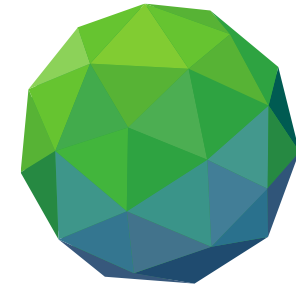


# ENGAGING WITH GREEN CLIMATE FUND



GREEN  
CLIMATE  
FUND

Introduction to GCF Private Sector Facility FI Practice

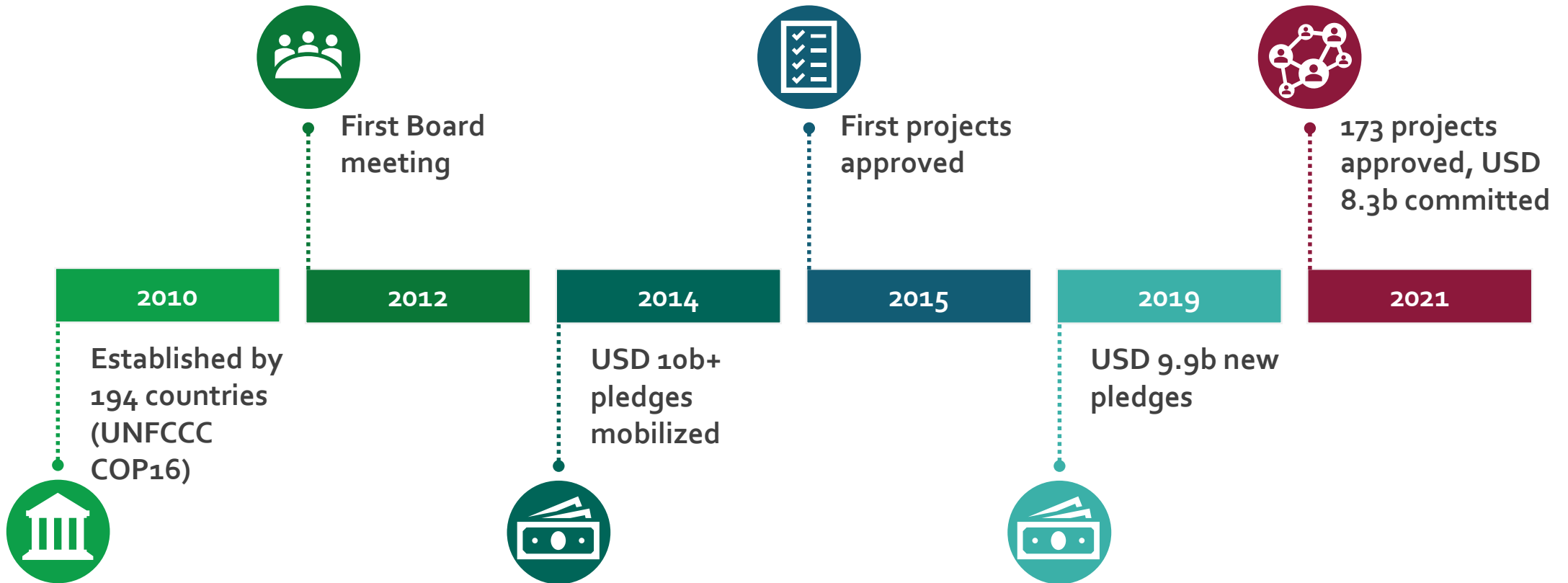
April 2021



GREEN  
CLIMATE  
FUND

# 1 | GREEN CLIMATE FUND

# GCF QUICK OVERVIEW



# GCF PORTFOLIO

## (Supporting countries' ambitions)



**173**  
Projects

**\$8.3B**  
GCF Portfolio

**\$30.2B**  
Total Project Value

# 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 be 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

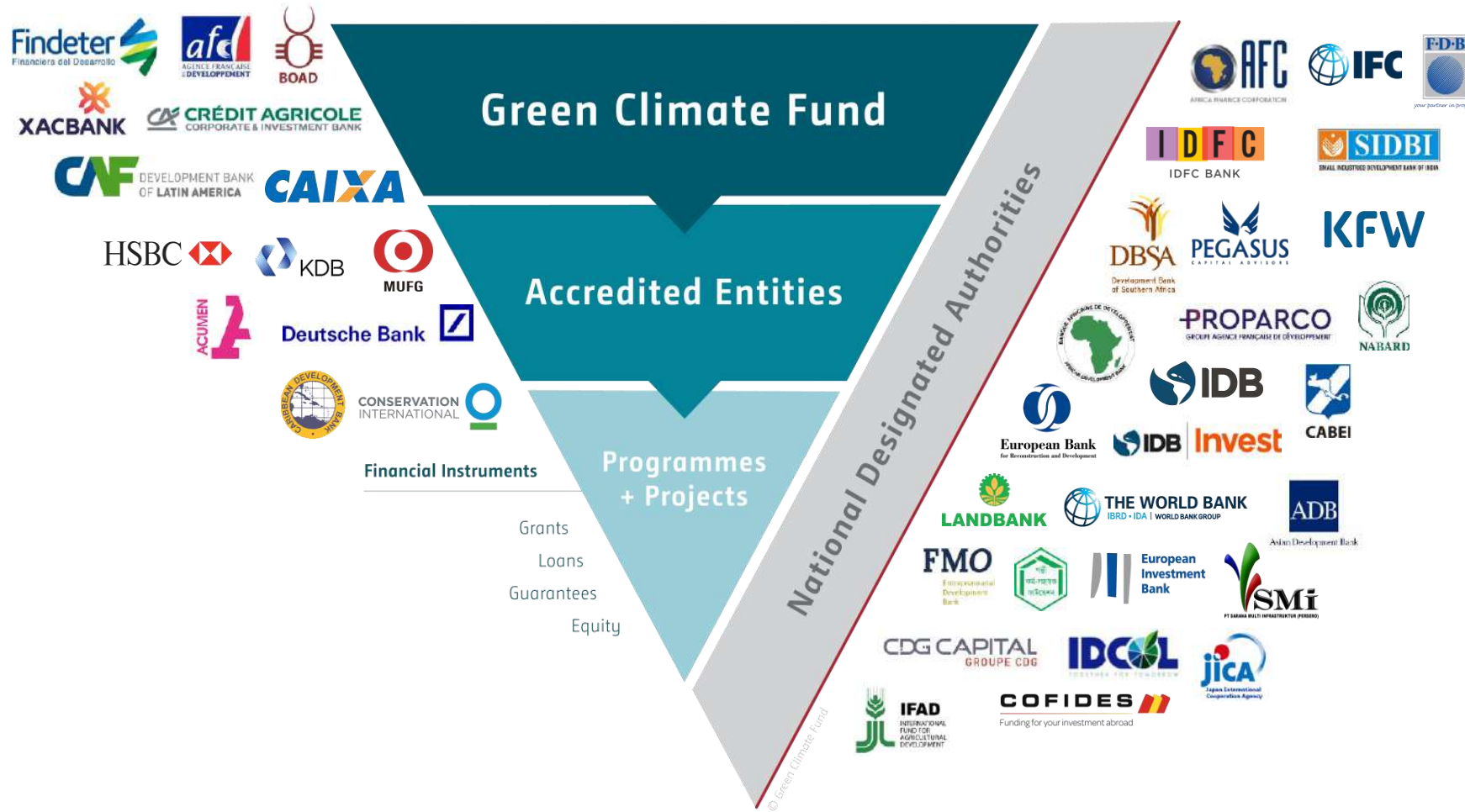
1. Impact Potential
2. Paradigm Shift Potential
3. Sustainable development potential
4. Recipient needs
5. Country ownership
6. Efficiency & effectiveness

