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FiCS Lab Incubator

Cycle 2 Call for Proposals
September 17, 2025

Agenda

FiCS Lab Overview

Incubator Application

Q&A



What is the FiCS Financial Innovation Lab?

- FICS 2023 communiqué called for the launch of a **Financial Innovation Lab**
 - **Collaboration:** FiCS, IDB, & CPI
 - **Role of CPI:** Serves as the Secretariat
 - **Financial Support:** Provided by the Children's Investment Fund Foundation and Bloomberg Philanthropies

The FiCS Lab is a platform to strengthen domestic financial institutions in EMDES by fostering collaboration & innovation among PDBs to mobilize private capital and expand climate finance.

Three pillars for structure across activities



Pillar 1: Knowledge Sharing
discuss and disseminate best
practices and innovations in
climate finance among PDBs
and external experts.



Pillar 2: Policy Dialogue
standardize approaches to
facilitate implementation of
climate finance instruments
and approaches.



Pillar 3: Incubation Support
develop innovative
financial mechanisms for
through financial and
technical support.

FiCS Lab Working Groups

FiCS Lab Incubator

Working Groups: Pillars 1 & 2

Each year, working groups tackle key topics relevant to public financial institutions. Meeting virtually on a monthly basis, PDB-led working groups hear insights from external experts, share experiences and lessons learned, and develop guiding materials for the FiCS Lab membership.

2025 Topics:

- Currency risk
- Blended finance instruments, focusing on guarantees
- Risk mitigation instruments, focusing on insurance
- National Climate Goals

Incubator: Pillar 3

Each year, the FiCS Lab will select up to three proposals to provide with **financial and technical support** to assist PDBs in developing and piloting financial instruments that support effective and innovative climate finance. Financial support will be between 200,000 and 450,000 USD, depending on budget and needs.

At the end of a 7-month development phase, the PDB will have a well-built financial instrument and light-touch support from CPI for an additional year to facilitate the pilot.

Eligibility Criteria

1. The proposal must be to develop a financial instrument that will be housed or used primarily by the PDB
2. The proposal must include at least one PDB from an EMDE and at least one independent development partner
 - Development partners can be CSOs, consultants, advisors, legal firms, academics, etc, but must be independent from the PDB
 - MDBs or DFIs (from developed economies) must apply in partnership with an EMDE national or sub-national development bank, with a clear plan to scale and replicate with other banks in the region.

Incubator Structure



Selection Criteria



Innovation: New or existing financial instruments that address market challenges more effectively but are not currently in use or are outside the PDB's normal approach



Lab Fit: Receives unique financial and technical benefits from the FiCS Lab that cannot be achieved through PDBs alone.



Project Capacity: Led by the PDB, in partnership with an independent development partner.



Actionability: The PDB sees an opportunity for near-term piloting, supported by an appropriate regulatory environment and internal bank capacity.



Catalytic Potential: The instrument has the potential to scale or replicate across EMDEs with similar market contexts, ensuring adaptability and long-term sustainability.

