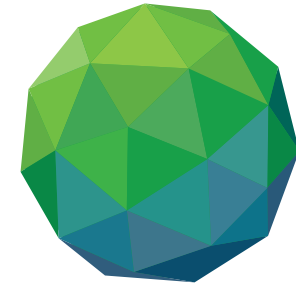


# Financing for transformative Climate technologies



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CLIMATE  
FUND

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September 2021

# OUTLINE



1. Background
2. Green Climate Fund and Climate Technology Investments
3. Case studies
4. Questions



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# 1 | BACKGROUND

# GLOBAL CONTEXT



## Climate Impacts

- ❑ In the last 50 years, storms (i), floods (ii), tropical cyclones (iii) and droughts (iv) caused 3.7 million deaths and 7.6 billion people were affected (Guha-Sapir 2018).
- ❑ Global economic losses during this period amount to more than 2.4 trillion US\$ - or 0.2% of world GDP each year.
- ❑ Relative to GDP, small island developing states and African countries experience the heaviest damages.
- ❑ Costs are increasing: 50 Bn US\$ / yr (2007); 70-100 Bn US\$ / yr (2010), 280-500 Bn US\$ / yr (2016).
- ❑ The cost of establishing and operating fit-for-purpose interventions (e.g. CIEWS) too expensive for developing countries.

## INDC, NAPA, NAP

- ❑ All 13 Parties which have submitted NAPs as of June 2019 mention climate information.
- ❑ Early Warning Systems (EWS) are found in 50% of the NDCs submitted.
- ❑ Ambition is clear, but the identification of action is lacking, even in countries that are highly vulnerable to climate change.
- ❑ Quality of the information provided is low, in most cases superficial and incomplete.

## Market assessment

- ❑ Lowest capacity in Africa, LDCs & SIDS.
- ❑ Growth driven by vibrant private sectors (energy, aviation, large scale agriculture, infrastructure resilience).



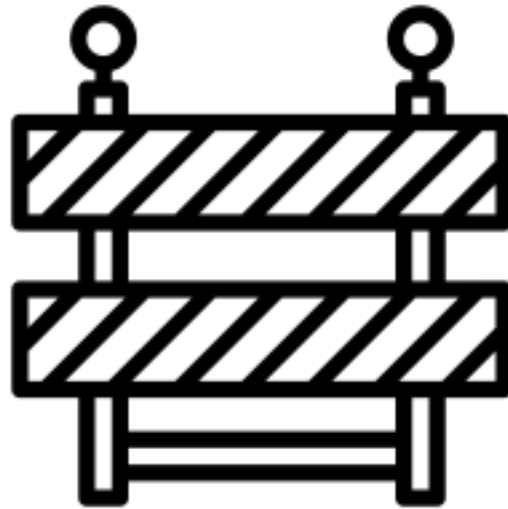
# BARRIERS



Lack of enabling environment for **institutional effectiveness**



Lack of coverage and scale for effective service delivery in terms of quantity and quality of **hard infrastructure** and inadequate **soft infrastructure** for ensuring delivery and uptake of risk information.



**Uncoordinated interventions** limit the effectiveness of existing support to developing countries.

**Limited governmental finances and budgets** allocation (e.g. NMHS & NDMA).



The **complexities of production, dissemination and uptake of risk information**



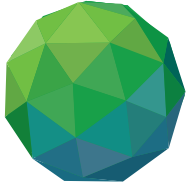
**Market barriers** to creating enabling conditions





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# 2 | GREEN CLIMATE FUND AND CLIMATE TECHNOLOGY INVESTMENTS



GREEN CLIMATE FUND

# GCF PORTFOLIO

## GCF Overall Portfolio

|           |                 |                      |
|-----------|-----------------|----------------------|
| Projects  | <b>\$8.8B</b>   | <b>121 countries</b> |
| Readiness | <b>\$302.1M</b> | <b>138 countries</b> |

# USD 33.2B

total portfolio with co-financing

# 1.8

gigatons of CO<sub>2</sub> eq.

