Deutsches Institut für Entwicklungspolitik

German Development Institute

BMZ Federal Ministry for Economic Cooperation and Development

Workshop

Mobilising Long-Term Finance for Green Investments

Moving from Consultations to Implementation

November 8, 2013

Session 1: Mobilising green finance from a research perspective

- **IFC**, Aditi Maheshwari
- **CPI**, Martin Stadelmann
- **OECD**, Stephanie Ockenden
- **Frankfurt School** of Finance, Ulf Moslener
- **OECD**, Robert Youngman (by video)
- **Columbia University**, Stephany Griffith-Jones (by audio)
- **GIZ**, Roland Gross

Session 2: Mobilising green finance from the investors' perspective

- **BMZ**, Jürgen Zattler
- **Allianz**, Karsten Löffler
- **G2A2**, Simon Zadek
- **Oppenheim Asset Management**, Thomas Albert
- **EKF**, Mariane Søndergaard-Jensen
- **KfW**, Monika Beck

International Finance Corporation
World Bank Group

A Dialogue Platform for Inclusive Green Growth Investment:

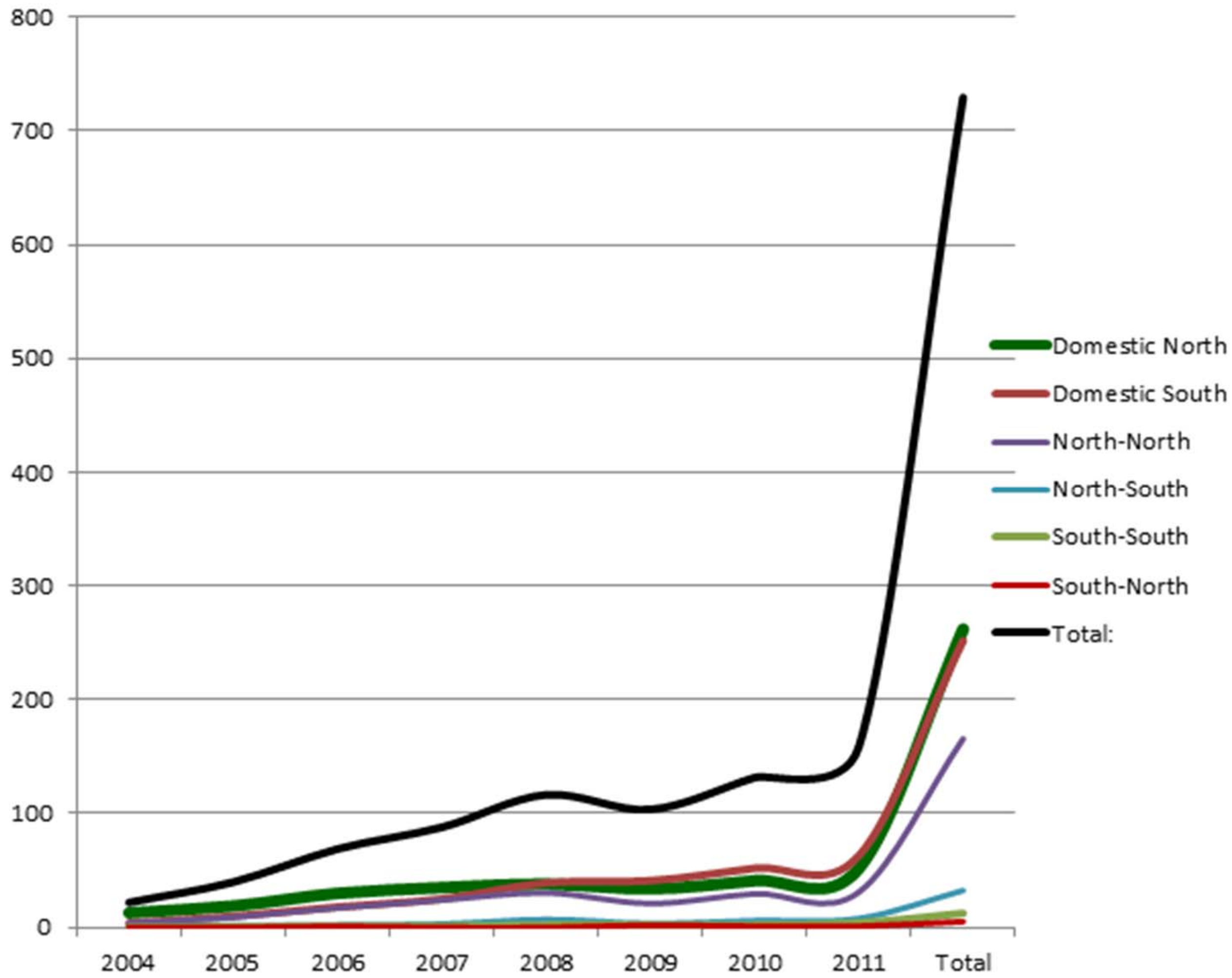
Expanded Stocktaking for the G20 Development Working Group

Aditi Maheshwari
Climate Business Department
8 November 2013

Stocktaking Overview

- IFC asked to expand 2012 stocktaking exercise: provide insights on how the Dialogue Platform on Inclusive Green Investments could engage new stakeholders e.g. institutional investors.
  - 160 publications and documents reviewed and summarized
  - IGG finance flows mapped and sectors, geographies, technologies underserved by private finance identified.
  - 7 case studies providing lessons learned across sectors on structuring investments; addressing barriers; and ensuring a supportive policy and enabling environment.
  - Portfolio analysis on innovative mechanisms to leverage private finance and how to scale them up.
  - Studied initiatives to engage institutional investors to identify best practices and gaps to inform approaches to be adopted by the DPIGI.

Domestic Finance Dominates Global Historical Clean Energy Investment Flows



Source: Green Investment Report: The Ways and Means to Unlock Private Finance for Green Growth- G2A2, (2012)

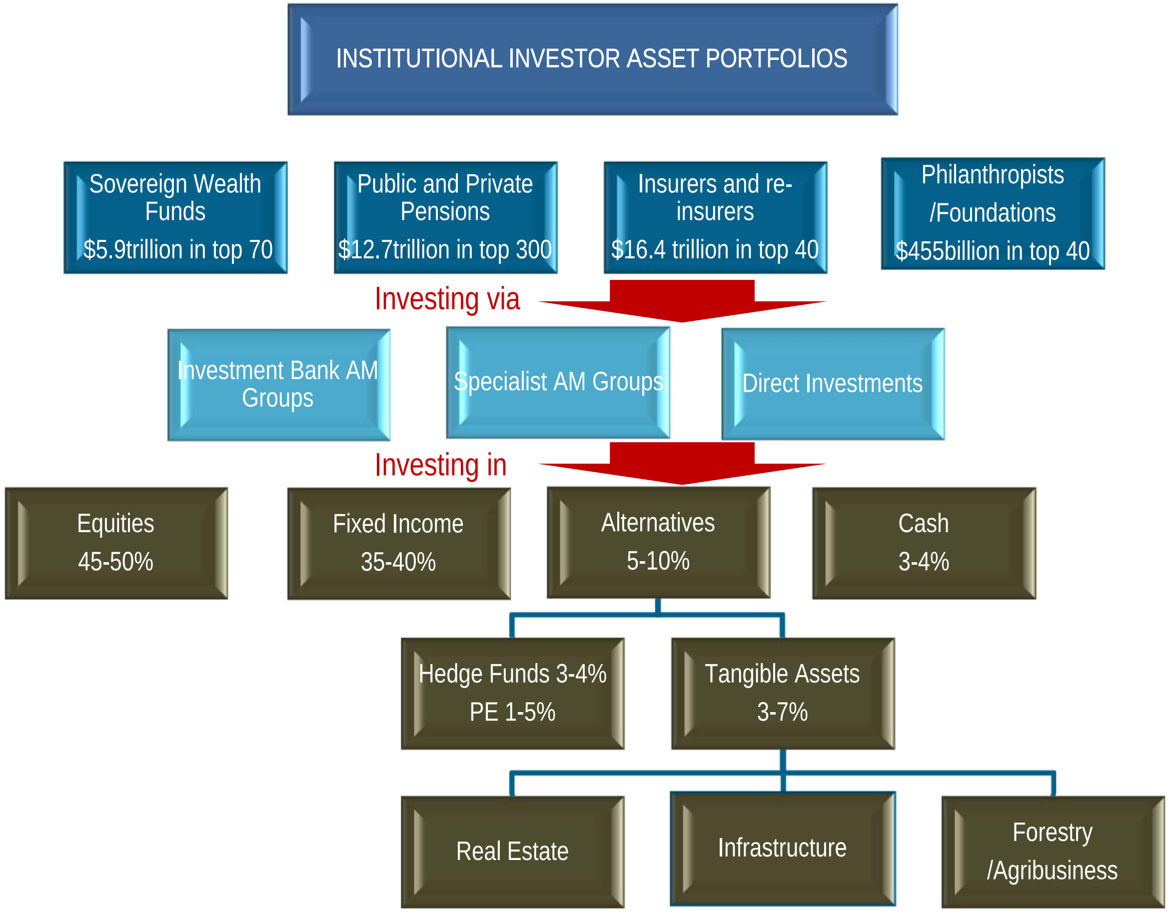
Key Findings

- **Mapping IGG Finance Flows:** Flows not tracked as IGG & difficult to disaggregate due to absence of consistent definitions.
  - Dominant source of funding for green investment is domestic or local finance in all regions;
  - Private sector accounts for the lion's share of total investments.
- **Literature Review:** no one-size-fits-all policy prescription:
  - Need effective policies to create investment-grade environments / compensate for market failures;
  - Importance of predictability and policy-certainty for investors.
- **Case Studies:** While financing is necessary for success, it is often not the primary barrier to greater IGG investment.
  - Poor policies, inadequately proven technologies or business models, or lack of consumer awareness and acceptance may be primary barriers.
  - Local factors and market considerations can make replication and scaling up even successful models complicated, resource intensive, and time-consuming.

Key Findings

- **Understanding Leverage:** No universally accepted definition.
  - Development banks can play a significant role in financing green investment and leveraging private sector resources to do so.
  - IFC financing shows each dollar it invested was leveraged around four times from private investors.
  - Greater leverage is achieved with well-established technologies; in newer areas concessional finance can often nudge investment.
- **Institutional investors:** A diverse, highly differentiated group subject to very different regulatory and management environments.
  - Introducing new asset classes or investment themes takes time to embed in decision making process.
  - Many yet to include sustainability and development in investment strategies due to numerous barriers identified.
  - While fiduciary duty remains overriding objective developing country pension funds are more likely to consider the broader socio-economic context in which they operate e.g. South Africa.

What are Typical Investor Portfolios & Allocations?

