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# Developing an adaptation private sector proposal for the GCF

Adaptation Rationale Workshop

*14-17 November 2018, Cebu, Philippines*



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1. Introduction: Private Sector Facility
2. Private Sector Projects: Case Studies
  - i. CABI CAMBio II
  - ii. Acumen Resilient Agriculture Fund



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# 1. Introduction: Private Sector Facility



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# Our Strategy

I.

## Take more risk to crowd in finance for paradigm shift

e.g. (i) local currency financing and (ii) more equity / less debt

II.

## Support the development of climate-compatible financial systems

e.g. (i) readiness, financing for national climate banks and (ii) support to build capital markets for “green” securities

III.

## Act as a “market maker” for sector transformation

e.g. (i) strengthened GCF Country Programs and (ii) targeted programs and RFPs to implement national sector priorities

IV.

## Consider reforms that can improve impact and engagement with PS

e.g. (i) PSF direct financing; (ii) Project cycle (“notification”) and accreditation reforms and (iii) capitalise PSF



**Risk-inclined and impact-oriented keystone institution in the climate finance space**

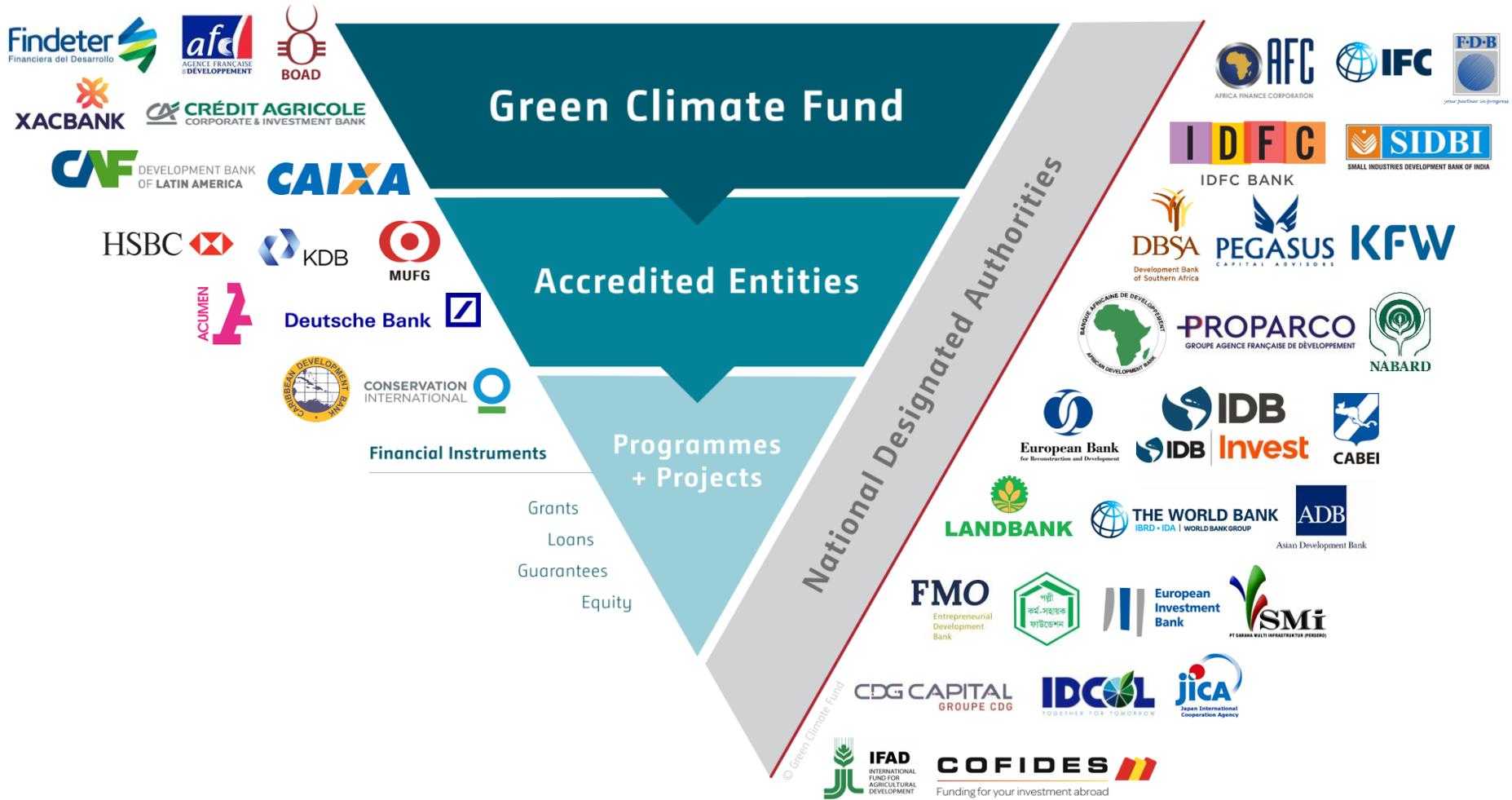


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# How We Work

## With AEs who channel funds to projects

### GCF Architecture



# 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 provided

## 8 Results Areas



Energy



Transport



Buildings, Cities,  
Industries



Ecosystems



Livelihoods of  
people & comm.



Health, food  
and water  
security



Forests and  
land use



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

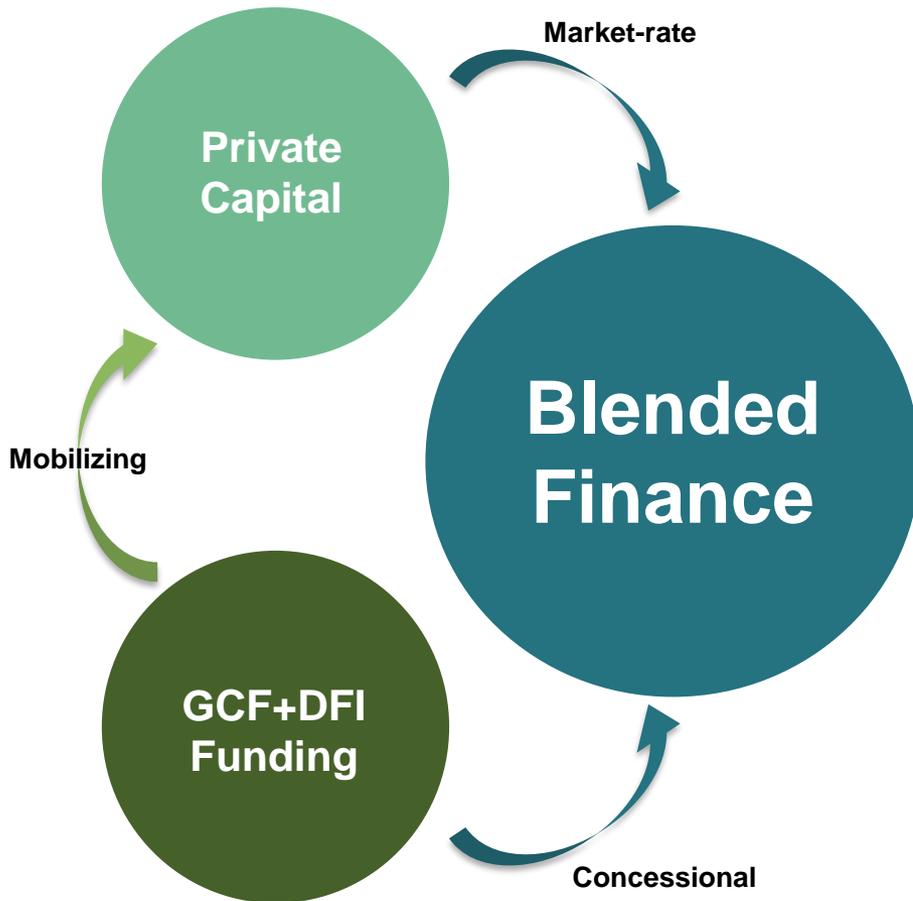
- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies
- No-objection letter



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# Derisking and Concessionality

## By blending GCF/DFI & private capital



### De-risking Investments

- › Reducing risks in a transactions
- › Anchoring role for co-investors
- › Fostering behavioral changes
- › Making climate solutions affordable.

