

**GREEN  
CLIMATE  
FUND**

# **Opportunities for engagement with GCF Public Sector**

**Drazen Kucan**  
**Senior Urban & Energy Efficiency Specialist**

GCF Regional Workshop for Eastern Europe and Central Asia  
31 May – 2 June 2017 | Tbilisi



# Post Paris Agreement Climate Finance Challenges

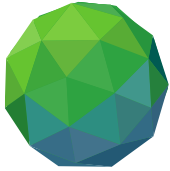
## KEY CLIMATE FINANCE (CF) ISSUES AND CHALLENGES:

- **Scaling up of climate finance**, flows and transformative transactions;
- Increasing financial flows to **adaptation**;
- Helping to overcome **barriers** such as affordability constraints, first-mover risks, behavioral and perceived risks, low technology penetration rates;
- **Private sector and mitigation**: over 80% of global CF flows to renewable energy investments indicate a narrow, perhaps less than well diversified trend;
- **Green financing** still only a niche investment strategy for mainstream institutional investors.



# Post Paris Agreement Climate Finance Challenges (2)

- **Policy Frameworks and Enabling Environments** as initial triggers;
- **Public money** as a 'seed' money (guarantees, insurance, incentives, knowledge and policy support, preparatory technical assistance, etc.) **to attract and mobilize private finance** with staying power through de-risking structures and transformative interventions;
- **GCF and other DFIs** are front-runners, first movers: bold strategic and innovative brushes to mark investment and development opportunities; followed by coherent and yet innovative structures and long term commitment.



GREEN  
CLIMATE  
FUND

# Conceptual Flow

**HIGH RISK  
LOW ENTERPRISE VALUE**

**LOW RISK  
HIGH ENTERPRISE VALUE**

Development intervention / De-risking process

Public sector intervention

Private sector intervention

Sector  
Constraints;  
No investment  
Flow; Heavy  
subsidies

Weak  
Tariff Reform  
Regulatory  
Institutional  
Set-Up

Capital  
Markets  
Reforms;  
Enterprise  
rehabilitation

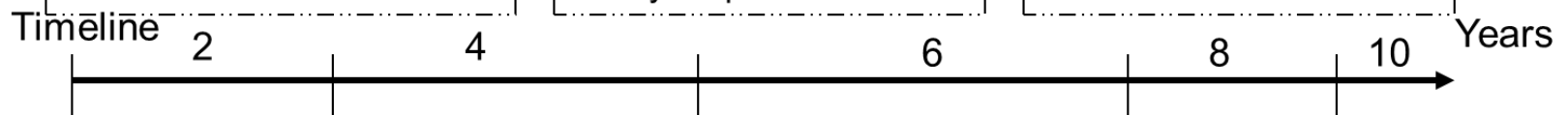
Revival  
Of Utility  
Economics

EV restored;  
Cost recovery  
Achieved;  
Sustainable  
operations

Sector intervention with institutional  
component and regulatory focus

Project and  
municipal bonds;  
Utility corporatization

New Financing Initiative;  
PPP / PSP space





# Implementation – leveraging public and private financial resources:

- **Public resources** – ADB, EBRD and other MDBs / IFIs leveraged by using their own project development entities and structures.
- **Private resources** – developers, suppliers (solar PV), and finance are relying on instruments provided by MDBs and donors; credit and credit enhancement mechanisms through financial intermediaries; halo effect of MDBs and IFIs is significant and has to be further explored;
- Important challenges are **demand-side conduit structures** (SPVs such as for example development corporations) and channeling finance intermediary institutions (supply-side).



# Lessons learned? Innovation, Learning, Scaling Up Sequence

- **Enabling environment** and policy instruments / knowledge and pilot projects 'testing the water', demonstrating ambition / scalability;
- Institutional and donor **partners** in project preparation, scoping, mapping and structuring of bankable projects – setting up Trust Funds?;
- **Pooled finance instruments** and co-financing / ECAs; financing for capacity building / low carbon technology transfer;
- **De-risking approach** and widely available, and not only 'theoretical', **risk mitigation modalities** embedded in financial products; **Anchor guarantees**, syndications and standby loans (viability gap funding); Take out financial arrangements;
- **Capital market instruments** and pension funds / institutional funding – credit rating / enhancement challenges.



**GREEN  
CLIMATE  
FUND**