



Introduction to The Private Sector Facility at the Green Climate Fund

Andreas Lunding

Senior Structured Finance Specialist
Private Sector Facility, Green Climate Fund

Paris, 22 June 2018

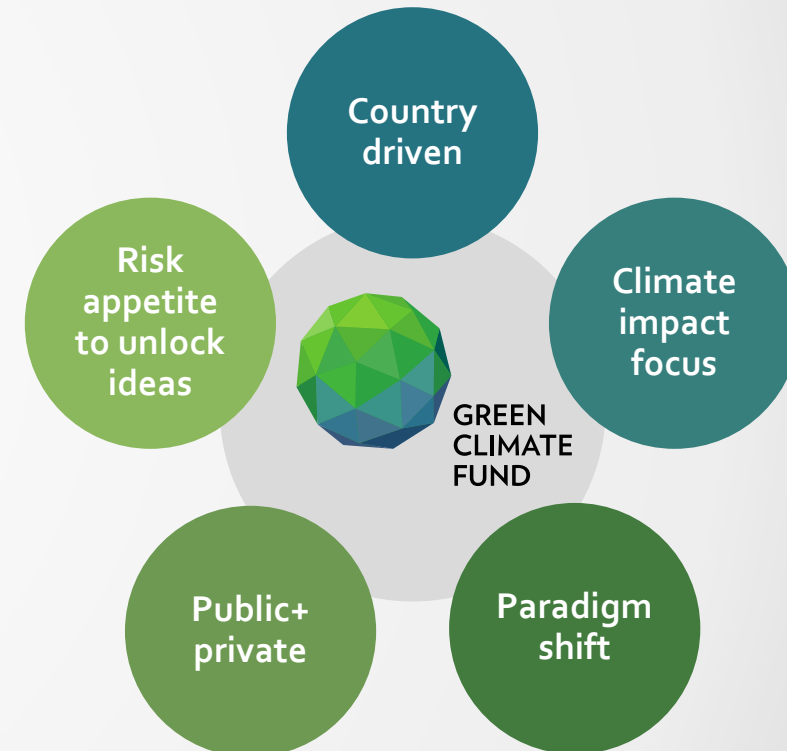


- I. Overview of GCF
- II. GCF's Private Sector Facility



Introduction to GCF

- ✓ GCF is a global fund created to support the efforts of developing countries to respond to the challenge of climate change.
- ✓ GCF was set up in 2010 by the 194 countries who are parties to the UNFCCC, as part of the Convention's financial mechanism.
- ✓ The Fund seeks to promote a paradigm shift to low-emission and climate-resilient development, taking into account the needs of nations particularly vulnerable to climate change impacts.
- ✓ We have a special focus on LDCs, SIDS, and African states (min. 50% of overall GCF adaptation funding).
- ✓ GCF's activities are aligned with the priorities of developing countries through the principle of country ownership.
- ✓ A key innovation is to use public investment to stimulate private finance through the Fund's dedicated Private Sector Facility.





GCF's Accreditation Framework

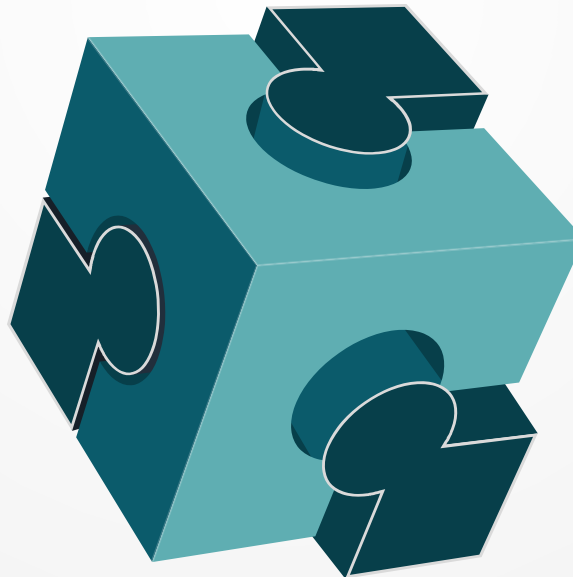
- ✓ GCF works through a network of Accredited Entities (AEs) to channel its resources for projects and programs.
- ✓ AEs comprise private and public, non-governmental, sub-national, national, regional or international entities.
- ✓ Accreditation is a fit-for-purpose due diligence process ensuring our partners share the same objectives as GCF, and that they have extensive experience and a strong financial and managerial infrastructure.

