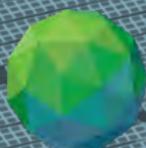


The Green  
Climate Fund's

# Private Sector Facility

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GREEN  
CLIMATE  
FUND

2017

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# The Green Climate Fund's Private Sector Facility (PSF)

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2017

A new global fund created to support developing countries take on climate action by investing in low-emission and climate-resilient development.

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Set up by United Nations Framework Convention on Climate Change (UNFCCC) to keep the average global temperature increase well below 2° C



## Green Climate Fund

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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 contributions.

The GCF funds proposals that 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% 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 work with national-level entities to build readiness to access Fund resources.

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

## Private Sector Facility (PSF)

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GCF has a Private Sector Facility (PSF), with the primary mission 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 partners, 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 relatively high risk appetite and we want to encourage our partners to venture into new territories for low carbon and climate resilient investment.

### 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



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

## How do we invest?

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GCF provides debt, equity, guarantees, and grants to:

- De-risk investments
- Drive systemic transformation
- Scale small projects and bundle them into larger portfolios
- Support capacity building
- Develop public-private climate-resilient infrastructure
- Encourage innovation

## What do we invest in?

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



Energy generation and access



Transport



Buildings, cities, industries and appliances



Forests and land use



Health, food and water security



Livelihoods of people and communities



Ecosystems and ecosystem services



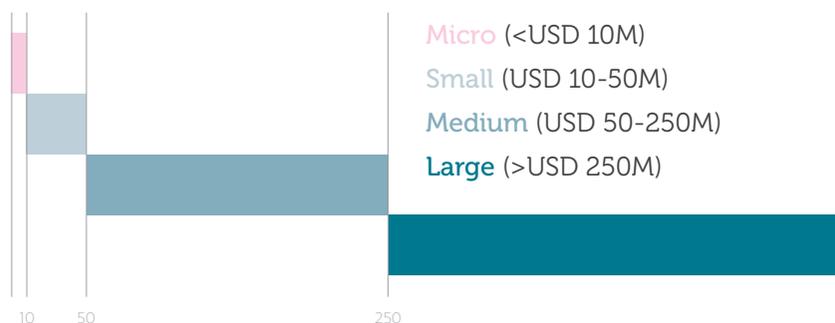
Infrastructure and the built environment

## How can you work with us?

- We work through Accredited Entities (AEs) to channel resources to projects
- Accreditation is a 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
- You can apply for GCF accreditation or work in partnership with an established AE
- GCF also issues Requests for Proposals based on specific private sector programmes – and these may be open to entities who are not yet accredited

## 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

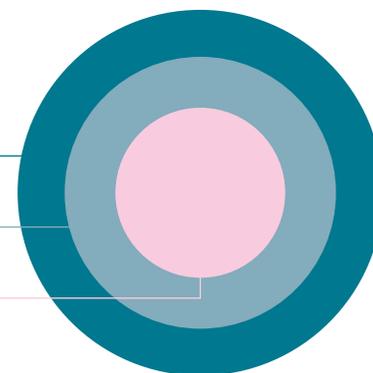
### Fiduciary functions

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

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## 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?

