



GREEN
CLIMATE
FUND

GCF REGIONAL DIALOGUE

with EASTERN EUROPE & CENTRAL ASIA

Skopje, Republic of North Macedonia
18–22 March 2024





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FUND

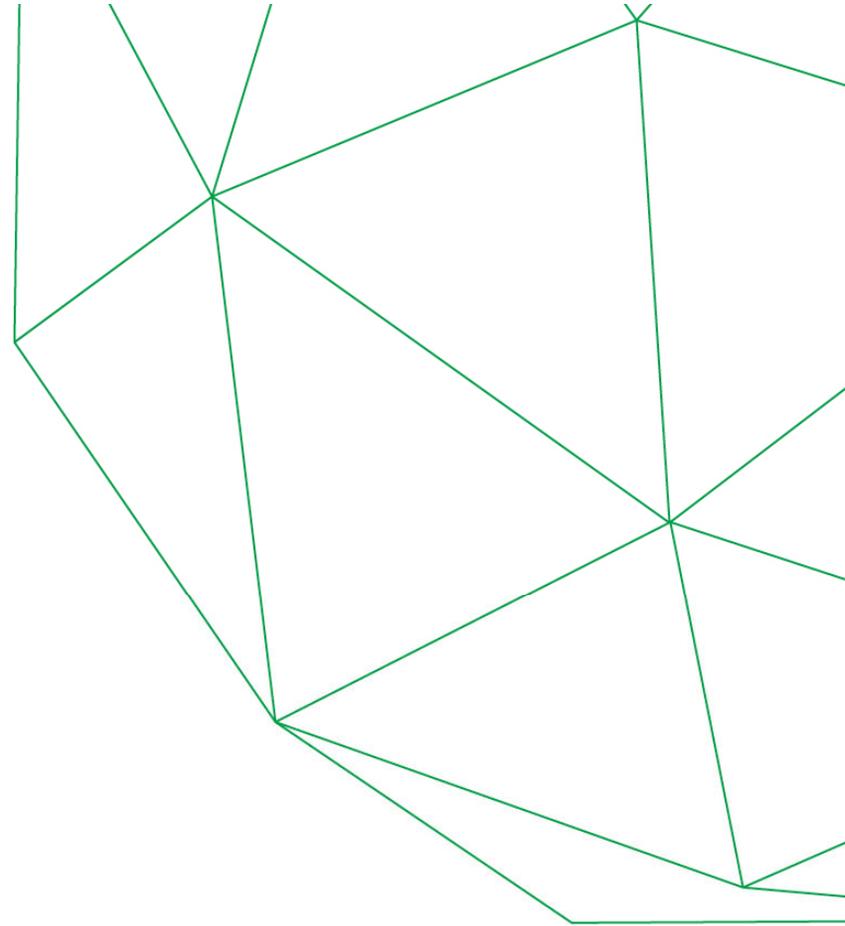
GCF REGIONAL DIALOGUE
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Developing GCF-aligned and high-quality projects - Financial Instruments

