

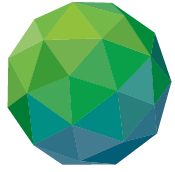
GREEN
CLIMATE
FUND

GCF REGIONAL DIALOGUE

with MIDDLE EAST & NORTH AFRICA

Rabat, Kingdom of Morocco
24–28 June 2024





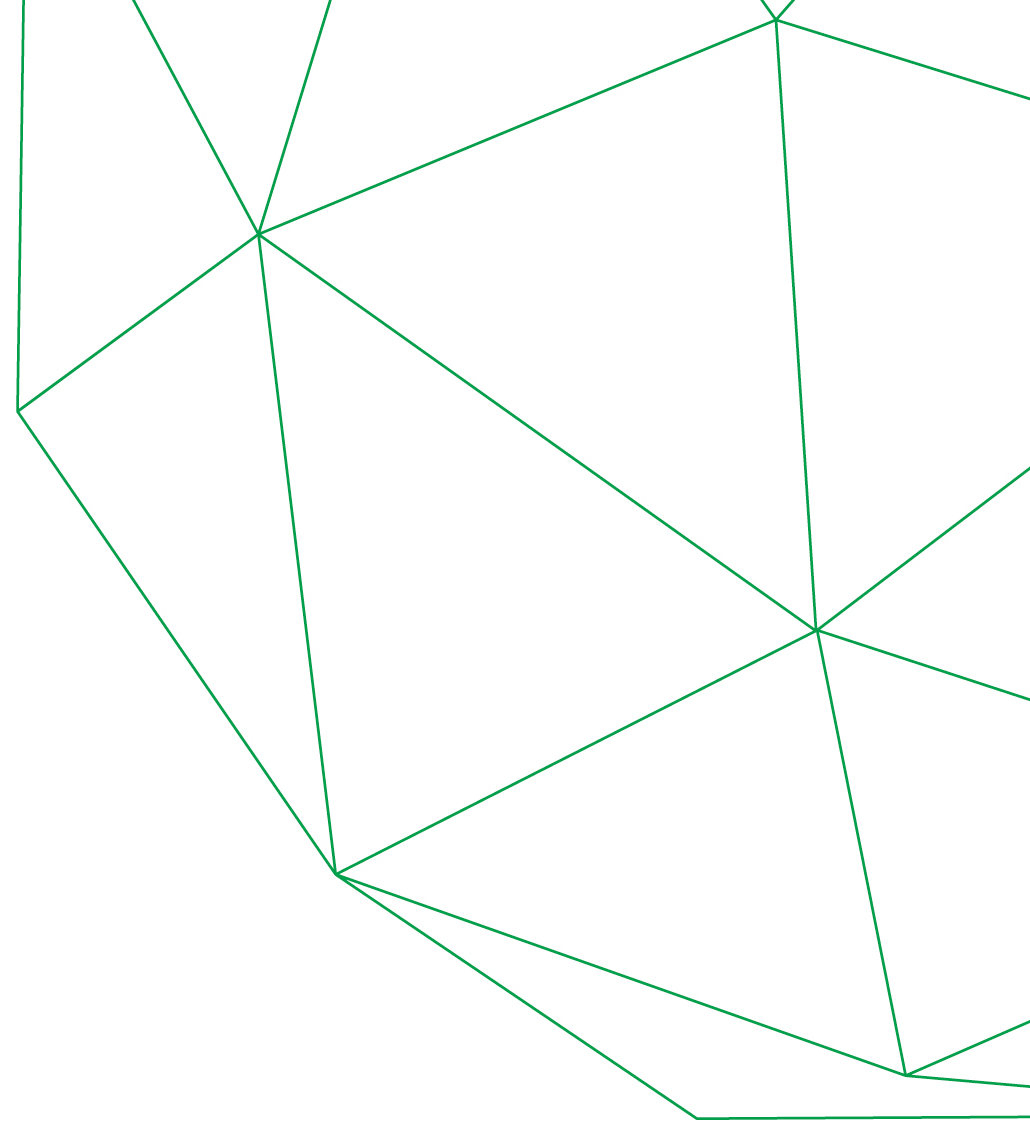
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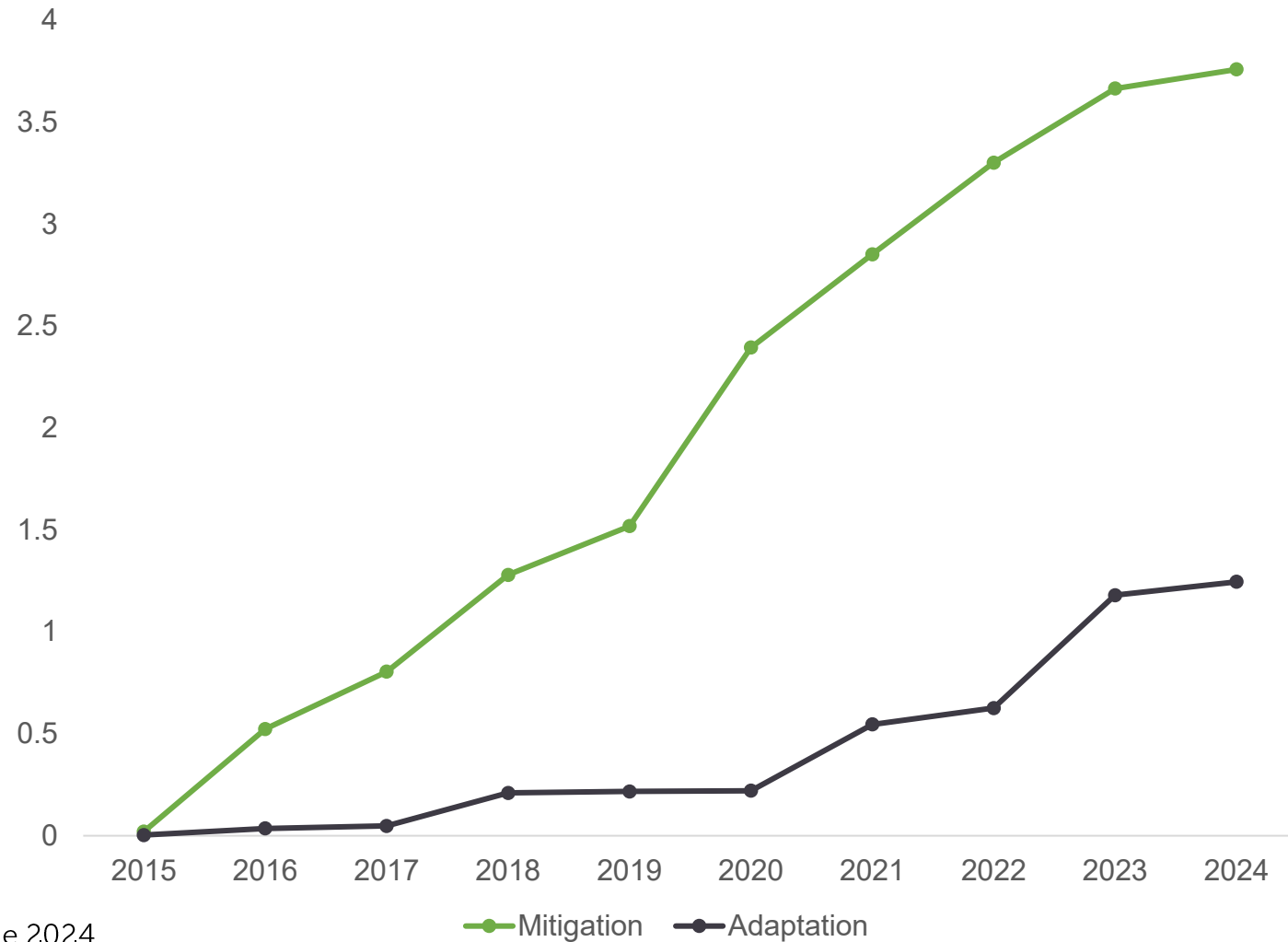
Developing Private Sector Climate Projects

