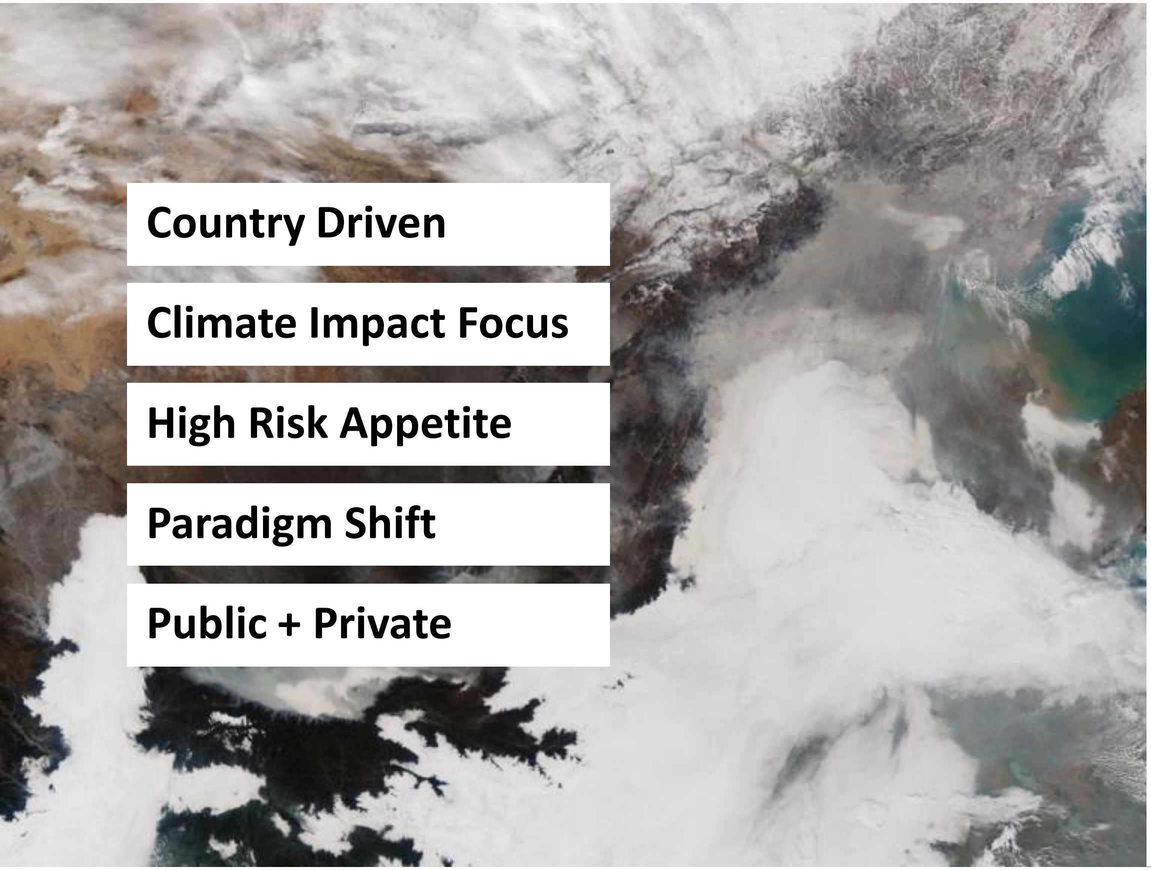
GREEN CLIMATE FUND

Financing of GCF projects

AN OVERVIEW

- Technical Workshop on Project Preparation
- DBSA, South Africa
- 21st September 2018

WHO WE ARE



Country Driven

Climate Impact Focus

High Risk Appetite

Paradigm Shift

Public + Private

8 Results Areas

- Energy
- Transport
- Buildings, Cities, Industries
- Ecosystems
- Livelihoods of people & comm.
- Health, food and water security
- Forests and land use
- Infrastructure

A mandate to promote low-emission and climate resilient development in developing countries

GREEN CLIMATE FUND

The right financial instrument?

Concessional Loans	
75 bp, 20 yrs	0 bp, 40 yrs

Grants

Reimbursable grants

Equity

Guarantees

Blended finance

Viability

Gap

Private Sector facility

GREEN
CLIMATE
FUND

BOARD DECISIONS - I

Board Decision B.05/07 :

- Grant elements should be tailored to incremental cost or the risk premium required to make the investment viable, or to cover specific activities such as technical assistance;
- Seeking the right level of concessionality, so as not to displace investments that would otherwise have occurred, including for private sector investment and avoid crowding out commercial financing;
- Levels of indebtedness capacity of the recipient should be taken into account so as not to encourage excessive indebtedness;
- Structure terms on a case-by-case basis to address specific barriers;
- Leveraging of other financing, seeking to maximize leverage in the case of private financing;

BOARD DECISIONS - II

Board Decision B.09/05 :

- The subsidy element provided through grants and/or concessional lending will be the minimum amount necessary to make the project or programme viable and help achieve the GCF paradigm shift objective.

