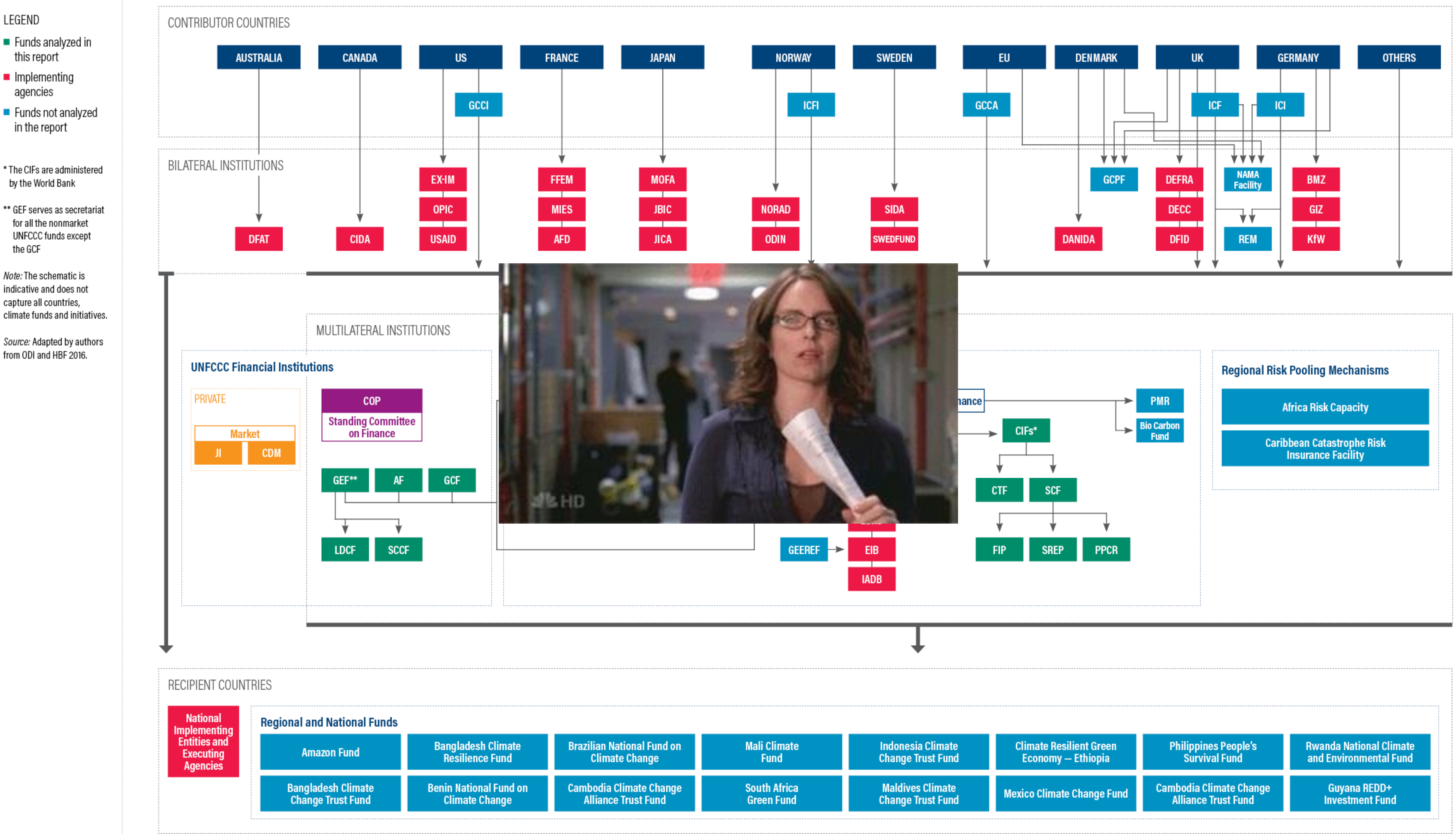
WORLD RESOURCES INSTITUTE

ATTRACTING PRIVATE SECTOR CLIMATE INVESTMENT

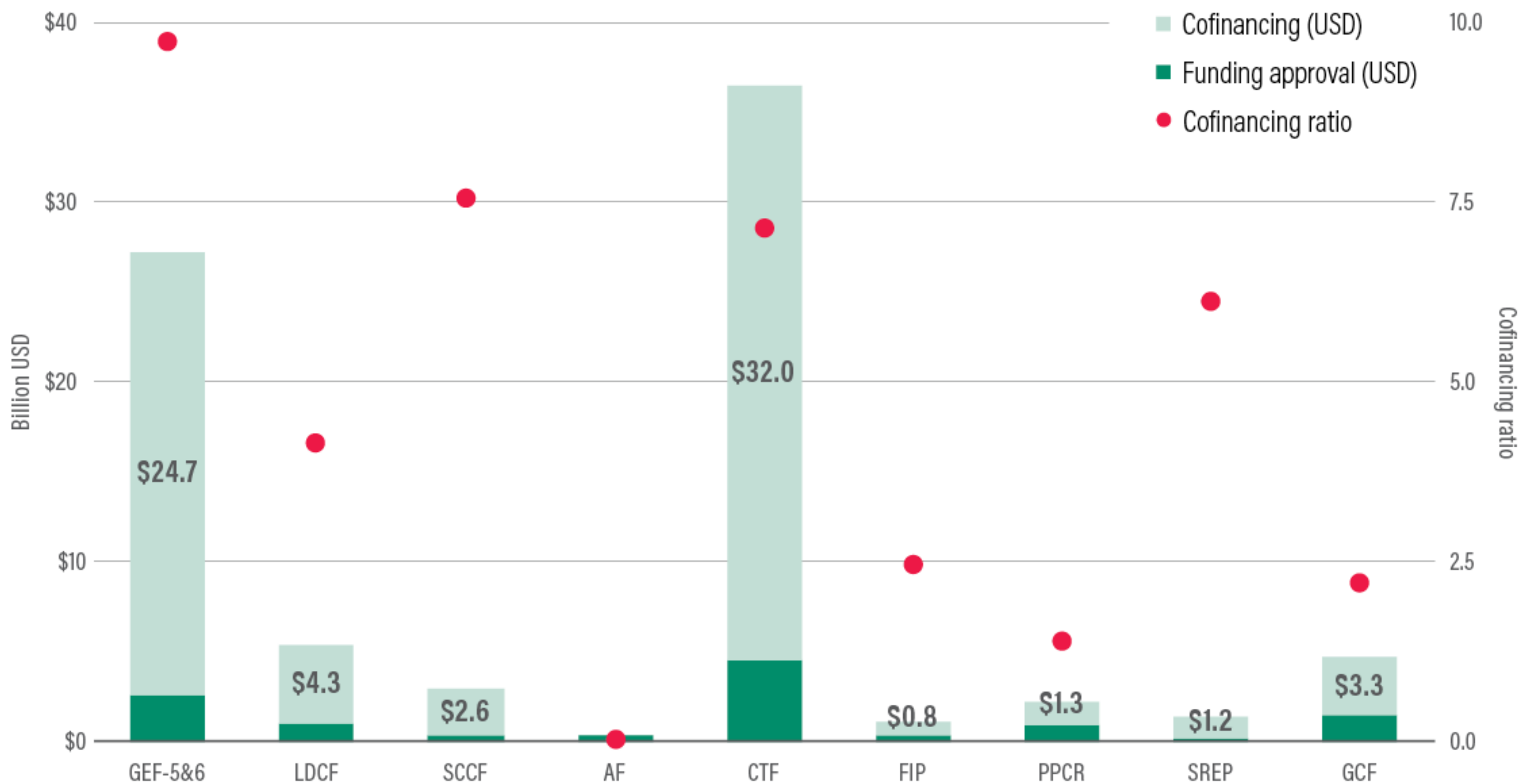
GEF Strategy Discussion

SUSTAINABLE FINANCE CENTER, WORLD RESOURCES INSTITUTE

GLOBAL ARCHITECTURE OF CLIMATE FINANCE



COFINANCING RATES

