ATTRACTING PRIVATE SECTOR CLIMATE INVESTMENT

GEF Strategy Discussion
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, 2016b; 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

PUBLIC SUPPORT MECHANISMS

- POLICY AND OVERARCHING SUPPORT
  Corrects systemic market failures to create a foundation for low-carbon investment

- PROJECT-LEVEL ASSISTANCE
  Provides critical support to transition projects from concept to demonstration

PUBLIC FINANCING INSTRUMENTS

- LENDING (DEBT)
  Most common source of finance for upfront and ongoing project costs

- EQUITY INVESTMENT
  Builds a project/company's capital base, allowing it to grow and access other finance

- DERISKING INSTRUMENTS
  Help projects/companies and their investors manage specific types of risk

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

Policy/Institutional

- Regulations
- Participation+
- Capacity+
- Outreach+

Emerging

- Planning
- Participation
- Research
- Capacity
- Outreach

Nascent

Industry/Financial

- Support industry
- Capacity+
- Finance+

Emerging

- Prep studies
- Information
- Capacity
- Technology
- Financial reform

Source: WRI
SYSTEMIC SHIFTS

Uruguay’s Wind Power Growth, 2008–2015

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
PUBLIC TOOLS AVAILABLE TO CREATE ATTRACTIVE LOW-CARBON INVESTMENT CONDITIONS

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MARKETS WITH ATTRACTIVE RISK-REWARD, LIQUIDITY, SCALE, AND TRANSPARENCY

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