Mandate & track record

- Alignment with GCF's objectives
- At least three years of operations

Fiduciary functions

- Basic
- Specialized
 - Project management
 - Grant award
 - On-lending/blending (loans, equity, guarantees)



Project size

- Micro (<USD 10M)
- Small (USD 10-50 M)
- Medium (USD 50-250M)
- Large (>USD 250M)

Environmental & social safeguards

- A/I-1 (potential high impact)
- B/I-2 (medium impact)
- C/I-3 (minimal or no impact)



A Diverse Network of Partners



We work with a growing range of leading investors and changemakers within global climate finance.

59 entities accredited to date

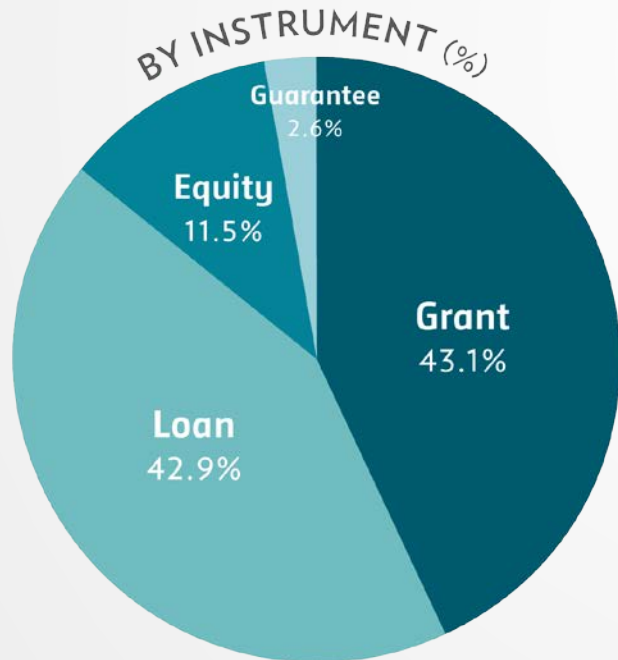




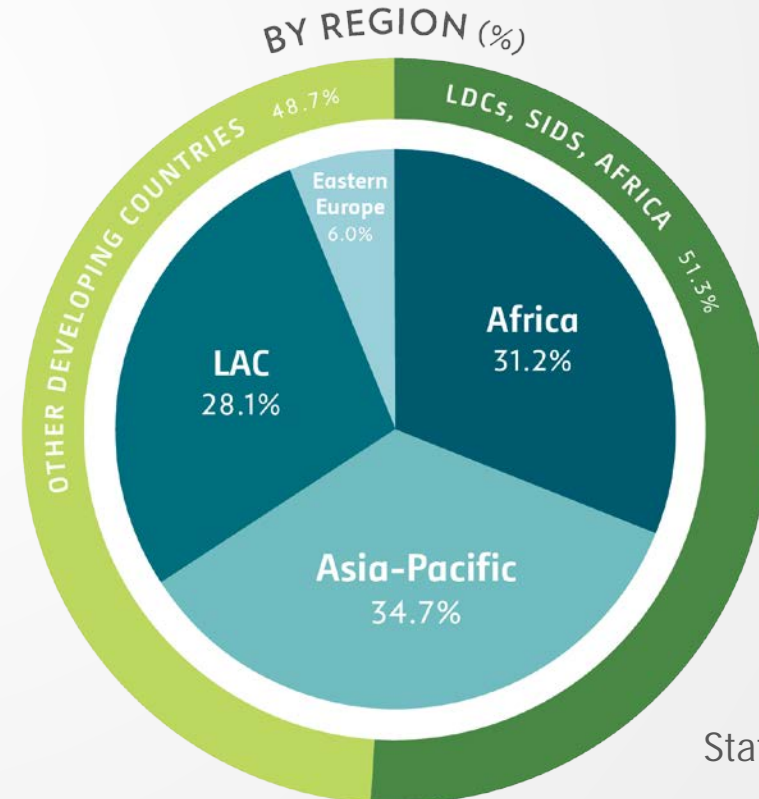
GCF Has a Diversified Portfolio of USD 3.7bn