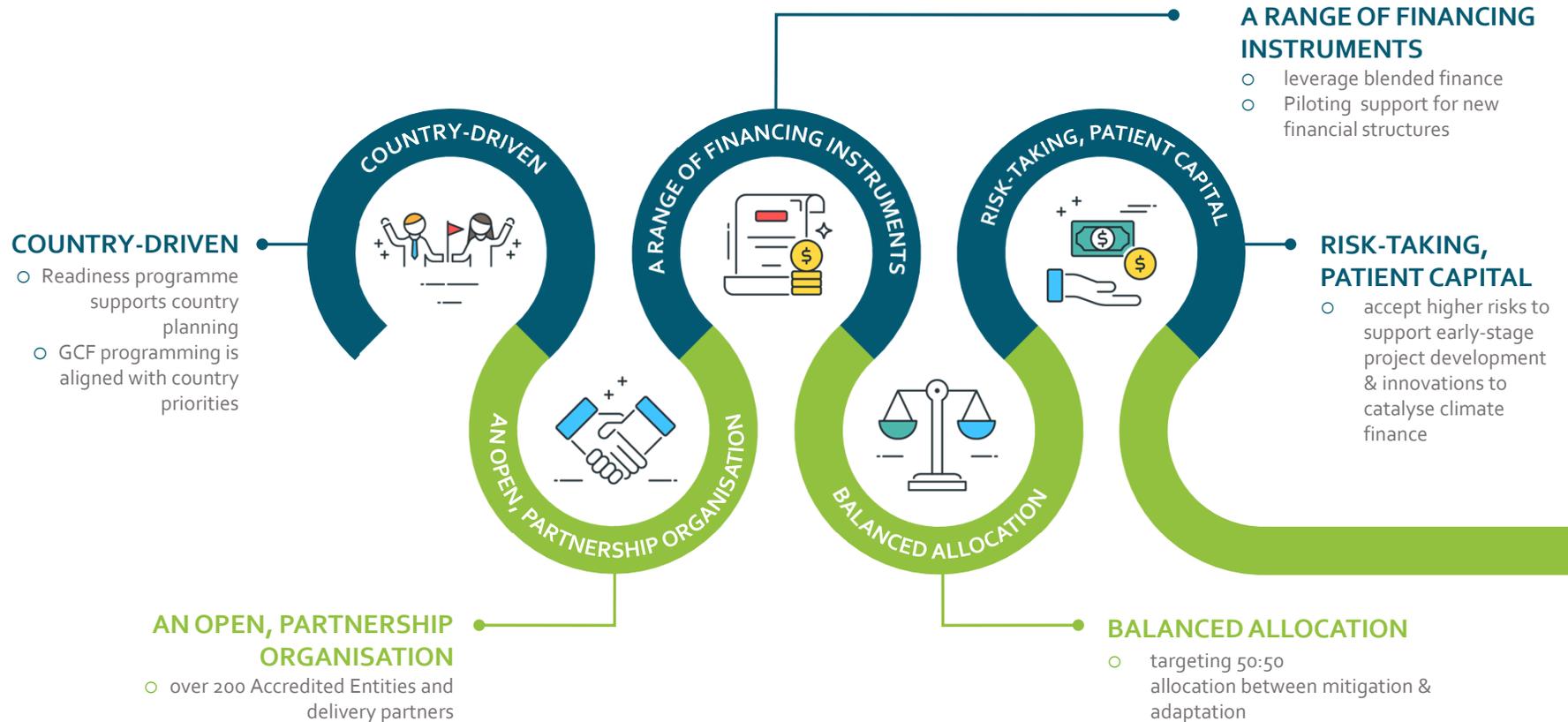
Rajeev Mahajan, Private Sector Facility

Skopje, Republic of North Macedonia

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How we work



Where we focus

Reduced Emissions from:



Energy
generation
and access



Transport



Buildings,
cities,
industries and
appliances



Forests and
land use

Increased Resilience of:



Livelihoods of
people
and communities



Health, food and
water security

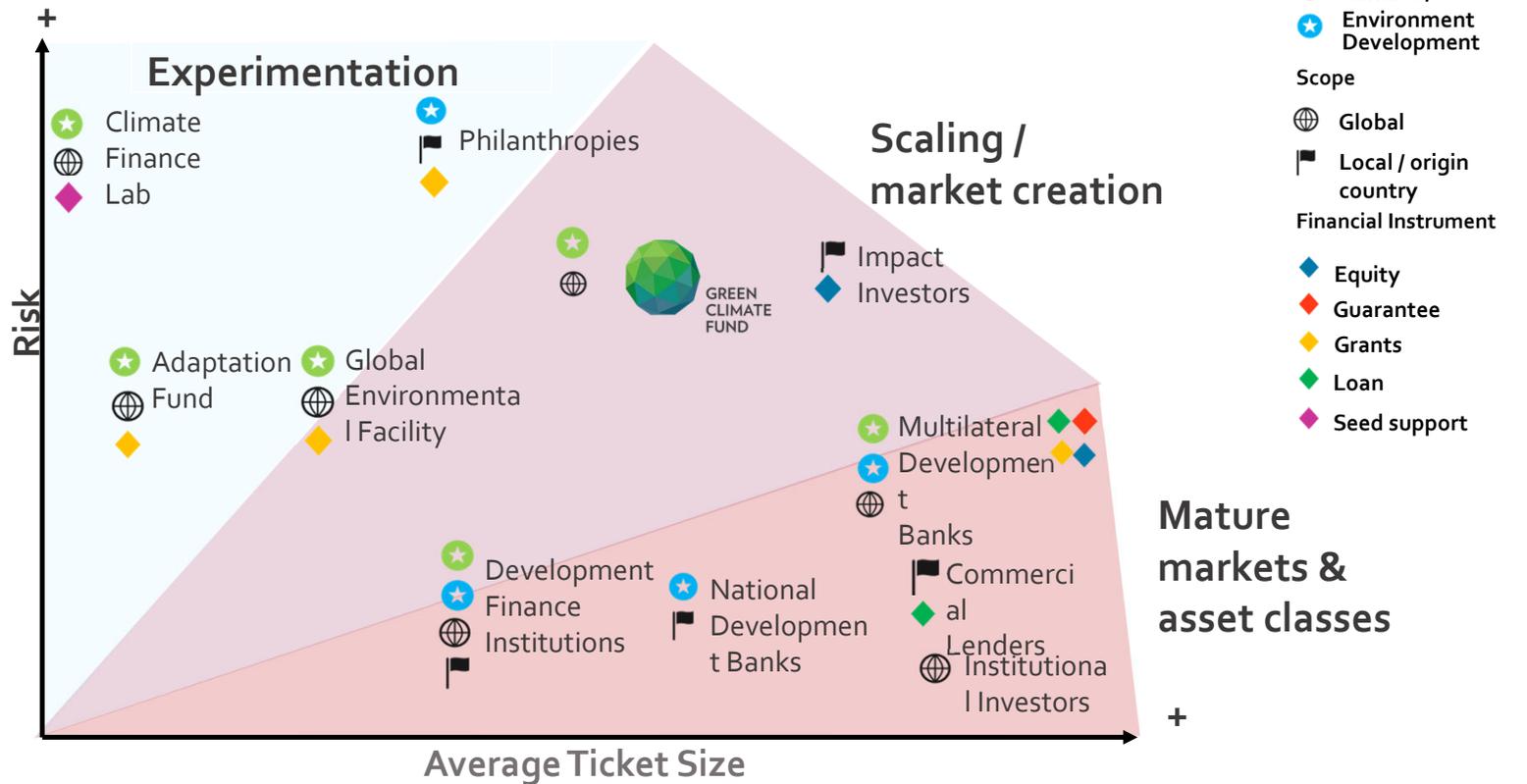


Infrastructure and
the built
environment



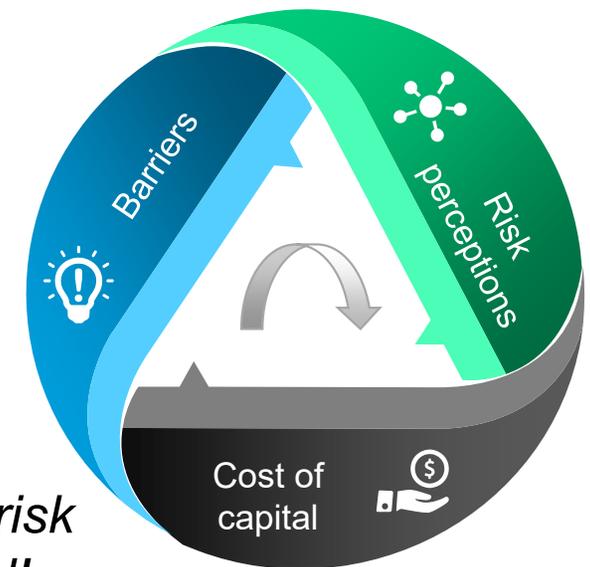
Ecosystems and
ecosystem
services

GCF's unique position



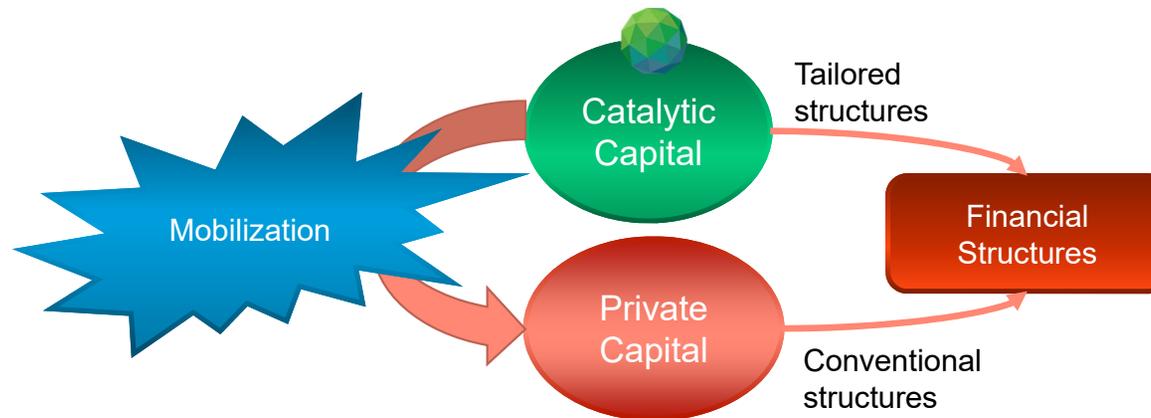
Addressing impediments to financing

- Lack of risk and vulnerability data for project developers.
- Limited clarity on capital investment gaps.
- Regulatory and policy ambiguities – macroeconomic & sectoral.
- Business models in nascency, inadequate track record.
- Low perceived or actual returns on investment.
- Limited scope & commerciability of new climate technologies.