## Completeness of documentation

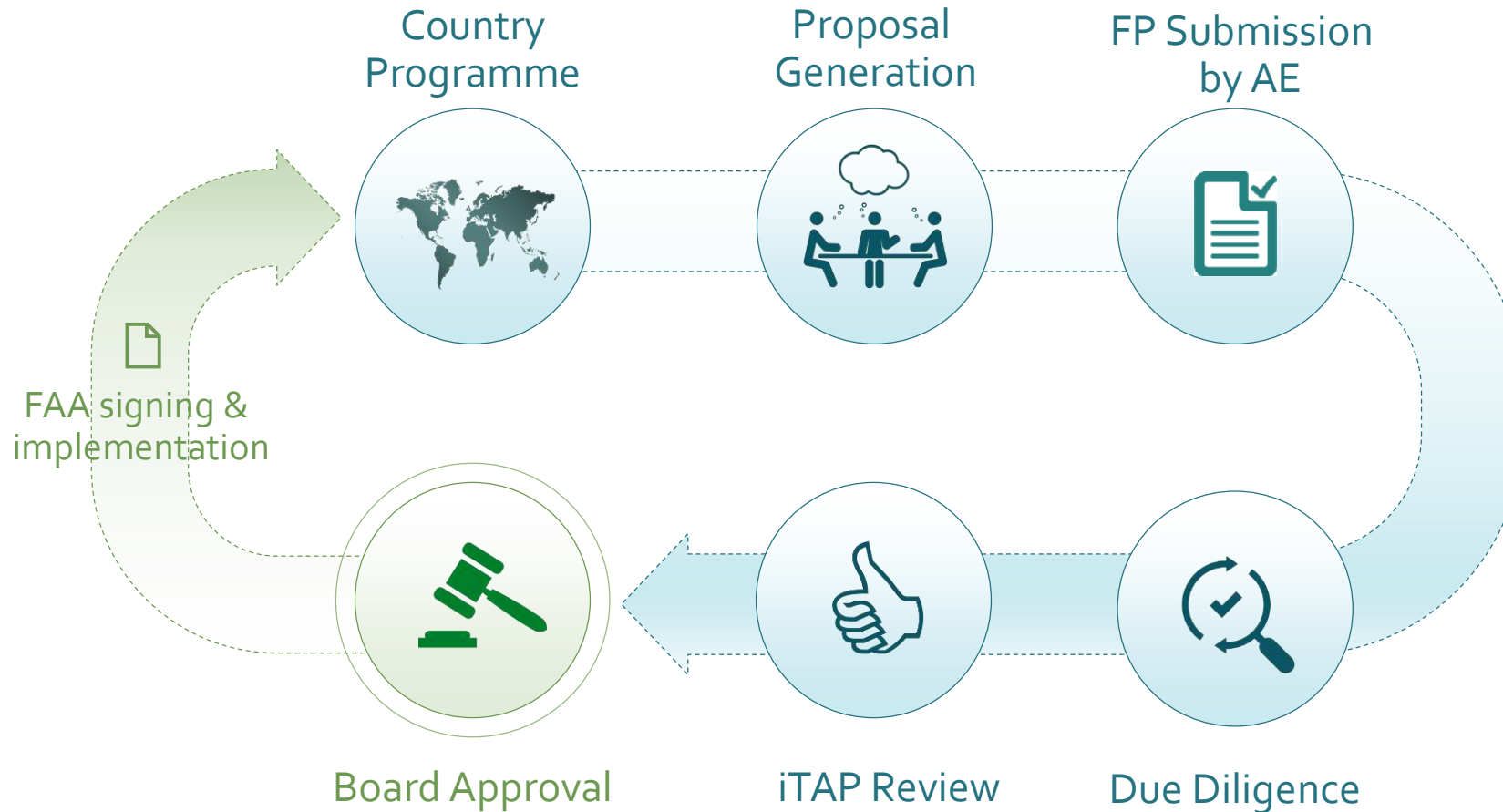
- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies
- No-objection letter

# HOW DO WE WORK?

(With AEs who channel funds to projects)



# COUNTRY-DRIVEN APPROACH (Access to GCF resources)



## 2 | GCF PRIVATE SECTOR FACILITY





# GCF PRIVATE SECTOR FACILITY



## MISSION

To promote private sector climate action in developing countries by **de-risking the delivery of capital flows** for low carbon and climate resilient development.

We do this through innovative structuring using instruments such as:

- Senior & subordinated debt
- Development equity
- Subordinated equity
- First loss equity
- Guarantees
- Fit for purpose grants such as result-based payments



## VISION

To emerge as a **premier climate knowledge and investment hub** for private sector climate action

# PSF AREAS OF FOCUS



## Climate Funds

- Mobilize equity investment for climate through funds
- Deployment of funds with strong country ownership
- Promote finance for innovation across sectors



## Financial Institutions

- Green lending and risk-sharing through FIs
- Create and support green banks and FI units
- Help mainstream climate change in the financial sector



## Project Finance

- Life cycle financing for high impact projects
- Transformative and replicable investments at scale
- Promotion of market changing business models