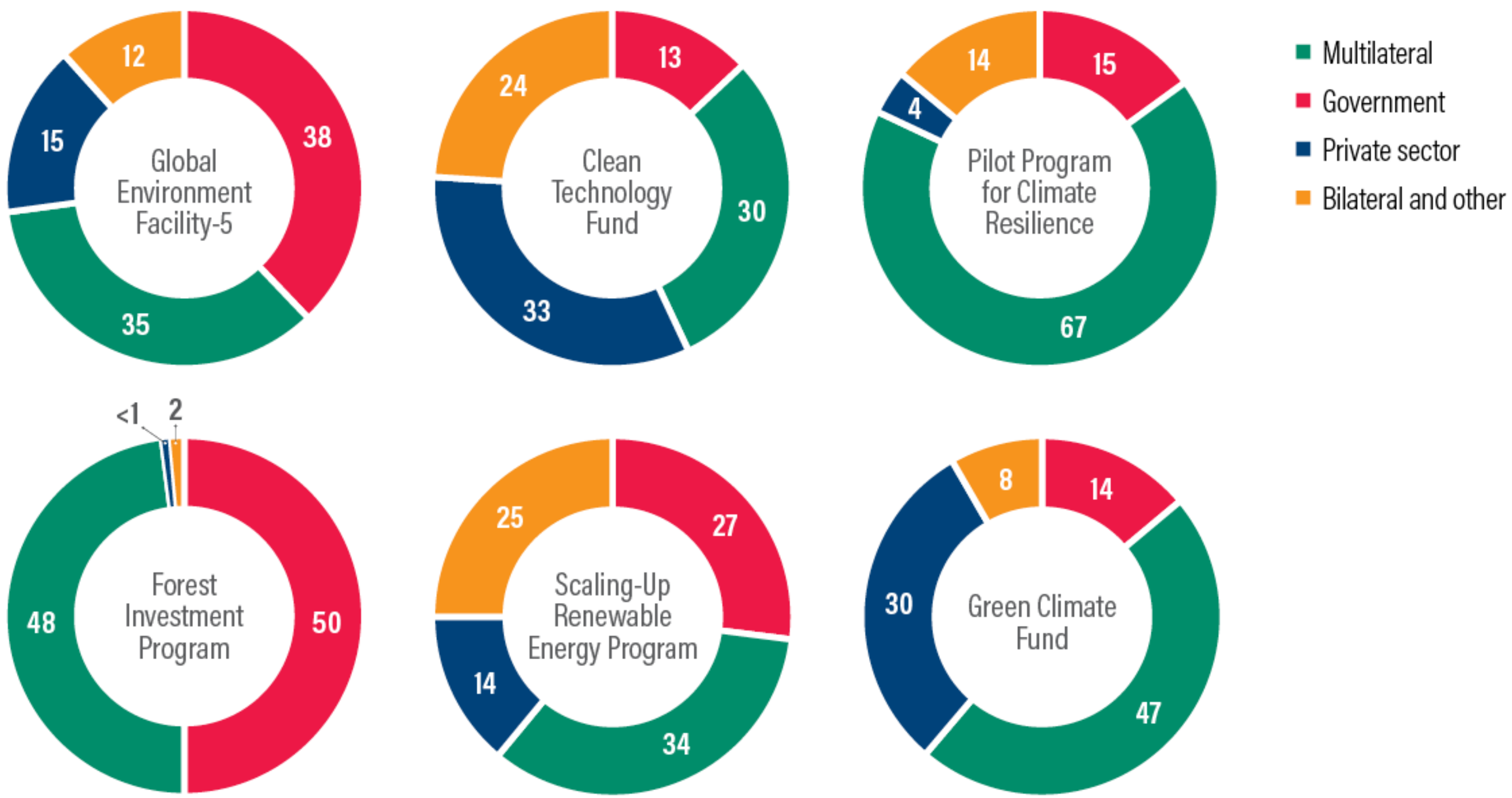


Notes: GEF, Global Environment Facility; LDCF, Least Developed Countries Fund; SCCF, Special Climate Change Fund; AF, Adaptation Fund; CTF, Clean Technology Fund; FIP, Forest Investment Program; PPCR, Pilot Program for Climate Resilience; SREP, Scaling-Up Renewable Energy Program; GCF, Green Climate Fund.

Cofinancing ratio is calculated as total expected cofinancing divided by total approved funding, cumulative amounts since fund inception, except for GEF where only GEF-5 and GEF-6 periods are included. GCF data is based on expected cofinancing. The AF does not report collated cofinancing data.