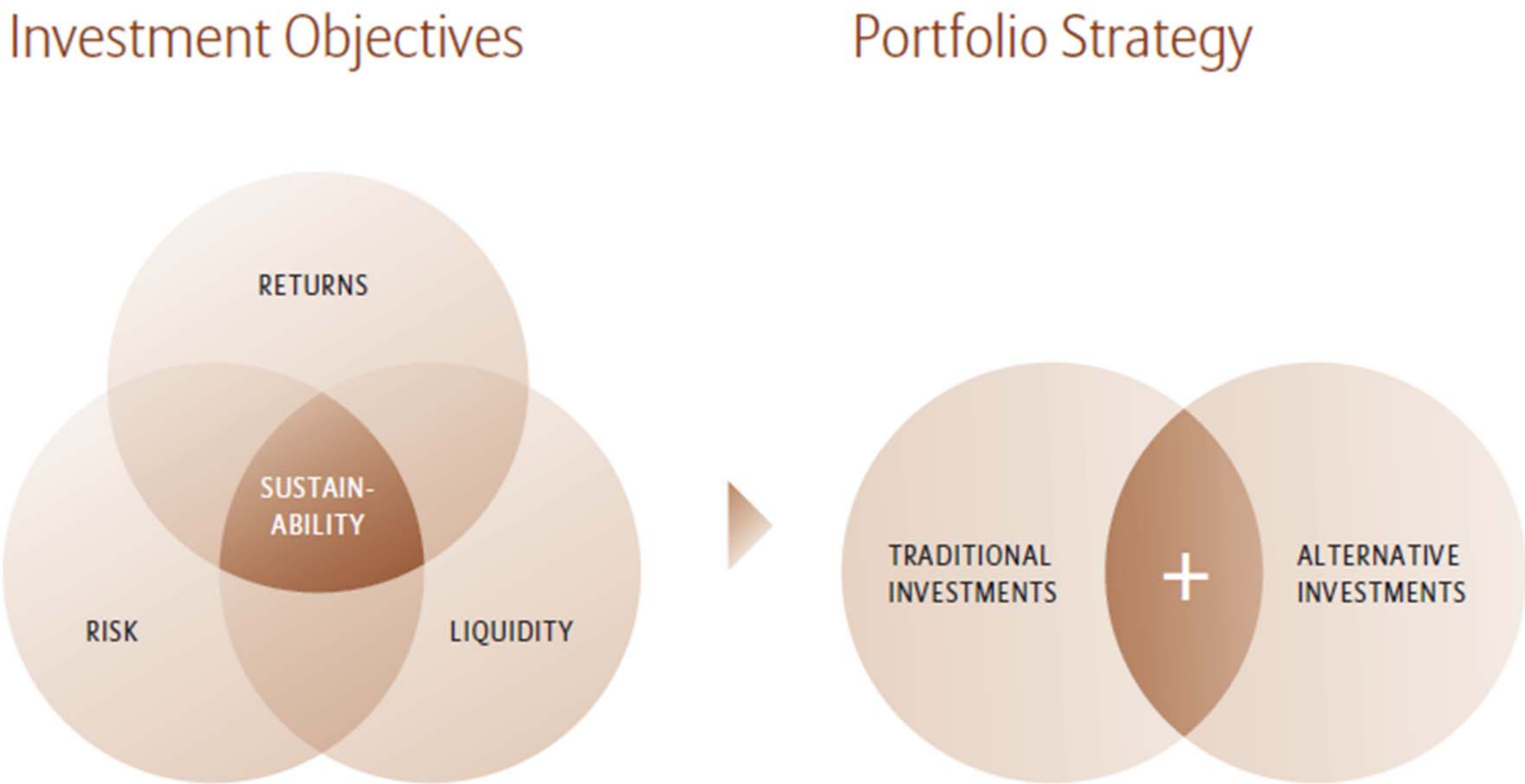


Data from industry publications current at June 2013.

Barriers to Investment

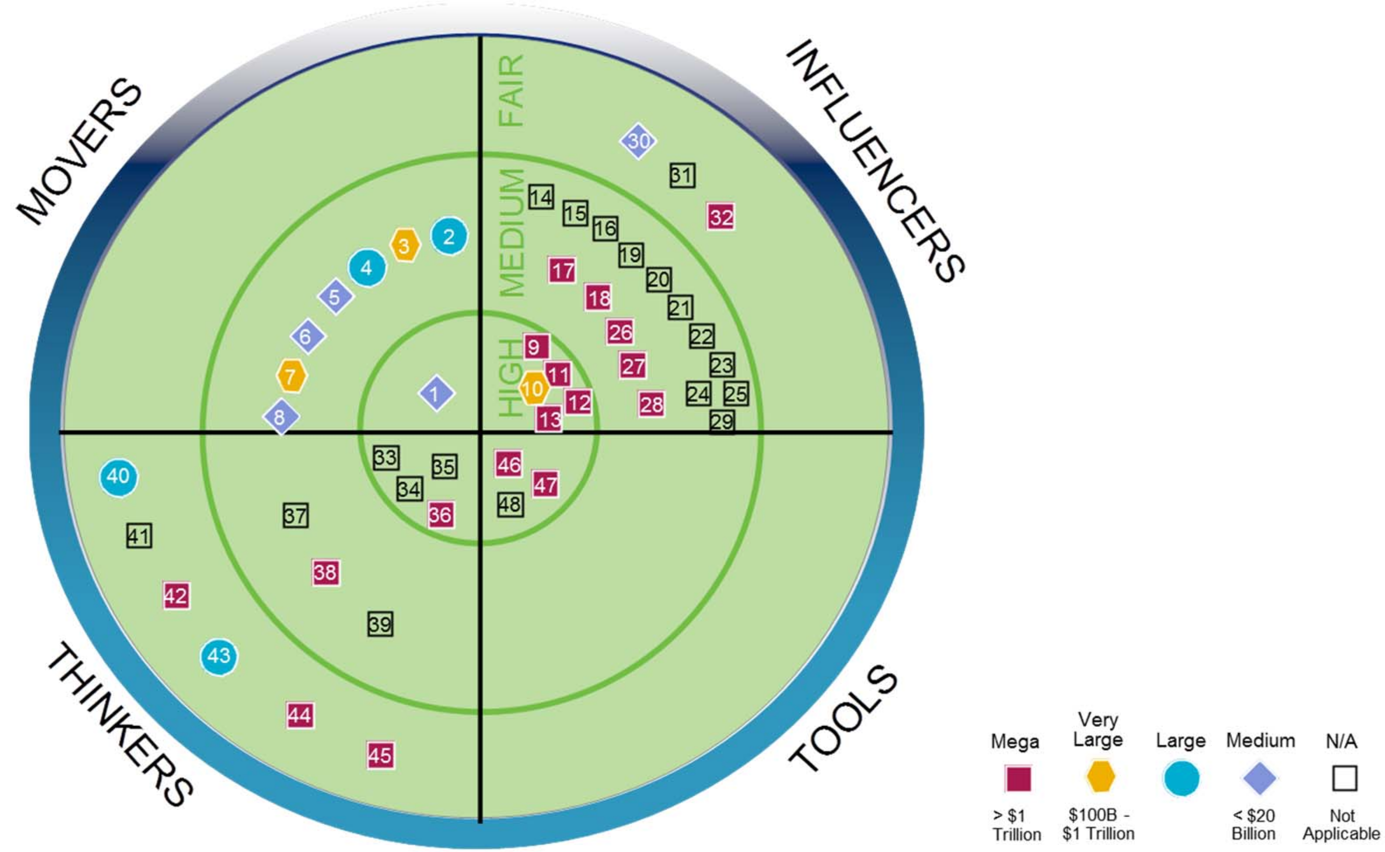
- Lack of an economic business case
- No material weight (if any) on “inclusive”
- Inconsistent terminology used
- Policy uncertainties
- Developing country risks
- Lack of track record
- Liquidity concerns
- Investment time horizons

Sustainability Needs to be an Integral, Targeted Part of Financial Investment Strategies



Source: Returns in Low-yield times: Alternatives for returns in a low interest rate environment, Allianz Global Investors, 2013

Mapping Progress by Investor Initiatives Toward Filling Gap Between Investor Interest and IGG Investment Needs



Broad Framework Objectives for the DPIGI

Issues for Possible Exploration by DPIGI

- **Exploring initiatives most likely to address BOP and IGG issues:**
  - The case studies – new technologies, new business models, and information provision – all have precedents in developed countries but relevance for the developing world, especially, least developed countries.
- **Scaling up existing activity:**
  - Green investment is currently taking place within existing policy frameworks and without special incentives. These activities provide a baseline for short-term opportunities to scale-up.
- **Tapping the institutional investor community:**
  - Change investor mindset from “green investment loses money” to green investment is seen as fundamental path to preserving long-term economic growth. Call for policy and regulatory change; to increase investor support for industry initiatives; and to facilitate the efficient deployment of capital for green investments.
- **Shifting metrics of financial return to development dividends:**
  - Financial returns omit many broader and longer-term development considerations. How can the two be combined to the benefit of all?

Mobilization of Green Finance

Workshop 'Mobilising Long-Term Finance for Green Investments'
8th November 2013
Bonn

Martin Stadelmann

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Who is Climate Policy Initiative (CPI)?

- Climate Policy Initiative (CPI) is a team of analysts and advisors that works to improve the **most important energy and land use policies** around the world, with a **particular focus on finance**.

- We answer pressing questions posed by decision makers through **in-depth analysis on what works and what does not.**

- We work **in places that provide the most potential for policy impact**, including Brazil, China, Europe, India, Indonesia, and the U.S.

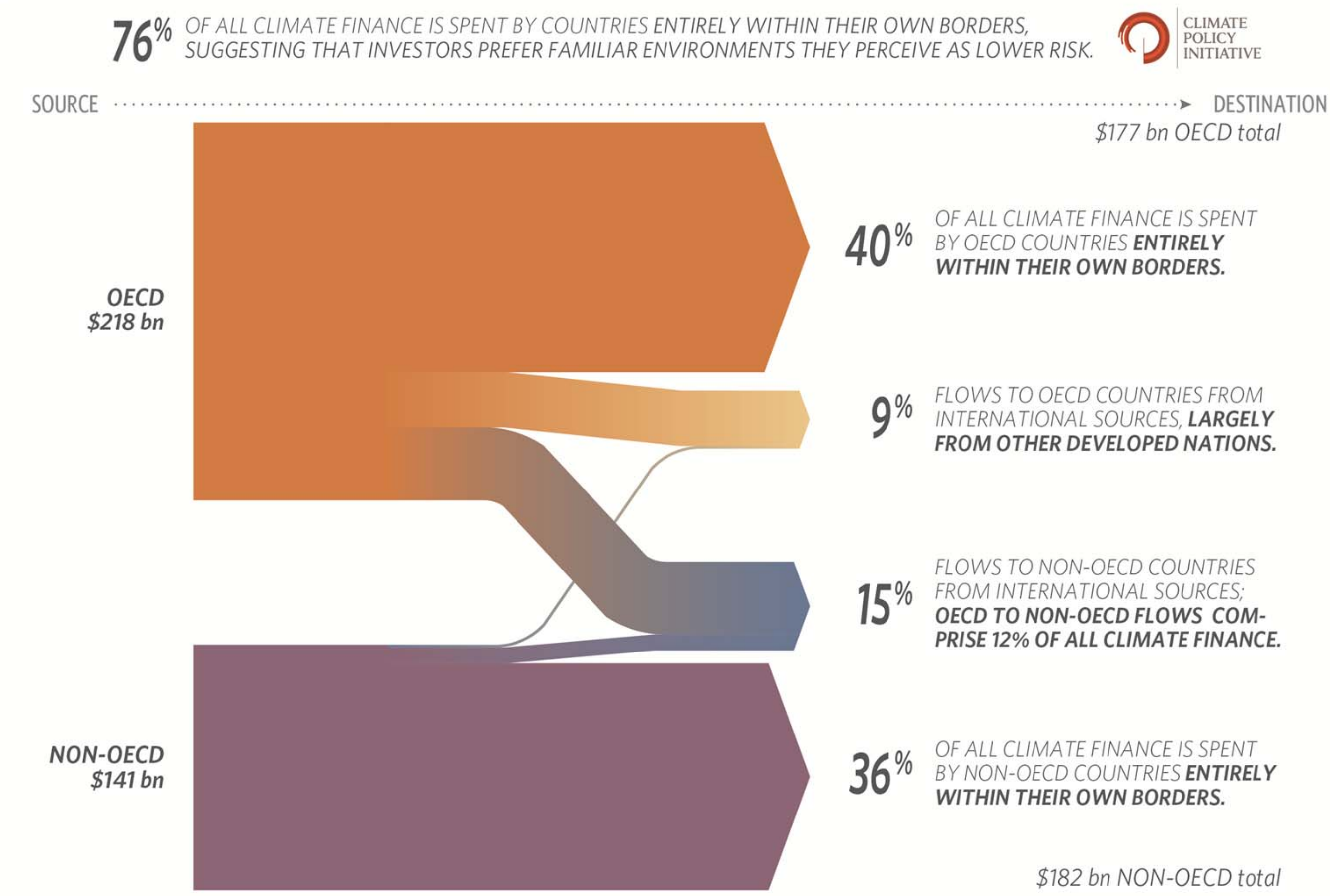
- Our work **helps nations grow while addressing increasingly scarce resources and climate risk.** This is a complex challenge in which national policy plays a crucial role

3 questions on mobilizing green finance

- **How much** green finance is **already flowing**?
- **Why** is the private sector **not investing more**?
- **How** can policymakers **scale up** green finance?