## Climate Markets

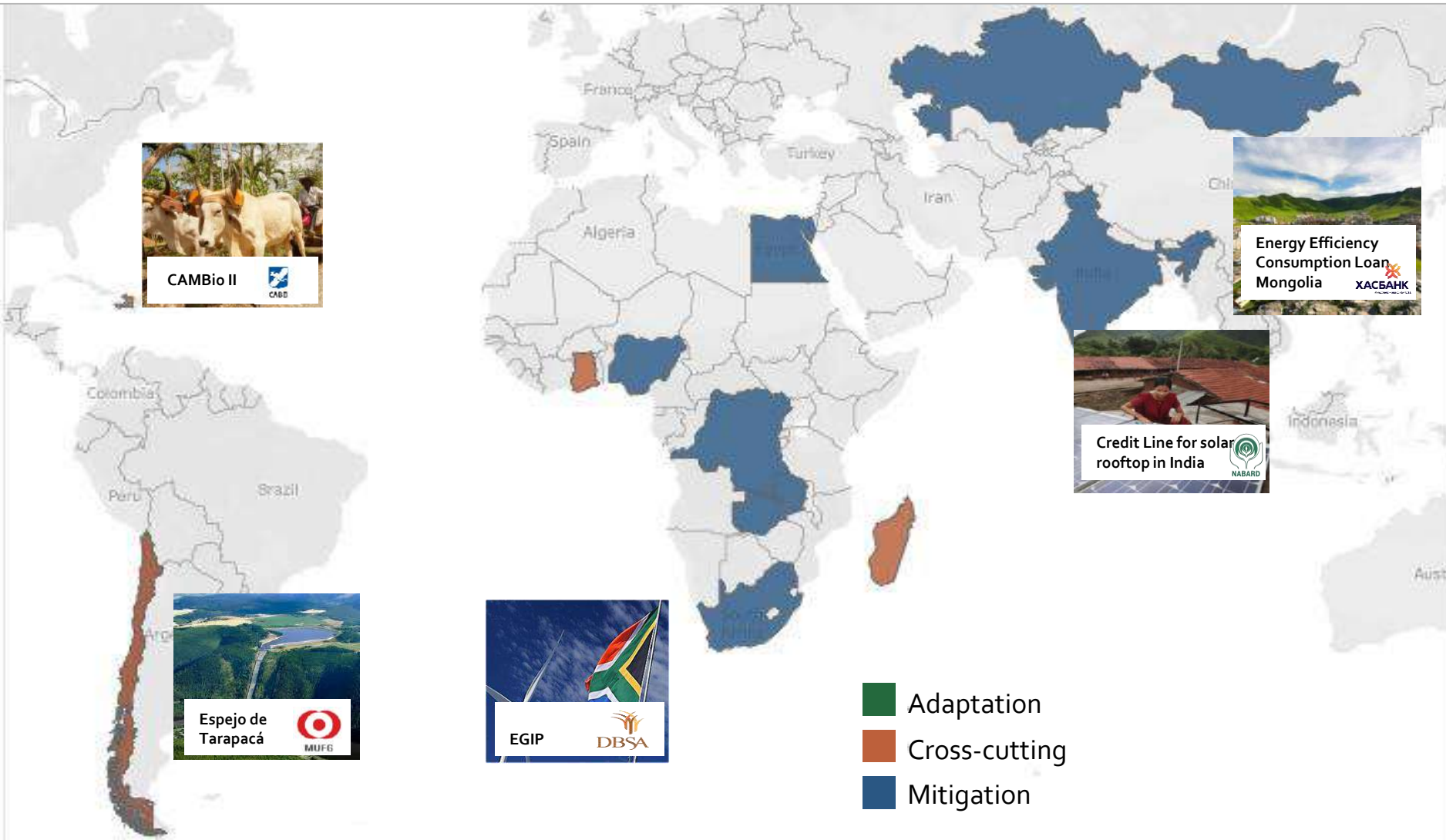
- Develop capital and carbon markets for impact
- Structured financing solutions at scale
- Mobilize institutional investment for new markets



## Climate Innovation

- Investments in transformative climate technologies
- Support for local innovation and market accelerators
- Special projects

# PSF PORTFOLIO AND IMPACT



**28**  
Projects

**\$2.2B**  
GCF financing

**\$7.5B**  
Co-financing

**0.3Gt**  
CO<sub>2</sub> reductions

**45M**  
Beneficiaries



# 3 | PSF PROJECT EXAMPLES

# PROJECT EXAMPLE - SMART, SOLAR, ENERGY ACCESS MICROGRIDS IN HAITI



Country	GCF financing	Accredited entity	Financial instrument
Haiti	USD 9.9 million	NEFCO	Subordinated loan + TA Grant

- Providing clean, affordable and reliable 24/7 energy access at scale in southern rural Haiti
- Line of credit to develop 22 community-scale solar and battery-storage micro-grids (5.8MWp) - 100% RE
- Technical Assistance to provide local business support, energy literacy training and capacity building
- Est. emission reduction of 214 million tCO<sub>2</sub>e and ca. 300,000 project beneficiaries



# PROJECT EXAMPLE - FIJI AGROPHOTOVOLTAIC PROJECT IN OVALAU



Country	GCF financing	Accredited entity	Financial instrument
Fiji	USD 5 million	FDB	Senior loan + Grant

- Financing a 4MW solar agrophotovoltaic (APV) system and 5MW battery energy storage system
- Allows simultaneous development of solar power generation with battery storage and, as a co-benefit, local agricultural production
- Provides technical assistance to strengthen the capacity of relevant local communities and to establish a climate project financing facility within FDB.
- Est. emission reduction of 0.9 million tCO<sub>2</sub>e.



# PROJECT EXAMPLE - KAWISAFI VENTURES FUND



Country	GCF financing	Accredited entity	Financial instrument
Kenya and Rwanda	USD 25 million	Acumen Fund	Equity and Grant

- USD 20M in equity and USD 5M in grant for technical assistance
- Universal access to energy for people at the bottom of the pyramid
- Mobilization of private sector investors at scale for investment in SMEs in East Africa
- Conversion of a social impact fund into a Green Impact Fund
- Emissions reduction of 1.5 M tCO<sub>2</sub>e



# PROJECT EXAMPLE - CLIMATE INVESTOR ONE



Country	GCF financing	Accredited entity	Financial instrument
Burundi, Cameroon, Djibouti, Indonesia, Kenya, Madagascar, Malawi, Mongolia, Morocco, Nigeria, Uganda	USD 100 million	FMO	Reimbursable Grants

- Innovative blended finance facility offering end-to-end full project lifecycle financing for renewable energy projects
- Faster and cheaper delivery of 20-30 RE (solar, wind and RoR hydro) projects (25-75MW) than conventional project financing
- Potential for scaling and replication of CIO model across other markets
- Emission reduction of 40 million tCO<sub>2</sub>e



