



**Why DFIs have an important role to play in the international climate finance architecture**

**4th Dec 2011, 11:00-14:00, CCR Expo, Durban**

# **Design of the GCF Outcome of the “Johannesburg Consultation”**

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**National, regional and international development  
and private finance institutions workshop**

August 2011

# Key Messages for the Design of the GCF / 1

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## ❑ A transformative and additional climate finance mechanism

- One component of broader global financial system that mobilises other forms of capital (private sector, asset management industry)
- Mobilising the **full range** of existing development banks and financial institutions
- **Blending** of resources with other forms of public and private capital

# Key Messages for the Design of the GCF / 2

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## ❑ Bridge the gaps in the existing climate finance architecture

- Under country and/or regional ownership, enable **direct and intermediated** access through the widest possible array of financial institutions based at the community, national and regional levels
- Investing in an enabling environment to support the urgent economic, social and environmental **system changes** required for development and business model
- Promoting stronger **coordination** among existing financiers to reduce the risk of duplication of efforts, promote **synergies and complementarities**

# Key Messages for the Design of the GCF / 3

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- ❑ **Acknowledge central role played by regional, national, and sub-national DFIs**
  - Alignment with **national priorities**
  - **Mainstreaming** of low carbon and climate resilient interventions into national priorities
  - Mobilisation of capital to **leverage public and private finance** directly at programme and project level
  - Synergies and effectiveness of **development and climate finance**

# Key Messages for the Design of the GCF / 4

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## ❑ Catalyze interventions at national (including sub-national) and regional level

- Shift from project to sectoral and **programmatic** approaches, and **policy** based interventions
- Invest in **institutional strengthening and capacity building** at all levels to prepare for the flow of resources from the GCF
- Increase absorptive capacity of **vulnerable countries and rural communities** through institutional strengthening and capacity building of domestic financial institutions + sufficient funding packages

# Key Messages for the Design of the GCF / 4

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- ❑ **Help DFIs develop a suite of financial instruments, by providing support to**
  - **Policy development**, and **risk** mitigation, sharing and absorption mechanisms, e.g. guarantees on low carbon technology performance, securing off take arrangements, infrastructure adaptation premium;
  - Extension of **duration** of national and regional DFIs capital market issuances, to crowd in institutional investors;
  - **Local currency** instruments to address hedging costs and currency fluctuations.

# Key Messages for the Design of the GCF / 5

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- ❑ **Encourage Parties to support and strengthen the role of the national and regional DFIs (mandate)**
  - **Mandate** to be given by constituency
  - Including on **co-ordination** between all key national, regional and international climate finance channels
  - Developing a **monitoring** and due diligence systems to enable the necessary level of **accountability**
  
- ❑ **Recognize ability of the national and regional DFIs to leverage the private sector**
  - Contribute to cover **residual risk** components of projects
  - Create a sound **policy environment** for climate finance interventions
  - Encourage Parties to provide policy certainty and directional clarity to the **private sector**, which in turn stimulates entrepreneurial investment.

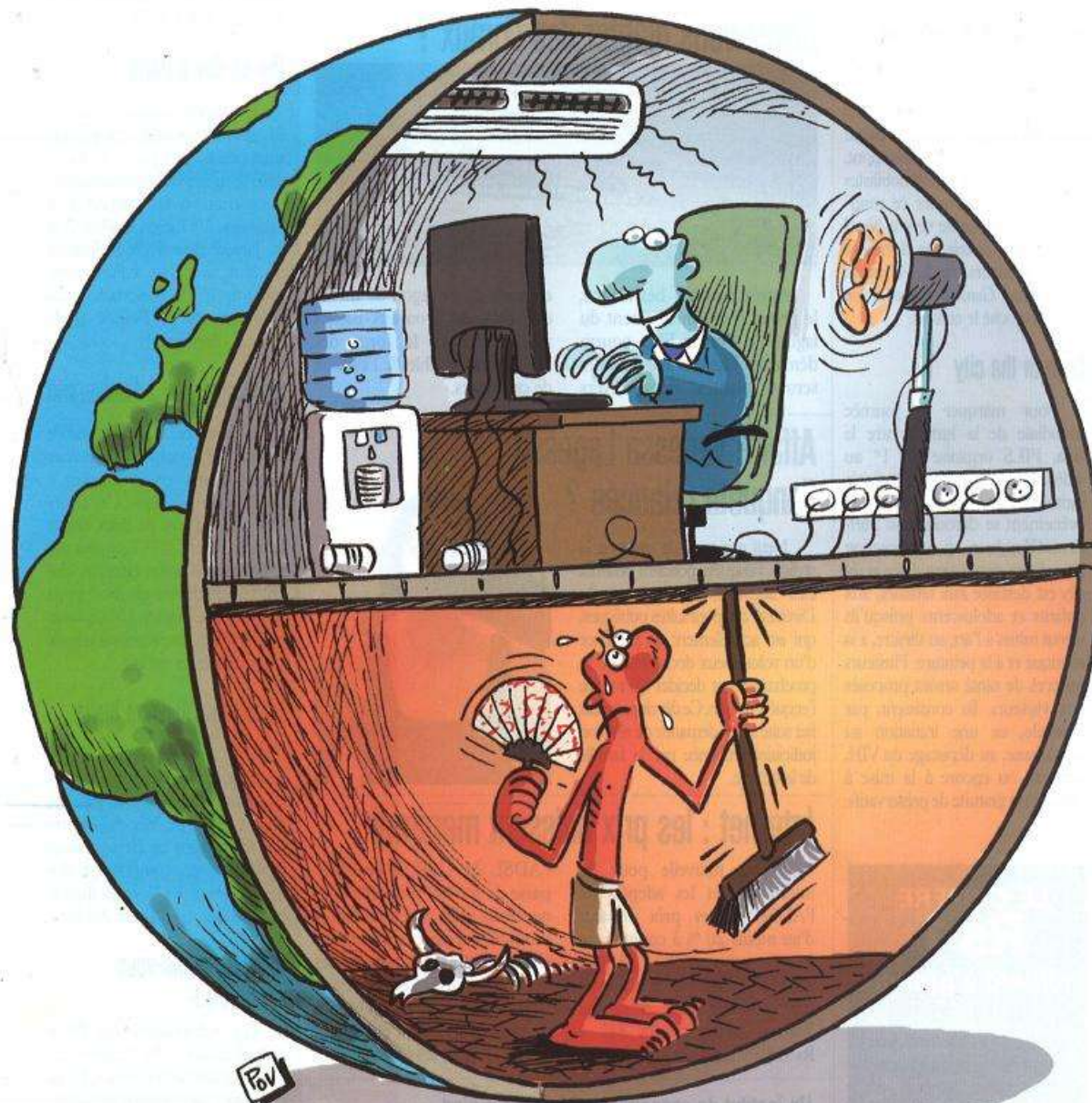
# Key Messages for the Design of the GCF / 6

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- ❑ **Promote governance structure with strong technical competencies relevant to both climate change issues as well as issues of program and financial management**

[http://unfccc.int/files/cancun\\_agreements/green\\_climate\\_fund/application/pdf/johannesburg\\_consultation\\_dfi\\_submission\\_to\\_gcf\\_sep\\_2011.pdf](http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/johannesburg_consultation_dfi_submission_to_gcf_sep_2011.pdf)





# Thank you ...

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