# 500

million people with increased resilience

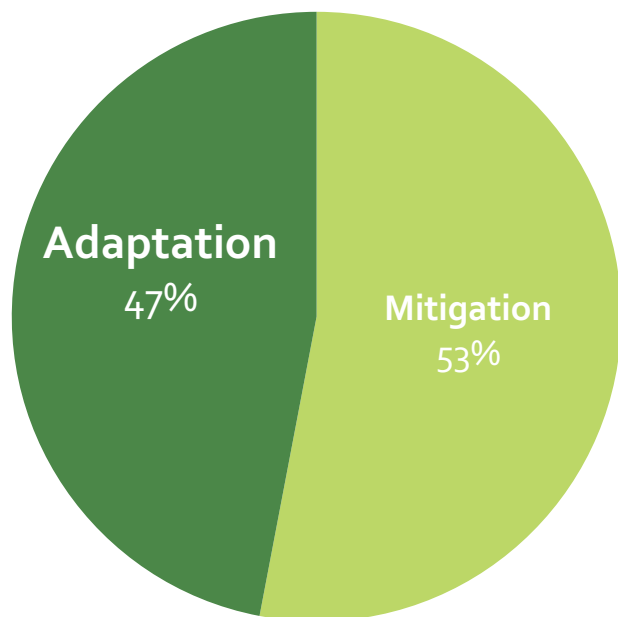
- Projects & Readiness/PPF
- Projects only
- Readiness/PPF only

## GCF Africa Portfolio

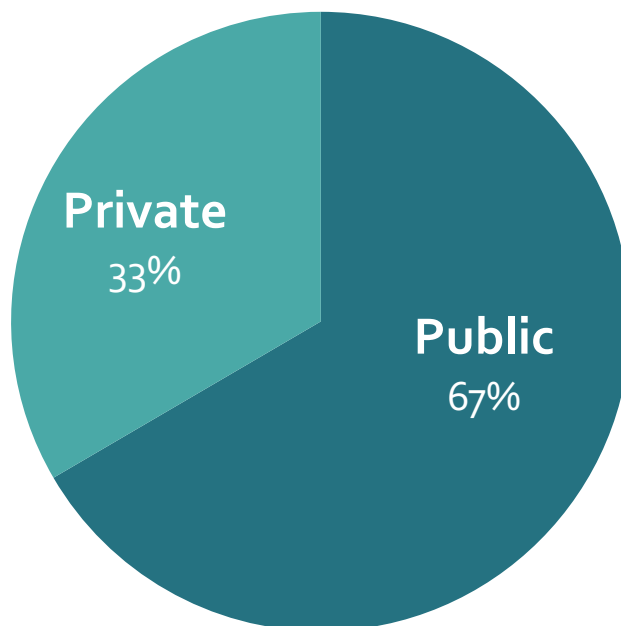
|              |                |
|--------------|----------------|
| Projects     | <b>70</b>      |
| GCF finance  | <b>\$3.3B</b>  |
| Co-financing | <b>\$7.7 B</b> |

# GCF PORTFOLIO COMPOSITION

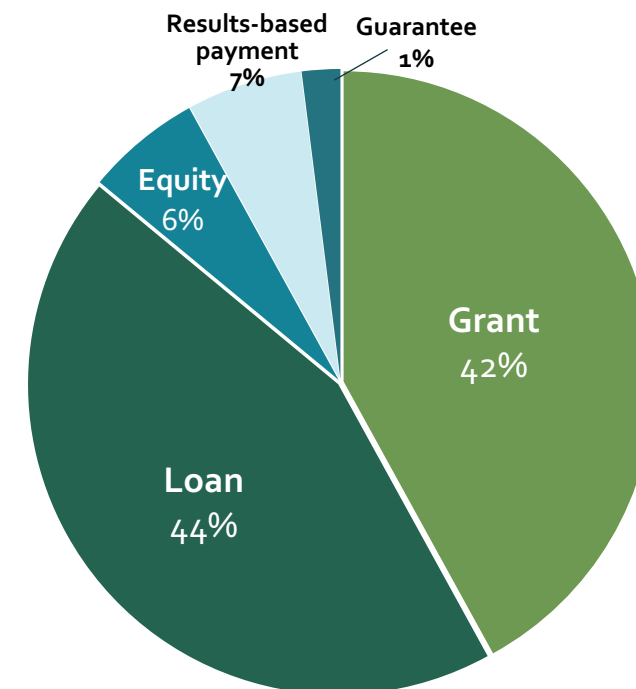
Thematic Area  
(Grant equivalent terms)



Public / private sector



By Instrument (%)



Flexibility in deployment: mitigation/adaptation, public/private, and financial instruments



# 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



# GCF CLIMATE INNOVATION, TECHNOLOGY AND SUPPORT FACILITY



- **Catalyse private & public investments** in early/growth stage high-impact climate technologies and innovations in both adaptation and mitigation
- Invest in **the transfer and deployment of climate innovations and technologies** from developed countries to developing countries