Hyejin Lee, Private Sector Facility

Rabat, Kingdom of Morocco
24–28 June 2024

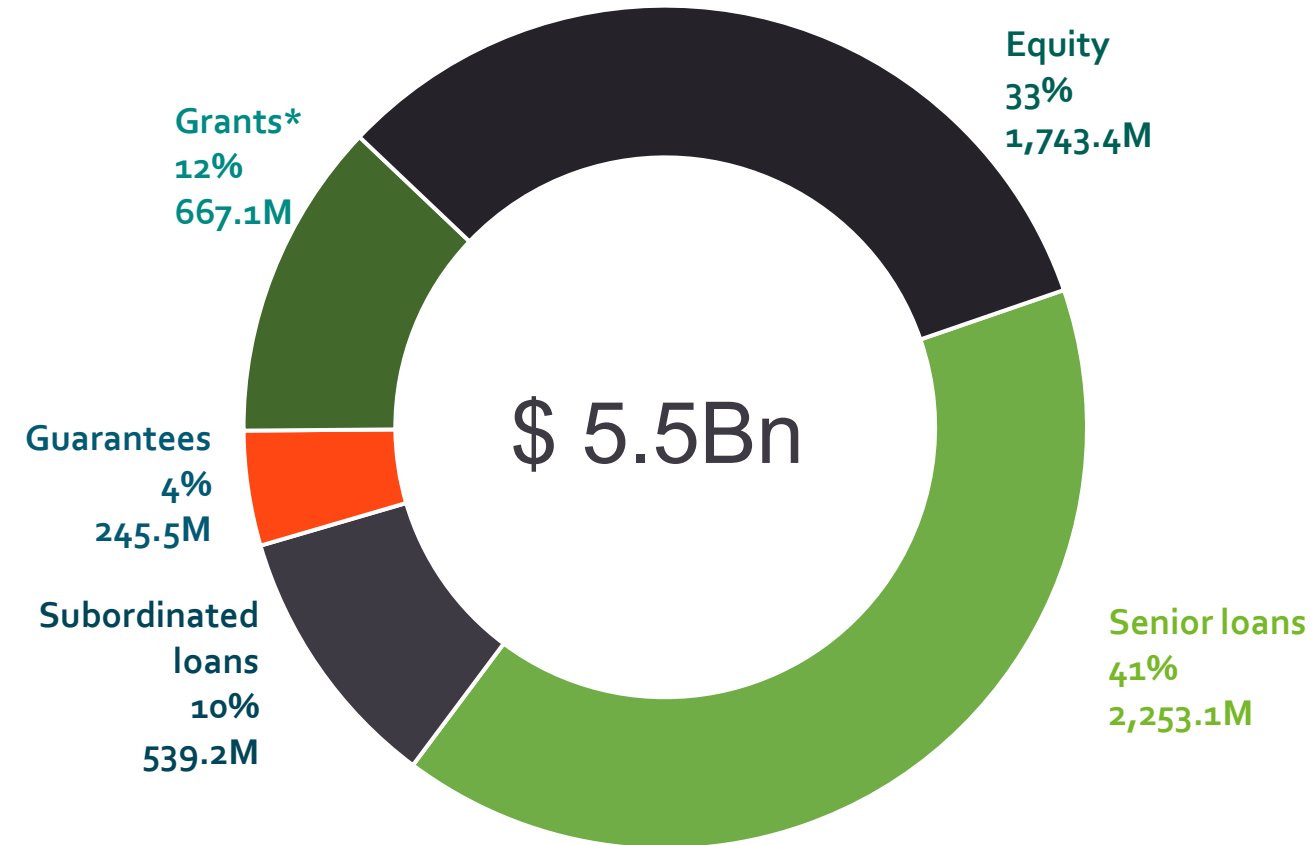
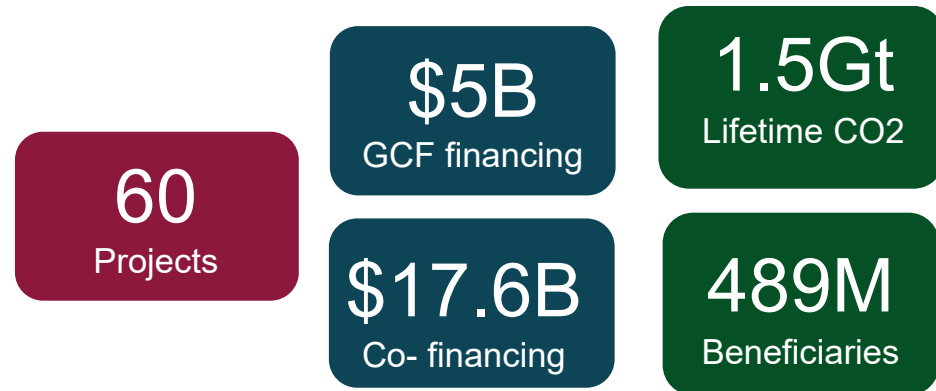