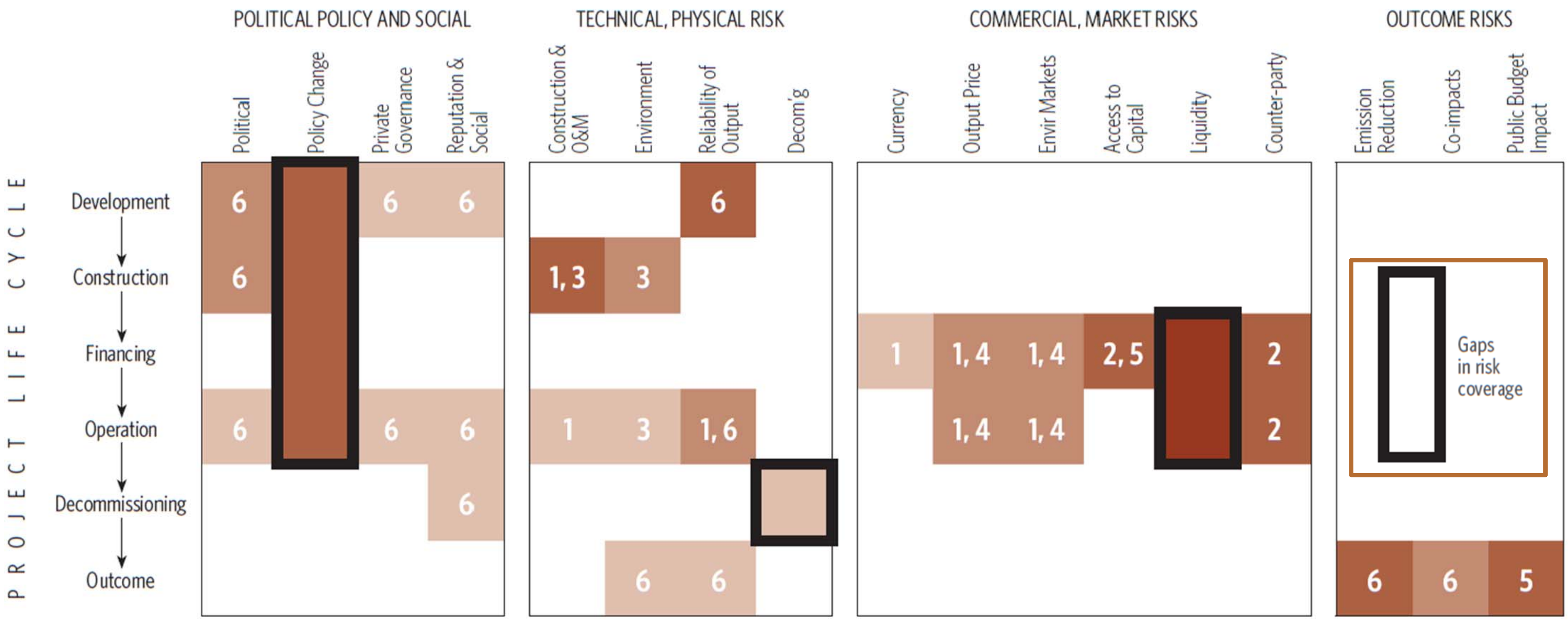
How much green finance is already flowing?

- Landscape of **Climate Finance** 2013 found **USD 359 billion in 2012**
- Far **below** even the most conservative estimates of **investment needs**
- 76% purely **domestic flows**



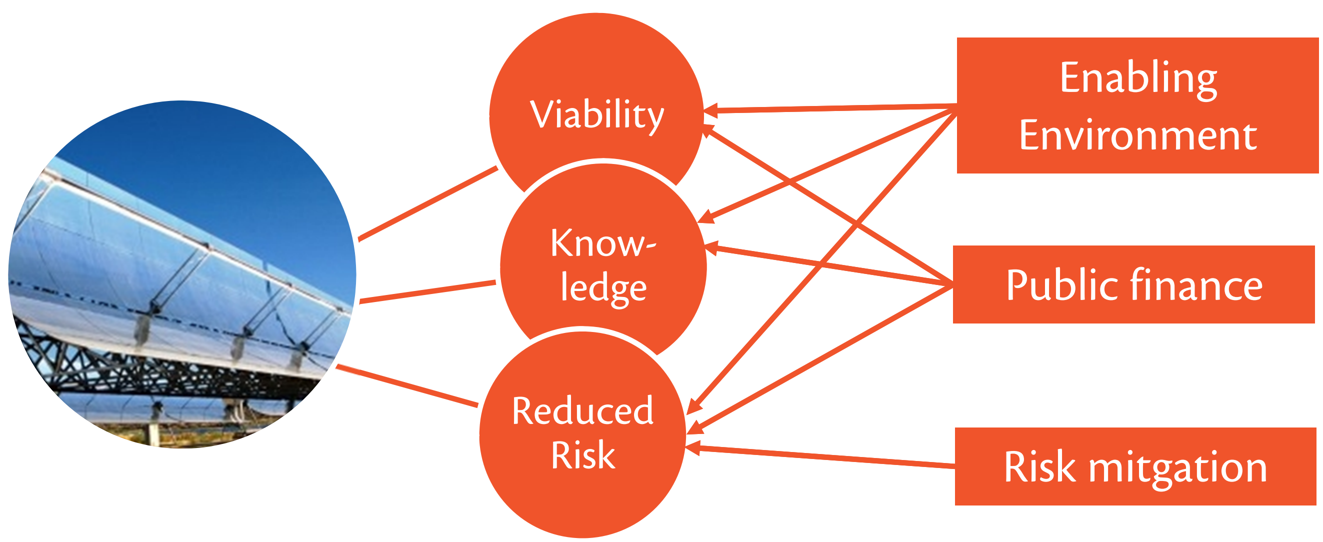
Why is the private sector not investing more?

- **Viability gap:** Green technologies cost more, have lower returns
- **Knowledge gap:** Investment opportunities not well or not all known
- **Risk gap:** Investors perceive a range of risks in green investments, not all risks covered by existing risk mitigation instruments



How can policymakers scale up green finance?

- Develop well-articulated **domestic enabling environments** to encourage further private investment.
- Continue to invest in, and ensure effective use of, **international public finance**, which play a critical role in facilitating low-carbon and climate-resilient investments (consider specific context!)
- Provide **new and improved mechanisms to address risk**, e.g. policy risk insurance and first loss mechanisms



3 key messages coming from CPI research

- **How much green finance is already flowing?**
  - Global climate flows have plateaued at **USD 359 billion in 2012**
  - This is **far below investment needs**
- **Why is the private sector not investing more?**
  - **Viability** gap
  - **Knowledge** gap
  - **Risk** gap (particularly policy and liquidity risks)
- **How can policymakers can scale up green finance?**
  - Develop well-articulated **domestic enabling environments**
  - Continue to invest in, and ensure effective use of, **international public finance**
  - Provide **new and improved mechanisms to address risk**

Further Reading

- The Landscape of Climate Finance 2013
  http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/
- Case studies on Climate Finance effectiveness
  http://climatepolicyinitiative.org/publication/san-giorgio-group-case-studies/
- Studies on Risk Mitigation instruments
  http://climatepolicyinitiative.org/sgg/publication/risk-gaps-2/

Thank you!

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Types of perceived risks in green investments

Figure 1: Perceived Risks Classification

POLITICAL, POLICY, SOCIAL RISKS

Sources:

- Actions of governments and citizens

Enhanced by:

- Reliance on public financial and institutional support
- Investment horizon longer than policy cycle
- Environmental impact of some technologies creating social resistance

TECHNICAL, PHYSICAL RISKS

Sources:

- Technology characteristics
- Environment/sites impacts

Enhanced by:

- Not yet proven green technologies
- Lack of accurate technology performance data
- Uncertainty over measurements of the natural resources availability

MARKET, COMMERCIAL RISKS

Sources:

- Valuation of input and output
- Cost and availability of financial resources

Enhanced by:

- High upfront costs
- Long investment horizon and payback periods
- Financiers' unfamiliarity with green investments
- Complexity of infrastructure investments

OUTCOME RISKS

Sources:

- Commitment of limited public resources
- Uncertainty of delivering public interest goals objectives

Enhanced by:

- Amount of public support required
- Current budget constraints

A FOCUS ON PUBLIC CLIMATE FINANCE

Presented by Stephanie Ockenden
Economist/Policy Analyst
Development Co-operation Directorate, OECD

OECD
BETTER POLICIES FOR BETTER LIVES

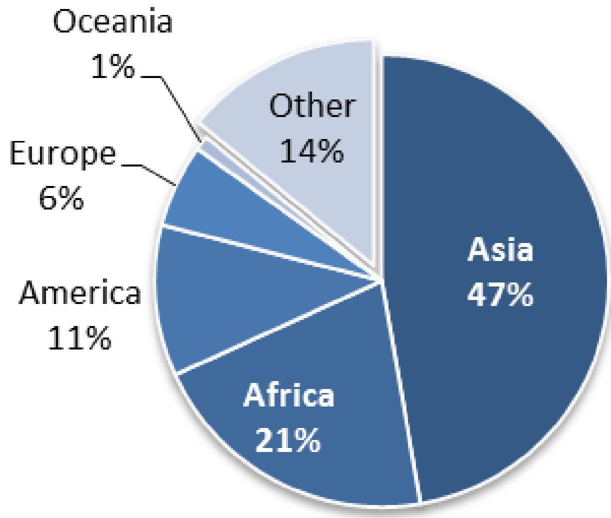
OECD DAC Statistics on Development Finance & Rio Markers

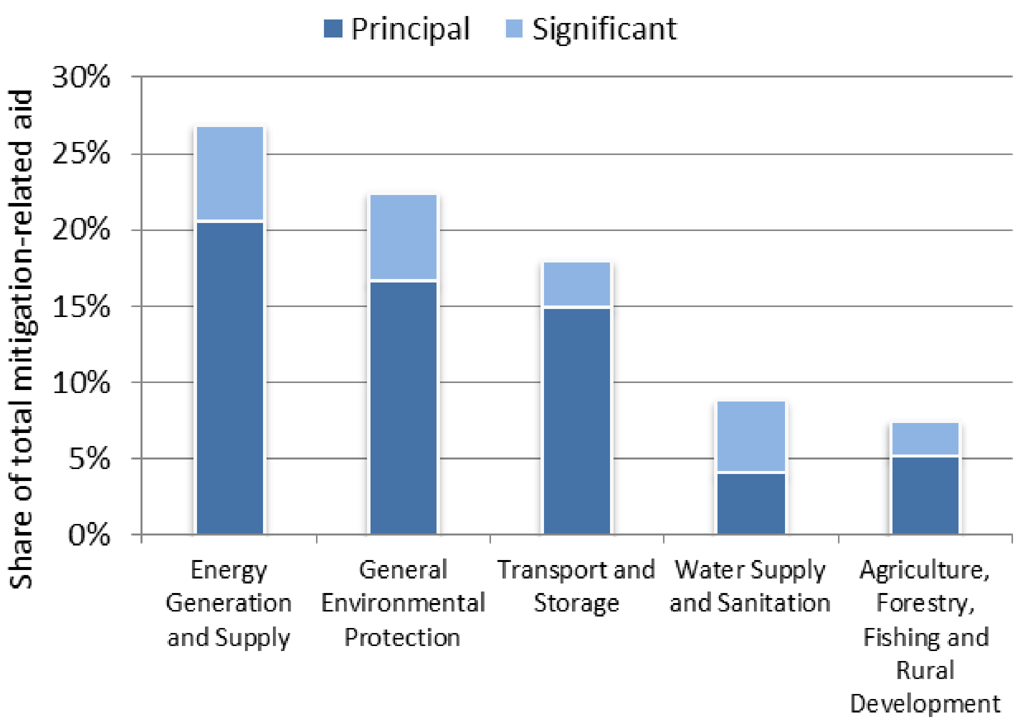
- OECD DAC monitoring of development finance supports greater **transparency**, **accountability** & more **efficient allocation**
- Since 1998 "**Rio markers**" tracking Official Development Assistance (ODA) targeting objectives of Rio conventions; biodiversity, desertification & climate
- Enables tracking of where donor support and ODA is targeted; across sectors, countries, and through which instruments and channels……
- Significant on-going work to track beyond-ODA….and considering measuring and monitoring of external development finance

Mitigation-related Aid: $11.4 to 16.1bn* per year in bilateral ODA over 2010-2011

- Middle Income Countries receive 65%, in particular in Asia.