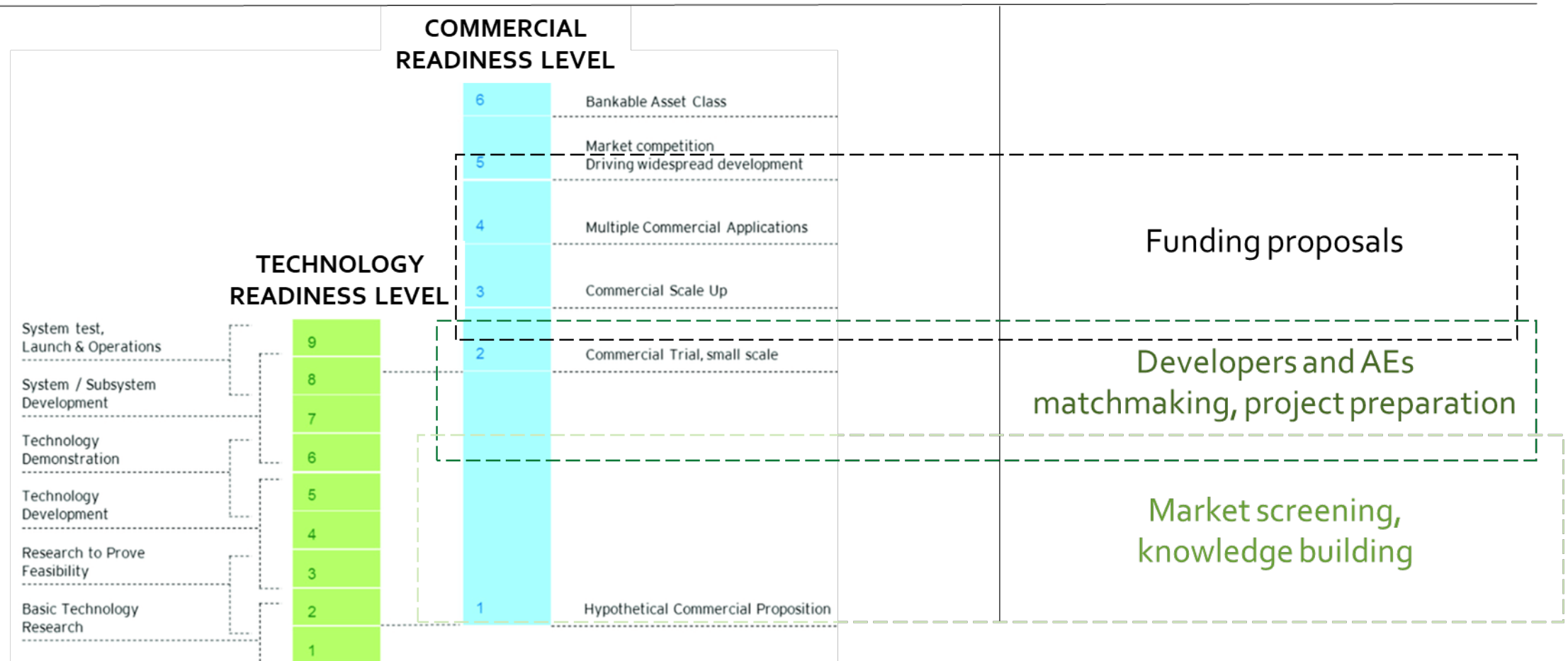
- **Support Accredited Entities** with innovative climate technology-based projects and programmes
- Establish **strategic relationships** with technology and innovation institutions
- Facilitate **effective development** of innovative funding solutions