Sources: Compiled by authors, based on data from GEF 2016c, 2016f; AF 2016a; CIFs 2015a; GCF 2016b.

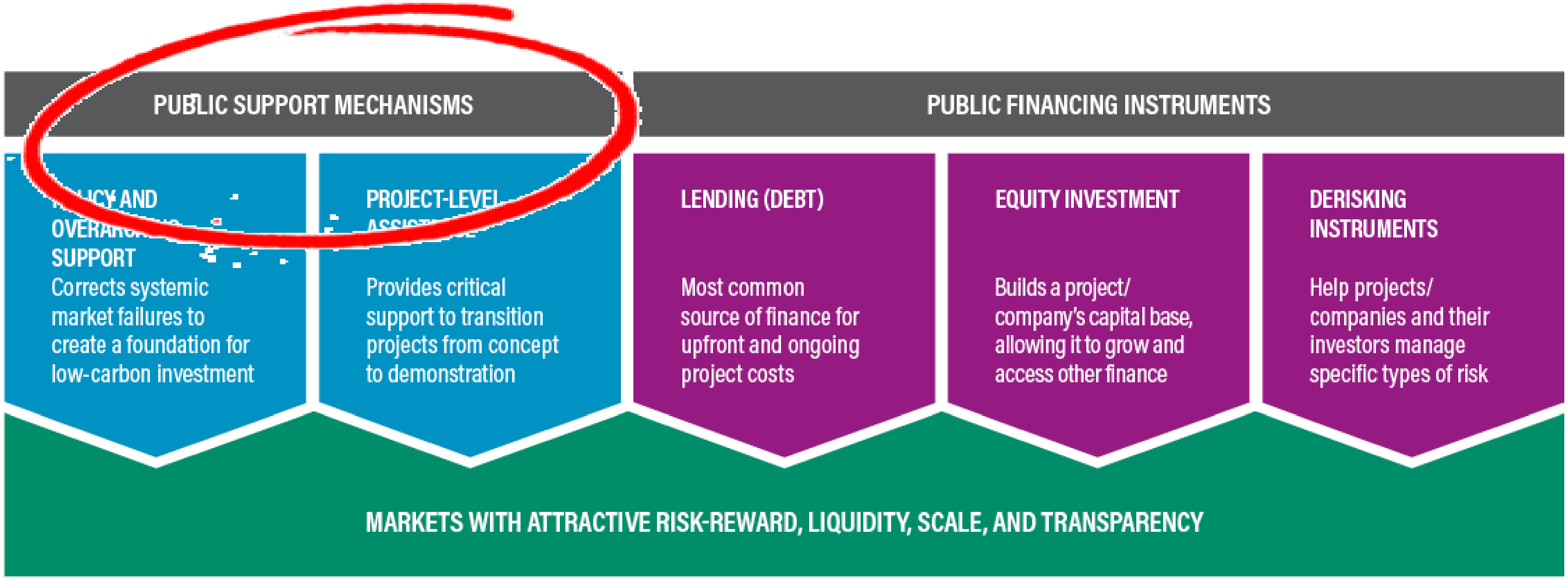
PERCENTAGE OF FUND COFINANCING BY SOURCE



Note: The AF does not report collated cofinancing data, and the LDCF and SCCF do not report cofinancing by type. Data for the GEF cover the GEF-5 period only, and are for total funding, not just climate-specific.

Sources: Compiled by authors, based on data from GEF-IEO 2013c; CIFs 2015a; GCF 2016b.

