GREEN CLIMATE FUND

Financing of GCF projects

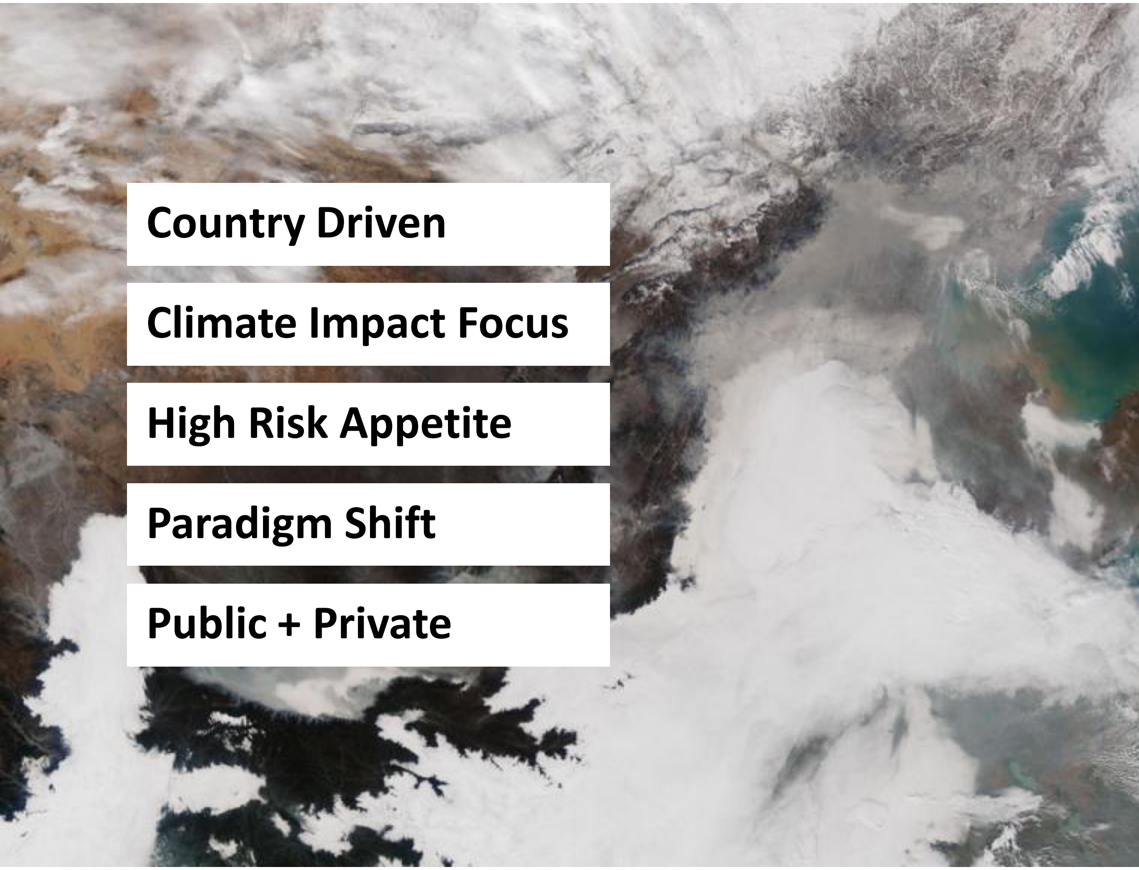
AN OVERVIEW

Thanks to –

The Green Climate Fund

16 October 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

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

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;

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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.

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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