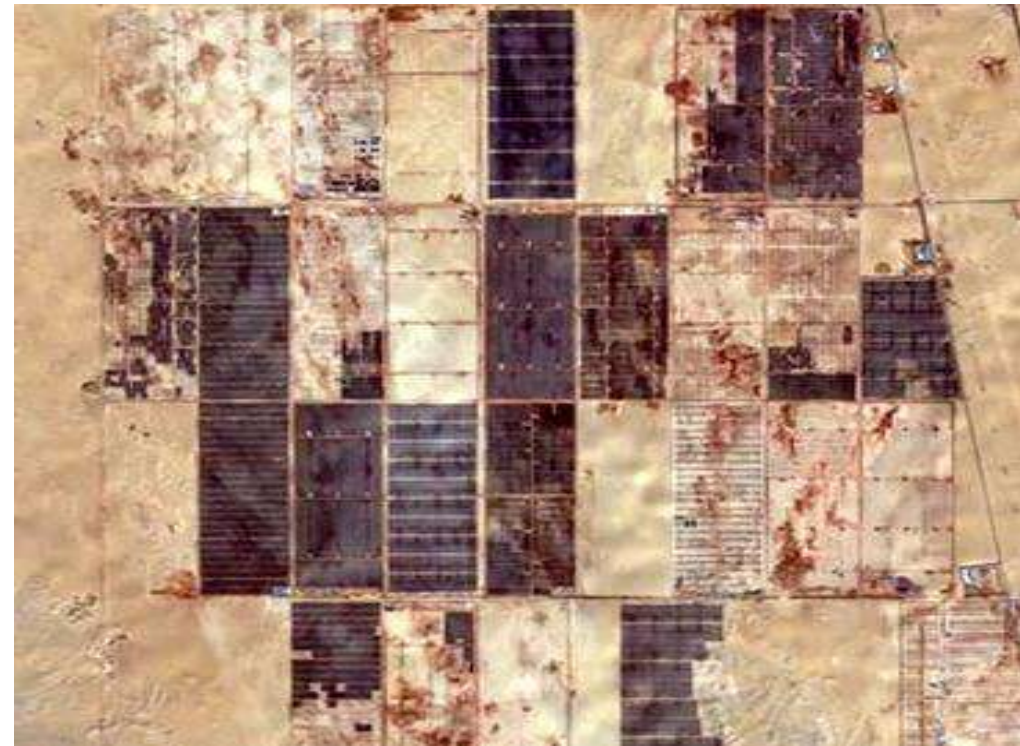


# PROJECT EXAMPLE - EGYPT RENEWABLE ENERGY FINANCING FRAMEWORK



Country	GCF financing	Accredited entity	Financial instrument
Egypt	USD 154.7 million	EBRD	Loan, TA Grant

- Supporting pioneering development of 600 MW of RE capacity, covering 8-12 utility scale sub-projects
- Private sector mobilization in an environment with negligible RE installed
- Fostering policy engagement to ensure sustainable development of the sector
- Est. emissions reduction of 19 million tCO<sub>2</sub>e
- Projects partially operational



# PROJECT EXAMPLE - EMBEDDED GENERATION INVESTMENT PROGRAMME



Country	GCF financing	Accredited entity	Financial instrument
South Africa	USD 100 million	DBSA	Sub Debt + Junior Debt

- Replication of RE Financing Framework
- Demonstrating bankability of alternative procurement mechanism, allowing IPPs to directly sell power to non-sovereign offtakers
- Credit enhancement through a tailored subordinated debt facility - Reducing reliance on fiscally constrained government and public utility Eskom
- Emission reduction of 14.4 million tCO<sub>2</sub>e

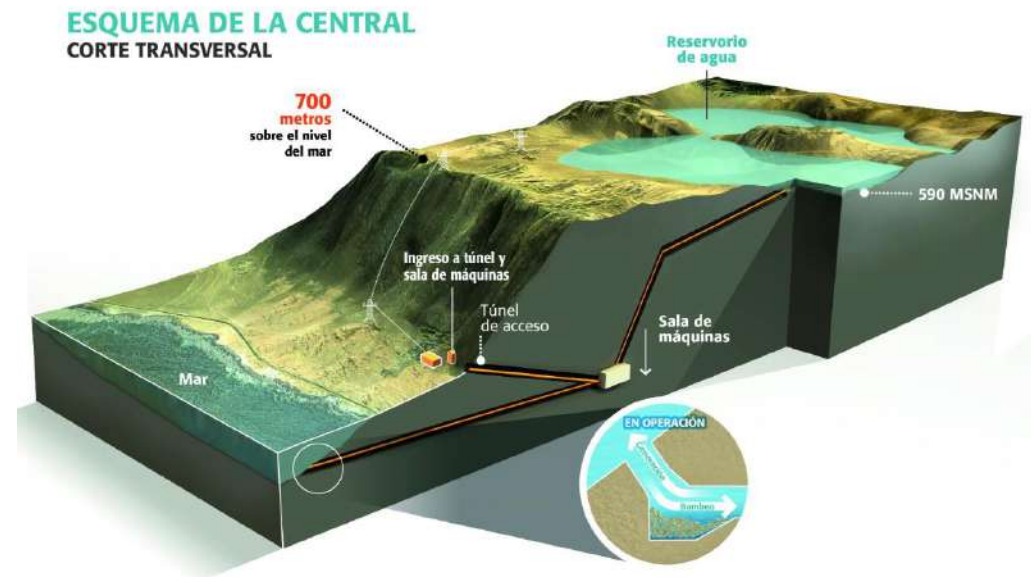


# PROJECT EXAMPLE - CHILE ESPEJO DE TARAPACÁ



Country	GCF financing	Accredited entity	Financial instrument
Chile	USD 60 million	MUFG	Equity

- Innovating the first Pumped Storage Hydroelectric with solar PV in LATAM
- 561MW solar PV plant alongside a 300MW pumped hydro storage system
- GCF's anchor equity investment to mobilize funds at scale
- Emission reduction of 35 million tCO<sub>2</sub>e (lifetime) / 17.7 million beneficiaries



# PROJECT EXAMPLE - LINE OF CREDIT FOR SOLAR ROOFTOP SEGMENT



Country	GCF financing	Accredited entity	Financial instrument
India	USD 100 million	NABARD	Loan

- Promoting the first private sector-driven rooftop solar initiative of size in India
- Construction of 250 MW of rooftop solar capacity in commercial, industrial and residential sectors
- Paving the way toward a sustainable bankable model in India and beyond.
- Emission reduction of 5.2 million tCO<sub>2</sub>e