REVENUE STREAMS AND CONCESSIONALITY

Water (and energy) services

- Where a new revenue stream is created, a loan can be repaid
- GCF projects offering savings to public / private sector
- Willingness-to-pay and ability-to pay-studies
- Blended finance can make up shortfalls

Objectives

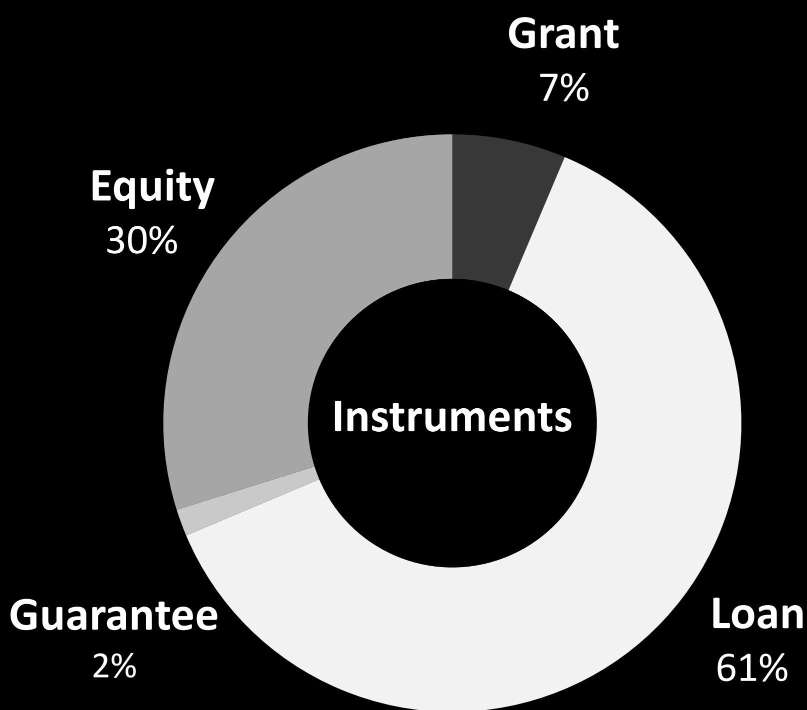
- Ownership of projects
- Incentives for O&M
- Creating livelihoods and repeat transactions
- Private sector assumes some / all of risks
- Work around governments' borrowing constraints

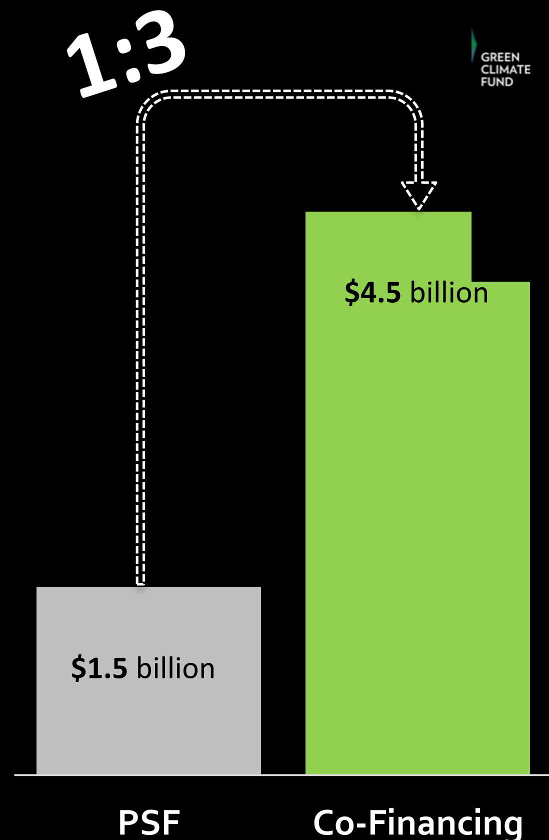
Minimum concessionality 'Principle' to optimize investments

Co-financing Ratio – Private Sector GCF

Every Dollar invested mobilizes $3 by Co-Investors

me Planet.
day.
morrow.