# TARGET FOCUS ACTIVITIES



## TECHNOLOGY DEVELOPMENT STAGES

## TEAM ACTIVITIES



# FINANCIAL INSTRUMENTS

## Loans



- › Flexible pricing & tenor
- › Relatively high-risk tolerance

## Equity



- › Assume equity positions
- › Support investment incubators

## Guarantees



- › Tailored guarantee instruments

## Grants



- › Fit-for purpose grants
- › Encourage innovation
- › Minimum concessionality

1

**De-risking** climate smart **investments**

2

**Offset risks** and other impediments to climate investments

3

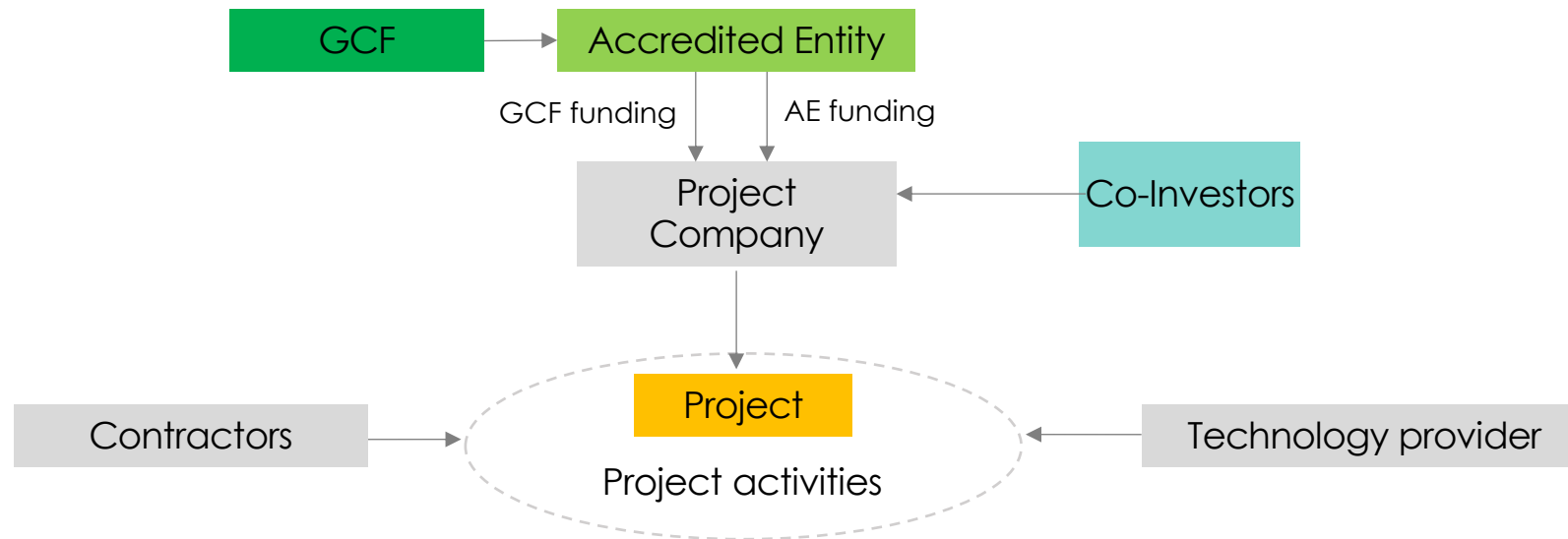
**Encourage high impact** climate investments and act as **'market maker'**

4

Support the development of **climate compatible financial systems**



# INDICATIVE PROJECT STRUCTURE



- GCF Innovation Team will support innovative projects to mitigate the challenges of market conditions in the developing countries
- GCF risk-taking is primary driven by climate impacts (mitigation or adaptation outcomes of the project), and not entirely by profitability
- GCF will provide long-term patient capital, alongside co-investors and an AE

# KEY PARADIGM-SHIFTING CONSIDERATIONS TO ENSURE SUSTAINABILITY OF INVESTMENTS



## Transformational planning and programming

- Climate science informs strategic plans and country programming; implementation aimed at coherence and complementarity, efficiency and effectiveness.



## Catalyzing climate innovation

- Innovations in GFCS, GBON, IBF, FBF, (IoT, Big Data, Cloud Computing) to underpin project design, create strategic partnerships, quality management and improve policy.



## Mobilizing investment at scale

- Innovative financing options, enable blended finance and key partnerships to leverage and scale up investments



## Expansion and replication of knowledge

- Knowledge brokering on climate investments, science and technology through institutional collaboration; monitoring, evaluation and learning to ensure impact evaluation

**Synergetic action between government and private sector, enabled and facilitated by GCF**





# 4 | Case Studies of GCF Investments in Africa



# LEVERAGING ENERGY ACCESS FINANCE (LEAF) FRAMEWORK

| Country   | GCF financing   | Accredited entity | Financial instrument     | Year approved |
|---|-----------------|-------------------|--------------------------|---------------|
| Ghana, Tunisia, Ethiopia, Nigeria, Kenya & Guinea | USD 170 million | AfDB              | Loan, Guarantee, & Grant | 2021          |

- The LEAF framework will provide decentralized renewable energy solutions to tackle the energy shortfall, while also reducing CO<sub>2</sub> emissions and simultaneously boosting local economies and businesses.
- This initiative will address financial and investment barriers by deploying credit enhancement instruments and new financial products to crowd in local currency debt and commercial capital.
- The LEAF framework will also address adverse COVID-19 economic impacts which have limited national capacities to achieve renewable energy transition goals.