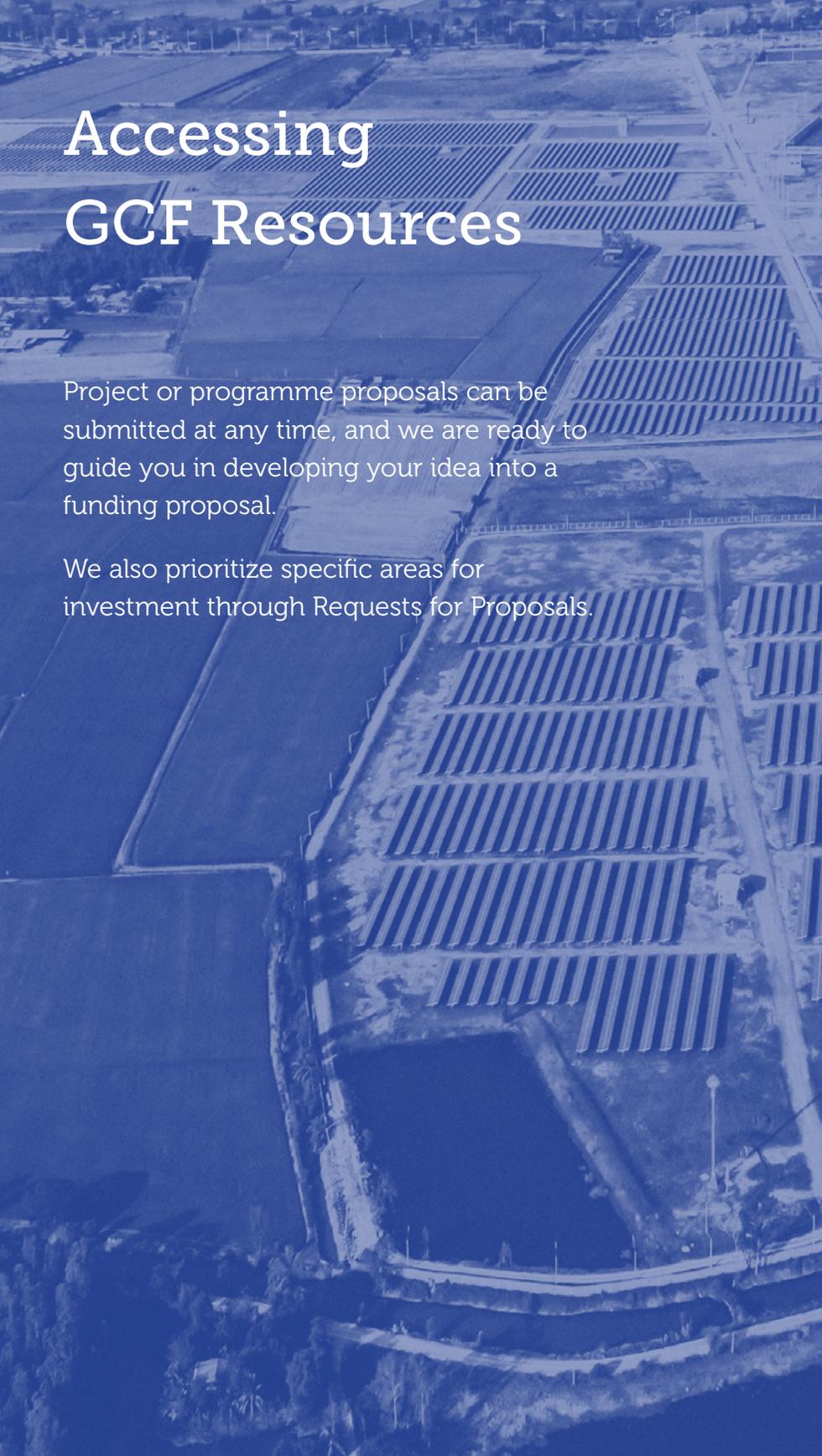
## Efficiency and effectiveness

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

# From Idea to Investment

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1. Pitch us an idea that supports the target developing country's climate action plans and priorities – let's talk informally
2. Engage with the country NDA / focal point to ensure your idea aligns with their country needs and priorities – we can help you make these connections
3. Turn it into a concept note for us - we will provide feedback
4. If you are not already accredited, you will need to partner with an accredited entity or seek accreditation yourself
5. At this point you need to show beneficiary countries are fully on-board by obtaining no-objection letters
6. You can then submit a full funding proposal
7. We will review the proposal – and so will our Independent Technical Advisory Panel
8. Your project goes to our Board for decision
9. Once approved, then we sign a Funded Activity Agreement



# 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.

## Mobilizing Funds At Scale (RFP)

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

### GCF Investment

Up to USD 500M

### Description

Closing on 30 August 2017, the RFP attracted 350 proposals covering activities in 75 developing countries. Proposals are to go through a three-tiered selection system, with the top Concept Notes prioritized for development into full funding proposals. Those entities who are not yet accredited to GCF will undertake accreditation alongside the development of the project proposal. Concept notes that are not short-listed but demonstrate potential may become part of the GCF pipeline.

