals	Global	25/3/2021
16	Private Sector Financing in Developing Countries: Full of Promise or Over-Promised?	Centre for Global Development	Mobilising Private Capital	Developing Countries	10/4/2019
17	Three ESG steps to keep your project bankable in 2021	DLA Piper	ESG Investing	Global	17/9/2020
18	Beyond Science-Based Targets: A Blueprint for Corporate Action on Climate and Nature	BCG and WWF	Mitigation Projects	Global	12/12/2020
19	Key Considerations in the Assessment of Project Bankability in Africa	Baker McKenzie	Project Bankability	Africa	4/9/2019
20	Well Below 2 Cents	Terrawatt Initiative	Solar Landscape	Global	24/6/2020
21	A Sure Path to Sustainable Solar: Solar Deployment Guidelines	Solar Risk Mitigation Initiative	Mobilising Capital	Global	1/9/2019
22	How losing access to concessional finance affects Small Island Developing States (SIDS)	UK Government's Department for International Development	Concessional Finance Challenges	Developing Countries	16/7/2019
23	New Perspectives on Results-Based Blended Finance for Cities	Global Partnership for Results-Based Approaches	Mobilising Private Capital	Global	1/1/2019
24	Impact Investing in Asia: Overcoming Barriers to Scale	Oliver Wyman AVPN GIIN	ESG Investing	APAC	16/9/2019
25	Embracing the New Age of Materiality: Harnessing the Pace of Change in ESG	BCG and WEF	ESG Investing	Global	19/3/2020

#	Article	Author	Thematic	Region / Markets	Date of Publication
26	Financing climate objectives in cities and regions to deliver sustainable and inclusive growth	OECD	Building Inclusive Cities	Global	17/9/2019
27	Investing in Nature: Financing conservation and nature-based solutions	European Investment Bank and European Commission	Mobilising Private Capital	EU	23/3/2020
28	A Snapshot of Global Adaptation Investment and Tracking Methods	Climate Policy Initiative	Adaptation Projects	Global	9/4/2020
29	ESG Investing: Practices, Progress and Challenges	OECD	ESG Investing	Global	25/9/2020
30	A Blueprint for Leading in Sustainable Investing	BCG	ESG Investing	Global	20/4/2021
31	Transition Finance Report	Platform on Sustainable Finance	Transition Finance	EU	19/3/2021
32	Climate Finance Markets and the Real Economy	BCG and GFMA	Climate Finance Landscape	Global	2/12/2020

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