# ENHANCING CLIMATE INFORMATION SYSTEMS FOR RESILIENT DEVELOPMENT IN LIBERIA (LIBERIA CIS)

| Country | GCF financing  | Accredited entity | Financial instrument | Year approved |
|---------|----------------|-------------------|----------------------|---------------|
| Liberia | USD 10 million | ADB               | Grant                | 2020          |

- Liberia currently lacks the capacity to prepare for and respond to climate-related extreme events.
- The project will improve hydrometeorological service generation & provision, in line with WMO requirements.
- It will also enhance preparations and response to climate hazards through an enabling environment, appropriate legislation, agency coordination as well as implementing an effective impact-based forecasting and forecast-based financing mechanism.

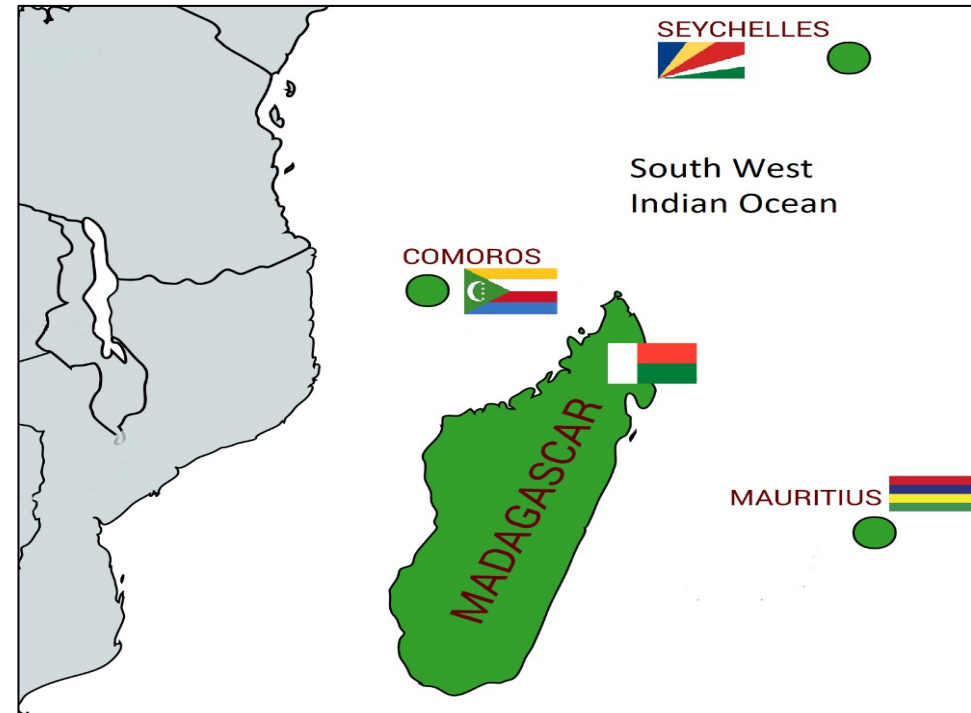




# BUILDING REGIONAL RESILIENCE THROUGH STRENGTHENED METEOROLOGICAL, HYDROLOGICAL AND CLIMATE SERVICES IN THE INDIAN OCEAN COMMISSION (IOC) MEMBER COUNTRIES

| Country                                    | GCF financing    | Accredited entity | Financial instrument | Year approved |
|--|------------------|-------------------|----------------------|---------------|
| Comoros, Madagascar, Mauritius, Seychelles | USD 52.8 million | AFD               | Grant                | 2021          |

- The Southwest Indian Ocean region is highly vulnerable to climate change impact, particularly tropical cyclones
- The project will support the countries in the region to overcome barriers in managing the risks and impacts of climate-induced disaster.
- By implementing a multi-hazard early warning system, the project will equip decision makers and communities with adequate tools to prepare for and adapt to climate variability and change.