### Instruments of Concessionality

- › Pricing concessionality
- › Subordinated position
- › Flexible term & tenor
- › Flexible guarantees
- › Equity
- › Fit for purpose grants



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# Funding Proposal Development Process

2<sup>nd</sup> Level Due Diligence

1. Project  
Idea



A. Project Finance



B. Financial Institutions



C. Private Equity



D. Structured Finance



2.1 FP  
development



2.2 Check for  
Completeness



2.3 Task Team  
Review



3. Inter-division  
Review

M&E

Risk

Finance

Legal

ESS &  
Gender

Climate

4. Secretariat  
Assessment



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# Funding Proposal Timeline

1. CN Submission



2. FP development



3. Secondary Due Diligence



4. iTAP Recommendation



5. Board Approval



6. FAA signed



7. First Disbursement



Feedback & Recommendations

2 Months

FP submission + Check for completeness

1 Month

Secretariat Review & SMT Clearance

1 Month

Term Sheet Review

3 weeks

Internal AE Approval & FAA Negotiation

4 months

Compliances of Conditions

2-3 months

➤ Well designed funding proposal key to speed of delivery

Indicative timeline



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## II. Private Sector Projects: Case studies



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# Private Sector Projects



Banco  
Centroamericano de  
Integración  
Económica

CAMBio II

Country	GCF financing	Accredited entity	Financial instrument
Latin America and the Caribbean	USD 15.5 million	CABEI	Loan and Grant

- Countries: Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama
- Promoting adaptation activities for agricultural MSMEs in a region that is especially vulnerable to the effects of climate change.
- Implementing an incentive based financial model that has not previously been used for adaptation activities.
- Enhance climate resilience of 70.000 people





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# CAMBio II

## Components

### Innovative financial mechanisms for ecosystem-based adaptation measures

- Loans will be provided to MSMEs through intermediary financial institutions (IFIs) that are accredited by CABEL.

### Capacity Building for the Development of Production Models Resilient to Climate Change

- Technical assistance for preinvestment: support aimed at MSMEs to develop their projects.
- Capacity building: for MSMEs and IFIs in line with programme objectives.
- Advocacy and Knowledge management.

### Incentive scheme to promote adaptation measures to be implemented by MSMEs (Adapt-Award)

- Aimed at MSMEs that have successfully implemented adaptation measures and to CMNFIs (Cooperatives, Microfinance and Non-Bank Institutions).
- Awards are granted with distinctions between women-led and men-led MSMEs' projects.



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# CAMBio II

## Some adaptation measures

### Reducing risks associated with climate in production activities



- Water management: harvesting, efficient irrigation, cisterns.
- Local seed and varieties resilient to droughts, pests, and diseases
- Production diversification
- Agro-forestry and agro-silvopastoral systems
- Soil management
- Protection against hurricanes, floods, sea level rise

### Reducing the pressure on the ecosystems and conservation of natural resources



- Sustainable forestry management
- Firebreaks
- Reforestation with native species.
- Use of forest by-products

### Improving social and economic resilience of the populations



- Family and community vegetable gardens.
- Ecotourism and sustainable tourism
- Beekeeping
- Fish farming



# Private Sector Projects



## Acumen Resilient Agriculture Fund

Country	GCF financing	Accredited entity	Financial instrument
Uganda, Ghana, Nigeria	USD 26 million (23 equity, 3 grant)	Acumen Fund, Inc.	Equity and Grant

- First of its kind adaptation focused agriculture fund involving private sector
- An adaptation impact fund to support and scale up inclusive early stage agribusinesses that provide essential climate adaptation solutions to smallholder farmers
- Enhance climate resilience of 10M people (including 5M women)



