



# Operational Best Practices for Green Lending

Ensuring readiness for lenders who are new to or quickly scaling sustainable infrastructure funds, including with public capital such as the Greenhouse Gas Reduction Fund





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Building sustainable infrastructure is critical for protecting our planet and curbing climate change. The many green lenders financing these projects need to be armed with the right insights, processes, and systems to successfully deploy green capital. Those who invest in operational excellence will be best positioned to reach their funds' financial, community, and climate goals.

Whether you're a new clean energy fund, a green bank looking to scale, a community development financial institution (CDFI) navigating new lending territory, another capital provider (New Entrants), or an established investor aiming to grow your impact (Investors Looking to Scale), robust operational frameworks are essential. They ensure the efficient and responsible use of funds, minimize risk, and maximize impact.

We seek to help new entrants and investors looking to scale so they can build a strong foundation for success. Banyan Infrastructure has compiled operational best practices for green lenders and transformed them into actionable guidance. This compilation draws upon insights from industry experts, partners, and a cohort of community lenders, including participants such as the Clean Energy Fund of Texas, Nevada Clean Energy Fund, Access Plus Capital, and others.

We also offer additional guidance in our library, including certain resources available for free download and others, made available only to Banyan Infrastructure partners and clients. These papers will form a series of resources providing valuable guidance on the entire green lending ecosystem, from public funds to secondary markets. Please see below for our currently available guidance as well as future publications to come.

## Topics in the library:

### Unlocking Green Lending Opportunities and Building Operational Excellence

1. How to unlock the [full potential of the Inflation Reduction Act](#)
2. What the [Greenhouse Gas Reduction Fund](#) is and why it matters
3. Operational best practices for green lending

### Coming Up

1. Engaging with your local community on green projects
2. How to be compliant with Greenhouse Gas Reduction Fund terms and conditions
3. How to leverage secondary markets in green lending
4. How to blend your capital stack and maximize multiple sources of funding
5. Case studies

Below is an overview of why operational best practices matter and a snippet of the full Operational Best Practices for Green Lending white paper to give you a sense of what is included. To access the full white paper and understand how Banyan Infrastructure can help you improve your current operational practices, please contact our [advisory team](#).



# Why Operational Best Practices Matter

Green lending into communities, especially when leveraging public funds, requires the highest standard of care, including to ensure fair use, transparency in fund management, and adherence to all applicable rules and regulations. In the case of new programs like the Greenhouse Gas Reduction Fund (GGRF), expectations run high across key objectives: deliver impact, recycle capital, and bear the risk of loss, including, at times, in complex investment structures.

Operational excellence is vital to ensure the safe handling and stewardship of capital.

## For New Entrants

New entrants must implement lending programs and financial products, including direct lending and project finance, for many technologies such as community solar, battery storage, and energy efficiency. They will work in residential, small commercial, and commercial and industrial sectors, such as multi-family housing and many other segments. With new programs and products come new processes and reporting. There will be differences to current practice that leadership may or may not have direct experience with.

Our guidance can be the starting point from which new entrants develop their operations, knowing they set themselves up for success with industry expertise around operational best practices.

## For Investors Looking To Scale

Whether you want to maximize new investment dollars or are looking to scale more broadly, our guidance is available for comparison to your current or anticipated practices to ensure you're ready for rapid organizational growth across teams, data sets, changing financial products, and evolving market needs. We encourage funds to reassess these core operational areas regularly to ensure you have optimized:

- › **Efficiency and Impact:** Streamlined operations, from due diligence and underwriting to portfolio management, minimize unnecessary costs and delays. Best practice processes ensure alignment with a fund's goals and flow directly towards the intended impact.



- › **Scalability:** Effective operational models enable funds to scale their investments without compromising impact. Transparent decision-making processes, well-defined roles, and efficient communication channels facilitate growth while maintaining operational integrity and are crucial for expanding a fund's positive impact over time.
- › **Operational Risk Management:** Standards around operational risk management, including for due diligence and compliance, help safeguard funds from potential misuse or mismanagement, ensuring the program's long-term sustainability. Such best practices also enhance investor trust, demonstrating responsible stewardship of funds.