PUBLIC TOOLS AVAILABLE TO CREATE ATTRACTIVE LOW-CARBON INVESTMENT CONDITIONS



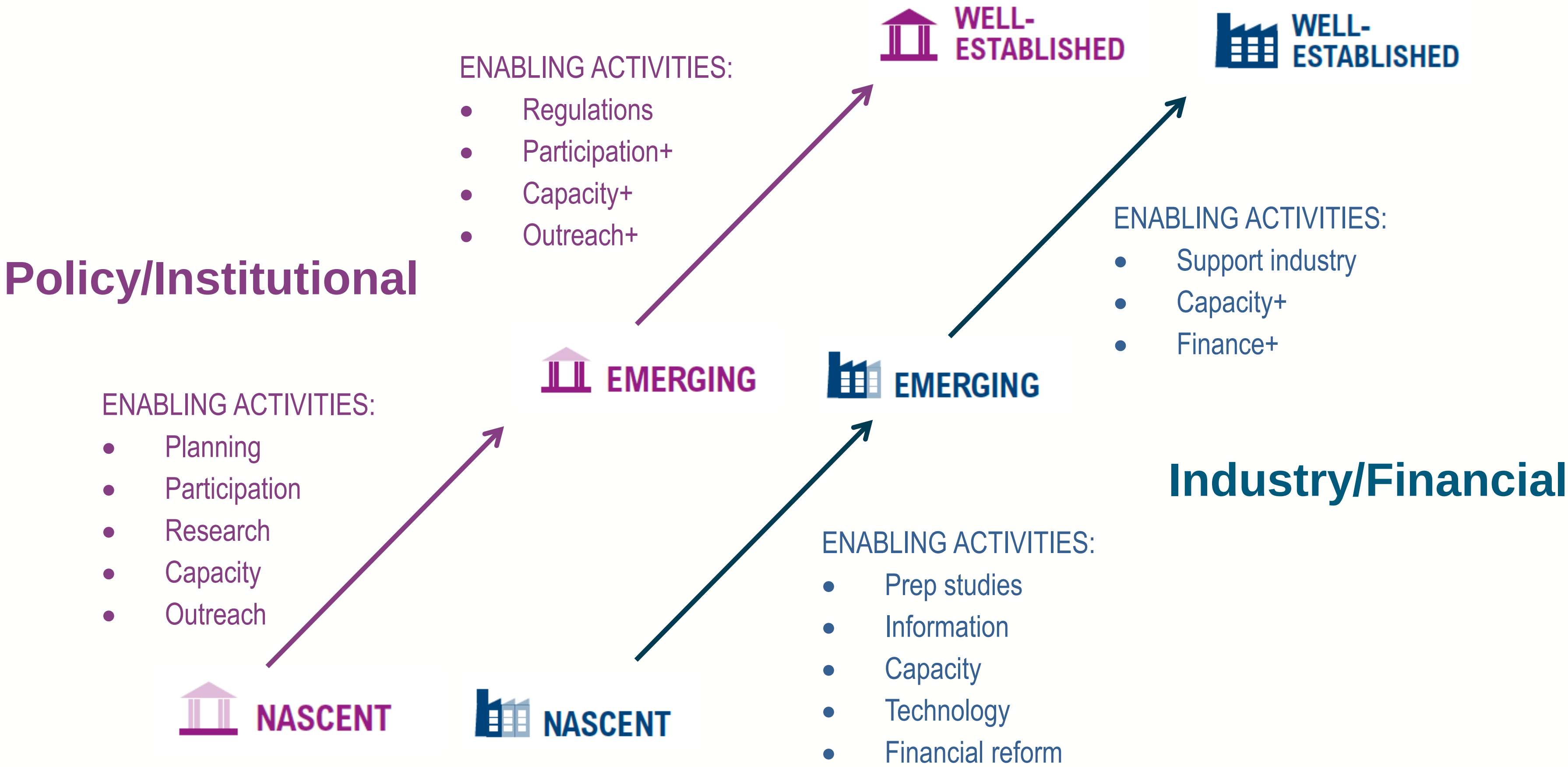
Source: Venugopal and Srivastava 2012.

AN ENABLING ENVIRONMENT

The set of conditions that attract public and private sector climate finance, ultimately contributing to low-carbon, climate resilient development