TOTAL FUNDING AMOUNT

TOTAL GCF PORTFOLIO (76 projects): USD 3.7bn
- OF WHICH PRIVATE SECTOR (PSF) (16 projects): USD 1.5bn



GEOGRAPHICAL DISTRIBUTION



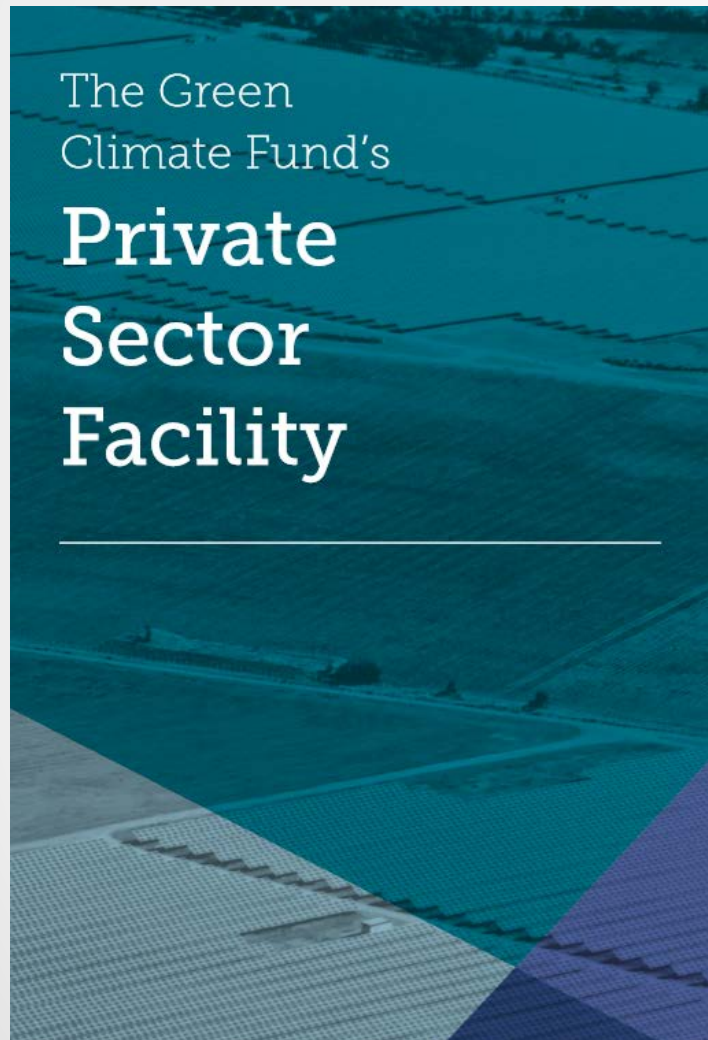
Status as of June 2018



- I. Overview of GCF
- II. GCF's Private Sector Facility



GCF's Private Sector Facility (PSF)



- ✓ PSF is a dedicated – but fully integrated – facility within GCF
- ✓ We aim to promote private sector climate action in developing countries by facilitating investment in catalytic mitigation and adaptation projects that mobilize private sector funds
- ✓ We tailor lifecycle, concessional financing to de-risk high impact projects
- ✓ We can provide expertise to help assess the potential benefits and climate impact of project ideas
- ✓ We engage with a range of private sector investors, such as pension funds, corporates, local and regional banks and FIs
- We are leveraging GCF's own resources with the private sector



Addressing Barriers to Private Sector Finance...

Policy & regulatory

- Appropriate strategic and regulatory framework
- Consistent policy support and incentive systems

Access to climate finance and local market

- Limited market capabilities
- Limited range of financial instruments
- Demand-supply mismatch

