



## Mobilising Finance for Mitigation and Climate Change Adaptation

Developing countries in particular face enormous challenges in mobilising financial resources and using funding for the necessary climate change adaptation and mitigation measures. The mitigation of Greenhouse Gas (GHG) emissions, the preservation of natural carbon reservoirs and the adaptation to the impacts of climate change all require financial resources – to build solar power systems and wind turbines, for energy-efficient building refurbishment, to expand public transport systems, for reforestation, to strengthen flood protection measures, to set up protected areas and much more. At the UN climate change conference in Paris, developed countries therefore reaffirmed their strong commitment to jointly mobilise US Dollar 100 billion yearly by 2020 in climate finance. Delivering the Paris Agreement also requires making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Hence, long-term infrastructure investments need to be aligned with the Paris Agreement and a mainstreaming of climate considerations in all infrastructure sectors will be necessary.

Since 2008, the International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) cooperates with partner countries in the practical implementation of climate change mitigation and biodiversity conservation measures. Since its establishment, it has launched more than 500 climate and biodiversity projects. The total project volume since 2008 amounts to 2.3 billion euros. The resources for international climate and biodiversity activities have grown steadily since the programme was launched.

The projects are carried out by a broad range of implementing organisations: the German Government's major implementing organisations Deutsche Gesellschaft für

Internationale Zusammenarbeit (GIZ) GmbH and KfW Entwicklungsbank, multilateral organisations like United Nations organisations and multilateral development banks, NGOs, research institutes, foundations and private companies.

Within the IKI a portfolio of 30 projects (225 million euros in BMUB grants) primarily focuses on the financial sector and the mobilisation of climate-friendly investments. These projects pilot innovative financial instruments in the form of public-private partnerships and provide support to develop project pipelines as well as sustainable business models ready for finance. The IKI also supports countries to receive and administer climate finance in an effective and transparent manner, in order to successfully access funds of the Green Climate Fund through the GCF-Readiness Program, for instance. Aside from the IKI, BMUB also funds the Global Energy Efficiency and Renewable Energy Fund (GEEREF).

### The Global Climate Partnership Fund (GCPF)

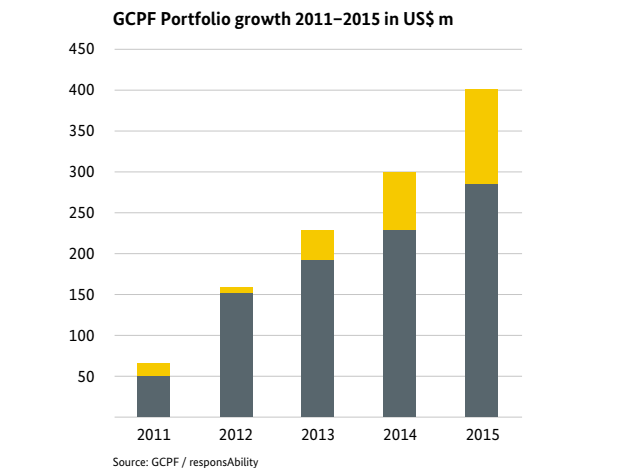
The Global Climate Partnership Fund (GCPF), facilitated by the IKI, is an instrument for mobilizing public and private capital for investment in climate change mitigation in developing and emerging countries. The fund primarily supports financial institutions in partner countries in their provision of funding for investment in small and medium-sized enterprises and households in the fields of energy efficiency and renewable energies.

It is a structured fund that combines public and private capital. Such a fund consists of different risk tranches based on the different categories of shareholders. Donor capital makes up the junior equity tranche (C-shares), which is the first to absorb any losses. Public funds from the German government (BMUB grant: US Dollar 80.7 million) and other

donors are allocated to this tranche. Any further losses are then covered by the development banks and international finance institutions that have raised funds on the capital markets and invested them at their own risk in the mezzanine tranche (B-shares). Only as a last resort would private investors in the senior tranche risk losses (A-Shares).

Since 2015, the Swiss-based asset management company responsAbility carries out the Fund's management. Through its public-private partnership structure the GCPF was successful in mobilizing additional financial resources. The GCPF currently consists of eight shareholders (the International Finance Cooperation – IFC, the Ministry of Foreign Affairs of Denmark – DANIDA, the Department for Business, Energy & Industrial Strategy of the UK government – BEIS, the German KfW Development Bank, the Austrian OeEB Development Bank, the Dutch FMO Development Bank, responsAbility as well as BMUB) and two private institutional investors holding notes. The first private investment in the Fund was made in 2012 when a US Dollar 30 million notes' issue was acquired by a German pension fund (Ärzteversorgung Westfalen-Lippe). The second private investor (Dutch ASN Bank) started its commitment in 2016 and since then invested US Dollar 55 million in notes. This leads to a current committed fund volume of US Dollar 442 million. While the portfolio recorded a growth rate of 17% in 2016 (outstanding amount), an amount of approximately US Dollar 335 million has already been disbursed. Going beyond the portfolio of currently outstanding disbursements, GCPF has committed a total of US Dollar 345 million to partner institutions, meaning that a further US Dollar 97 million can be drawn down by such institutions.

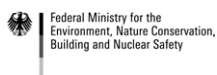
The GCPF has already supported the implementation of small-sized hydro power-plants and solar electricity installations. In South Africa, for instance, the GCPF



directly supports a mining company by financing the installation of a 1 MW photovoltaic off-grid power plant. Energy efficiency has been addressed in several ways: The replacement of inefficient household appliances and outdated machinery in industry, the introduction of energy efficient vehicles to the agricultural and transport sectors or energy saving equipment in the textile and telecommunication sectors. The investment portfolio was further diversified geographically and is now present in 20 countries over four continents. The cumulative realized emission reductions since inception of the fund amount to almost 860,000 tCO<sub>2</sub>. The total lifetime emission reductions for all projects financed by the Fund since its inception are expected to be 8.7 million tCO<sub>2</sub>. The sub-loans disbursed in 2016 contributed to about 80,000 MWh to this total. In addition, a Technical Assistance (TA) facility has been established to support investees of the Fund, for instance in developing social and environmental management systems (EMS). Another field of technical assistance is placed on technical feasibility studies, as well as developing renewable energy and energy efficiency strategies.

For information see: [www.gcpf.lu](http://www.gcpf.lu)

## Donor organizations and shareholder



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