- Substantially high share (57%) of concessional loans





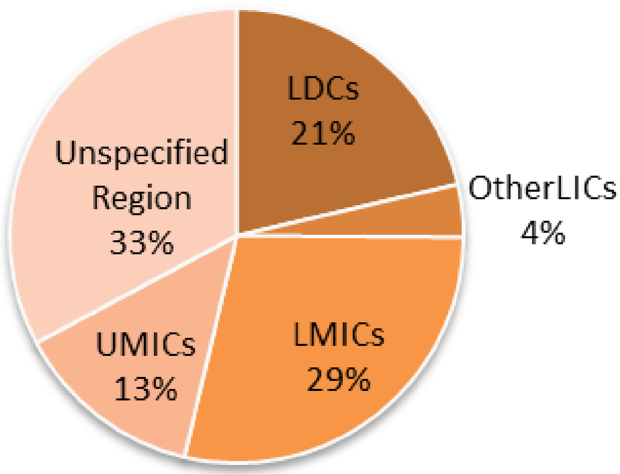
- Key economic infrastructure sectors - *energy, transport* and *water* - receive 50%

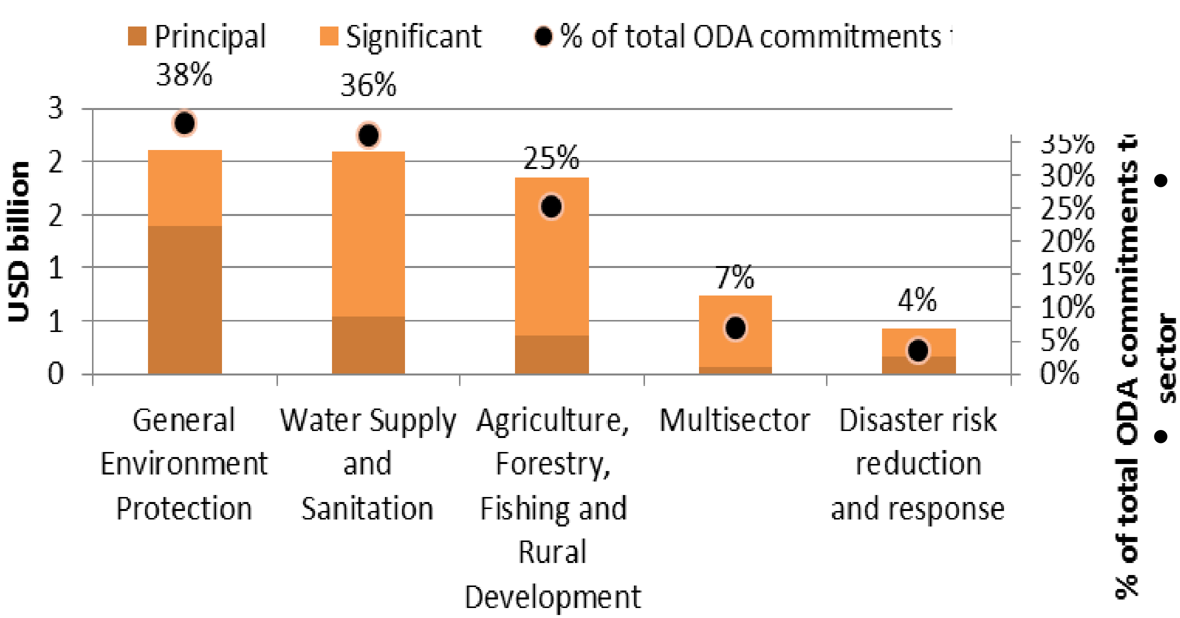
- *General environmental protection* and *forestry* important for capacity building and TA activities.

Source: OECD DAC CRS, Trends 2006-11 *data includes overlap with adaptation

Adaptation-related Aid: $2.7 to 8.8bn* per year in bilateral ODA over 2010-2011

- LDCs receive 21% of total adaptation-related aid
- High number of country recipients
- Higher use of grants - 69% of total





- Concentration in environment-related capacity building
- Key sectors – water and agriculture, forestry, fishing and rural development.

Source: OECD DAC CRS, Trends 2010-11 . *data includes overlap with mitigation

OECD DAC work to improve data quality and coverage of external development finance

(Flow) category	Sectoral info	Climate finance	DAC efforts to improve data
ODA	✓	✓	Rio Markers quality reviews; Workshops, Proposed Task Team Capturing MDB data
Other official flows	✓		Work with DFIs to increase reporting of their activities
Private grants	✓		Data collection with US Foundation Center
Export credits	OECD TAD Sector understandings	Climate change sector understanding	Streamlining exercise with OECD/TAD
FDI	ISIC Industry sector classification		Streamlining exercise with OECD/DAF
Guarantees	Amount mobilised calculated through survey - tentative climate data		

- **Research Collaborative on Tracking Private Climate Finance**

THANK YOU!

For more information:

Stephanie.OCKENDEN@oecd.org

OECD DCD Environment and Development Homepage

www.oecd.org/dac/environment-development

OECD DAC-CRS - Methods and data on climate change financ

www.oecd.org/dac/stats/rioconventions.htm

BETTER POLICIES FOR BETTER LIVES

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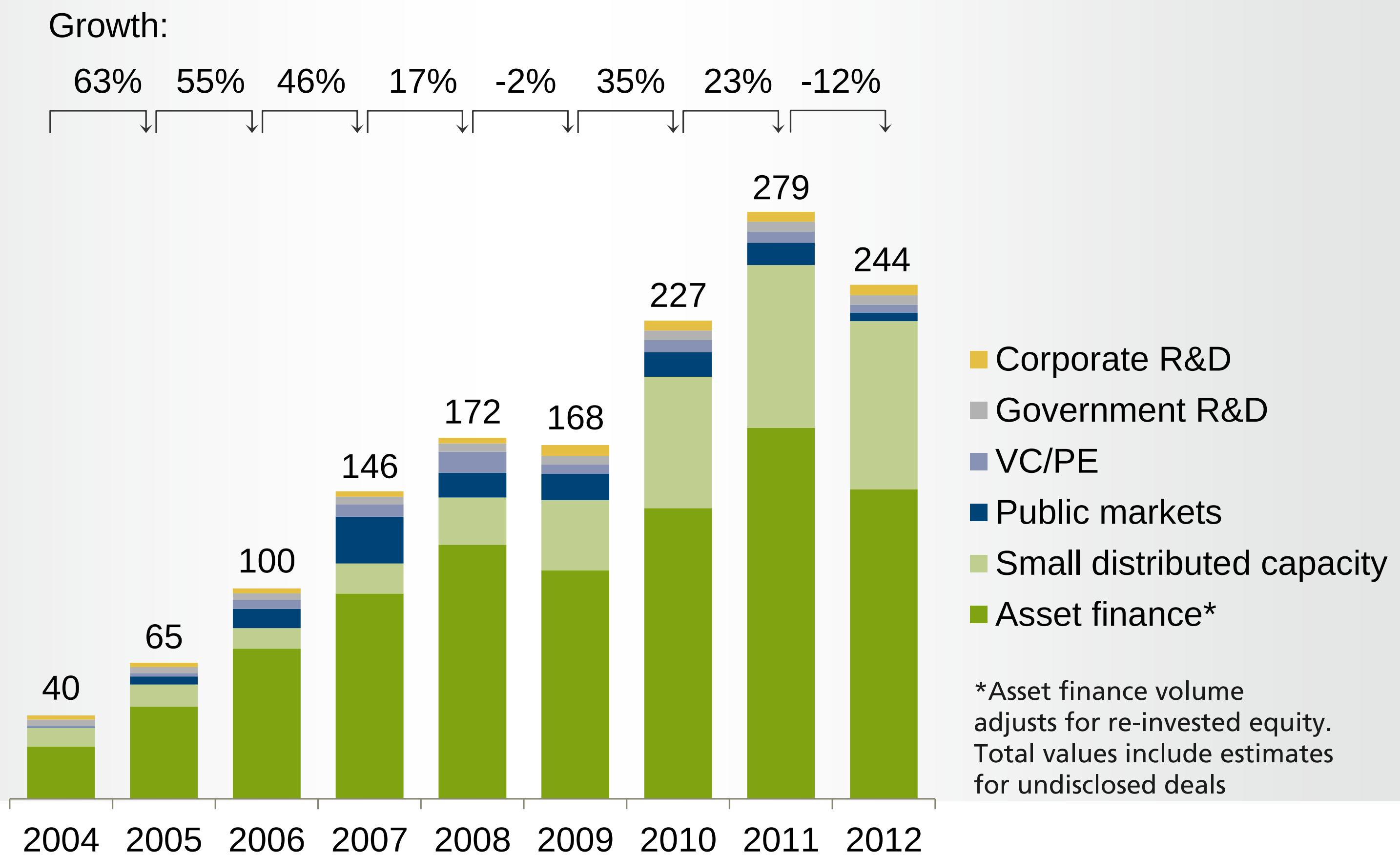
for Climate & Sustainable Energy Finance