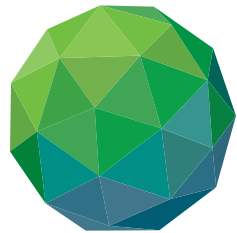
# IFAD AICRFP AFRICA-SAHHEL

| Country  | GCF financing  | Accredited entity | Financial instrument | Year approved |
|--|----------------|-------------------|----------------------|---------------|
| Burkina Faso, Chad, Gambia, Mali, Mauritania, Niger, Senegal | USD 83 million | IFAD              | Grant                | 2021          |

- Sahel region of Western Africa is exceptionally vulnerable to climate change
- The programme to build, strengthen and scale up the resilience and adaptive capacities of smallholder farmers and rural communities of 7 LDCs in Sahel region.
- It will provide capacity building and institutional development on integrated climate risks management.



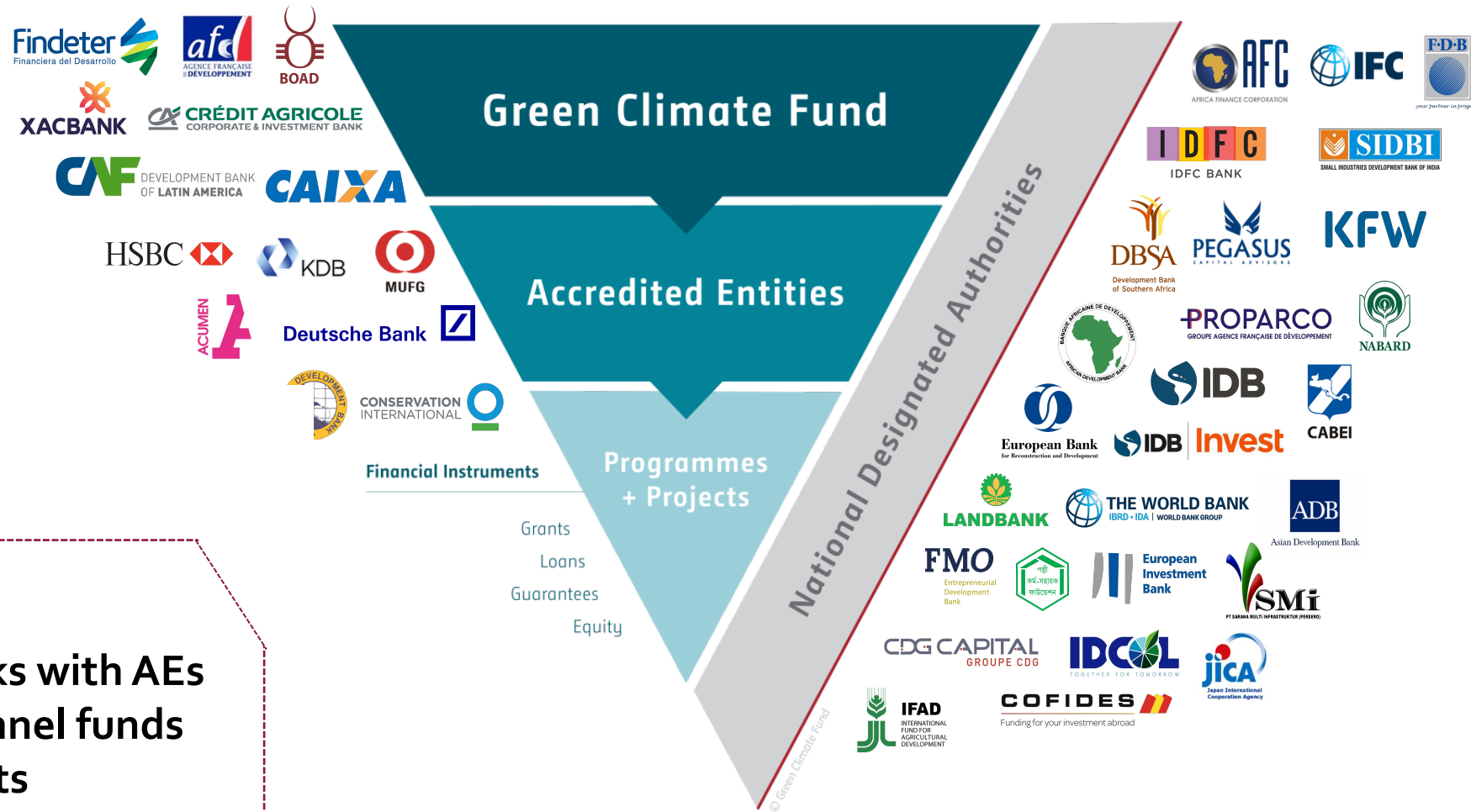




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**Raising  
ambition.**  
**Empowering  
action.**

# HOW DO WE WORK?



GCF works with AEs who channel funds to projects