How to prepare bankable projects for financing climate change adaptation in transboundary basins

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Where to begin: Essential Elements for Preparing Bankable Projects

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Session 2. Overview

• Funds v. Donors, how they vary
• Preparation & Implementing Partners
• Developing a Project Profile
• Funding procedures
  - project scope identification, budget planning, etc.
• Some Dos and don’ts of funding proposals
Financing Climate Adaptation & Resilience

Review -- Climate Finance =

• financing source from
  – international,
  – regional, and
  – national

• Public, Private, or Blended sources

• For mitigation & adaptation
Funds v. Donors

FUND - Pool of funding made available for a specific purpose by an agency, organization, foundation, government, private institution, private party. Multilateral Development Funds, Private Foundations, etc.

DONORS – Institutions, Governments, Foundations, People who contribute/donate funding or other resources to people, communities, governments, causes.

* See list of funds in Background Paper
Landscape of climate finance flows & instruments
Global Climate Finance Architecture
The public sector contributed between USD 132 and 139 billion (on average USD 135 billion), or around 38% of overall global climate finance flows in 2011/2012.

Private actors again contributed the lion’s share of climate finance in 2012 with investments totaling USD 224 billion, much of which was enabled by public investments.

Sources of Climate Finance:
- **Public Sources - 3%**
  - Ministries 2%
  - Government Agencies 0.9%
  - Countries 0.1%
  - Subnational Authorities 0.02%

- **Private Intermediaries - 6%**
  - Commercial Financial Institutions 6%
  - Asset Management Companies 0.2%
  - Private Equity 0.1%
  - Unidentified fund-like intermediary 0.09%
  - Infrastructure fund 0.08%
  - Venture Capital 0.05%

- **Public Intermediaries - 34%**
  - National Development Banks 19%
  - Multilateral Development Banks 11%
  - Bilateral Development Banks 4%
  - Climate Funds 0.5%

- **Private Sources - 56%**
  - Project Developers 20%
  - Corporate Actors 16%
  - Households 9%
  - Utility / Independent Power Producer 8%
  - Manufacturer 3%
  - EPC Contractors 0.3%
  - Corporate End-user 0.2%
  - Energy company (oil & gas) 0.2%
FINANCIAL LEVERAGE: PRIVATE - PUBLIC FUNDING SOURCES, WITH GRANTS

Financial Package: Private funds, Public funds, and Technical Assistance
LEVERAGING THROUGH PUBLIC/PRIVATE PARTNERSHIPS

LEVERAGE
Climate finance from public sources of funding require that the project’s sponsor mobilize funding from other sources, including the private sector. Higher the leverage, more effective is the use of public climate finance, and an indication of the commercial viability of a project.

Example: If the GCF provides $10 mm loan to a fishery company in Nigeria, and one that basis the risk profile of the project improves and attract $30 mm from local banks, then the leverage is 1:3, which would be an excellent leverage for a climate resilience project.
CASE STUDY

1. BLENDING SOURCES OF FUNDING
Adaptation/Resilience
Supporting Disaster Risk & Adaptive Delta Management in Bangladesh

**IDA**

Credit

Financing for the 2007 Emergency Cyclone Recovery and Restoration project that is addressing ensuring more resilient coastal and river embankments, supporting agriculture recovery and building cyclone shelters

**GFDRR**

Grant

Provision of specialized expertise and technical assistance, shaped by a Damage Loss and Needs Assessment for Cyclone Sidr, led by the Bank and GFDRR

**PPCR (WB & IFC)**

Grant & Loan

Supporting the Coastal Embankment Improvement Project

**GFDRR**

Support for research for the Coastal Embankment Improvement Project to help deal with saltwater intrusion onto farmlands
GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015

Landscape of Climate Finance 2015 illustrates climate finance flows along their life cycle for the latest year available, mostly 2014, in USD billions.

**Sources and Intermediaries**
- Government Budgets
- Agencies
- Development Finance Institutions:
  - National
  - Bilateral
  - Multilateral
- Climate Funds
- Commercial Financial Institutions
- Private Equity, Venture Capital, Infra. Funds
- Institutional Investors
- Project Developers
- Corporate Actors
- Households

**Instruments**
- Risk Management
- Grants
- Low-Cost Project Debt
- Project-Level Market Rate Debt
- Project-Level Equity
- Unknown

**Uses**
- Adaptation: $25
- Dual Benefits: $4
- Mitigation: $361
- Renewable Energy Generation: $292
- Public: $55
- Public/Private: $7
- Private: $271
- Unknown

**Recipients**
- Private NGO and Foundations: $1
- Dual Benefits: $4
- Public: $55
- Public/Private: $7
- Private: $271
- Unknown

**Total USD 391 BN**
Green Climate Fund

• UNFCCC financing entity. Operationally effective in 2015. $10 billion in donor pledges, $7 billion in contribution agreements.

• accredited entities; along with MDBs, commercial banks, national banks, UN agencies, etc.