MOBILIZING INVESTMENT
-
STAUS QUO & CHALLENGES

BMZ-BONN, NOVEMBER 8, 2013
Ulf Moslener

Global new investment in renewable energy by asset class, 2004-2012, $bn



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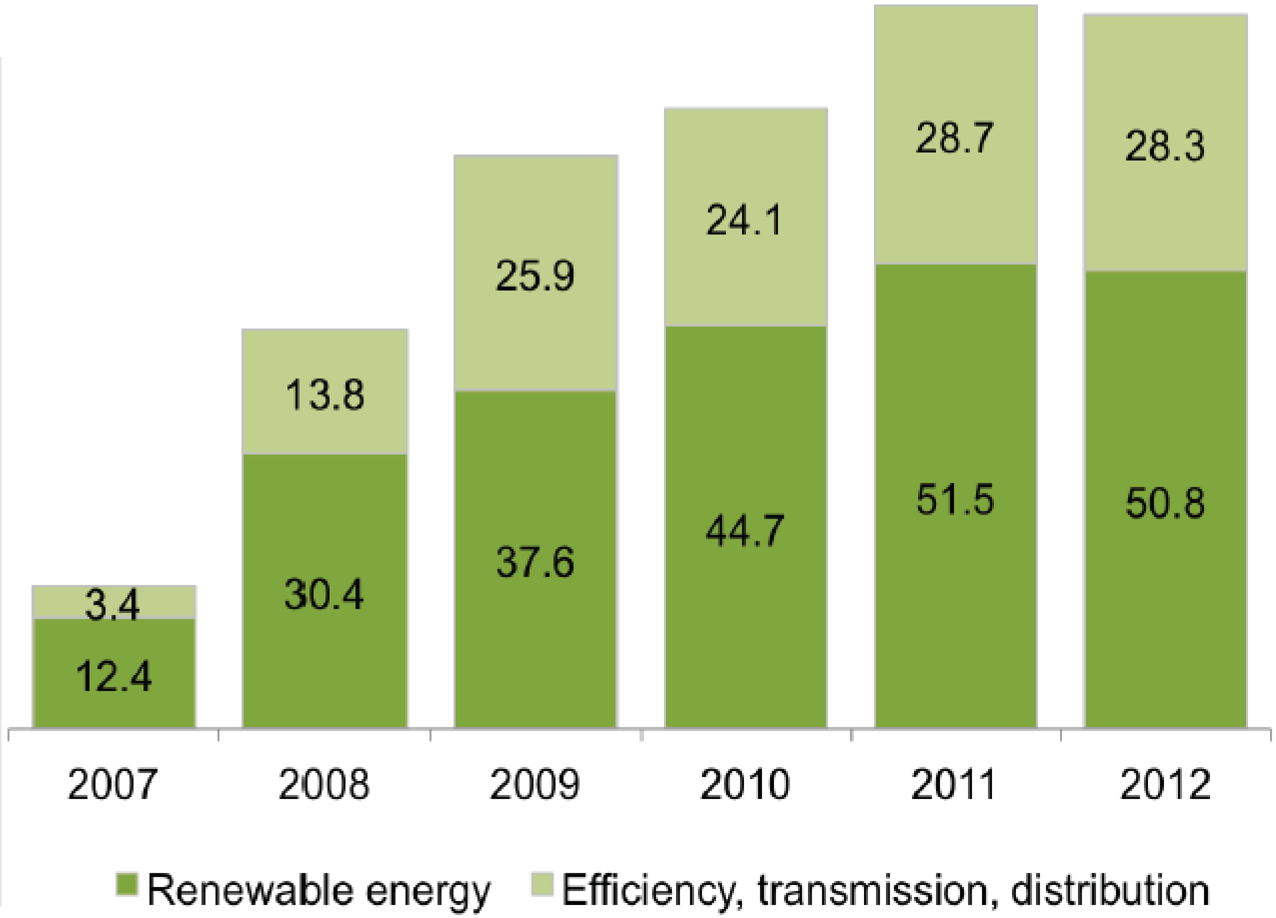
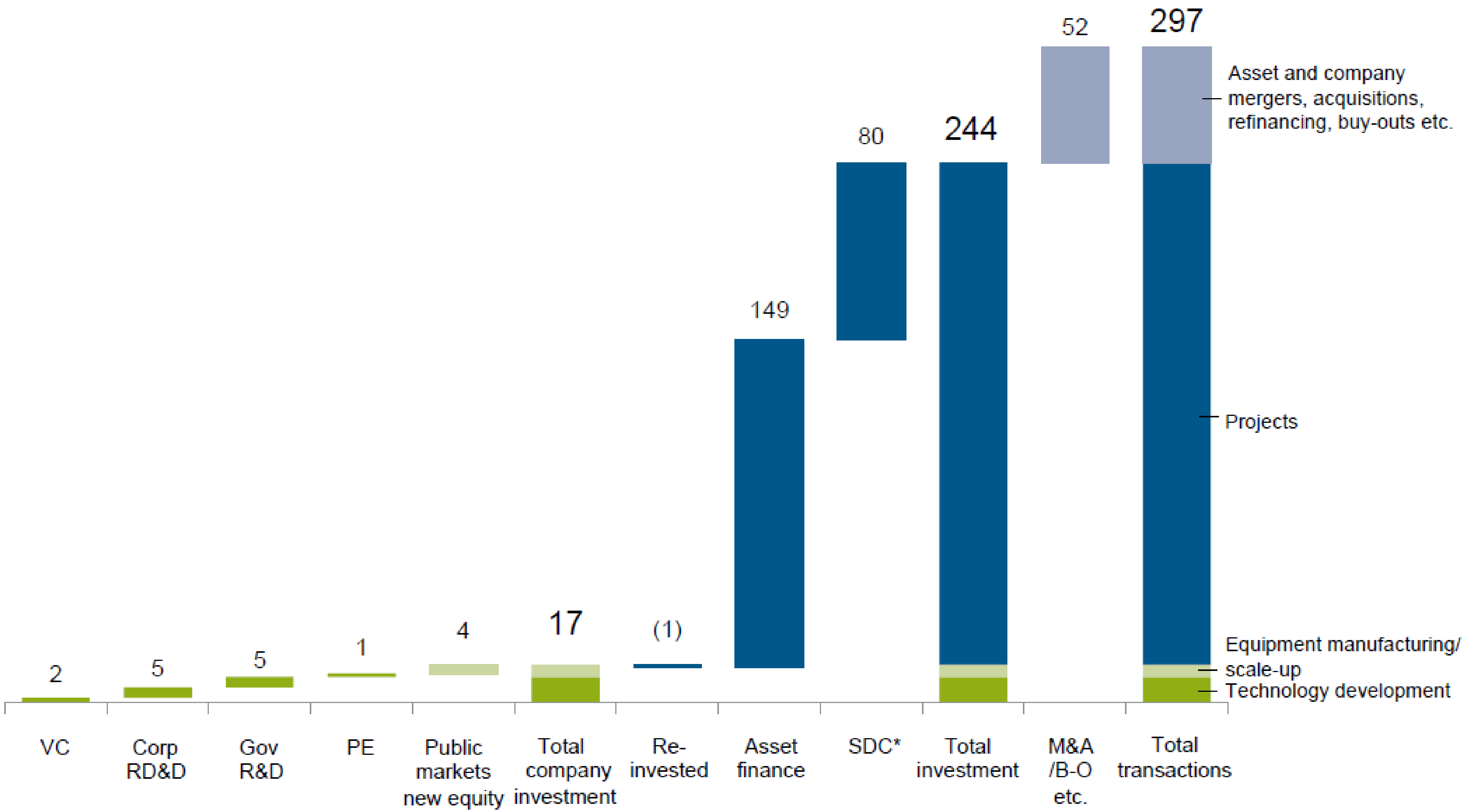
Development Bank Finance for broad Clean Energy (bn $)



- KfW largest Player
- …then China Dev. Bank
- …then BNDES
- …then EIB
- …then WB

Global Transactions - Renewables, 2012, $ bn



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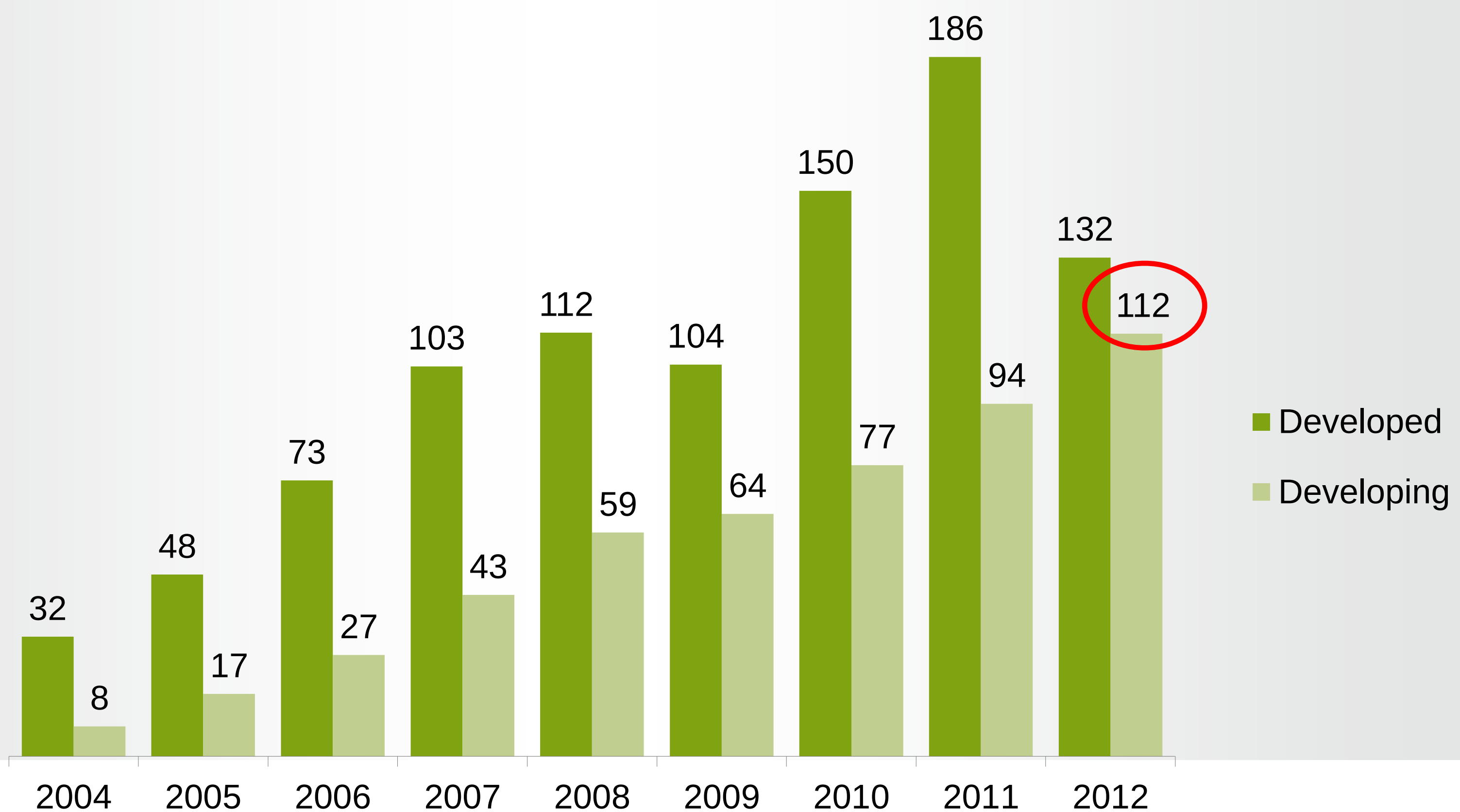
Global new investment in renewable energy: developed v developing countries, 2004-2012, $bn



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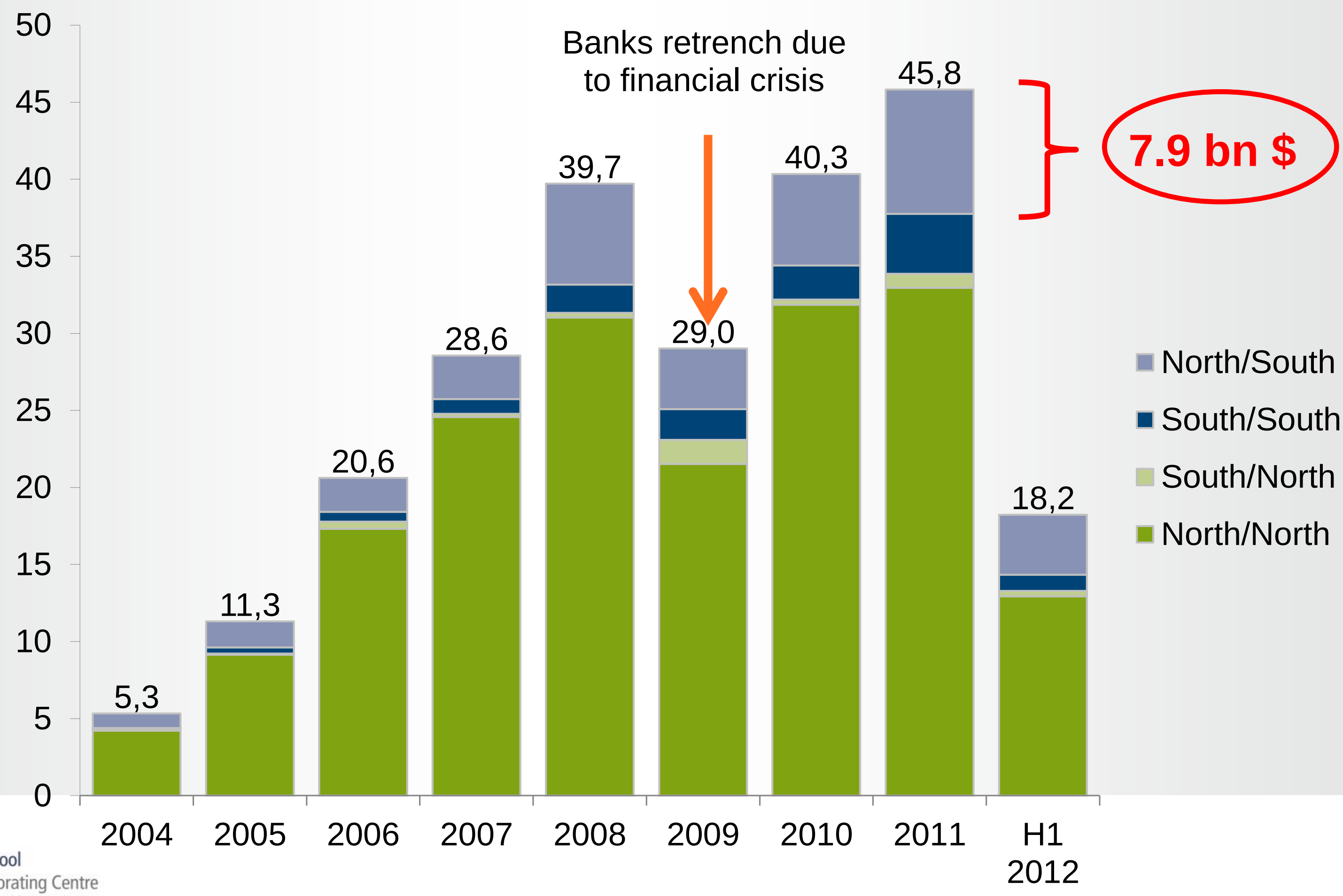
Footnote: Developed volumes are based on OECD countries excluding Mexico, Chile, and Turkey.