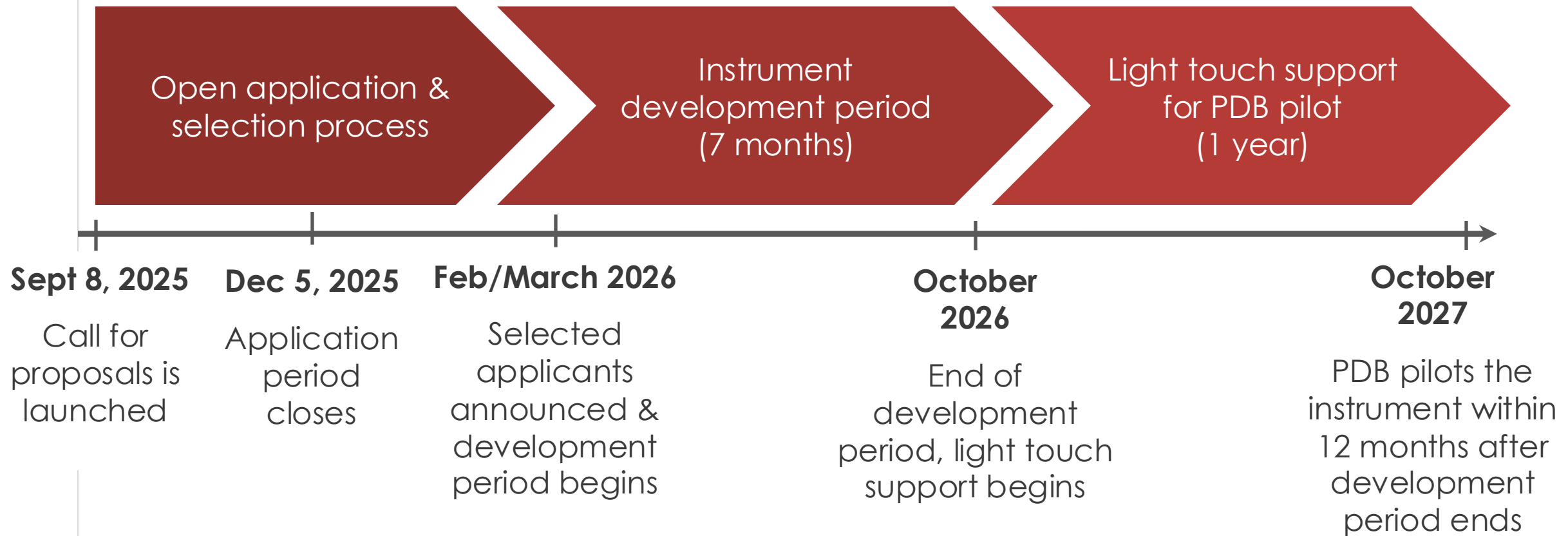
Key Application Considerations

- The FiCS Lab does not support the development of individual, real-sector projects.
- Instruments that are not held by the PDB partner, or do not have the PDB as a primary user of the instrument, are not eligible.
- The market context for the instrument must have a regulatory environment that does not prohibit or hinder the use of the instrument.
- The financial support must go to the development partner, it cannot go to any PDBs or non-independent entities involved.

Cycle 2 Application

- The application must be submitted through the Submittable program
- The application portal will be open from **September 8 until December 5 11:59pm Pacific Time.**
- The FiCS Lab team is available to:
 - have 1:1 meetings with PDBs or development partners to discuss instruments
 - help connect PDBs and development partners
 - answer any questions on the FiCS Lab or application that may arise
- Semi-finalists will be contacted for a short interview in January
- We intend to announce the selected projects in February, after MOUs, contracting, and due diligence are completed.

Incubator Timeline



Adaptation Ideas

- FiCS Lab is interested in supporting adaptation-relevant instruments
- **Adaptation finance helps manage the risks posed by climate hazards (droughts, fires, floods, etc.)**
- Investments in adaptation help safeguard lives and livelihoods
- FiCS Lab will help partners build out adaptation theses and support financial sustainability

Potential Adaptation-Relevant Instruments

Instrument	PDB role
Municipal/subnational green bond aggregation facility	Act as anchor investors or aggregators for subnational adaptation infrastructure projects (e.g., water, waste, heat, flood protection); provide TA for project prep and pipeline standardization
Guarantees for Local Lenders	Work with local FIs to co-design eligibility and risk-sharing criteria for guarantee facility that backs adaptation-focused enterprises/business (e.g. resilient agriculture, water)
Blended finance funds	Develop pipeline, manage fund, act as aggregator, provide operational support to channel capital to small ticket-sized adaptation projects
Insurance pools	Support governments acting as anchor investors, subsidizing premiums, improving risk modeling, facilitating regional coordination, providing TA, mobilizing private co-investment, and aligning insurance products with disaster risk strategies.
Catastrophe bonds	Support governments by consolidating risk data, subsidizing risk transfer costs, facilitating efficient payout channels, developing resilient project pipelines, and/or creating a monitoring methodology to support greater access to finance for resilience
Resilience-linked or adaptation-aligned securitization	Aggregate and securitize climate-smart (M)SME, agricultural, or municipal loan portfolios with adaptation relevance to attract institutional capital