Growing share of adaptation in private sector portfolio (USD b)



PSF portfolio ~ \$ 5.5Bn

Funding by instruments



What do we look for in a PS Project?



Strong Climate Rationale

- Are climate change issues clearly identified & science backed?
- How is proposed investment the most appropriate vs alternatives?

Additionality of GCF Funding

- Specific barriers to PS Investments?
- What minimum concessionality needed to avoid distortion?
 - Complementarity w other funds?
 - End beneficiaries of concessionality?
- How much additional PS funding?
- Potential to scale / replicate?

Compliance with GCF Policies

- Accreditation
- Fiduciary standards
- Risk management
- Environmental & social safeguards
- M&E criteria
- Gender, Sexual Exploitation, Abuse and Harassment (SEAH), Indigenous Peoples Policy
- Legal standards

Country Driven Approach

- Alignment with Nationally Determined Contributions
- Early country (NDA) engagement
- NDA no-objection
- Favorable Regulation

6 Investment Criteria

1. Impact potential
2. Paradigm shift potential
3. Sustainable development potential
4. Recipient needs
5. Country ownership
6. Efficiency & effectiveness

Key required documentation

- Feasibility study
- Financial model
- Project timetable
- Gender analysis
- Environmental studies
- No-objection letter

How do we de-risk private capital for climate?

FUND

Expected Outcome

- 1 Identify **specific barriers** preventing private climate investments...
- 2 ...to **de-risk** via minimum & phasing out **concessionality**
- 3 Act as '**market maker**': crowd-in additional private funding
- 4 Develop **climate compatible financial systems**

Instruments

Loans



- › Flexible pricing & tenor
- › High-risk tolerance

Equity



- › Equity positions
- › Support investment incubators

Guarantees



- › Tailored guarantee instruments

Grants



- › Reimbursable grants
- › Encourage innovation

How can you work with GCF?



Transformative Projects & Programmes Delivering Paradigm Shift in Climate Investment