Cross-border investment volumes by regional flow, 2004-H1 2012, $ bn



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Some Challenges & Research Gaps

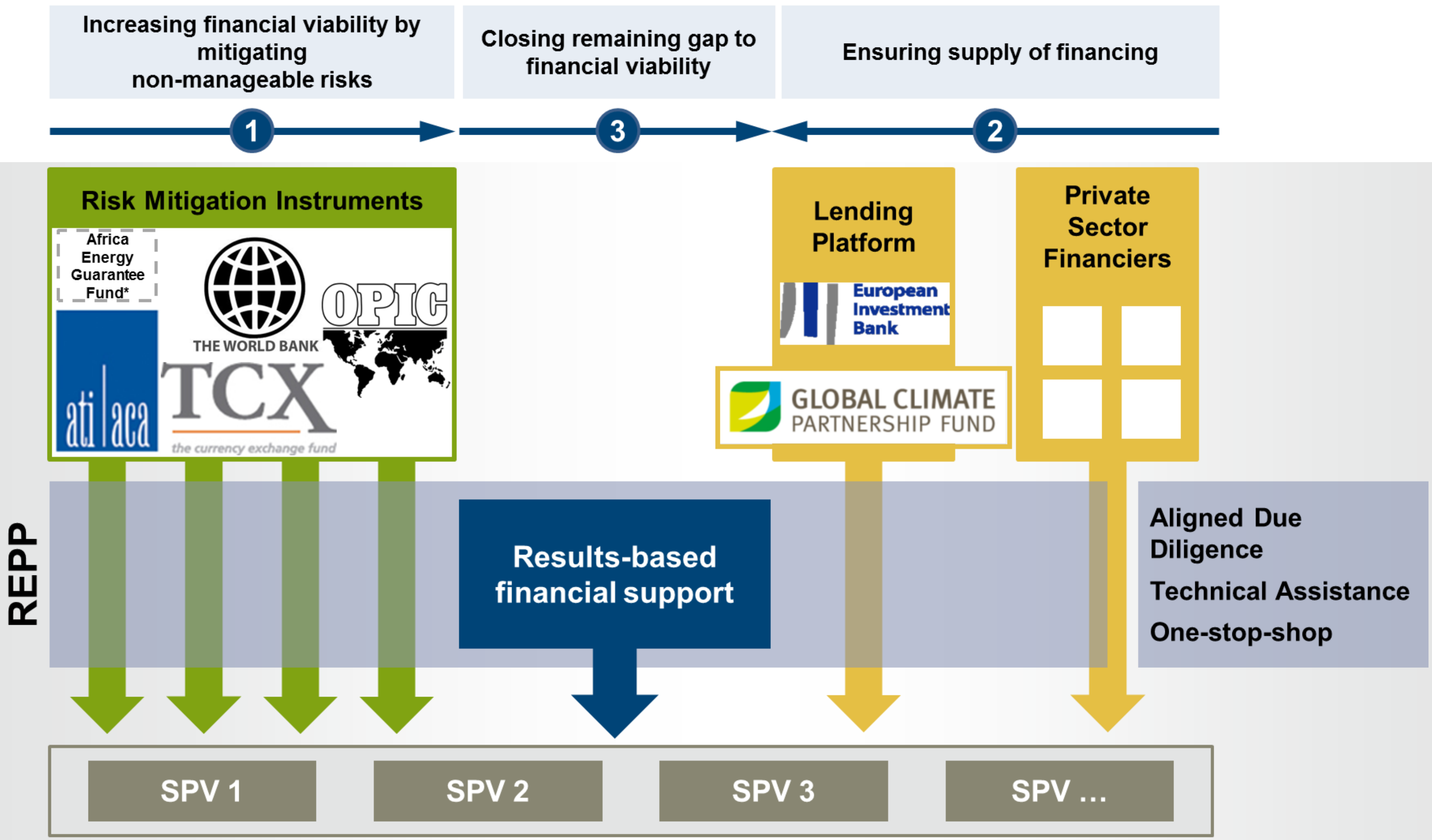
More academic…

- What is the optimal **way/level of risk taking** by public actors? („costs“ of risk taking to public versus different private actors)
- How to send a credible **long-term signal**?

More applied…

- How to accelerate the process **from project idea to bankable project**?
- How to realize potential of large number of small-scale projects?
- How to use the comparative advantages of local actors?

One Approach: **R**enewable **E**nergy **P**erformance **P**latform



** AEGF is a new vehicle that EIB is setting up to increase the supply of risk mitigation instruments for projects meeting SE4All criteria*

THANK YOU !

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INCREASING GREEN INFRASTRUCTURE INVESTMENT BY INSTITUTIONAL INVESTORS

CHALLENGES AND SOLUTIONS

Robert Youngman

OECD, Environment Directorate

Mobilising Long-term Finance for Green Investments:

Moving from Consultations to Implementation

GMZ-DIE workshop

Bonn, 8 November 2013

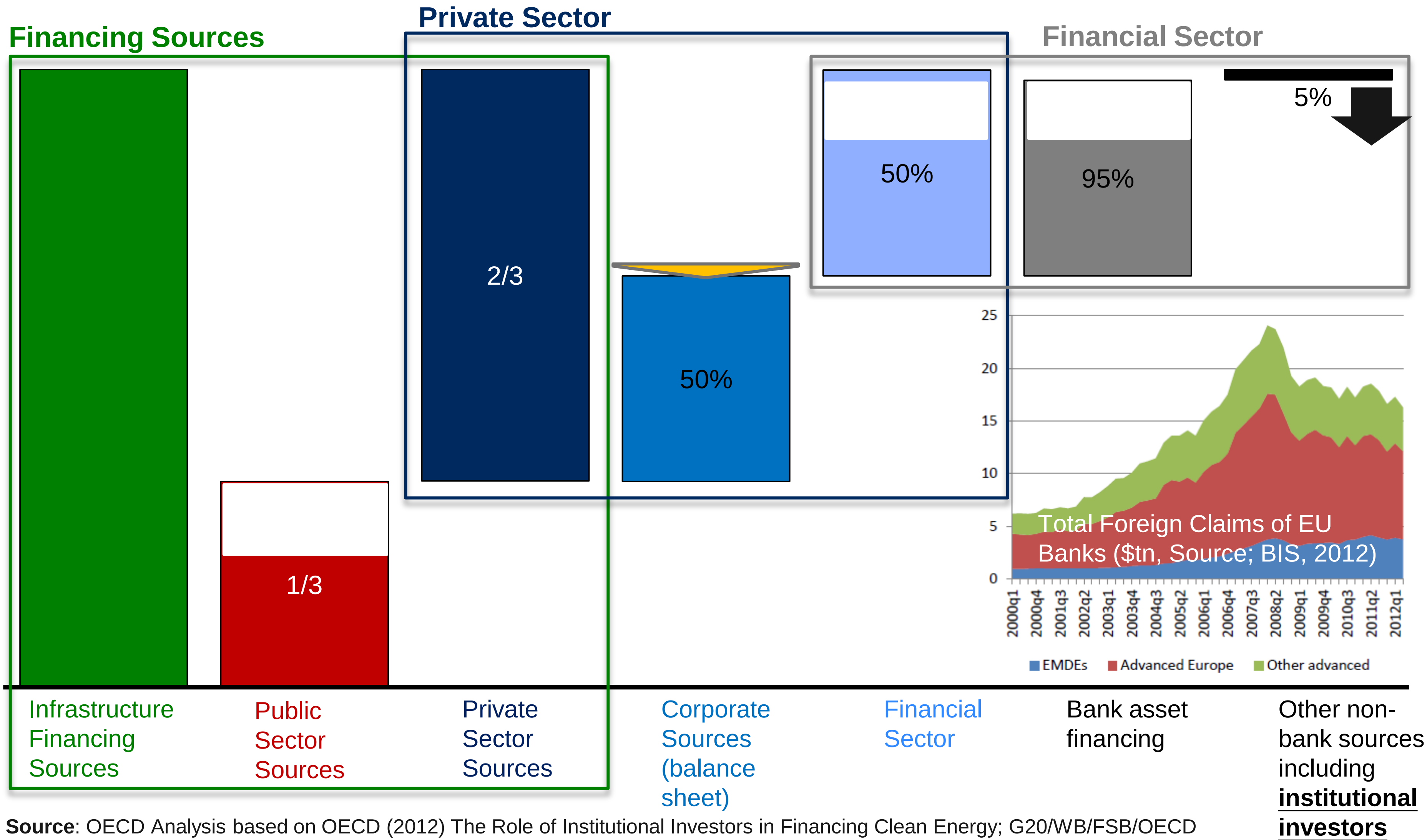
BETTER POLICIES FOR BETTER LIVES

OECD work on mobilising private investment in green infrastructure

1. Domestic policy frameworks for green investment

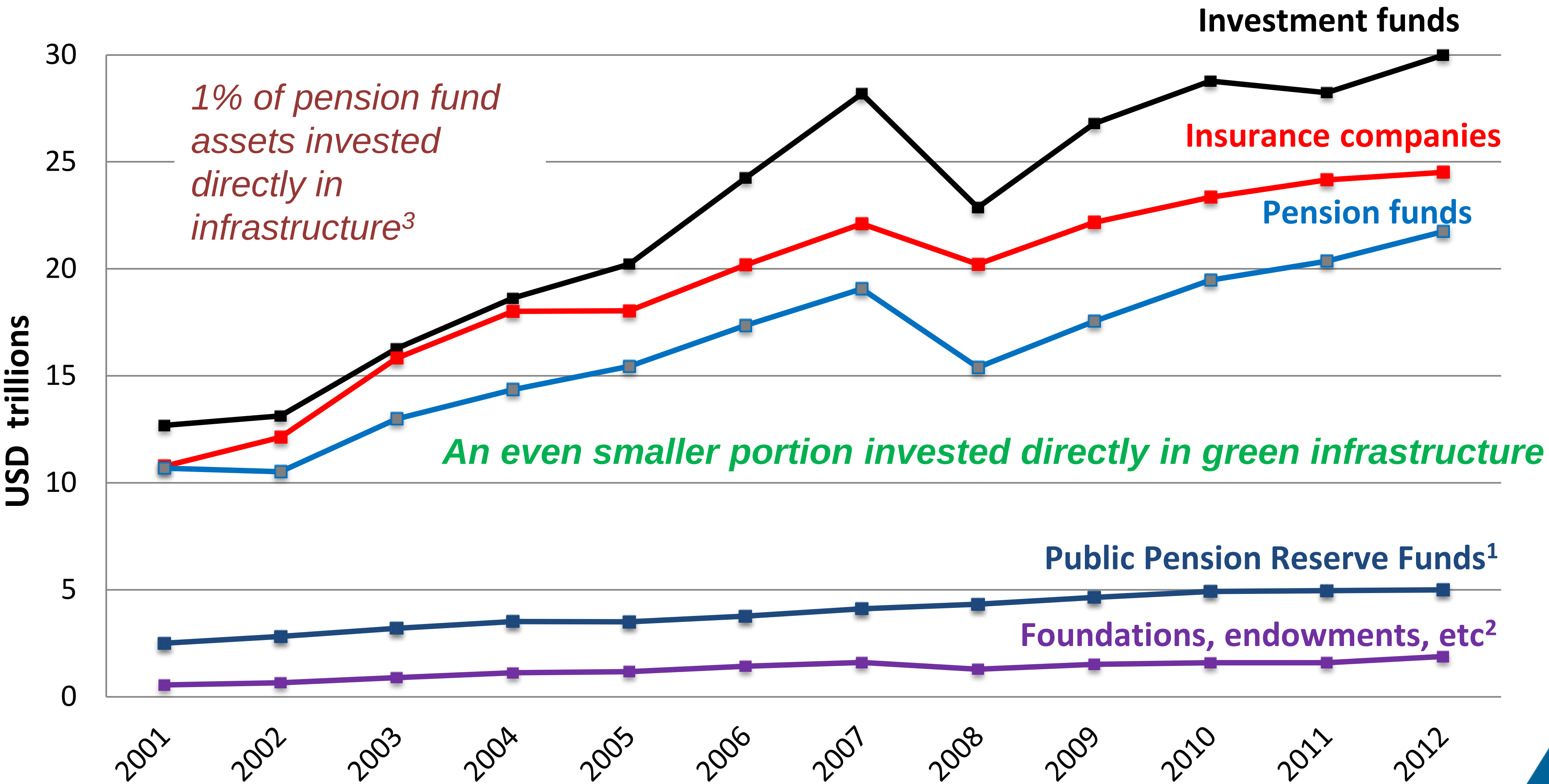
2. Institutional investors and green investment

Landscape of investment financing sources for green infrastructure in OECD countries (illustrative example, varies by country)



Source: OECD Analysis based on OECD (2012) The Role of Institutional Investors in Financing Clean Energy; G20/WB/FSB/OECD (2012) European Bank Deleveraging and Global Credit Conditions; G20/OECD (2012) The Role of Banks, Equity Markets and Institutional Investors in Long-Term Financing for Growth and Development

$83 trillion in assets under management by institutional investors in the OECD (2012)



Note: Book reserves not included. Pension and insurance companies' assets include assets invested in mutual funds, which may be also counted in investment funds.
(1) Public Pension Reserve Funds (PPRFs) e.g. Government Pension Fund – Norway or Unites States' Social Security Trust Fund.
(2) Other forms of institutional savings include foundations and endowment funds, non-pension fund money managed by banks, private investment partnership and other forms of institutional investors.
(3) Source: OECD Large Pension Fund Survey (2013)
Source: OECD Global Pension Statistics, Global Insurance Statistics and Institutional Investors databases, and OECD estimates.