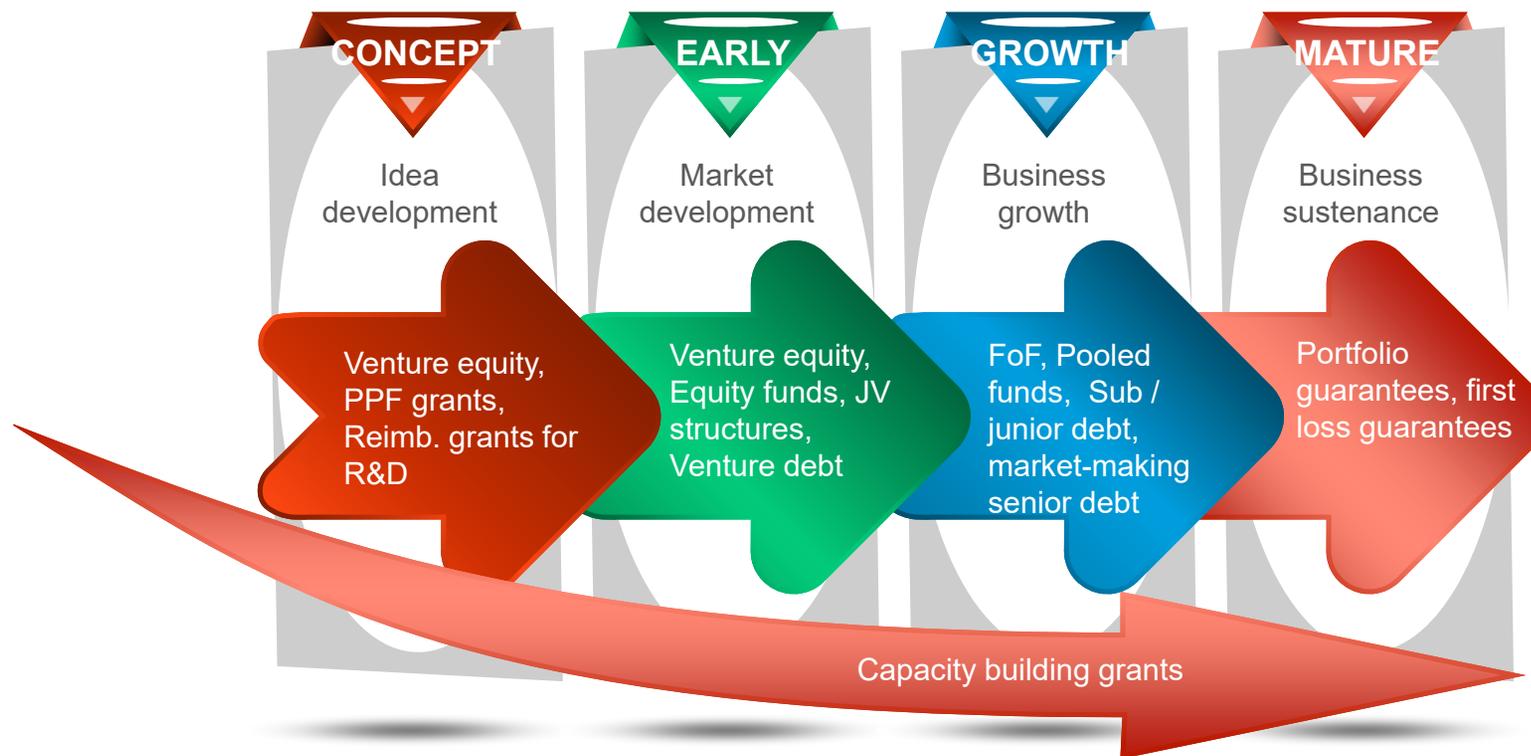
These challenges manifest themselves as elevated risk perceptions that translate into a high cost of capital!

Role of the GCF



Carefully calibrating three catalytic levers of concessionality – pricing, tenor, structural subordination – can incentivize private capital flows!