Affordability & technology

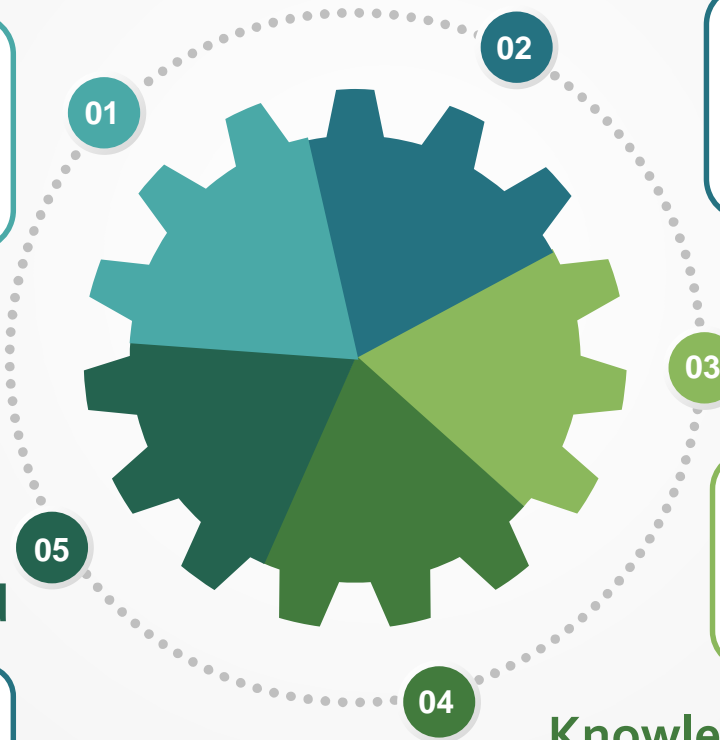
- High technology and upfront costs
- High cost of capital
- Access to technology

Knowledge & education

- Lack of awareness and training
- Local financial institutions' lack of capacity

Region & country related

- Different barriers across regions and countries



...Using Tailored Concessionality

Need for concessionality


- ✓ Reducing risk in a transaction
- ✓ Anchoring role for co-investors to participate
- ✓ Fostering behavioral changes conducive to stronger climate impacts
- ✓ Creating demand by making climate solutions affordable

Instruments of concessionality

- ✓ Pricing concessionality
- ✓ Subordinated position
- ✓ Flexible term & tenor
- ✓ Fit for purpose grants to foster future climate action

➤ **Minimum concessionality 'Principle' to optimize investments**



 GCF provides a range of financing instruments: **concessional debt, equity, guarantees, and grants**

 We can invest through different financing structures, such as: **project-based, funds, on-lending facilities and structured finance vehicles**

What Do We Look For?

Additionality of GCF Funding

- Why GCF?
- Projects must crowd-in additional financing on top of GCF

Strong Climate Rationale

- Climate impact of investment is key
- Scientific evidence to support climate rationale

8 Results Areas



Energy



Transport



Buildings, Cities, Industries



Forests and land use



Livelihoods of people & comm.



Health, food and water security



Ecosystems



Infrastructure

Compliance with GCF Policies

- Fiduciary standards
- Risk Management
- ESS
- M&E Criteria
- Gender Policy
- Legal Standards

Country Driven Approach

- Alignment with NDCs
- Early country (NDA) engagement
- No-objection letter

Six Investment Criteria

1. Impact Potential
2. Paradigm Shift Potential
3. Sustainable development potential
4. Recipient needs
5. Country ownership
6. Efficiency & effectiveness