# 3 | Green Finance

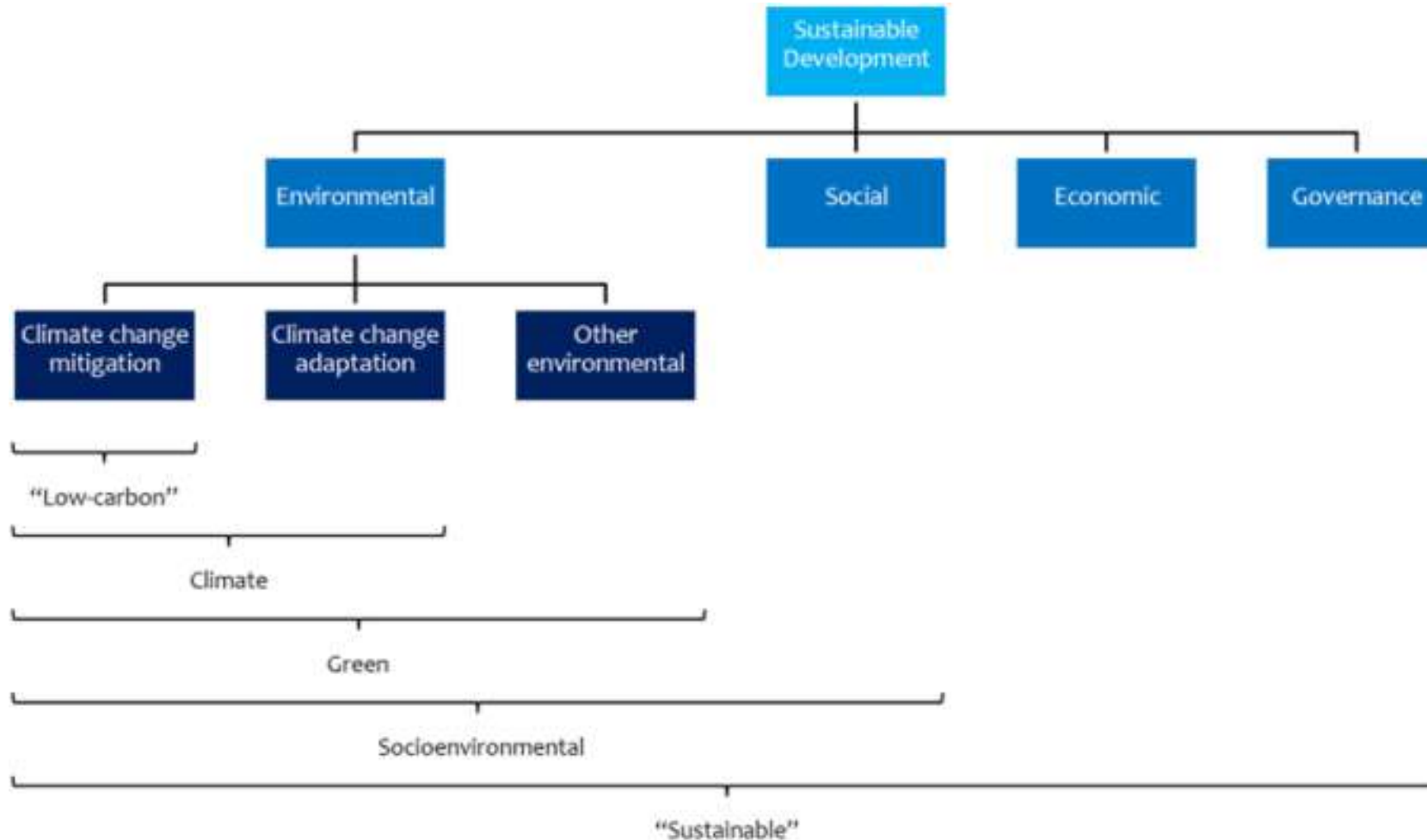


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# Key Concepts



Source: UNEP FI

# Green finance initiatives



## Multilateral



## Bilateral



UK-China Green Finance TF

## National

UK Green Finance Strategy

EU Sustainable Finance Action Plan

China Green Credit Policy

## Industry-led



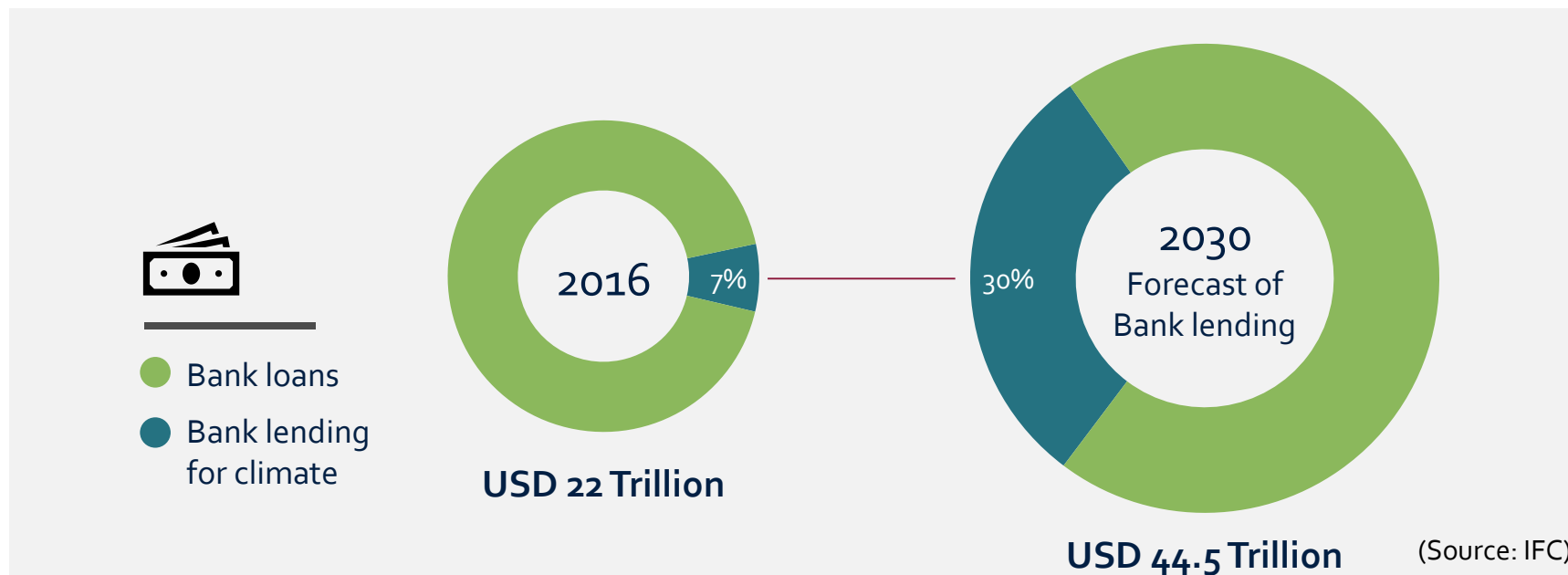
# IMPORTANCE OF ENGAGING WITH FINANCE SECTOR



- › Banking sector of developing countries now accounts for more than 50% of their GDP (2016)
- › Financial institutions have the widest network and outreach and can support people at the bottom of the pyramid
- › Three ways in which climate change could affect financial stability: **physical risks**, such as claims from floods and storms; **liability risks** that could arise if those suffering climate change losses sought compensation from those they held responsible; and **transition risks** caused by the revaluation of assets caused by the adjustment to a lower-carbon economy