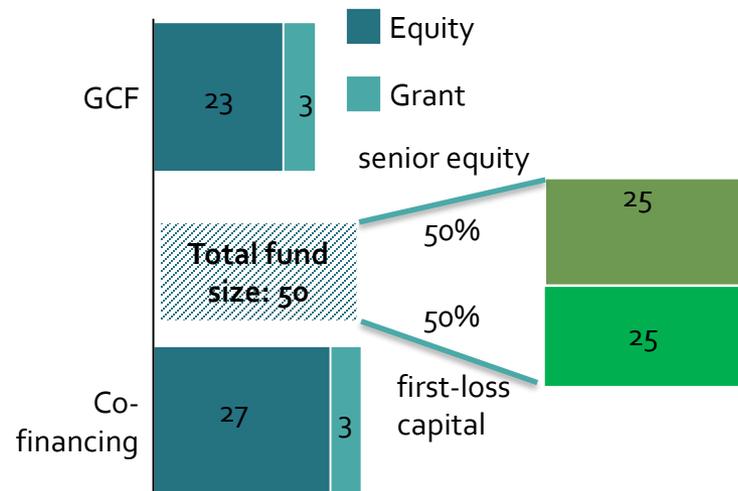


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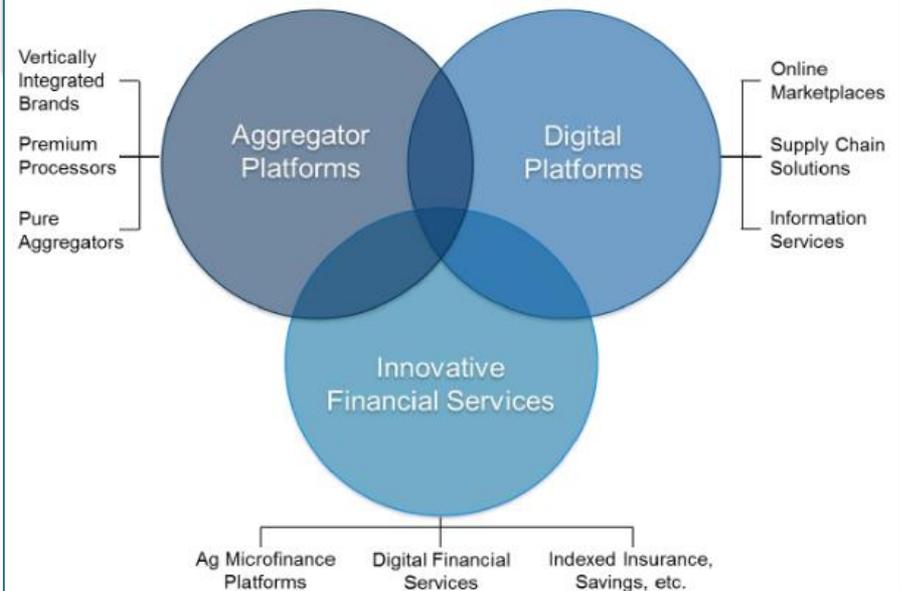
# Acumen Resilient Ag. Fund

## Financing and Structure

USD mn



## Investment Strategy





# Acumen Resilient Ag. Fund

## Assessment Summary

Advantages	Points of caution
<ul style="list-style-type: none"><li>• Catalytic role of GCF in launching the first adaptation-focused agriculture fund in Africa benefiting smallholder farmers through innovative private social entrepreneurs</li></ul>	<ul style="list-style-type: none"><li>• Risk of failure by Acumen to meet the fundraising target resulting in reduced impact</li></ul>
<ul style="list-style-type: none"><li>• Shifting the focus of a social impact fund (Acumen) toward climate change adaptation</li></ul>	<ul style="list-style-type: none"><li>• Risk of failure to maintain the climate adaptation focus among the sub-projects during the investment period</li></ul>
<ul style="list-style-type: none"><li>• Developing a toolkit to monitor adaptation impact from the farmers' perspective and building quantitative and qualitative adaptation impact data to be shared with green impact investment communities</li></ul>	
<ul style="list-style-type: none"><li>• Demonstrating alignment with the GCF investment criteria</li></ul>	



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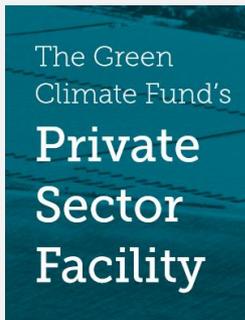
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