Cycle 1 Selected Projects

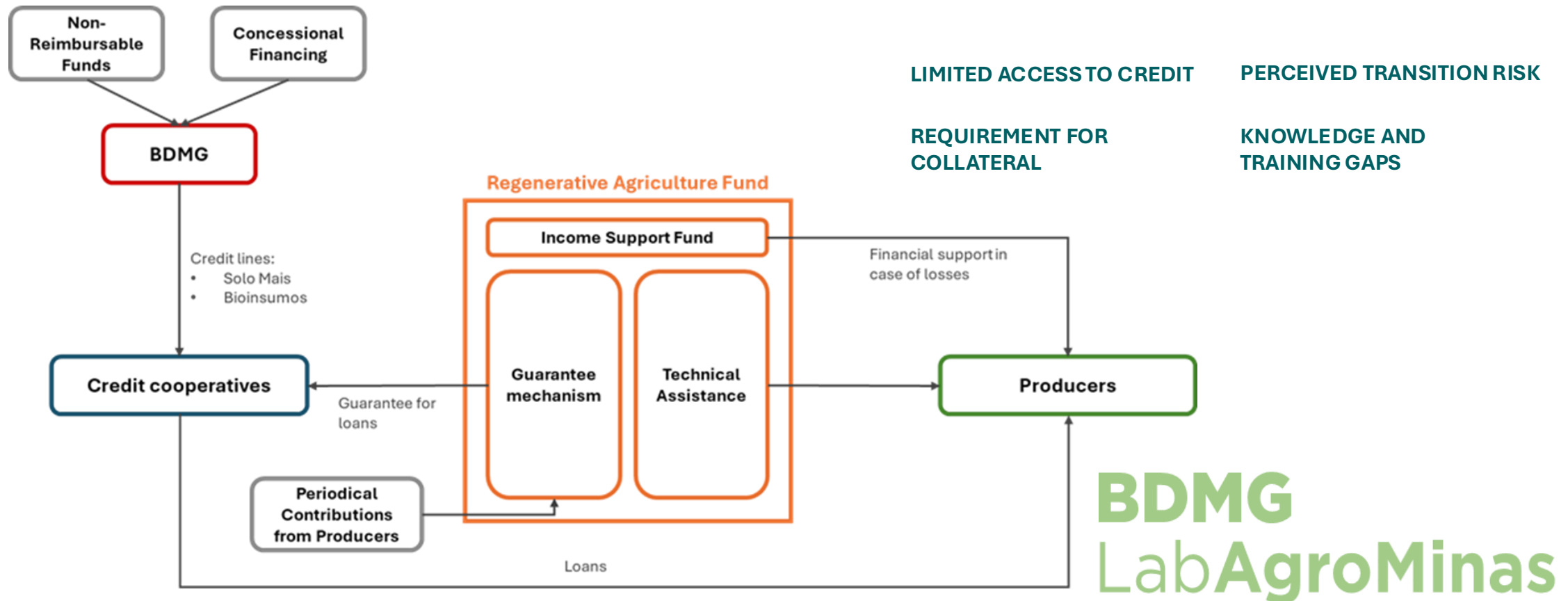
The **Uganda Development Bank (UDB)** is tackling currency risk challenges by developing a novel risk distribution instrument involving an innovative tail-end guarantee to cover extreme depreciation risk.

The **Development Bank of Southern Africa (DBSA)** is conducting critical assessments to establish a voluntary carbon market platform, addressing existing barriers to effective market development.

The **Development Bank of Minas Gerais (BDMG), Brazil** is creating Credit Guarantee and Mutual Aid Funds to assist local farmers in transitioning to regenerative agriculture practices.

BDMG - Risk Mitigation Fund For Regenerative Agriculture

The Risk Mitigation Fund was born from the identification of barriers to leveraging the transition of rural producers in Minas Gerais toward regenerative agriculture, against the backdrop of the LabAgroMinas Program, implemented by BDMG since 2022.



Why the FiCS Lab?

FiCS Lab's strategic role as a **platform for innovation and cooperation.**

The partnership with CPI brings **technical rigor and credibility.**

- Technical and financial backing
- Weekly meetings
- Project coordination
- Validation of financial modelling
- Pitch deck & Funding sources outreach
- Connection with key actors

FiCS global network expands **visibility** and creates **opportunities to mobilize capital and attract new international partners.**

Long-term Benefit to BDMG

BDMG's participation in the **FiCS Lab** is a strategic **long-term investment**. It strengthens the Bank's **institutional capacity** to **design innovative financial solutions** aligned with global sustainability and green transition agendas.

By accessing the **international network** of development banks, investors, and multilateral organizations, BDMG benefits from **continuous learning**, benchmarking of best practices, and the **attraction of high-value partnerships**.

Moreover, by positioning Minas Gerais as a **reference in sustainable finance and regenerative agriculture**, BDMG enhances its global visibility and **builds the conditions** to mobilize resources on a recurring basis, ensuring **greater scale and impact** for its initiatives in the years ahead.

About the Uganda Development Bank

- UDB is National Development Bank (NDB) with a mandate to accelerate private sector growth through financial (debt and equity) and non-financial (business advisory and project preparation) interventions
- UDB prioritises sectors such as Primary agriculture, manufacturing, tourism, and key infrastructure eg energy and water aligned to the national development plans
- Green finance is a cross-cutting role which targets all the key sectors
- The bank launched a Climate Finance Facility to mobilize “green” funding, structure green projects, and deploy green finance

Currency Risk and Solution: Why the FiCS Lab?

Problem: UDB lends in UGX but funds itself in Hard currency → Exposed to UGX depreciation.

- Yet, the available hedging solutions are expensive and short tenured

Solution: Currency risk sharing scheme/ financial instrument which protects UDB from excess UGX depreciation during debt servicing.

- A well calibrated distribution of exchange rate risk between the PDB, a hedge provider, and a donor-capitalized guarantee fund

Mechanism: If UGX depreciates beyond a pre-set threshold, a guarantee fund covers the additional cost.

Why FiCS Lab: The focus on PDBs; support to instruments aimed at catalyzing climate finance; and the TA and links to development partners

Benefits of the Instrument

- **Capital Preservation:** Lower risk of extreme losses preserves UDB's capital.
- **More Lending:** Lower risk → Lower capital requirement → More lending capacity.

Please reach out to
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questions

Contact –

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climatefinancelandscape.org

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Thank You