# MOBILIZING THE PRIVATE SECTOR AT SCALE: THE GREEN BANKING OPPORTUNITY



- › USD 23 trillion investment opportunity for climate finance in emerging markets that needs to be financed by 2030 to hit NDC targets
- › Green bank loans need to grow from 7% to 30% of loans by 2030 to provide the necessary debt financing

# GCF CLIMATE MANDATE & ADDITIONALITY IN FI PROGRAMMES



## Supply-demand mismatch in climate finance

### SUPPLY

Many FIs lack awareness of risks and opportunities of climate change and ability to incorporate climate change risks into investment decision-making

### DEMAND

Most energy and climate resilient industries in developing countries have difficulties articulating the business case to investors and financiers

## How FI achieves GCF climate mandate

- › Engage the financial sector and authorities
- › Help large producers, MSMEs, small-holder farmers, and households finance climate projects
- › Achieve a green transformation towards low-carbon, sustainable growth and development

## GCF additionality in FI programmes

- › Concessionality to reach more vulnerable borrowers
- › Make projects bankable
- › TA to build capacity and mainstream climate finance

# FI TEAM'S MISSION



FI team aspires to green the financial sector and players in developing countries as the finance sector is a backbone of the real economy.

Funding proposal and PPF

Pillar I

Readiness programme

Pillar II

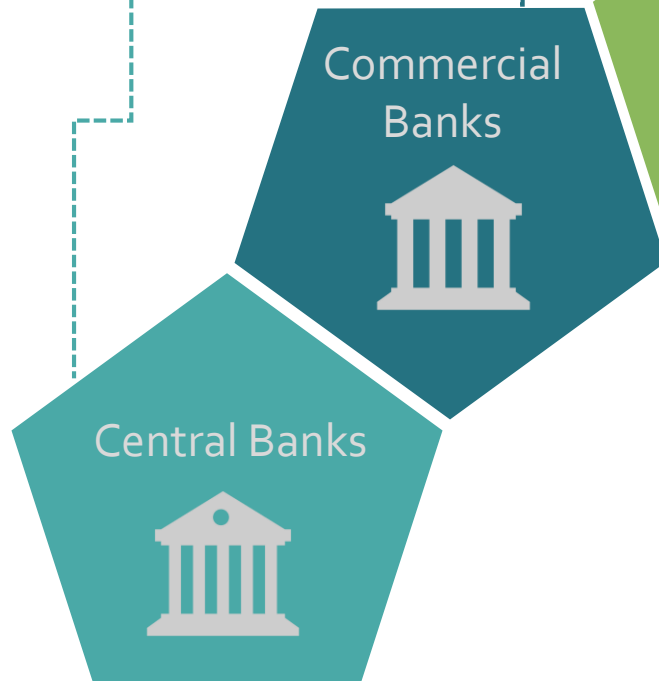
Awareness raising & outreach

Pillar III

# TYPES OF FINANCIAL INSTITUTIONS TO ENGAGE



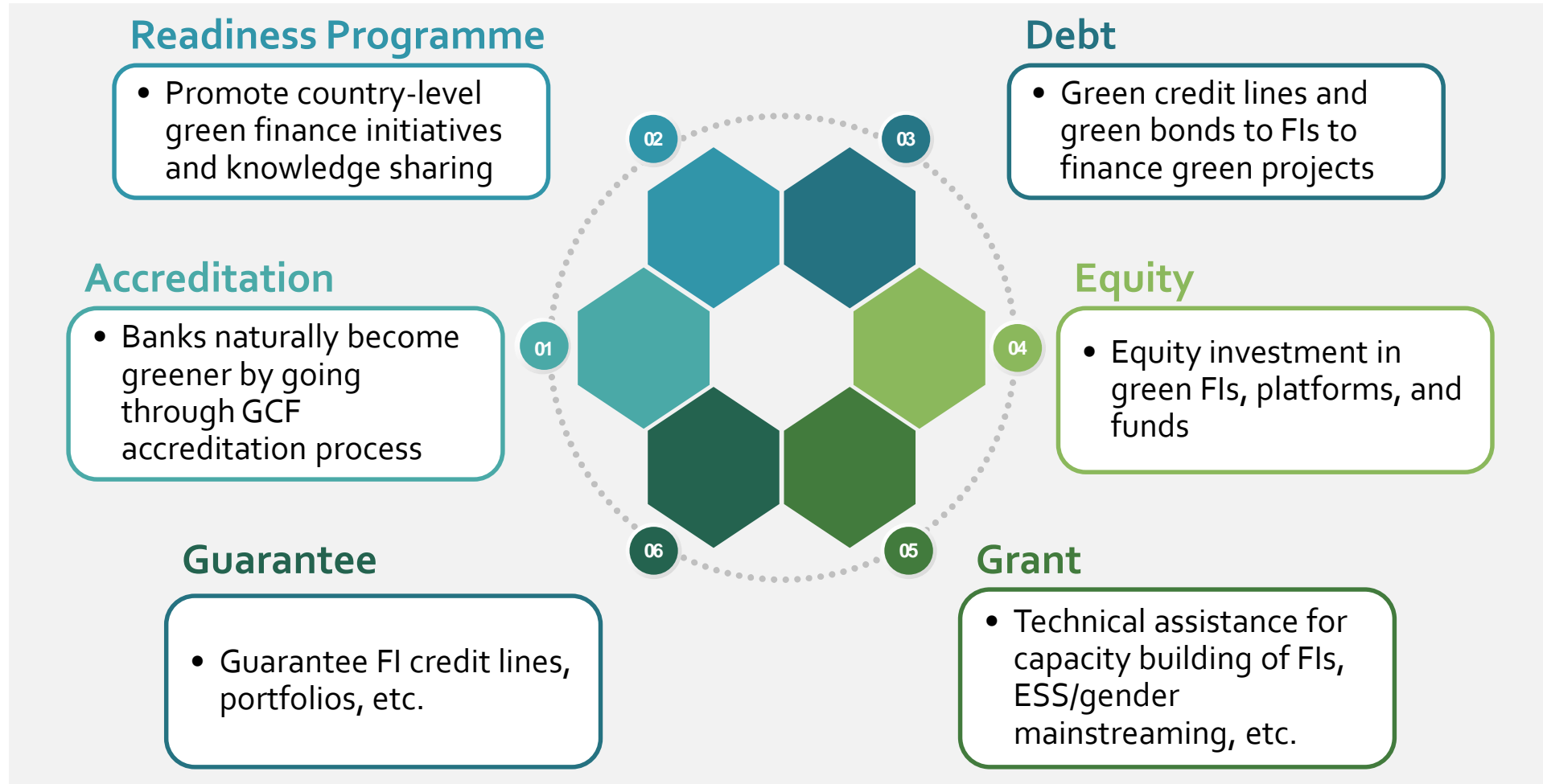
Provide readiness support to central banks to scale up green finance