What are the barriers to institutional investment in green infrastructure?

- Weak, uncertain or counterproductive environmental, energy and climate policies
- Regulatory policies with unintended consequences
- A lack of suitable financial vehicles with attributes sought by institutional investors
- A shortage of objective information and data to assess transactions and underlying risks

Governments can take 7 actions to address investment barriers

- **Ensure a stable and integrated policy environment**
- **Address market failures (including a lack of carbon pricing)**
- **Provide a national infrastructure road map**
- **Facilitate the development of appropriate financing vehicles or de-risking instruments**
- **Reduce the transaction costs of green investment**
- **Promote public-private dialogue on green investments**
- **Promote market transparency and improve data on infrastructure investment**

Limited investment to date, but great potential for green infrastructure investment by institutional investors

Illustrative Facts

The amount of pension funds' asset allocation in 2012 that is directly invested in infrastructure < **1%**, **green component even smaller**[1]

- Over the past decade, 25 insurers have collectively made **USD 40 billion** in investments relevant to climate and environmental concerns[2]

- In 2013, **over 50%** of installed wind turbines in Europe are owned by institutional investors[3]

Future work by the OECD

- Building on the latest OECD Working Paper "Institutional Investors and Green Infrastructure Investments: Selected Case Studies":

1. Further study on **appropriate green financing vehicles and de-risking instruments**
2. Creating a **platform for dialogue** to assist governments and investors to learn from the experiences and share best practices to replicate them

Sources: 1) Della Croce, R. (2012), "Trends in Large Pension Fund Investment in Infrastructure", OECD Working Papers on Finance, Insurance and Private Pensions, No. 29, OECD Publishing, Paris; 2) IFC (2013), A Dialogue Platform for Inclusive Green Growth Investment: An Expanded Stocktaking for the G20 Development Working Group, IFC/World Bank Group, Washington D.C.; 3) CohnReznick (2013), 'Green Energy 2013', CohnReznick report produced by Clean Energy Pipeline

Thank you!

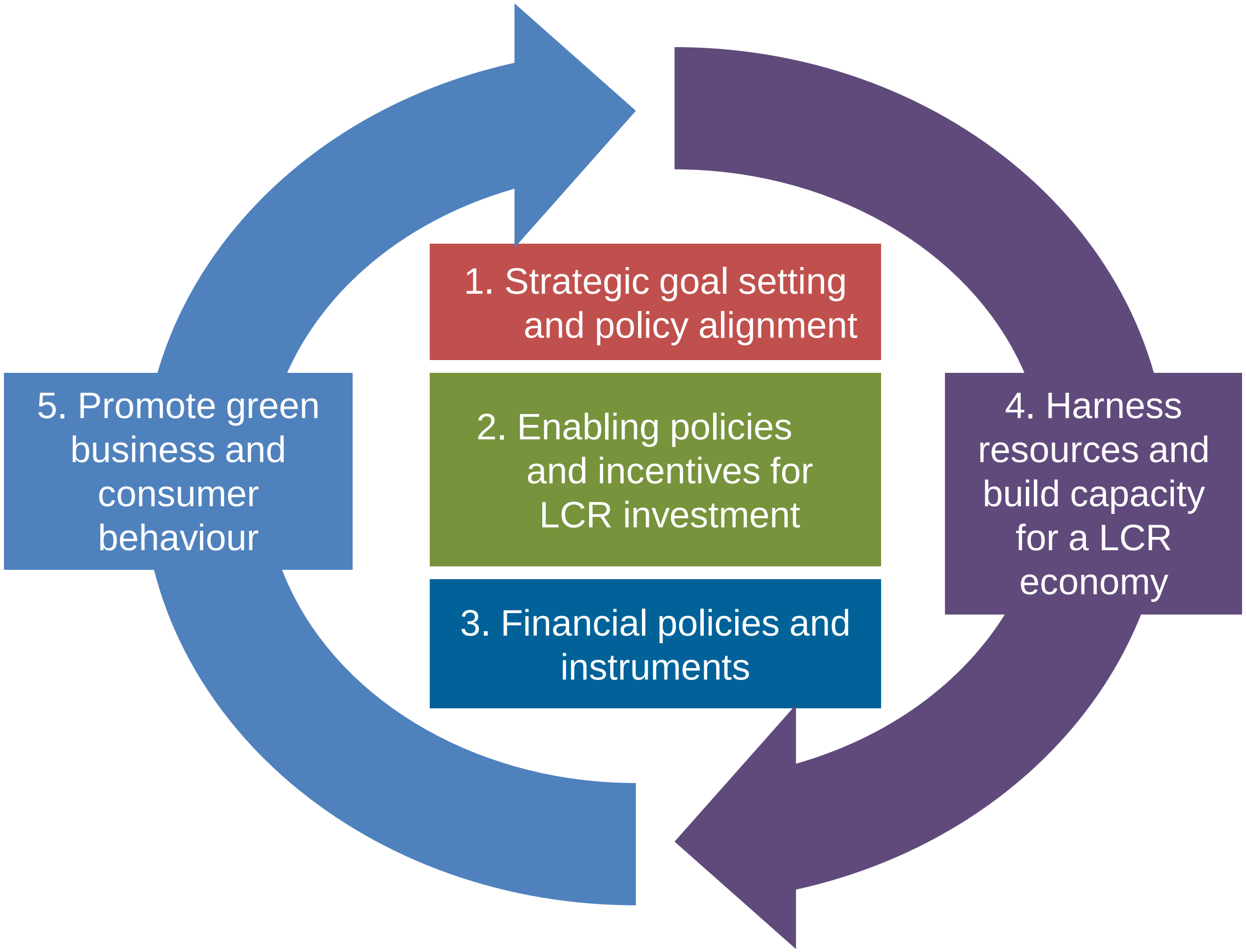
For further information, please visit

http://www.oecd.org/env/cc/financing.htm

ANNEX

OECD Work on Domestic Policy Frameworks for Green Investment

The Green Investment Policy Framework



Source: Corfee-Morlot *et al.*, 2012.

The OECD Policy Guidance for Investment in Clean Energy Infrastructure

Policy areas	Questions/issues for policy makers consideration
1. Investment policy	• Non-discrimination of foreign versus domestic investors • Intellectual property rights • Contract enforcement
2. Investment promotion and facilitation	• Removing fossil fuels subsidies and pricing carbon • Long term policy goals • Policy incentives for investment • Licensing • Policy coherence and coordination
3. Competition policy	• Electricity market structure • Non discrimination in access to finance • Competition authority
4. Financial sector development	• Facilitate access to finance • Specific financial tools and instruments • Strengthening domestic financial markets
5. Public governance	• Regulatory quality of the electricity market • Multi-level governance

Mobilising inclusive green investment in LICS
DIE/BMZ conference

Prof Stephany Griffith-Jones

sgj2108@columbia.edu

http://www.stephanygj.net/papers/MobilisingInvestmentforInclusiveGreenGrowth2013.pdf

Donor support needs to be significant

- Resources needed to make growth both green and inclusive are large, to make private investment commercially attractive
- Study focusses on investment in green energy and energy efficiency, as key.
- For renewables , if more expensive than others, significant donor support in LICs and investors have realistic return expectations needed, so green energy can reach the poor

For energy efficiency donor role different

- Energy efficiency tends to be commercially viable, but requires previous steps
- Donors may need to fulfil more coordination type role, such as designing structures that aggregate large number of small transactions, providing information, etc.
- Financial resources may be far smaller, but effort may be labour intensive

Key findings from interviews

- Specialized funds , both public (Norfund an example) and private, work better to attract finance, due to more realistic perceptions of risk and less information asymmetries
- Co-investment by public bodies seems to give confidence to private investors
- Donor inputs in regulatory framework design valued by investors. Guarantees liked, but need limit public contingent liabilities

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

DIE Workshop: **Mobilizing Long-Term Finance for Green Investments**

- Focus Enabling Environment -

Roland Gross, GIZ

Bonn, November 8, 2013

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

GIZ‘s interest in *Green Finance/ Green Investment*

- GIZ has been involved for many years in climate and energy programmes (mainly policy and technology oriented);
- Financial sector‘s role/ financial aspcets have not been taken into consideration systematically;
- KfW has a long standing experience, focussing on particular instruments for green finance;
- GIZ started looking at *green finance* systematically within it‘s sector project „Financial Systems Development“, identifying the scope and role of technical assistance in the area of *green finance*;

Enabling Environment for *Green Finance/ Investments* – GIZ‘s *research* view and selection criteria

General remarks:

- GIZ not being a typical research institution, looking at the issue as an **applied research topic**.
- Geographical focus of GIZ lies on **emerging economies and low income countries**.
- GIZ is offering **technical assistance** in these countries.

Research interest:

- Applied research on **green finance** in general.
- When analyzing green finance, similar obstacles can be observed like in the fields of **climate finance** and **green investment**.

Research Areas

- Research on the **enabling environment for green finance**. Measures in other policy fields, influence the decisions of investors/banks/etc. to a larger extent than financial sector policy itself.

"An overriding conclusion is that while financing is almost always a necessary element for success, poor policies, inadequately proven technologies or business models, or lack of consumer acceptance may be primary barriers." (IFC "Expanded Stocktaking Report" 2013)

- **Guiding question**: How is the political landscape influencing green finance/green investments in our respective partner countries?

Forthcoming publication:

Unlocking Green Finance

Focal Area: Policy Instruments

Research on the **design and impact/efficiency of policy instruments** which target to increase investments for large and small scale renewable energy or energy efficiency projects.

Our **guiding question** is: Which policy instrument can efficiently trigger private capital?

Examples of policy instruments:

- Upfront capital subsidies
- Accelerated depreciation mechanisms
- Tax incentives
- Interest rate subsidies
- Risk mitigation mechanisms
- Support to improving capacities of FIs, ESCOs, enterprises (large and SMEs), incl. project developers (through private consultants/associations), rating agencies, standards setters, end-users, and consumer associations

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Focal Area: Regulatory Environment

Research on the **design and impact of the regulatory environment for financial sector actors on green investment/finance**.

Our **guiding question** is: What kind of changes in the regulatory framework for banks, insurances, investors and other stakeholders would have which impact for financial sector actors on green investment/finance?

Examples of research topics:

- Are the objectives of access to finance and stability of institutions contradictory or compatible with each other?
- The impact of Basel III and Solvency II on green investment/finance
- Accounting standards

Focal Area: Particular Financial Instruments

Research on **design and impact of particular financial instruments** (e.g. leasing, SME finance instruments, microfinance schemes) and their particular financing purpose (e.g. energy efficiency, renewable energy).

Depending on political priorities, the impact is measurable on various levels, e.g.

- Improved access to energy
- Financial deepening
- Reduced greenhouse gas emissions

Workshop „Mobilising Long-Term Finance for Green Investments“ Session 2

Jürgen Karl Zattler

- BMZ –

November 8, 3013

Background / Context

- hugh financing needs
- availability of funds (global surplus savings, need for diversification of protfolios, low interest rates, search for higher yields)
- demographic challenge and need to sustain pension systems

But: intermediation gap!

Hypothesis

- real risk lower than perceived risk
- financial engeneering can lower risk (even without budgetary effort)
- there is a first mover problem

Intermediation gap – 3 key obstacles:

- risk-adjusted return (expection)
- lack of bankable projects
- regulatory framework

How to deal with intermediation gap? The need to disaggregate the markets

- Funding side:
  - different investment mandats of potential investors
  - different risk appetite
  - different return expectations
  - different market horizons

- Investment target side:
  - type of „green investment“ (from infra following international sustainability standards to RE)
  - type of target countries (from EMEs to LICs)

What can public sector do?

- General:
  - lower risk
  - lower transaction costs
  - Improve on information (asymmetries)

- Concrete:
  - risk mitigation instruments
  - risk insurance
  - co-financing / co-investment
  - policy advice and capacity building
  - complementary infrastructure

  …

- Key issue for public support:
  - what should be supported from a public point of view?
  - who pays for what?
  - better focus on improvement of regulatory framework or on risk mitigation instruments?

