



## 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 mobilize US\$100 billion yearly by 2020 towards a low carbon and climate resilient development. Delivering the Paris Agreement also requires shifting investments in long lasting infrastructure by mainstreaming climate considerations in all economic sectors.

Germany has quadrupled state-funded climate finance since 2005, bringing the total to appr. € 2 billion in 2013. In addition to this KfW Group extends € 1.5 billion in loans for climate change mitigation and adaptation to climate change in developing countries. In 2015 Chancellor Angela Merkel announced that Germany is to double its contribution to international climate finance to € 4 billion by 2020 on the basis of 2014 figures. The International Climate Initiative (IKI) is an important element of Germany's contribution to international climate financing. The overarching goal of the IKI is to deploy funding to encourage transformation and mobilise other resources in the partner countries. Within the IKI a portfolio of 50 projects (€ 245 million in BMUB grants) primarily focuses on the financial sector and the mobilization 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).

### PROJECT EXAMPLE

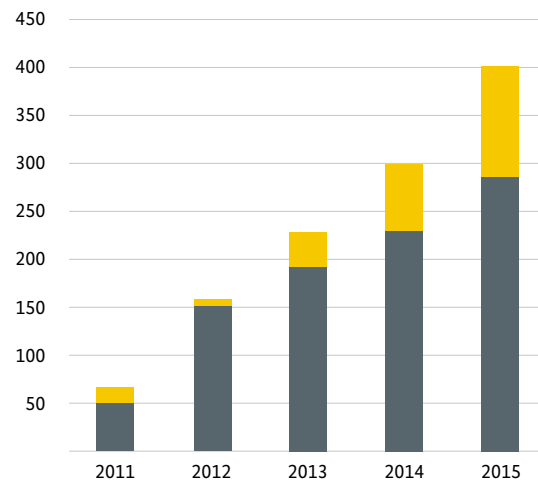
#### The Global Climate Partnership Fund (GCPF)

The Global Climate Partnership Fund (GCPF) enables innovative and replicable climate-friendly investments in selected developing and emerging countries. As a public-private-partnership, the GCPF uses public funding to mobilize private capital. The GCPF mainly invests through local financial institutions but also directly in projects targeting small and medium-sized businesses and private households, specifically: Energy efficiency projects and renewable energy generation projects that reduce GHG emissions and promote energy access. Founded in December 2009, BMUB and German Development Bank KfW provided US\$ 100 million for the initiation capitalization of the GCPF. The Swiss-based asset management company responsibility carries out the Fund's management. The GCPF is a structured fund that consists of different financing tranches for different types of shareholders. Donor capital functions as risk buffer (junior tranche) for contributions made by development banks (mezzanine tranche) and private investors (senior tranche).

The German government invested US\$ 55 million into the GCPF. The committed fund volume currently accounts to US\$ 392 million. The fund consists of 8 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 Austrian Development Bank OeEB, the Dutch Development Bank FMO, KfW, responsAbility as well as BMUB) and two private investors holding notes (ASN Bank and the German pension fund Ärzteversorgung Westfalen-Lippe). The portfolio recorded a growth rate of 33% in 2015 and an amount of approximately US\$ 294 million has already been disbursed. The GCPF targets to increase its commitments up to US\$ 750 million in the medium run.

The GCPF has already enabled together with its partners financing of several small-sized hydro power-plants, solar home systems and biogas digesters. Energy efficiency has been improved in many ways too, for instance, through the replacement of inefficient household appliances and outdated machinery in industry, the introduction of energy efficient vehicles to the agricultural sector, energy saving equipment in the textile sector and even insulation in buildings. In Tanzania and Rwanda the GCPF directly supports a solar leasing company which provides clean and affordable energy to households. The investment portfolio was further diversified geographically. GCPF is now working with 18 financial partner institutions in 17 countries. The total expected lifetime CO<sub>2</sub>t reduction for all projects financed by the Fund since its inception is 7 m tCO<sub>2</sub>e. In addition, a Technical Assistance (TA) facility has been established to support investees of the fund by green lending capacity building, social and environmental management systems (SEMS) and impact assessment tools. The GCPF thereby helps its partners to collect

GCPF Portfolio growth 2011–2015 in US\$ m



Source: GCPF / responsAbility

data on achieved GHG mitigations or identify additional investment opportunities through feasibility studies. In September 2016 the fund organized the first “GCPF academy” to foster knowledge exchange on best practices among local financial institutions.

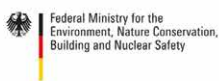
For information on investment offering and eligibility: [www.gcpf.lu](http://www.gcpf.lu)

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