- Policy and institutional conditions
- Industry and financial conditions

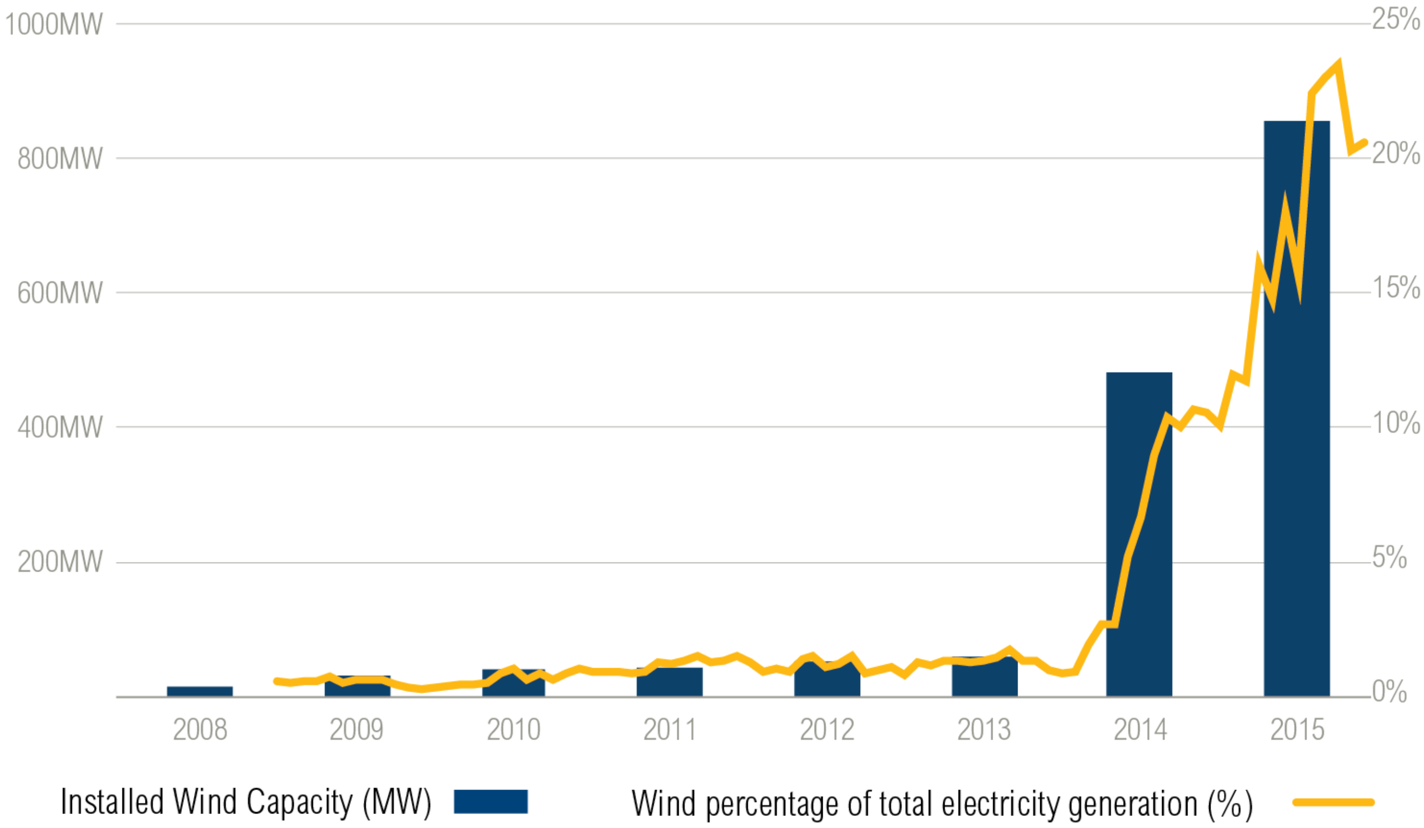
THE FRAMEWORK – CREATING ATTRACTIVE CONDITIONS



Source: WRI

SYSTEMIC SHIFTS

Uruguay’s Wind Power Growth, 2008–2015



Source: MIEM. 2015. “Statistics.” Montevideo, Uruguay: Ministerio de Industria, Energía Y Minería, Republic of Uruguay.