## For entities using public funding like GGRF

Lastly, public funds like the GGRF represent an unprecedented opportunity to catalyze climate action. Following operational best practices is essential for the program's effectiveness for several reasons:

- › **Consistency and Accountability:** Defined standards ensure that public funds are used responsibly and effectively across all projects, promote accountability, and foster public confidence in the program's outcomes.
- › **Impact Measurement and Reporting:** Standard measures for impact enable better tracking and reporting across diverse projects, which is crucial in demonstrating the overall success in achieving public goals, including GGRF's desired objectives — reducing greenhouse gas emissions, delivering benefits to disadvantaged communities, and mobilizing private capital.

In sum, a commitment to operational excellence ensures funding is utilized efficiently, as intended, and in a way that builds public investor confidence and ultimately amplifies the impact of public funds.

To learn more about project finance best practices or how Banyan Infrastructure can drive operational excellence at your organization, please contact our advisory team [contact our \*\*Advisory Team.\*\*](#)

# The full guidance includes sections on:

## Introduction

- › Why Operational Best Practices Matter
- › Operational Excellence to Ensure the Safe Handle and Stewardship of Public Funds
- › What is the Greenhouse Gas Reduction Fund?
  - › National Clean Investment Fund
  - › Clean Communities Investment Accelerator
  - › Solar for All
- › Key Concepts

## Best Practices for Green Lending Fund Management

- › Governance
- › Sufficient Staffing and Operational Resources
- › Financial Goals
- › Operational Budgets
- › Self-Sufficiency
- › Origination Processes
- › Ensuring Alignment with GGRF Funds' Intended Use
- › Closing Process
- › Portfolio and Risk Management
- › Reporting
  - › Stakeholder Reports
  - › GGRF Reporting

## Best Practices for Market Enablement during Pre-Development

- › Overview for Green Lenders
- › Technology
- › Additional Resources

To access the full white paper, contact our advisory team contact our [Advisory Team](#).

The allocation of resources, including capital, budget, equipment, and people's time, ultimately results from governance structure. Effective governance involves explicit oversight mechanisms, decision-making processes, and transparent conflict-of-interest policies. These elements safeguard the fund's mission, promote investor confidence, and contribute to long-term success.

Strong governance of public funds ensures that resource and investment decisions are fair, transparent, and consistent and that conflicts of interest, whether actual or perceived, are eliminated. Material management decisions follow a consistent, well-documented decision process, typically made by committees of voting members, with consideration given to recommendations made by non-voting members or sub-committees.

A typical governance structure for an impact investor includes executive leadership with responsibilities for crucial disciplines (e.g., CEO, CIO, CRO, CFO, COO, General Counsel) and delegates responsibility in critical areas of expertise (e.g., Head of Origination, Head of Portfolio Management, Treasurer, Head of Accounting, Head of Communications, Head of Compliance, Head of IT, etc.).

### Governance Recommendations Specifically for Public Funds Like GGRF

Establish a policy that all employees must follow. The policy must acknowledge the high governance standards of managing public funds. Things to consider when building a policy:

- ▶ Voting and non-voting roles of investment decision-makers and key managers, especially investment committee members
- ▶ Conflicts of interest (e.g., abstaining from voting if ever there is an apparent or perceived conflict of interest)

Read more on governance and the rest of the white paper by reaching out to our [Advisory Team](#).



## About Banyan Infrastructure

Banyan Infrastructure is a project finance software platform designed to simplify, accelerate, and optimize sustainable infrastructure financing across the deal life cycle. Our solution oversees and automates the complex and time-consuming processes in the origination, portfolio, and compliance management of sustainable assets, which boosts profits per investment, increases deal velocity, and saves thousands of hours at every stage. Visit [banyaninfrastructure.com](https://banyaninfrastructure.com) or follow us on [LinkedIn](#) for more information.



## About the Milken Institute

The Milken Institute is a nonprofit, nonpartisan think tank focused on accelerating measurable progress on the path to a meaningful life. With a focus on financial, physical, mental, and environmental health, we bring together the best ideas and innovative resourcing to develop blueprints for tackling some of our most critical global issues through the lens of what's pressing now and what's coming next. For more information, visit [milkeninstitute.org](https://milkeninstitute.org). For more information about the Milken Institute and the 10,000 Communities Initiative, visit [milkeninstitute.org](https://milkeninstitute.org) or follow us on [Facebook](#), [LinkedIn](#), [Twitter](#), and [Instagram](#).