

Green Climate Fund's

Private Sector Facility



GREEN
CLIMATE
FUND

2019

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The world's
largest multilateral
dedicated climate
fund helping
developing countries
reduce their GHG
emissions and
enhance their ability
to adapt to climate
change

Set up by United Nations Framework
Convention on Climate Change (UNFCCC)
to **keep the average global temperature
increase well below 2°C** and pursuing
efforts to limit the temperature increase to
1.5°C above pre-industrial levels.



Green Climate Fund

The Green Climate Fund (GCF) was established by the United Nations Framework Convention on Climate Change (UNFCCC) to support global climate action, by promoting a low-emission and climate-resilient transition in developing countries. GCF serves the Paris Agreement, supporting developing countries in reaching their nationally determined contributions.

GCF funding proposals are developing country-owned and transformative in their climate impact. GCF aims for a 50:50 balance between mitigation and adaptation investments, and will dedicate at least 50 percent of its adaptation funding to particularly vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States.

The Fund seeks to engage across public and private sectors to unlock high impact and paradigm shifting climate investments. GCF offers a range of flexible financial instruments, enabling it to respond to specific investment contexts and market barriers. It is also able to build readiness to access Fund resources and to work with local, national, regional and international level entities.

The Fund is looking for partners who share our vision of catalysing a paradigm shift toward low-emission and climate-resilient development.

Private Sector Facility (PSF)

The magnitude of the required resources to combat climate change is on the order of trillions of USD. Hence, the role of the private sector is fundamental in the mobilization of climate finance, but more importantly in the transformation of the global economic and financial system. The Intergovernmental Panel on Climate Change's (IPCC) Special Report on 1.5°C emphasized the urgency for average annual sustainable energy investments of up to USD 830 billion to transition to a zero-carbon and climate-resilient global economy.

In order to scale up GCF's activities and support this challenge, GCF has set up the Private Sector Facility (PSF) to fund and mobilize private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest with us.

The PSF's mission is to engage both the local and global private sector to support climate change mitigation and adaptation projects in developing countries.

Through active engagement with our Accredited Entities (AEs) PSF can act as a catalyst for funding high impact, transformative and innovative climate projects and activities in developing countries.

PSF aims to change the current paradigm by de-risking the delivery of private capital and scaling up private sector investment flows for low-carbon and climate-resilient development.

We have adequate high risk appetite and we want to encourage our partners to venture into new territories for low-carbon and climate-resilient investment.