### 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)

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This was the first RFP for the private sector. The first phase RFP closed for applications in 2016. However, upon the Board's approval we will issue a new RFP under this programme in 2018 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



## GEEREF NeXt

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### Countries

Multiple Countries – Global

### GCF Investment

USD 250M in equity and USD 15M in grants

### Description

An innovative USD 750M fund-of-funds platform with the aim of being the first private equity backed investor in renewable energy (RE) and energy efficiency (EE) projects across a targeted range of developing countries, including LDCs, SIDS and African states.

### Investment goals:

- Provide early and growth equity capital to strong renewables and energy efficiency companies in developing markets
- Catalyze institutional investors into renewable energy and energy efficiency investments in developing countries, resulting in a large multiplier effect for climate investments
- Emissions reduction of 769M tCO<sub>2</sub>e

GCF's investment crowds-in capital by taking an early, first-loss position to open new markets and offer risk-averse private investors a broad diversification of capital deployment opportunities across different RE/EE projects and technologies in developing countries.

# Universal Green Energy Access Programme

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## Countries

Benin, Kenya, Namibia, Nigeria, Tanzania

## GCF Investment

USD 78.4M in equity and USD 1.6M in grants

## Description

Investment fund providing financing for decentralized energy service companies for off-grid and mini-grid systems.

## Investment goals:

- Enhance local financial institutions' knowledge of and appetite for the renewable energy sector
- Crowd-in foreign and local private investors into the field of sustainable energy access in sub-Saharan Africa
- Emissions reduction of 50.6M tCO<sub>2</sub>e

GCF's contribution will provide access to capital to local SMEs that would otherwise be locked out of the market by working through the local financial system at scale.



Deutsche Bank



# KawiSafi Fund

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## 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<sub>2</sub>e
- 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.

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# Energy Efficiency Green Bond