Provide financing for green lending (on-lending) and risk sharing programmes, and set up green FIs or convert existing banks into green banks



# POTENTIAL INTERVENTIONS



# Green Finance Readiness Programme



## Green Finance Readiness Programme

### Objectives:

- › Scale up climate finance in developing countries by transforming the financial sector and its intermediaries
- › Holistic approach mapping climate finance needs, identifying barriers, and exploring opportunities for FIs
- › Develop policy guidelines & regulations, support information sharing for South-South cooperation, and create green FIs

### Delivery partners:

- › Green banking networks (e.g. IFC SBN, UNEP FI), GIZ, central banks, local banking associations and other international/local partners



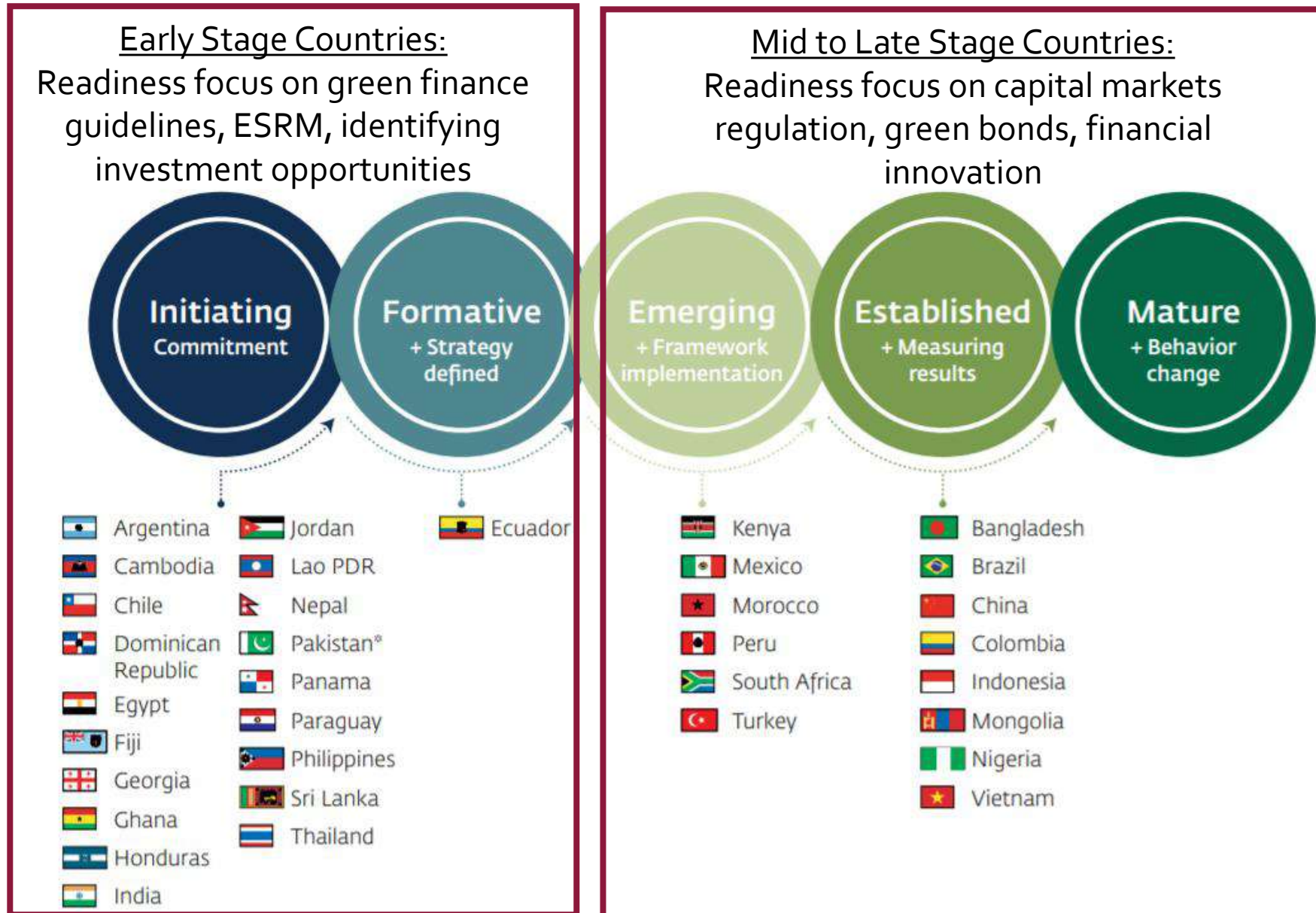
### Government stakeholders:

- › NDAs, financial regulators, finance ministries, central banks

# Example: Engagement with IFC SBN



GREEN CLIMATE FUND



# Awareness Raising and Outreach



## Awareness Raising and Outreach

### Objectives:

- › Raise awareness of the green bank model
- › Promote the availability of GCF funding for green finance through each window (Readiness, PPF, FP)
- › Bring together various actors to make connections and speed up the development of green finance

### Delivery partners:

- › Various green banking networks (e.g. NGFS, IFC SBN), NDAs, consultants, private sector banks, other GCF departments

The logo for the Green Bank Network, consisting of the words "GREEN BANK NETWORK" in a bold, sans-serif font. "GREEN" is in green, "BANK" is in dark blue, and "NETWORK" is in dark blue.

**GREEN BANK  
NETWORK**

The logo for the Partnership for Carbon Accounting Financials (PCAF), featuring a stylized orange and blue graphic of two overlapping shapes and the text "PCAF Partnership for Carbon Accounting Financials".

**PCAF** Partnership for  
Carbon Accounting  
Financials

### Channels:

- › PSF plans to sponsor and/or attend green banking events that bring together industry players and market PSF services
- › PSF will publish a report on greening the financial system in 2019



# Ex: GCF as stakeholder of the Network for Greening the Financial System



## Background:

- › Established at the Paris "One Planet Summit", December 2017.
- › Founded to enhance the role of financial system to manage risks and mobilize capital to meet the goals of the Paris Agr.
- › 28 members (central banks and national banks), 6 observers (BIS, EBRD, OECD, IBRD, IFC, SIF) and numerous stakeholders.
- › Banque de France is the acting Secretariat.

## Objectives:

- › Reach a wider platform of climate finance actors
- › Grow its readiness pipeline & help identify new funding partners
- › Improve GCF private sector readiness offering based on best practices of other member institutions
- › Replicate best cases across developing countries

# GCF Financial Institutions Publication



The cover of the publication features the Green Climate Fund logo at the top left. The title "GCF: Driving the transformation to a climate-resilient financial system" is prominently displayed in the center. The background is a light blue gradient with abstract, overlapping wavy lines in shades of yellow and orange.