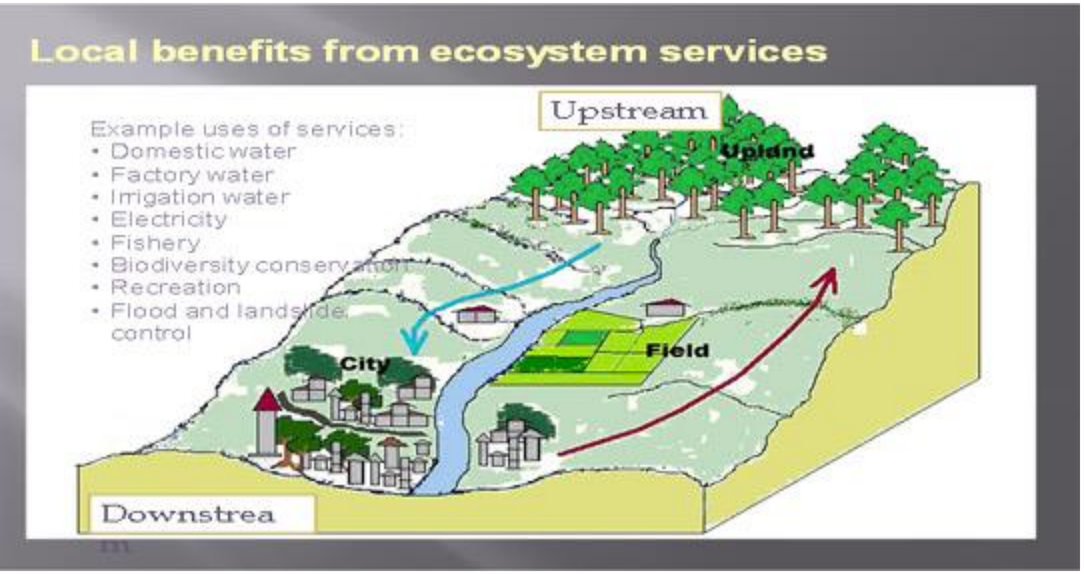


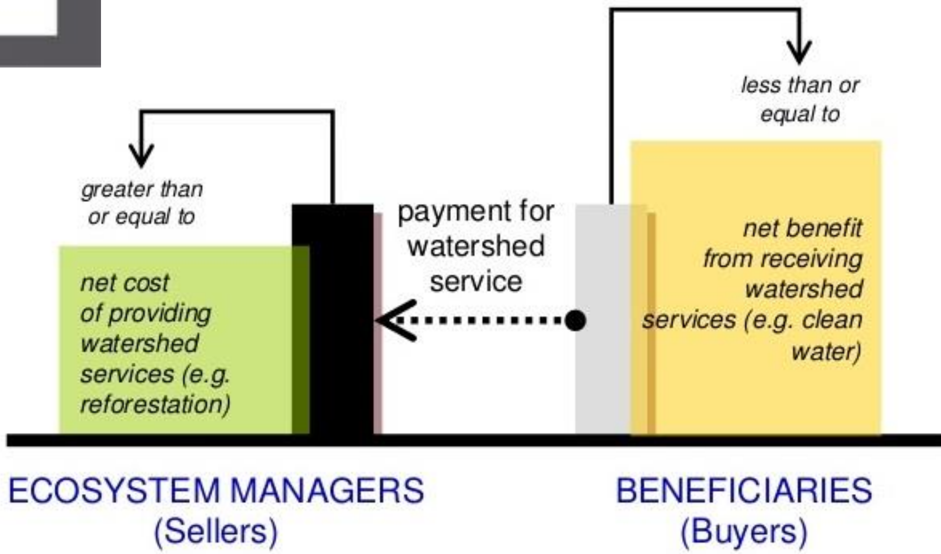
SOURCES OF CO-FINANCE

Potential sources include:

- Government budget
- Bilateral donors – AFD, GIZ, China
- Multilaterals and IFIs – AfDB, World Bank
- Institutional investors
- Commercial banks (including AEs such as FDB, Xacbank, HSBC)
- User fees, transfers, taxes and tariffs
- Industry beneficiaries
- Insurers
- Corporate Social Responsibility
- Private Foundations

FINANCING EXAMPLE: 1
PAYMENT FOR ECOSYSTEM SERVICES





FINANCING EXAMPLE: 2
NON REVENUE WATER

Commercial loss-reduction contracts

- Finance made available to contractor to set up
- Utility pays the contractor out of energy and other savings achieved
- Water conservation (adaptation) and energy use reduction (mitigation)
- Contractor can continue indefinitely
- Serving more utilities
- Lasting livelihoods created

Possible application to:

- Drainage and waste management services