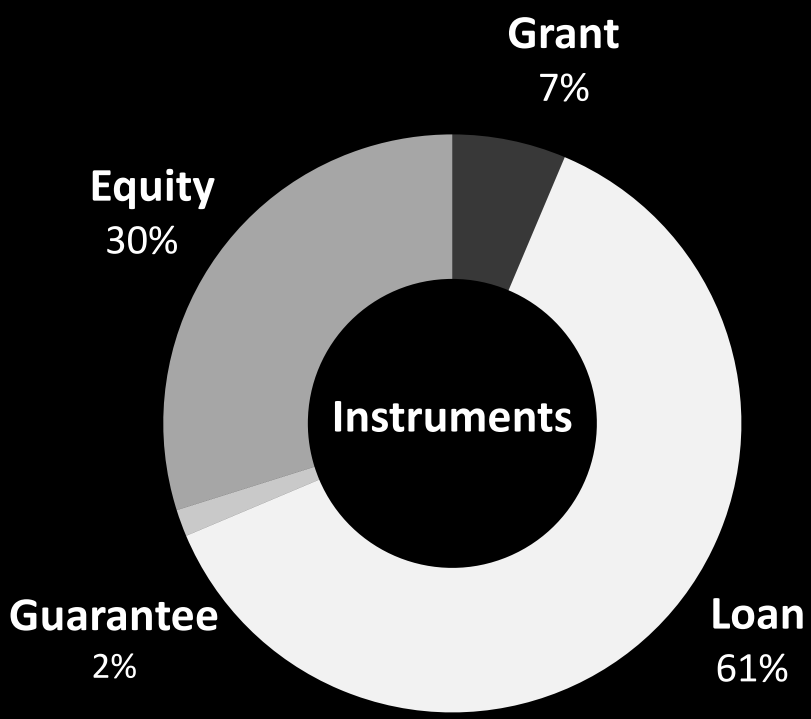
Objectives

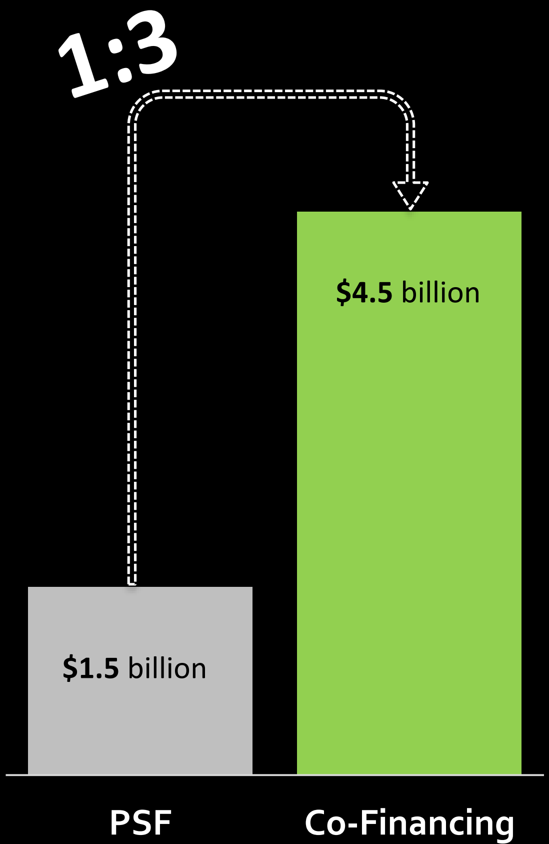
- Ownership of projects
- Incentives for O&M
- Creating livelihoods and repeat transactions
- Private sector assumes some / all of risks
- Work around governments' borrowing constraints

Minimum concessionality 'Principle' to optimize investments

Co-financing Ratio – Private Sector GCF

Every Dollar invested mobilizes $3 by Co-Investors



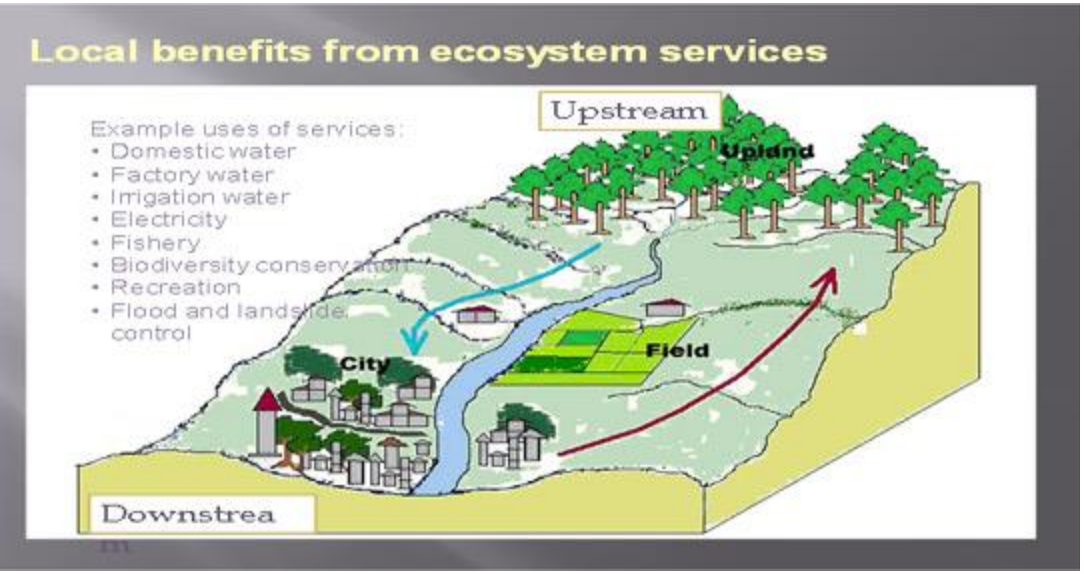


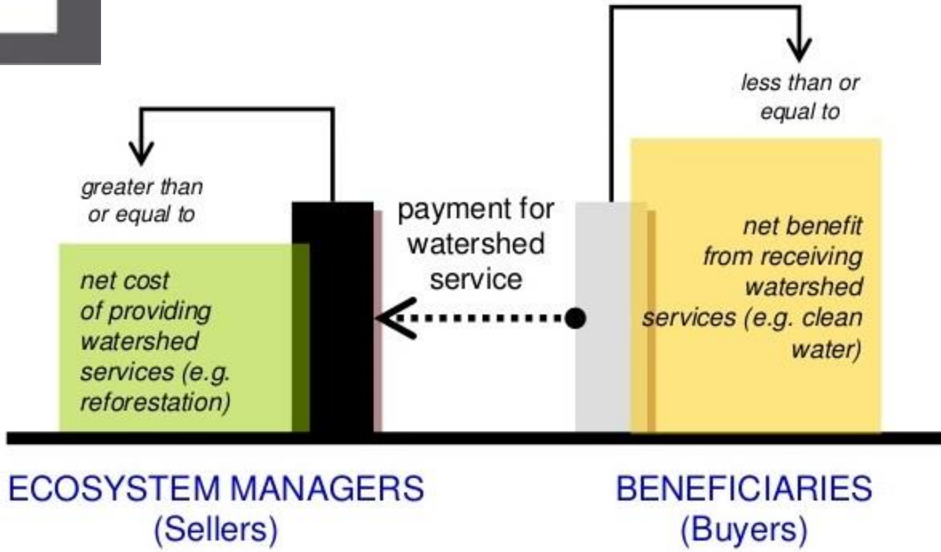
SOURCES OF CO-FINANCE

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





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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