Accredited Entities

Executing Entity

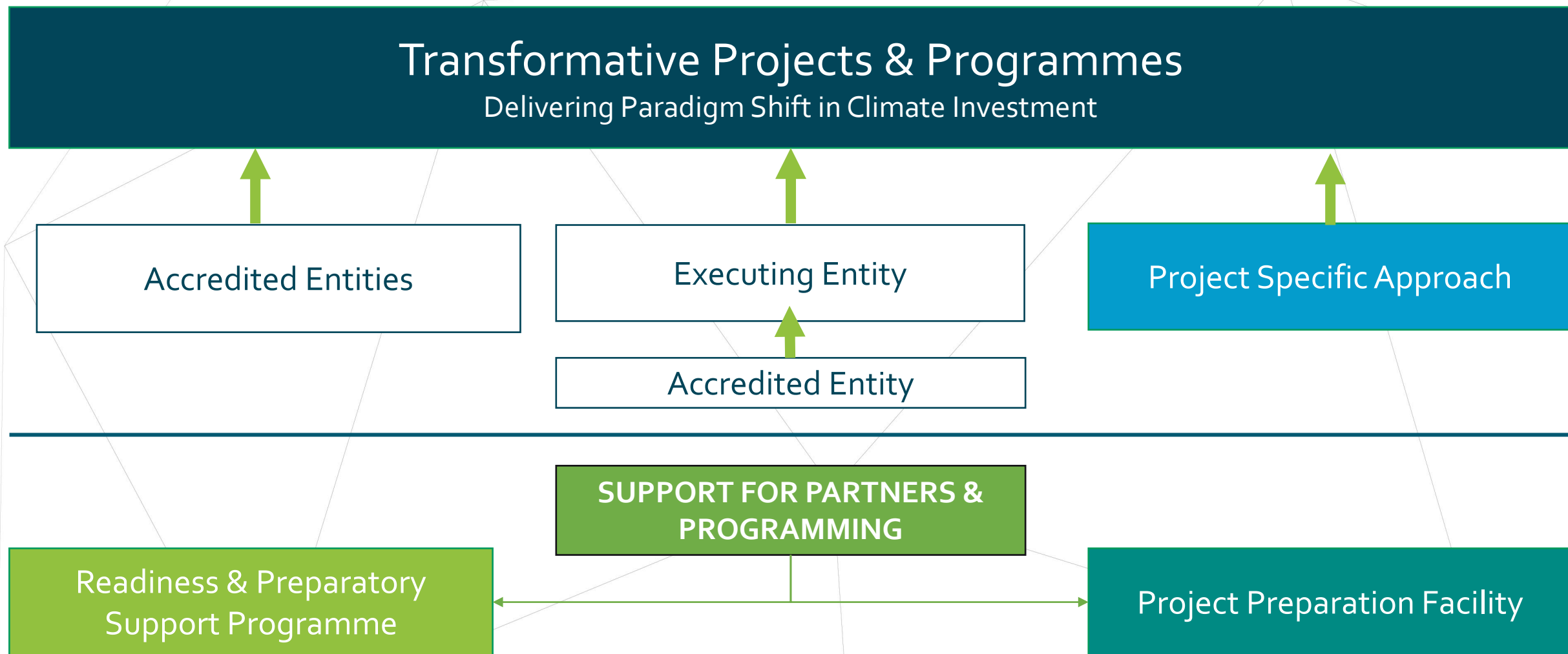
Project Specific Approach

Accredited Entity

SUPPORT FOR PARTNERS &
PROGRAMMING

Readiness & Preparatory
Support Programme

Project Preparation Facility



GCF's Investment Process



**Confirm
Overall Fit**

**Validate
Detailed
Concept**

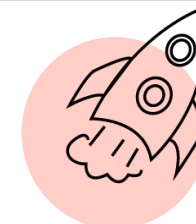
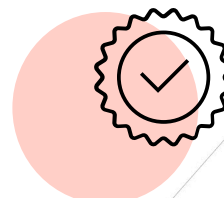
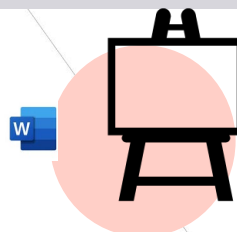
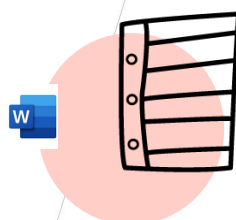
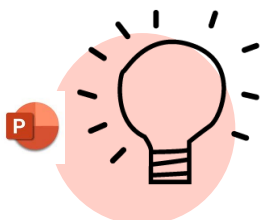
**Validate
Funding
Proposal**