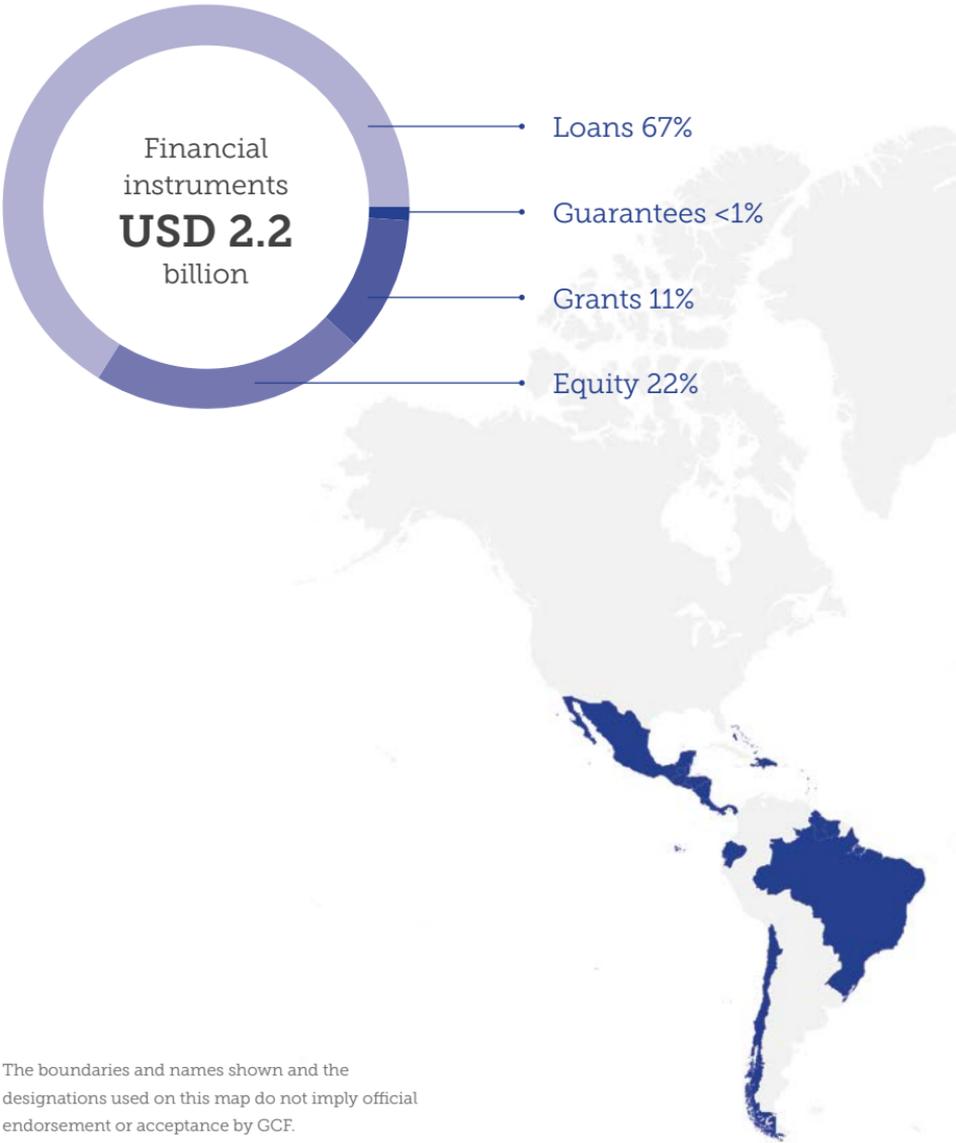


The Private Sector Facility aims to promote private sector climate action in developing countries.

GCF's private sector value proposition

- We aim to de-risk the movement of global capital to solve climate challenges in developing countries
- We have a special focus on Least Developed Countries, Small Island Developing States, and African states
- We can provide expertise to help you assess the potential climate benefits of project ideas
- We offer long-term funding through various instruments and can structure in concessionality where necessary to achieve results
- We are strategic and flexible

Private Sector Project Map



No. of projects

25

GCF investments

USD 2.2b

As of October 2019, 25 private sector projects have been approved for GCF resources amounting to USD 2.2 billion and mobilizing an additional USD 7 billion in co-financing. The associated mitigation portfolio is expected to reduce 1.1 gigaton of CO₂ equivalent, while the adaptation portfolio is expected to reach 47 million beneficiaries.



Additional investments mobilized

USD 7.0b

How do we invest?

GCF provides debt, equity, guarantees, and grants via its AEs to:

- De-risk investments
- Drive systemic transformation
- Scale small projects and bundle them into larger portfolios
- Support capacity building

PRIVATE EQUITY FUNDS

Being the premier anchor investor in climate investment equity / debt funds

- Supporting first-time fund managers in technology, early equity and adaptation funds
- Encouraging early-equity investment in underserved geographic regions where equity is not traditional
- Spurring local innovation & global accelerators in countries with high innovation
- Launch successful adaptation funds

FINANCIAL INSTITUTIONS

Mainstreaming climate change mitigation and adaptation in the financial sector

- Extend credit lines to local FIs to finance mitigation and adaptation projects
- Increase access to green finance for MSMEs with risk sharing facilities
- Provide readiness support to green the financial sector by promoting sustainable finance
- Establish green banks

- Develop public-private climate-resilient infrastructure
- Encourage innovation

PSF offers innovative climate finance solutions across various product clusters incl. private equity, financial institutions, project finance, and structured finance. PSF's product clusters are illustrated below:

PROJECT FINANCE	STRUCTURED FINANCE
<p>Tailoring life cycle, concessional financing to de-risk high impact projects</p>	<p>Capital/carbon/insurance markets that require bespoke structuring solutions</p>
<ul style="list-style-type: none"> • Promoting new business models: De-risking and crowding in debt and equity capital. • Supporting transformative & replicable investments at scale: Structuring solutions to alleviate barriers. • Seeding climate investment vehicles: Systemic intervention to crowd in domestic capital 	<ul style="list-style-type: none"> • Innovative structured financing solutions: Use of securitization / green bonds • Support REDD+ / Carbon markets: Tailored price support to boost private sector emission reduction demand • Promoting insurance-based financing products: Scale up use of insurance as a tool for risk sharing/mitigation

What do we invest in?

GCF makes investments within our eight strategic result areas, in line with country priorities.