## GCF: Driving the transformation to a climate-resilient financial system

This publication aims to inform existing and potential partners on best practices we have developed for designing programmes and accessing our resources.

COVER DATE	DOCUMENT TYPE
01 October 2019	Publication

<https://www.greenclimate.fund/document/gcf-driving-transformation-climate-resilient-financial-system>



# 4 Case study: XacBank in Mongolia

# INTRODUCTION



- › XacBank LLC (XacBank), is a national private sector entity in Mongolia. The entity serves clients from individuals and micro-, small- and medium-sized enterprises to Mongolia's largest corporations with a full spectrum of inclusive banking, fair investment and other financial products and services.
- › GCF accredited XacBank in 2016, making it the first private entity from a developing country to receive accreditation.

# APPROVED PROJECTS



Type	Title	Objectives	Total Amount (USD M)	GCF Amount (USD M)
Funding proposal	MSME business loan program for GHG emission reduction	Support Mongolian enterprises embrace energy efficiency and renewable energy	60	20
	Renewable energy program #1	Financing a 10MW solar PV	19.5	8.7
	Energy efficient consumption loan programme	Provide loans to energy efficiency heating appliances and housing products	21.5	10
	Mongolia Green Finance Corporation	Create a green bank to finance thermal insulation of housing, energy efficiency for businesses and mortgages	49.7	26.7
PPF	Support for the Establishment of the Mongolia Green Finance Corporation		0.3	0.3
	Mini-grid/off-grid Solution for Ger Area		0.9	0.9
Readiness	Strategic frameworks support for Mongolia		0.3	0.3
	NDA strengthening, country programming, strategic frameworks , entity support		0.3	0.3
	NDA Strengthening and Country Programming support		0.3	0.3
Total			152.8	67.5

# Business loan programme for GHG emission reduction



Country	GCF financing	Accredited entity	Financial instrument
Mongolia	USD 20 million	XacBank	Loan and Grant

- USD 19.5 M in Loan and USD 0.5 M in grant
- First MSME RFP pilot programme
- Loans to Mongolian MSMEs investing in energy efficiency and renewable energy projects
- At least half of the financial support will go towards women-led MSMEs
- Emissions reduction of 1.2 million tCO<sub>2</sub>e



## Renewable Energy Program – Solar #1



Country	GCF financing	Accredited entity	Financial instrument
Mongolia	USD 8.65 million	XacBank	Loan

- USD 8.65M in loan
- To unlock renewable energy investments in Mongolia and mobilize private sector capital
- To help Mongolia to achieve its nationally determined contribution (NDC) targets
- The project is expected to be a precursor to the Asia Super Grid initiative
- Emissions reduction of 0.30 million tCO<sub>2</sub>e



# SAP003 XacBank Energy Efficient Consumption Loan Programme



- **Country:** Mongolia
- **AE and EE:** XacBank
- **Co2 Reduction:** 469,574 tCO<sub>2</sub>eq
- **Beneficiaries:** 15,278 (direct) / 1.4 million (indirect)
- **ESS Category:** I-3
- **Total Financing:** USD 21.5 million (USD 18 million loan and USD 3.5 million grant)
- **GCF Contribution:** USD 9 million loan and USD 1 million grant
- **Co-financing:** XacBank – USD 9 million loan; Groupe Energies Renouvelables, Environnement et Solidarites (GERES) – USD 2.5 million grant
- **Duration:** 10 years

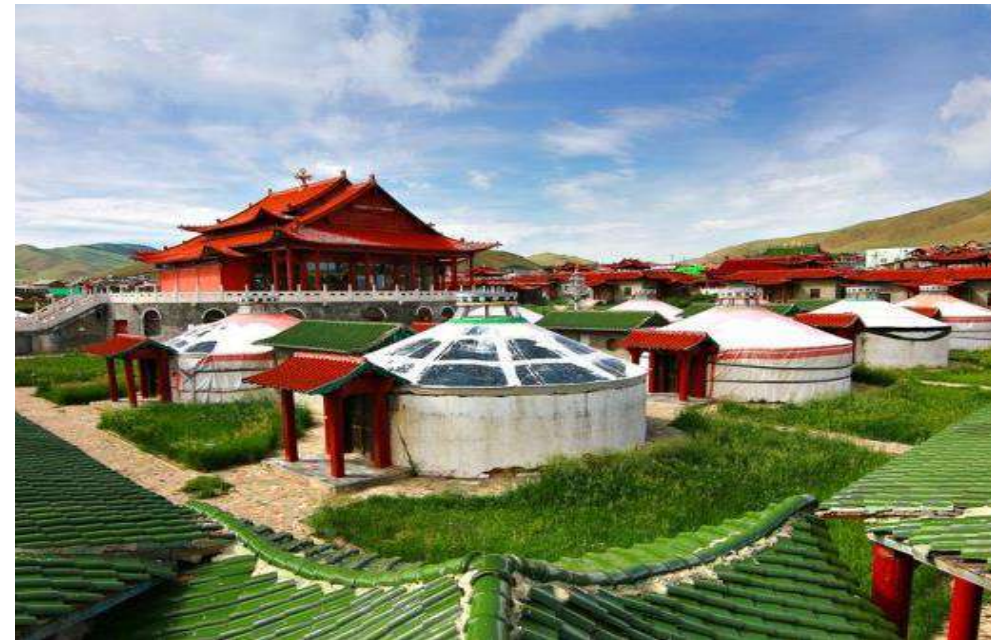


# MONGOLIA GREEN FINANCE CORPORATION



Country	GCF financing	Accredited entity	Financial instrument
Mongolia	USD 27 million	XacBank	Equity, loan, grant

- Creation of the first-of-its kind green bank in Mongolia
- Equal shareholding between the GoM, MSFA and GCF
- On-lending through local commercial banks to finance EE/RE projects
- Emission reduction of 3.75 million tCO<sub>2</sub>e



# Mongolia Green Finance Corporation



## 1. Readiness

**Delivery Partner:** GGGI

**Date:** May '17 – April '18

**Description:** Scoping study to determine structure, legal diligence, business model, etc. for a national green finance vehicle.

## 2. PPF

**AE:** XacBank

**Consultant:** Macquarie GIG

**Date:** June '19 – Sept '19

**Description:** Develop guidelines for governance structure, capitalization and other operational issues.

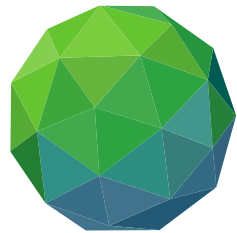
## 3. FP

**AE:** XacBank

**Date:** November '20

**Description:**  
Approved by the GCF Board.

MGFC establishes a model for other countries to follow in creating national green banks using the full lifecycle of GCF support



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**Raising  
ambition.**  
**Empowering  
action.**