AE

Initial
Screening

Concept Note
Development

Funding
Proposal
Development



GCF

Pitch Deck

Initial
Review

(Optional)
Project
Preparation
Facility

Full
Due Diligence

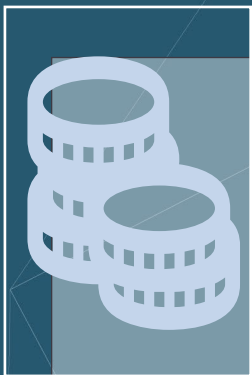
Independent
Technical
Assessment
Panel (ITAP)

Board
Approval

Signature
and
Commitment

Disbursement

Financing Models (examples)



Funds

Private Equity and Debt

GCF frequently taking a junior position in the layered fund structure

GCF concessional funding contributes to attractive returns for crowding in additional capital



Financial Institutions

Concessional Loans

Sustainability-linked loans

Risk-sharing facility



Direct Equity

Strengthens local climate finance architecture through investing in green banks

Ensures knowledge transfer and mission alignment

Promotes innovation through investments in accelerators



Project Finance

Financing of renewables and climate infrastructure on a non-recourse basis

Assume project risk

Context specific calibrated concessionalities – pricing, tenor and / or structural subordination.

Project case studies

FPo99

Climate Investor One

GCF funding: USD 100 million in reimbursable grant

Total project funding: USD 821.5 million

Accredited Entity: FMO

Mitigation

18 Countries - Morocco, Burundi, Cameroon, Djibouti, Ecuador, Ethiopia, Indonesia, Kenya, Madagascar, Malawi, Mauritius, Mongolia, Nigeria, Philippines, Senegal, Tunisia, Uganda, Zambia



- Climate Investor One (CIO) is a blended finance facility.
- The first component of this programme is a development fund, which provides loans in the early stage of a project life cycle.
- The second component, a construction equity fund, will meet up to 75 percent of total construction costs in tandem with the project sponsor.
- Compared with conventional project financing, CIO 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.
- A technological focus: Onshore and near-shore wind, solar PV and run-of-river hydro.

Project case studies

FP190

Climate Investor Two

GCF funding: USD 145 million in reimbursable grant
Total project funding: USD 888 million
Accredited Entity: FMO

Cross-cutting

19 countries – Morocco, Bangladesh, Botswana, Brazil, Colombia, Cote d'Ivoire, Djibouti, Ecuador, India, Indonesia, Kenya, Madagascar, Maldives, Namibia, Nigeria, Philippines, South Africa, Sierra Leone, Uganda



- Climate Investor Two (CI2) fund supports private sector to develop and construct climate-resilient infrastructure projects in the water, sanitation, and ocean sectors.
- CI2 will help countries, undergoing, or expected to undergo water stress, adapt to climate change by building infrastructure which sources, transports, and treats the water necessary for both municipal and industrial users.
- GCF's first at-scale private sector programme in the water sector.
- Unique staged fund structure with GCF capital being deployed for high-risk developmental phase and subsequently as a 1st loss investor for the construction phase.



Thank you

What do we look for in a PS Project?



Climate impact

- Mitigation / Adaptation v s baseline
- Scientific evidence requested

GCF Funding Additionality

- Identify barriers preventing PS Investment
- Crowd-in additional Private funding
- Offer minimum concessionality - phase out
- Private sector ecosystem creation

Country Driven Approach

- Aligned with NDCs
- Early country (NDA) engagement
- No-objection letter

Six Investment Criteria

1. Impact Potential
2. Paradigm Shift Potential
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5. Country ownership
6. Efficiency & effectiveness

8 Results Areas

Reduced emissions:



Energy



Transport



Buildings,
Cities,
Industries



Ecosystems

Resilience:



Livelihoods of
people & comm.



Health, food,
water security



Forests and
land use



Infrastructure

Policy compliance

- Fiduciary standards
- Risk Management
- ESS
- M&E
- Gender
- Legal Standards

Completeness

- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies

What do we look for in a PS Project?



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GCF Funding Additionality

- Specific barriers preventing PS Investment
- Crowd-in ratio: additional Private funding
- Minimum concessionality to avoid market distortion

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