**ENERGY
GENERATION
AND ACCESS**



TRANSPORT



**HEALTH, FOOD
AND WATER
SECURITY**



**LIVELIHOODS
OF PEOPLE AND
COMMUNITIES**



**BUILDINGS, CITIES,
INDUSTRIES AND
APPLIANCES**



**FORESTS AND
LAND USE**



**ECOSYSTEMS AND
ECOSYSTEM SERVICES**



**INFRASTRUCTURE
AND THE BUILT
ENVIRONMENT**

How can you work with us?

- Our business model is to work through Accredited Entities (AEs) to channel resources to projects.
- You can apply for GCF accreditation or work in partnership with an established AE.
- Check our directory of AEs on our website.
- Accreditation is a multi-stage, due diligence process ensuring our partners share the same objectives as GCF, and that they have extensive experience and a strong financial and managerial infrastructure.
- GCF also issues Requests for Proposals (RFPs) based on specific private sector programmes. These may be open to entities who are not accredited, who could then either seek accreditation alongside the development of the final funding proposal, or partner with an existing Accredited Entity.

How do we classify Accredited Entities?

Project Size



What do we look for?

Mandate & track record

- Alignment with GCF's objectives
- At least three years of operations

Fiduciary functions

These can be:

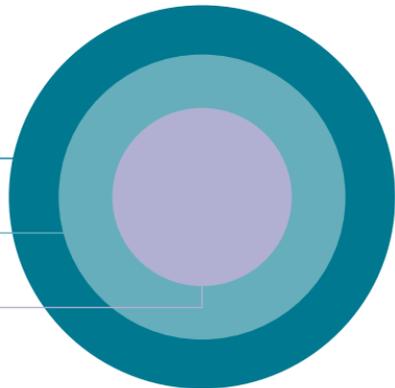
- Basic
- Specialized in
 - Project management
 - Grant award
 - On-lending / blending
(loans, equity and / or guarantees)

Environmental and Social Safeguards

A (potential high impact)

B (medium impact)

C (minimal or no impact)



Project Investment Criteria

Impact potential

Can the project contribute to GCF's objectives and result areas?

Paradigm shift potential

Can the project catalyze impact beyond a one-off project? To what extent will it remove barriers to the engagement of the private sector, and bring about systemic change towards low-carbon and climate-resilient development pathways?

Sustainable development potential

Does the project have wider benefits and priorities? Are environmental and social safeguards and gender equality an integral part of the project?

Needs of the recipient

Does the project provide financing needs to the beneficiary country and population? Is there an absence of alternative sources of financing?

Country ownership

Is there beneficiary country ownership, and capacity to implement a funded project in alignment with the country's policies, climate strategies, and institutions?

Efficiency and effectiveness

Does the project foster cost-effectiveness and private sector funding mobilization?

From Idea to Investment

1. Develop a project idea that supports the beneficiary country's climate action plans and priorities
2. We can suggest an **Accredited Entity** (AE) that you could work with, or you could seek accreditation yourself
3. The AE will engage with the **beneficiary country** to ensure your idea aligns with their country needs and priorities
4. Once your idea is turned into a Concept Note (CN) we will provide feedback
5. At this point the AE needs to show the beneficiary country is fully on-board by obtaining a no-objection letter
6. Then the AE can submit a full Funding Proposal (FP)
7. We will review the proposal – and so will our Independent Technical Advisory Panel
8. The project proposal goes to our Board for decision
9. Once approved, then we sign a Funded Activity Agreement with the AE

Accessing GCF Resources

Project or programme proposals can be submitted at any time, and we are ready to guide you in developing your idea into a Funding Proposal.

We also prioritize specific areas for investment through Requests for Proposals (RFPs).

Mobilizing Funds At Scale (RFP)

This RFP is our first global call for proposals in the developing world; it has the potential to disrupt the way climate change projects are funded by catalyzing substantial private investments.

GCF Investment

Up to USD 500m

Description

This RFP was launched in May 2017 and attracted a total of 350 submissions from more than 70 countries at its closing in August 2017. The RFP financing was oversubscribed 36 times, with the total amount of requested GCF financing exceeding USD 18 billion. The submitted concept notes went through a rigorous evaluation process, and the top 30 ideas were shortlisted for further development. PSF has been engaging with all proponents of shortlisted concept notes. The first MFS project that was approved is “Espejo de Tarapaca”, which happened at GCF’s 23rd Board meeting.

Investment goals:

- To catalyze private capital for mitigation and adaptation projects and climate-related services in developing countries, requiring early stage equity, concessional lending, grants and guarantees, creating positive demonstration effects
- To support climate project sponsors at the local level, regardless of their size, in removing markets barriers to allow a flow of private financing
- To spur new private-led services and innovation focusing on the eight GCF strategic result areas

Micro-, Small-, and Medium-Sized Enterprises Program (RFP)

This was the first RFP for the private sector. The first phase RFP closed for applications in 2016. However, upon the Board's approval a new RFP under this programme may be issued in the future based on the lessons learned from the first round.