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## Country

Mexico

## GCF Investment

USD 20M in guarantees and USD 2M in grants

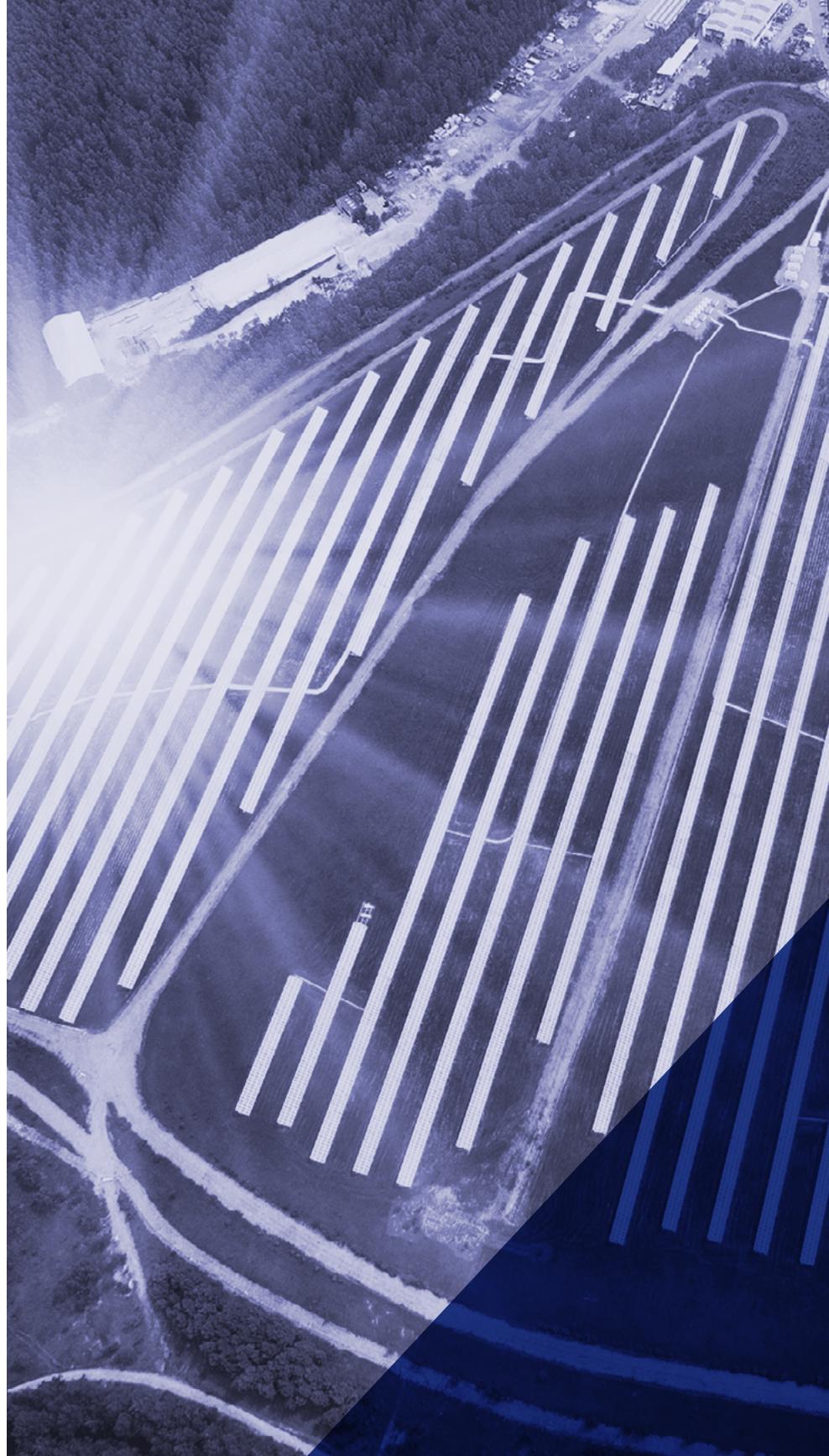
## Description

Securitization of bundled energy efficiency projects, supporting a benchmark green bond issuance to private sector capital markets investors in Mexico. The GCF Partial Credit Guarantee component will provide the necessary external credit enhancement to support this issuance.

## Investment goals:

- Mobilizing institutional funds at scale towards MSME energy efficiency service companies (ESCOs), addressing a key area of climate finance shortfall for mitigation in Latin America
- Using capital markets to crowd-in private investors at scale
- Replicability and scalability through demonstration effect vis-à-vis capital markets
- Emissions reduction of 2.6M tCO<sub>2</sub>e

This innovative investment will develop green bond schemes in Latin America for the first time, opening up critical new lines of financing for energy efficiency projects.



# GCF-EBRD Egypt Renewable Energy Financing Framework

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## Country

Egypt

## GCF Investment

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

## Description

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

## Investment goals:

- Emissions reduction of 15.3M tCO<sub>2</sub>e, 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% (2016) to 8% (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.

# Business loan programme for GHG emission reduction

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## Country

Mongolia

## GCF Investment

USD 19.5 in senior loan and USD 0.5M in grants

## Description

The Programme provides XacBank with an enhanced ability to support loans to Mongolian enterprises investing in energy efficiency and renewable energy projects, with a focus on women-led MSMEs.

## Investment goals:

- Leverage the successful track record of XacBank in implementing similar programmes and its strong women-led MSME client base
- Concessionality to be passed on to end-beneficiaries
- Emissions reduction of 1.2M tCO<sub>2</sub>e

GCF's engagement represents its first local private commercial project in a developing country, opening the doors to further engagement with direct access financial institutions around the world.

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# Reach Out

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## Ayaan Adam

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## Tony Clamp

Deputy Director, Private Sector Facility

## Jiwoo Choi

Head of Financial Institutions and Structured Finance

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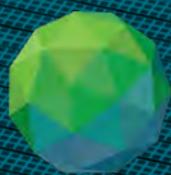
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