• Resource allocation and GCF criteria for support

• Country no-objection
• No preparation funding
• GCF additional review and due diligence
# Sample of Accredited Entities

<table>
<thead>
<tr>
<th>Type of Entity</th>
<th>Name</th>
<th>Largest Size of Project/Activity*</th>
<th>Highest Environmental Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>World Bank</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>European Bank of Reconstruction and Development</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>Inter-American Development Bank</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>Asian Development Bank</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>Agence Française de Développement (AFD)</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>Africa Finance Corporation</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>Deutsche Bank</td>
<td>Large</td>
<td>A</td>
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<tr>
<td>International</td>
<td>Credit Agricole</td>
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<td>A</td>
</tr>
<tr>
<td>International</td>
<td>HSBC</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>African Development Bank</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>European Investment Bank</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>International Finance Corporation</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>Kreditanstalt für Wiederaufbau (KfW)</td>
<td>Medium</td>
<td>A</td>
</tr>
<tr>
<td>International</td>
<td>Conservation International</td>
<td>Medium</td>
<td>C</td>
</tr>
<tr>
<td>International</td>
<td>UNDP</td>
<td>Medium</td>
<td>B</td>
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<tr>
<td>International</td>
<td>International Union for Conservation of Nature</td>
<td>Medium</td>
<td>B</td>
</tr>
<tr>
<td>International</td>
<td>UNEP</td>
<td>Small</td>
<td>B</td>
</tr>
<tr>
<td>International</td>
<td>World Meteorological Organization</td>
<td>Small</td>
<td>C</td>
</tr>
<tr>
<td>International</td>
<td>World Food Program</td>
<td>Micro</td>
<td>C</td>
</tr>
<tr>
<td>National</td>
<td>India - National Bank of Agriculture and Rural Development</td>
<td>Large</td>
<td>B</td>
</tr>
<tr>
<td>National</td>
<td>Ethiopia - Ministry of Finance &amp; Economic Cooperation</td>
<td>Small</td>
<td>B</td>
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<tr>
<td>National</td>
<td>Rwanda - Ministry of Natural Resources</td>
<td>Small</td>
<td>B</td>
</tr>
<tr>
<td>National</td>
<td>Morocco - Agency for Agricultural Development</td>
<td>Small</td>
<td>B</td>
</tr>
<tr>
<td>National</td>
<td>Senegal - Centre de Suivi Ecologique</td>
<td>Micro</td>
<td>C</td>
</tr>
<tr>
<td>National</td>
<td>Peru - TF for National Parks and Protected Areas (PROFONANPE)</td>
<td>Micro</td>
<td>C</td>
</tr>
<tr>
<td>National</td>
<td>Namibia - Environmental Investment Fund</td>
<td>Micro</td>
<td>B</td>
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<tr>
<td>National</td>
<td>Argentina - Rural Credit Agency</td>
<td>Small</td>
<td>B</td>
</tr>
<tr>
<td>National</td>
<td>Kenya - Environment Management Authority</td>
<td>Micro</td>
<td>B</td>
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<tr>
<td>Regional</td>
<td>South Africa - Development Bank of South Africa</td>
<td>Large</td>
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<tr>
<td>Regional</td>
<td>Secretariat of the Pacific Regional Environment Programme (SPREP)</td>
<td>Small</td>
<td>C</td>
</tr>
<tr>
<td>Regional</td>
<td>Caribbean Community Climate Change Center</td>
<td>Small</td>
<td>C</td>
</tr>
<tr>
<td>Regional</td>
<td>Acumen Fund (Africa)</td>
<td>Micro</td>
<td>C</td>
</tr>
<tr>
<td>Regional</td>
<td>Development Bank of Latin America (CAF)</td>
<td>Large</td>
<td>A</td>
</tr>
</tbody>
</table>

* Micro = projects of US$10 million or less; Small = projects between US$10 and US$50 million; Medium = projects between US$50 million and US$250 million; Large = projects above US$250 million.
Where to begin?

• Needs assessments, studies, research (NAPA, NAP, National Communication, etc.)
• Elaborate priorities with wide stakeholder participation.
• Evaluate & reach out to potential funders/funds
• Prepare project (project profiles, project preparation support.)
• Present / Submit
• Follow up
Aligning & Mainstreaming

• Aligning with national / regional development planning

• Mainstreaming climate into all sectoral investments / projects

• Climate-proofing projects
Key steps of resource mobilization strategy

• Set-up a **national fundraising working group** leveraging national expertise to formulate and execute the strategy, including:

  → Climate finance experts and finance ministry representatives, including the appropriate focal points (GCF, GEF, etc)

  → Representatives from ministries in charge of water and environment (including the NBA national focal structure)

  → Representatives from sectoral activities, implementing the projects (sectoral ministries and private sector);

• Prioritize and package actions:

  → Set/confirm the national priorities so as to address climate vulnerabilities;

  → Map opportunities based on their goals and requirements;

  → Screen the project lists;

  → Categorize/Packagethe national projects accordingly to match climate vulnerabilities, financial needs, and type of projects with funding opportunities and their requirements.
Key steps of resource mobilization strategy

• Develop engagement strategies specific to the targeted funding source:
  ➔ Meet with their representatives and investigate their willingness to support, capitalizing on the project profiles prepared (NBA OP?)
  ➔ Flag the key elements they require in the project profiles (e.g. action type, risk profile, direct and indirect benefits, economic and financial returns).
  ➔ Adapt the scale of the project to the target;
  ➔ Consider clustering small projects into components of a larger projects, as small projects may benefit to each other and leverage funding;
  ➔ Consider blending funding sources to be the most specific to each project component;

• Involve national expertise to prepare the required analysis and documentation and ensure follow-up mechanism
Developing a Project Profile

• Summary
• Development Challenge/Project Context
• Vulnerability to Climate Change
• Project Objective
• Project Description
• Expected Results Including Climate Change Benefits
• Institutional Framework and/or Enabling Environment
• Budget
• Project Preparation Status
• Contact Information
Some Dos and Don’ts of funding proposals

DO
• Fully understand the funding agency’s mission & criteria
• Investigate/Contact previous successful awardees
• Get clarity on the guidelines and procedures
• Plan carefully – time and resources
• Consult your stakeholders and national experts who can contribute information
• Give yourself time to revise

DON’T
• Hesitate to ask questions & seek help
• Guess. Check facts and get the information
• Neglect to use all resources
• Wait until the last minute. Your proposal will suffer.
• Give up.
Discussion

Barriers & Challenges

Q & A