Despite the presence of many international development banks, there is still a huge shortfall in the finances required in developing countries that these institutions are unable to meet. A financing institution such as an SFC can play an important role in bridging this gap.

Mandate

This SFC's mandate would be to provide access to financing in the solar energy sector, especially in emerging and least developed countries. These funds would be provided across the entire supply chain—from project developers to end users. It will help provide long-term financing at affordable rates to provide funding of solar projects across the member countries. It will also help to form links with cross-South development financial institutions. The scope of the SFC will be from individual small projects to utility-scale projects covering all geographical areas.

1. Leverage public finance to attract private finance by sharing the risk involved in projects.
2. Help source both domestic and international funds for investment through different financial instruments such as loans, grants, and equity.
3. Seek to tap into and mobilise institutional investors such as sovereign wealth funds, pension funds, philanthropies to invest in the solar sector.
4. Enabling and expanding livelihood options for end-users through solar products such as solar pumps, solar-powered sewing machines, solar milk chillers, and fishing boats.
5. Seek commercial rates of return through equity investments in mature markets in the EU or US that can be reinvested in emerging and LDC markets.

Governance

The powers of the SFC will be vested in a Board of Governors. Each member of the SFC will appoint a Governor and an Alternative Governor. The Board will select one of its members as Chairperson. Each member will have voting power equal to its share of votes. A Board of Directors headed by a Chairperson will be responsible for the granular operations of the SFC.

The SFC will publish an annual report that will detail its profit and loss statements as well as audited statements. The SFC will also publish any study or report that it deems fit for its purposes.

Finances

The Bank will be set up using share capital from its member countries. It will mobilise funds from multilateral institutions, sovereign wealth funds, and philanthropies. It will also raise capital from the global capital market through bond issuances. The bank can mobilise institutional investors through various instruments such as green bonds, which will adhere to global standards that use established criteria for their classification.[15] The growth potential is large for green bonds as the cumulative green bond issuances are less than 1 percent of the global bond market. The SFC will also issue local-currency bonds to help develop domestic capital markets and enable lending in the local currency that will help to mitigate foreign currency risks.

Financial Instruments

- **Equity –** These are direct or indirect investments in return for partial or total ownership of the company.
- **Quasi-equity –** This is hybrid in nature with a mix of debt and equity. It has a higher risk than senior debt and a lower risk than common equity. Examples of quasi-equity financing includes subordinated debt, convertible debt, profit-sharing debt, and mezzanine securities (debt with warrants or rights to equity conversion).
- **Blended concessional finance –** This is an important tool that can help mobilise private finance. It is a blend between concessional donor funds and commercial funding.[16] It is done with cooperation with donors and other development partners. It is designed to help attract finance for a project