LESSONS LEARNED

- Creating an enabling environment is a process, not an end; time frames can be very long
- Small amounts of funding for enabling activities sustained over time can help scale up investment
- Countries may not get it right the first time; build on lessons from previous experiences
- Support should be dedicated, consistent, aligned

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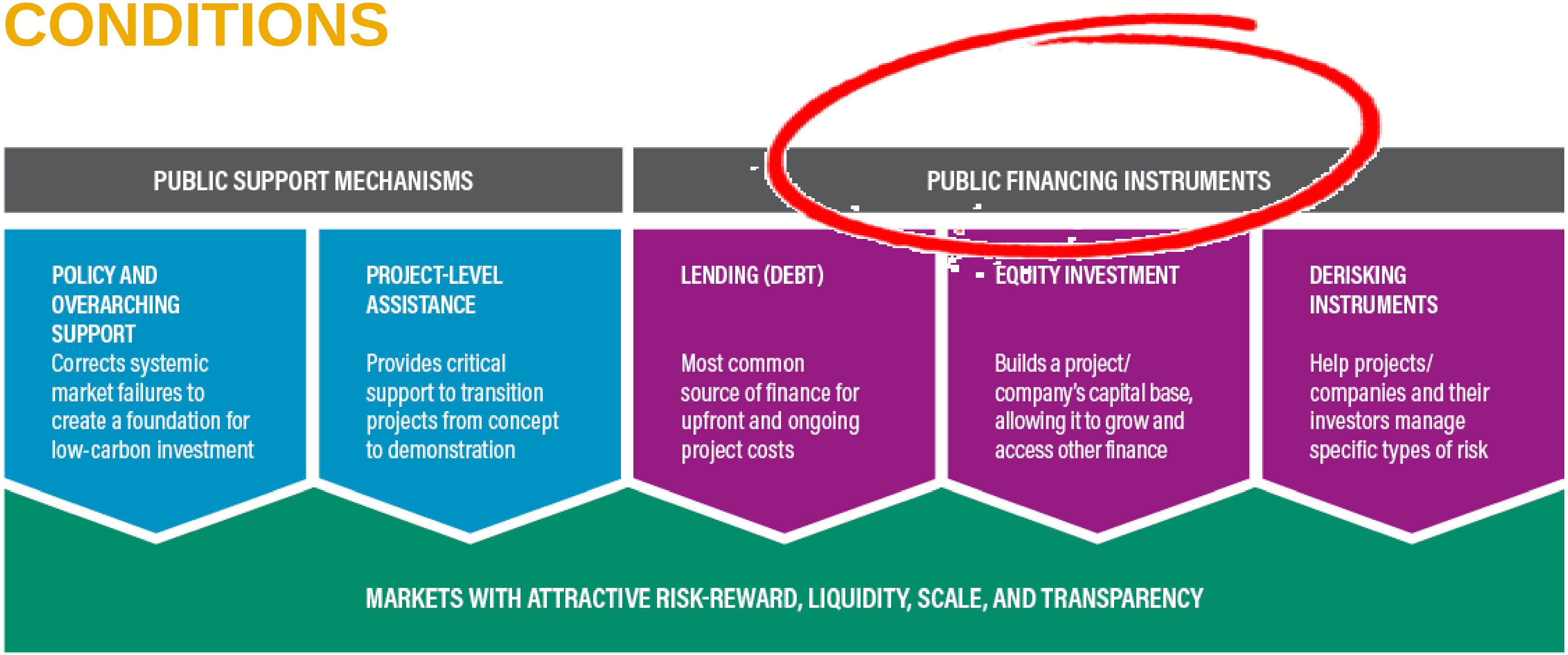

Source: Venugopal and Srivastava 2012.

MAKING FINANCIAL INSTRUMENTS MORE EFFECTIVE

- **Tailoring financial instruments** and increasing guarantee and mezzanine finance offerings are essential to meeting unique climate investment needs.
- **Committed lenders** can determine whether a project can overcome unforeseen challenges in the pre-construction phase and achieve successful completion
- **Public institutions working in tandem**—especially those with varying instrument offerings and risk tolerances—can address a wide range of market risks and barriers.
- **Public-private funds and initiatives** are attractive in theory, but have yet to show consistent success in attracting private investment, especially from institutional investors
- **Streamlined deal approval and processing** is critical to meeting private sector investment timeframes

CONSIDERATIONS FOR THE GEF AND PRIVATE SECTOR ENGAGEMENT

- What is the relative niche for the GEF?
  - Which markets?
  - Upstream or downstream?
  - Which instruments?
- Structurally, how do you best integrate private sector engagement?
- In what ways can the GEF improve coordination with other climate funds?

THANK YOU!

For further information on WRI's Climate Finance work please refer to:

http://www.wri.org/climate-finance