Completeness of documentation

- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies
- No-objection letter

16

Projects



\$1.5B

GCF-financing

\$4.5B

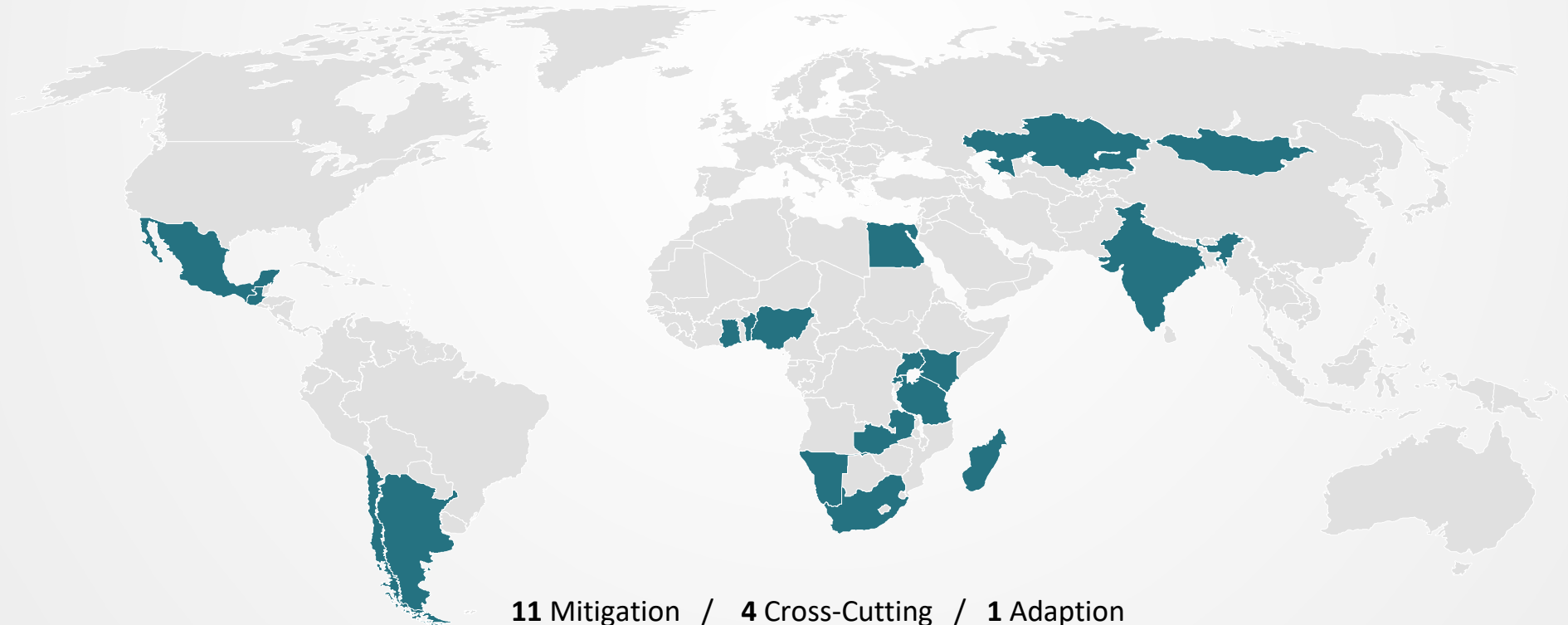
Co-financing

913Mt

CO₂ Reductions

~27M

Beneficiaries





GCF Private Sector Projects

Sustainable Landscapes in Eastern Madagascar

| Country | GCF financing | Accredited entity | Financial instrument |
|------------|------------------|-------------------|----------------------|
| Madagascar | USD 53.5 million | CI/EIB | Equity and Grant |

- ✓ USD 35M in equity and USD 18.5M in grant
- ✓ Holistic approach to sustainable landscape measures to enhance resilience of smallholder farmers and channel private finance into climate-smart investments in agriculture and renewable energy.
- ✓ Innovative Public-Private project involving the European Investment Bank (EIB) and Conservation International (CI).
- ✓ Aimed at overcoming barriers to private sector investment through issuance of a pioneering Climate Bond with all profits re-invested to capitalize a Climate Change Trust Fund for Madagascar.
- ✓ Emissions reduction of 10.0 million tCO₂e.



| Countries | GCF financing | Accredited entity | Financial instrument |
|-----------------------------|-----------------|-------------------|----------------------|
| Multiple Countries - Global | USD 265 million | EIB | Equity and Grant |

- ✓ USD 250M in equity and USD 15M in grant
- ✓ Innovative fund-of-funds vehicle with the aim of being the first investor in renewables/EE investment funds in target countries
- ✓ Investee funds will provide early/growth equity capital to strong renewables/EE companies in developing markets
- ✓ Channeling institutional investors into renewable energy and energy efficiency investments in developing countries
- ✓ Significant climate impact due to the elevated multiplier effect
- ✓ Emissions reduction of 769 million tCO₂e







Mobilizing Private Capital (Request For Proposal) [Greencclimate.fund/500m](https://greencclimate.fund/500m)

 **GCF INVESTMENT:**
✓ Up to USD 500M
funding window

 **TARGET COUNTRIES:**
✓ Developing countries

 **DESCRIPTION:**
✓ Call for mitigation and adaptation projects and bold ideas that mobilize private sector capital at scale
✓ Funding for activities across a wide range of mitigation or adaptation areas – open to both AEs and non-AEs

 **OUTCOME/STATUS:**
✓ 350 Concept Notes received for projects in 70+ countries
✓ 30 CNs shortlisted for development into funding proposals



Pitch for the Planet.



