CFFactory – C40 Cities Financing Facility

Reverse Financing Pitch

Climate Finance Instruments for the Cities and the Public Sector

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Division Mitigation & Adaptation, GCF

Berlin City Hall
28 November 2018
The Green Climate Fund: Promotes paradigm shift towards low-emission and climate-resilient development pathways

- Serving developing countries, particularly the most vulnerable
- Balancing mitigation and adaptation
- Supporting capacity building through readiness
GCF Approved Funding to date is $4.6 billion

Of the USD 4.6 billion approved GCF funding, ESCAP Member States account for USD 2.06 billion (The Economic and Social Commission for the Asia-Pacific region)
Financial Terms and Conditions of GCF instruments

• Grants
  • available in major convertible currencies;
  • Grants without repayment contingencies (no reimbursement required);
  • Grants with repayment contingency, terms adapted to the required level of concessionality of the project or programme.

• Concessional Loans

<table>
<thead>
<tr>
<th>Type of Concessional Loans</th>
<th>Major Convertible Currency</th>
<th>Maturity (years)</th>
<th>Grace period (years)</th>
<th>Annual principal repayment Years 11-20 or 6-20 (% of initial principal)</th>
<th>Annual principal repayment Years 21-40 (% of initial principal)</th>
<th>Interest</th>
<th>Service fee per annum</th>
<th>Commitment fee per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Any</td>
<td>40</td>
<td>10</td>
<td>2%</td>
<td>4%</td>
<td>0.00%</td>
<td>0.25%</td>
<td>Up to 50 bps</td>
</tr>
<tr>
<td>Low</td>
<td>Any</td>
<td>20</td>
<td>5</td>
<td>6.7%</td>
<td>NA</td>
<td>0.75%</td>
<td>0.50%</td>
<td>Up to 75 bps</td>
</tr>
</tbody>
</table>
Diagnostics – urgent need for urban climate financing recalibration at global scale

**National Governments**

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional capacities</td>
<td>Limits to local fiscal capacity / appetites</td>
</tr>
<tr>
<td>Convening power</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>Political concentration</td>
<td>FM Capacities</td>
</tr>
</tbody>
</table>

**Central transfers / Ad hoc revenue sources**
- Divestment pressures
- Decentralization pressures
- Limited public finance sources
- Infrastructure Service Provision
- Resilience and DRR responsibilities
- Conflicting objectives

**Varying degree of Local Government’s Financing Autonomy**

**TOP-DOWN approaches**
- ODA financial sources
- UNFCCC financial mechanisms
- World Bank PPCR
- National financing mechanisms

**INEFFECTIVE MITIGATION & RESILIENCE FINANCING DELIVERY CONDUITS**

**Local Governments**

<table>
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<th>Opportunities</th>
<th>Threats</th>
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<tr>
<td>Governance</td>
<td>Technical Capacities</td>
</tr>
<tr>
<td>Fiscal space: land and properties</td>
<td>Accountability</td>
</tr>
<tr>
<td>Efficiencies</td>
<td>FM / Institutional Capacities</td>
</tr>
</tbody>
</table>

**Bottom-up approaches**
- Subnational financing
- Local / community financing
- Output Funding / Results Based Management approach and considerations;
- Capital markets
Possible solutions....forward thinking approach to climate finance for cities

• **Demand**
  - Capacity for structuring hybrid / catalyzing financing solutions – knowledge transfer and policy support are a must;
  - Project development vehicles;
  - Greening of existing public finance flows;
  - Private participation in financing;
  - Legal and regulatory framework, including arbitration mechanism;
  - Enhancing creditworthiness, boosting utilities credit rating and municipal revenue autonomy, fiscal and administrative capacities;
  - On a long run, strengthen domestic capital markets

• **Supply**
  - Facilitative financing mechanisms (municipal development funds);
  - Incentive structures (risk mitigation and credit enhancement);
  - Specialized financial instruments and mechanisms (pooled finance, insurance, revolving funds, municipal bonds, guarantees, viability gap subsidies and funding, etc.)
  - Public money as a ‘seed’ source (guarantees, insurance, incentives, knowledge and policy support, preparatory technical assistance, etc.) to attract and mobilize private finance with staying power through de-risking structures and transformative interventions;

**IMPORTANCE OF PROPER SEQUENCING OFTEN UNDERSTATED**