GCF Investment

Up to USD 200m

Description

Call for AEs or potential AEs to support MSMEs in mitigation and adaptation projects in developing countries.

Investment goals:

- To provide access to finance for MSMEs catalyzing innovation and improvements for climate resilience, low-carbon growth, and green economies with a special focus on vulnerable states

So far, three projects have been approved by the Board under this call, and more will be proposed to future Board meetings.

Examples of private sector projects



Climate Investor One

FMO - The Netherlands Development Bank

Countries

Burundi, Cameroon, Djibouti, Indonesia, Kenya, Madagascar, Malawi, Mongolia, Morocco, Nigeria, Uganda

GCF Investment

USD 100m in reimbursable grant

Description

Innovative blended finance facility offering end-to-end full project lifecycle financing for renewable energy projects in regions with power deficits to reduce energy costs and CO₂ emissions.

Investment goals:

- Provide loans in the early stage of a project life cycle through a development fund
- Meet up to 75 percent of total construction costs in tandem with the project sponsor through a construction equity fund
- Demonstrate a novel financing model with significant paradigm shift potential and scope for replication across other areas of climate finance

This project removes the need for complex multi-party financing structures, with the potential to thereby reduce the time and cost associated with delivering renewable energy projects.

KawiSafi Fund

Acumen

Countries

Kenya and Rwanda

GCF Investment

USD 20m in equity and USD 5m in grants

Description

A green impact investment fund to support a disruptive decentralized clean energy economy in Kenya and Rwanda.

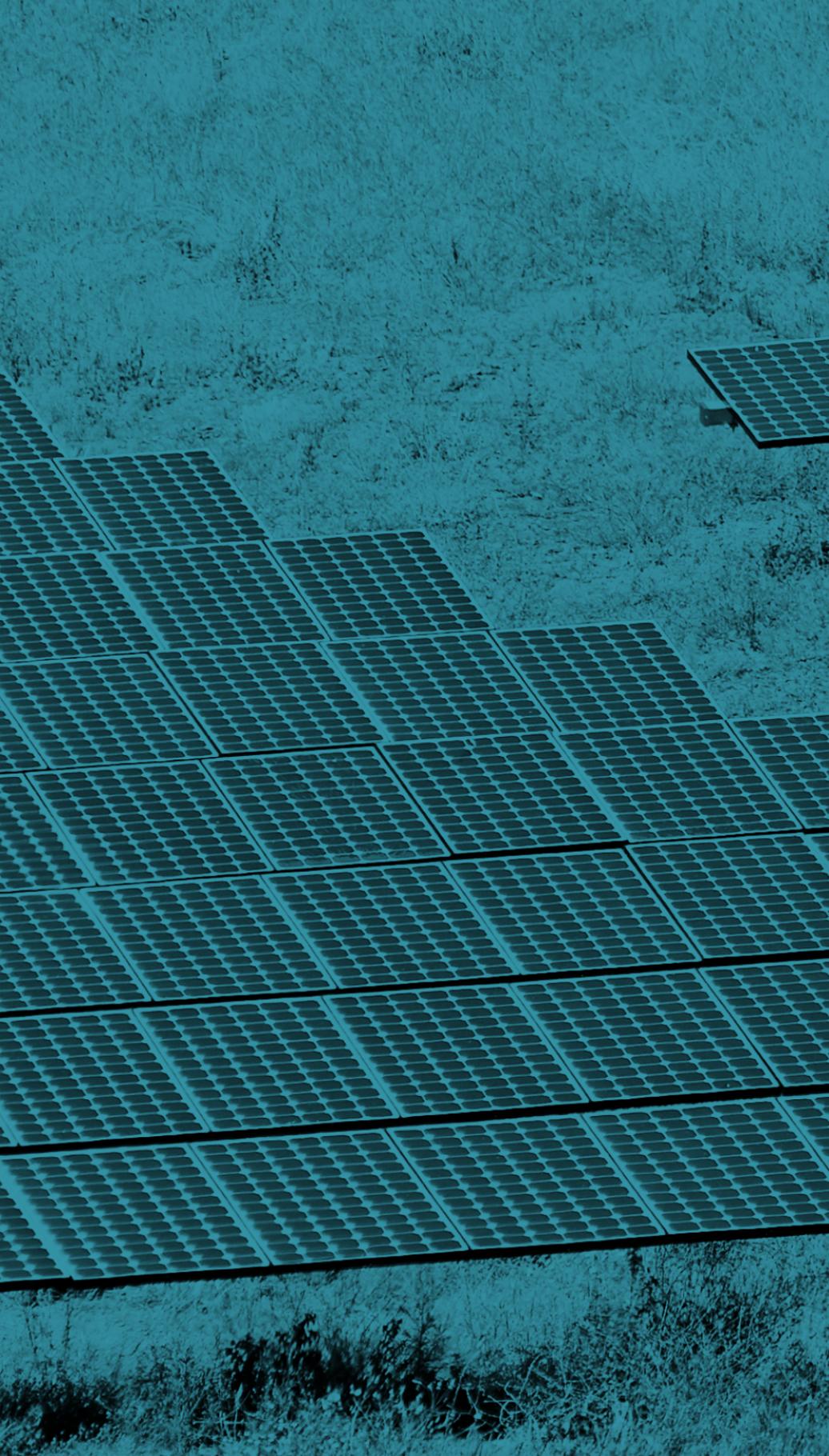
Investment goals:

- Increase universal access to energy for the bottom of the pyramid.
- Create a new ecosystem for off-grid solar energy solution providers to take advantage of reducing technology costs, and the emergence of mobile payment platforms.
- Emissions reduction of 1.5m tCO_{2e}
- 15,000,000 beneficiaries

GCF's equity capital will leverage private sector investment, while the technical facility grant will support end beneficiaries and companies in developing their scale and financial viability.







Espejo de Tarapaca

Mitsubishi UFJ Financial Group

Country

Chile

GCF Investment

USD 60m in equity

Description

Providing stable, 24-hour baseload renewable energy, solving the intermittency through a combination of pumped storage hydroelectric energy and a solar power plant.

Investment goals:

- Demonstrate a commercially viable baseload renewable energy option
- Innovating the first Pumped Storage Hydroelectric with solar PV in LATAM
- Mobilizing funds at scale from private sector investors in both equity and long-term loans

GCF's USD 60 million anchor equity investment will help attract additional private sector debt and equity investors, which will fund the remaining investment of USD 1.1 billion.

Climate Finance Facility

Development Bank of Southern Africa

Countries

Lesotho, Namibia, South Africa, Eswatini

GCF Investment

USD 55m in loan and USD 610,000 in grants

Description

Addressing critical market barriers in accelerating private sector climate investments to help four southern African nations achieve their Nationally Determined Contributions (NDCs).

Investment goals:

- Play a catalytic role by de-risking targeted climate investments to mobilize up to USD 850 million project level co-financing from commercial banks
- Address market barriers to accelerate private sector climate investments at scale by providing credit enhancements such as subordinated debt tranches and tenor extensions

This programme will be the first private sector climate finance facility in Africa using a pioneering green bank model.





GCF-EBRD Egypt Renewable Energy Financing Framework

European Bank for Reconstruction and Development

Country

Egypt

GCF Investment

USD 150m in senior loan and USD 4.7m in grants

Description

Support pioneering development of 600 MW of renewable energy capacity, covering 8-12 utility scale sub-projects.

Investment goals:

- Emissions reduction of 15.3m tCO_{2e}, 6,300 jobs, offsetting consumption of 800,000 people
- Supports Egypt's "Sustainable Energy Strategy to 2035" – target of 4300 MW capacity by 2019
- GCF investment facilitates increase of renewables from 2 percent (2016) to 8 percent (2018)
- Replicability and scalability
- Grant tailored for renewable policy development (including tenders) and gender initiatives

GCF's financial support provides a clear roadmap for pioneering development of renewable energy in Egypt, while fostering policy engagement to ensure sustainable development of the sector.

Line of credit for solar rooftop segment for commercial, industrial and residential housing sectors

National Bank for Agriculture and Rural Development (NABARD)

Country

India

GCF Investment

USD 100m in senior loans

Description

The Programme will enable access to long-term and affordable financing for the construction of 250 MW of rooftop solar capacity in the commercial, industrial and residential housing sectors in India.

Investment goals:

- Help India achieve its NDC of 40 percent electric power capacity from non-fossil fuels by 2030, with 40 GW of rooftop solar by 2022
- Contribute to rural electrification, a key piece of the government's plan for economic growth
- Emissions reduction of 5.2m tCO₂e equivalent over 20 years

GCF's risk sharing approach will unlock needed investment in rooftop solar and demonstrate to the local private sector that it is a viable market.



Reach Out

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