Deploying capital for impact



Equity structures



VENTURE

Early stage of idea development → **high of failure** → impact

Solution: Good through incubators, accelerators → **minimum viable (MVP)** → derisking



POOLED FUNDS

Growth capital, suitable for larger ideas that have previous venture / development

Track record → growth & macroeconomic ability to raise

Solution: Partner credible fund manager, due-diligence capacity, balance between risk & return



FoF

Appropriate for supporting smaller scale climate impact funds, reduces **transaction costs** for GCF

Solution: Fund of Fund economics will need to be carefully negotiated – economies of scale



JV

Strong anchor supporting a new climate investment idea

Idea to address a significant **market failure** and demonstrate impact at scale but challenges on direct liability

Solution: Structuring and economics key. Safeguards against moral hazard



Debt structures



VENTURE

Post-seed venture idea with track record → capital for growth over profitability

Trusted venture investor → Risk mitigation

Future venture infusion to repay debt but impact attribution

Solution: Collateralization and careful target-based covenants → pathway to profitability



MEZZANINE

Early-stage concessional debt capital → limits cost of capital to ease pressure

Covenanted convertibility to offer upside

Solution: Conversion terms → Valuation on conversion? Emergence of moral hazard issues, hands on management necessary



SUBORDINATED

Suited for growth phase, to derisk debt raise from markets

Suitable in situations of low liquidity → mobilizing effect – alternative to derisking guarantees

Solution: Limited impact based concessionality structures



SENIOR

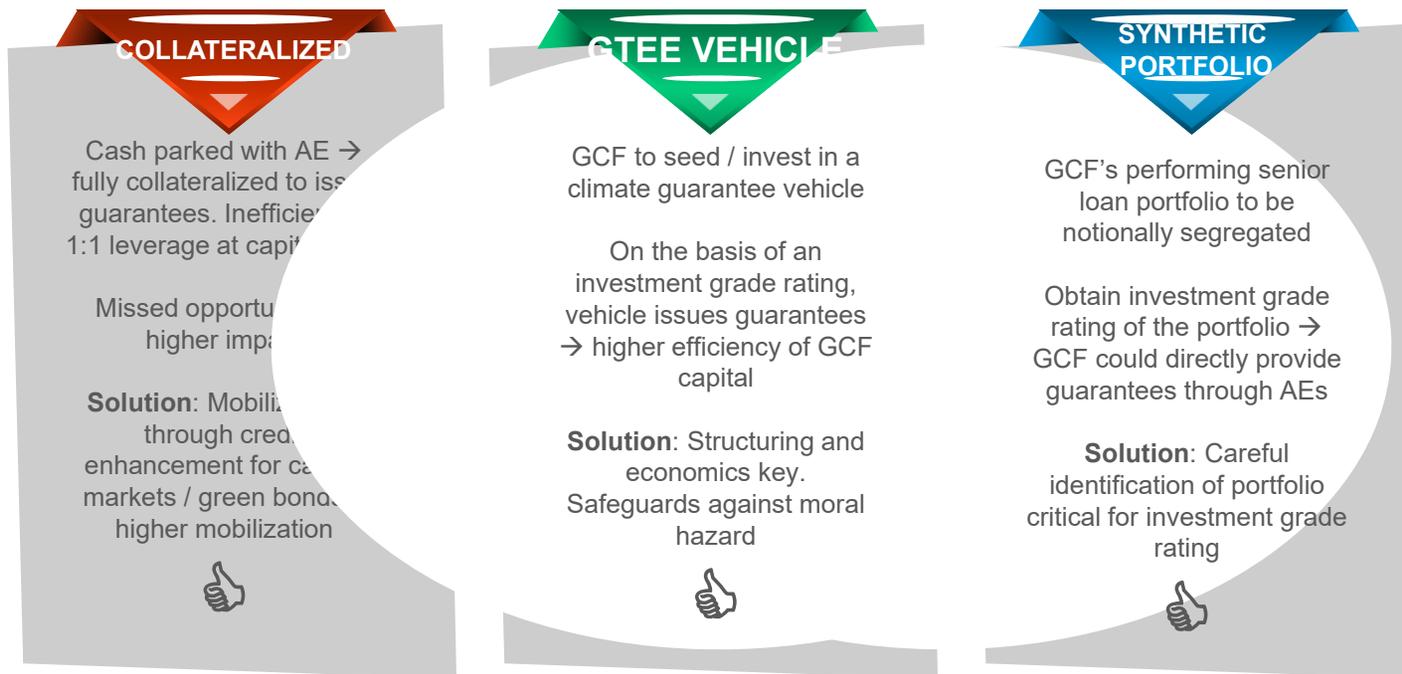
Suited for LDCs and SIDS where financial sector is nascent → derisking will not help

Minimal mobilization effects

Solution: Carefully target sectors where commercial capital isn't available



Guarantee structures





Thank you