The most important areas to look at?

- Identify gaps in the architecture, e.g.
  - extension of IFC B-loan programm to RE in LMICs?
  - energy efficiency?
  - better involve domestic investment funds?
- Intensify work on regulatory environments
  - how to lock-in reforms?
- Clarify responsibilities
  - division of labour within IOs not clear (Green Climate Fund, Worldbank Group, GEF, CIF…)
- Adress problem of insufficient pipeline of bankable projects
  - review funds for project preparation and development?
  - review incentives within institutions?
- Develop a joint DFI-approach regarding financial terms for the various green investments
  - subsidies have to reflect the external effects
  - subsidies should not distort competition between DFIs

Export credit agencies mobilising private climate finance

Outcomes of the ECA climate finance workshop,

Copenhagen 19-20 September

Mariane Søndergaard-Jensen

Context

First Climate Finance Ministerial, Washington 11 April 2013

↓

Four work streams

↓

ECA Workshop on mobilising private climate finance

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EKF catalogue of ideas

↓

Second Climate Finance Ministerial, Copenhagen 24 October 2013

The seven ideas

Ideas for multilateral action across institutions	A. Building bridges between ECAs, MDBs, IFIs, DFIs, DBs and national aid authorities B. Dual approach to investment guarantees and improved IPAs
Ideas for ECA cooperation – if possible, together with existing institutions	C. International climate fund insured by ECAs D. Fund to cover project development costs
Ideas for ECA action	E. Climate bond warehouse F. Risk sharing pool of ECA capacities G. Scope of ECA cover - the role as arranger

Other Ideas

- Ideas that were mentioned but not discussed
- Among them several ideas relating to OECD Participants work
- ECAs are free to suggest/take on further work relating to any of the ideas
- No systematic follow-up by EKF

Next steps

- COP 19, Warsaw
- ECAs are welcomed to take up any ideas relating to the catalogue
- EKF will be contemplating work on idea A, D and F
- EKF status on work streams relating to catalogue in 6 months

››› Green Finance

Bonn, 08.11.2013

Monika Beck, Head of Division Competency Center Financial Sector Development and Global Funds

Bank aus Verantwortung

KFW

›››

KfW is one of the largest providers of finance in environmental and climate protection worldwide

- Environmental and climate protection represent more than half of KfW‘s total promotional volume (including Germany):
  EUR 24.8 bn commitments in 2012
- As part of Financial Cooperation with developing countries, KfW Entwicklungsbank committed **EUR 2.70 bn** for climate and environmental financing in 2012, which is half of its total commitments (EUR 5 bn)
- Through the commitments in 2012 alone greenhouse gas (GHG) emissions in partner countries will be reduced by about 7.4 million tonnes - this corresponds to the energy-related CO2 emissions of Latvia (2010)

››› Types of environmental finance

…areas of finance

Traditional Environmental Finance

- "End-of-pipe-approach": preventing pollution at the end of the production process, e.g. treating sewage, exhaust fumes
- Integrated measures: preventing pollution at the outset, e.g. recycling of raw and auxiliary materials in industrial production processes

Green Energy Finance

- Renewable Energy Projects: biomass, wind, solar, small-scale hydropower
- Energy Efficiency Projects: building envelope (insulation of walls, ceilings, replacement windows and doors), production processes, systems engineering (heating and cooling systems), lighting, drive systems

…financing instruments

Credit Lines through Local Financial Institutions

- Traditional financing scheme
- Credit lines and support programs in Eastern Europe, Asia, Latin America, Africa
- Final clients are MSMEs, households and municipalities

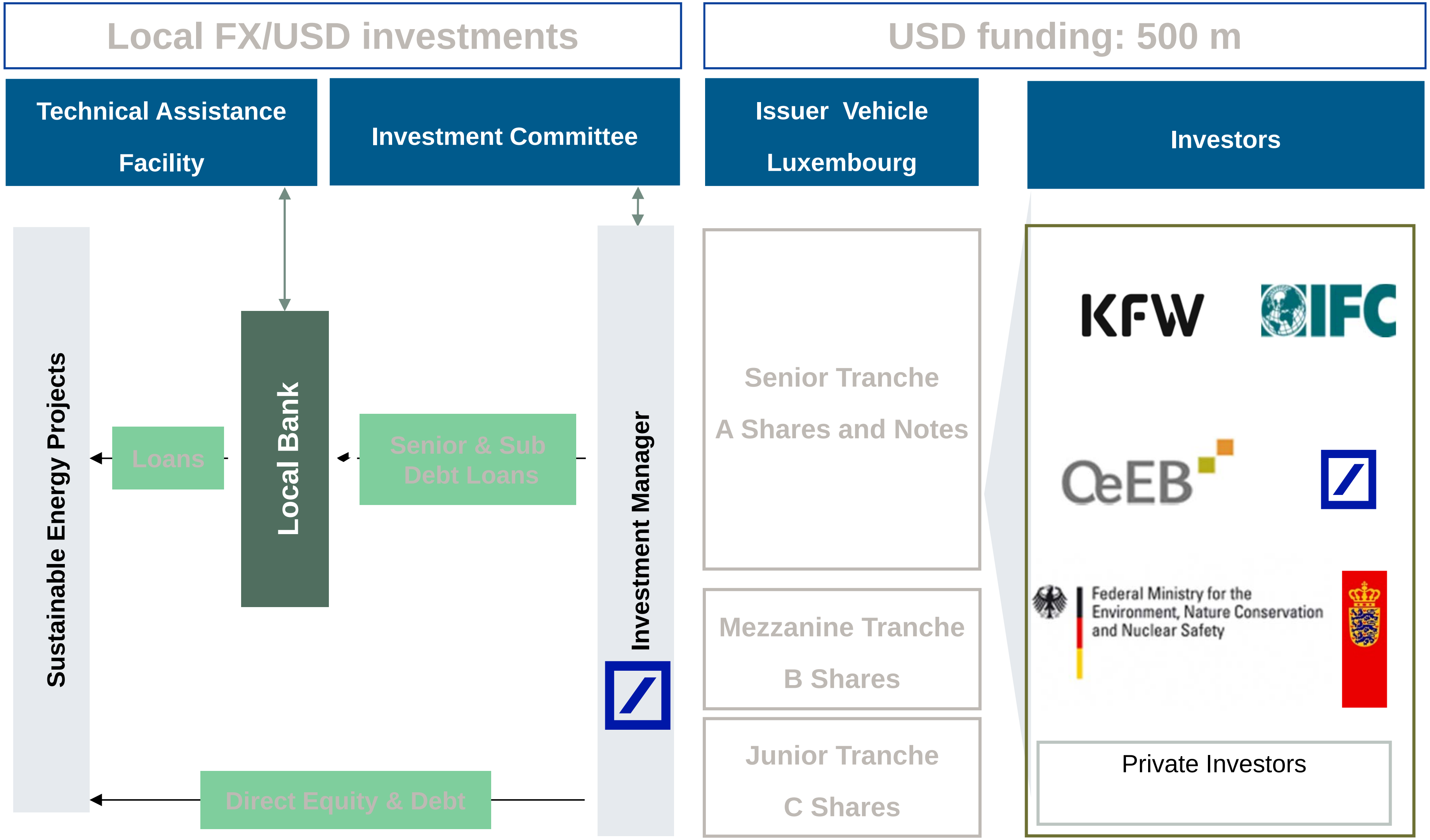
Structured Funds

Mobilisation of private capital for investments in renewable energies and energy efficiency (e.g. Global Climate Partnership Fund, Green for Growth Fund)

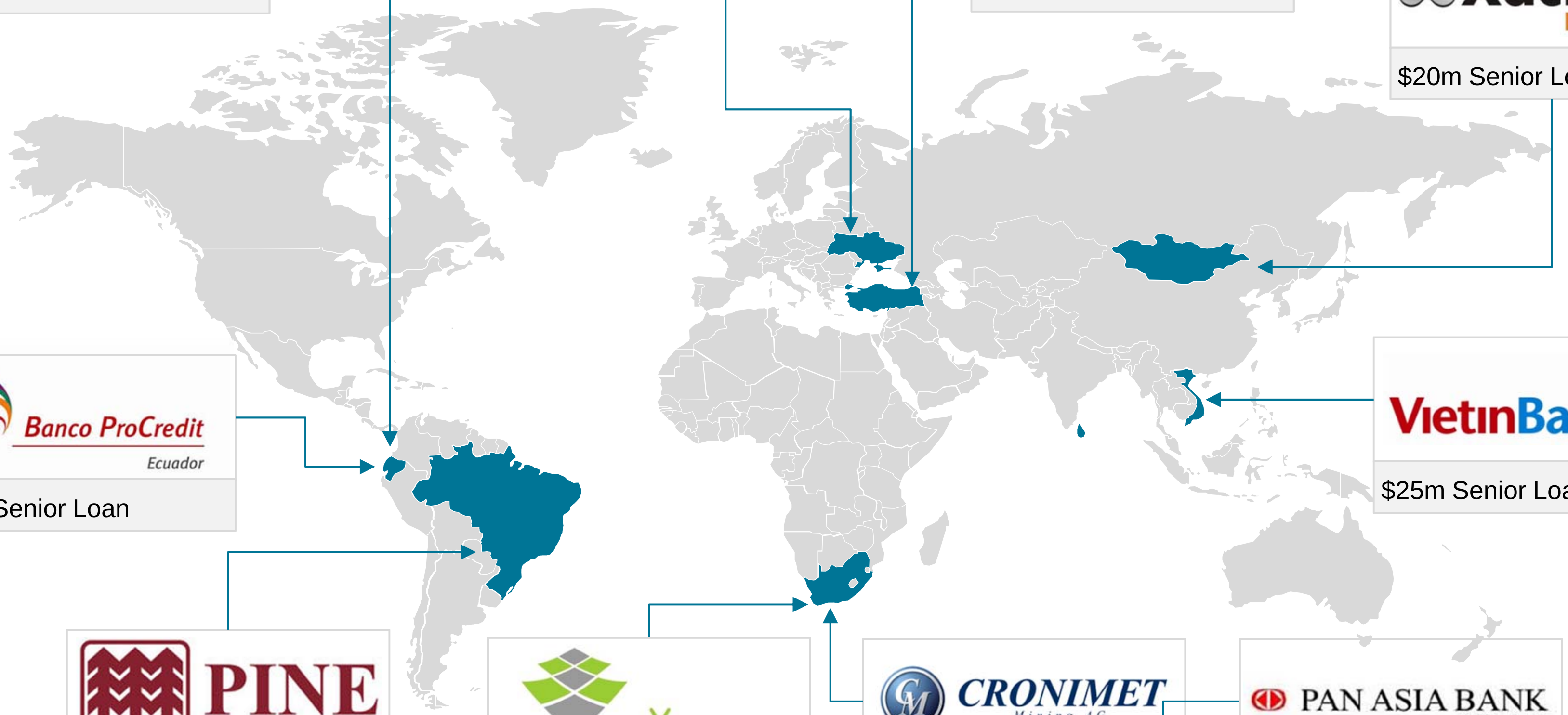
Weather and Climate Insurance

New instruments (e.g. African Risk Capacity)

››› GCPF structure



››› Current portfolio overview (USD 178 m)



BANCO PICHINCHA
En confianza.
$15m Subordinated Loan

UKR EXIM BANK
$30m Senior Loan

Şekerbank
$25m Senior Loan

XacBank
Right Bank
$20m Senior Loan

Banco ProCredit
Ecuador
$10m Senior Loan

VietinBank
$25m Senior Loan

PINE
$30m Senior Loan

greenX Solutions
$1m Subordinated Loan

CRONIMET
Mining AG
$2.8m Senior Loan

PAN ASIA BANK
At Your Service
$20m Senior Loan

››› Structured Funds can adress various obstacles for private sector mobilisation

- Knowledge gap => PPP structure
- Country/Adress Risk => by diversification /structuring
- Local Currency Risk => hedging
- Transparency Risk => Private Management, Regulated, Clear Dokumentation
- Viability Risk=> Fund work profitable/sustainable after 1-2 years
- Efficiency Risk=> Smart incentive strukture

- +++
  - Efficient use of scarce public funds
  - Efficient donor coordination

›››Vielen Dank für Ihre Aufmerksamkeit

Bank aus Verantwortung