REACH OUT



Andreas Lunding
Senior Structured Finance Specialist
GCF, Private Sector Facility
Email: alunding@gcfund.org



EMAIL:
privatesector@gcfund.org



WEBSITE:
Greenclimate.fund



GCF REDD+ Results-based Payments pilot update

Juan Chang

Principal Forest and Land Use Specialist
Green Climate Fund

Paris, 22 June 2018



GCF portfolio in forestry & land use

Approved projects (excluding agriculture)



10 projects with USD 314 million of GCF funding, including 2 REDD+ projects



RBP submissions up to date

- Concept Notes: 1 (Ecuador - AE: UNDP)
- Funding Proposals: 0

RBP requires 3 CN to be submitted to kick off the process

Ongoing discussions with 2 countries expected to submit CN
end of June 2018

Expectation is to bring to the board 3 Funding Proposals in 2018



Frequently asked questions

What is the start date and length of the pilot programme?

Who can submit the Concept Note and/or the Funding Proposal?

Is it possible for the private sector to engage in the pilot programme?

What happens if subsequently submitted FREL/FRL shows higher value than the previous one?

What is the GCF definition of HFLD?

Volume of REDD+ results achieved vs. volume of ERs offered vs. GCF volume of ERs vs. volume of ERs paid ?

Is it possible to use another FRL/FREL for the purposes of the GCF pilot programme or is the use of the UNFCCC revised?



GCF REDD+ webpage ...coming soon

REDD+ in the GCF

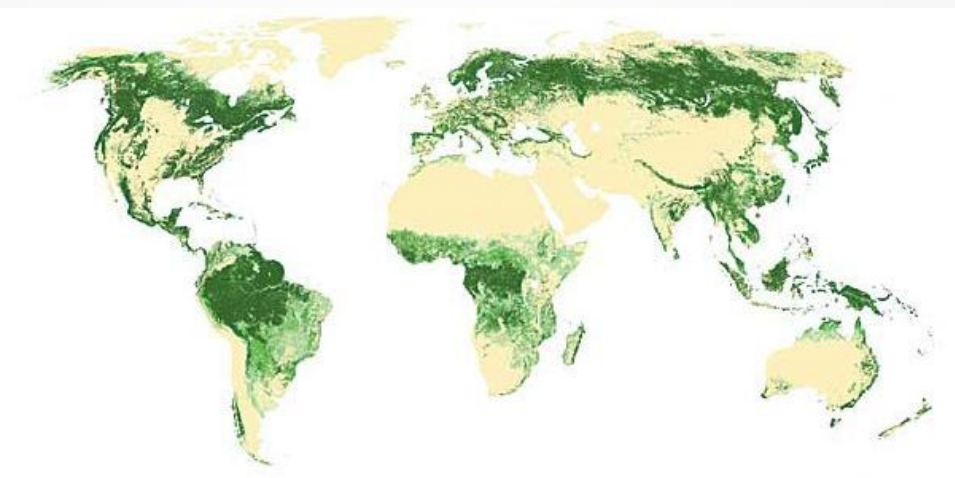
REDD+ in the GCF
Support for the early
phases of REDD+
Readiness
Project
preparation
Funding
proposal

REDD+ results-based
payments Pilot
Terms of
Reference
Funding
Proposal
template
Concept Note
Template
NOL template
FAQ

Resources
News
Events
Videos and
presentations
Publications
Contact us

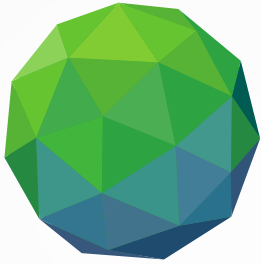
What is REDD+?

REDD+ refers to a process moderated by the United Nations Framework Convention on Climate Change (UNFCCC) which supports countries' efforts to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks. To read more about REDD+ and its history, click [here](http://redd.unfccc.int/) . Link: <http://redd.unfccc.int/>



What we do?

GCF offers support for REDD+ across all three phases. Whilst the focus of GCF funding is on reducing emissions, there is also scope to support adaptation. This includes increasing resilience and enhancing livelihoods of the most vulnerable people, communities, and regions; increasing people's health and well-being; enhancing food and water security; and improving the resilience of ecosystems and ecosystem services.



**GREEN
CLIMATE
FUND**