

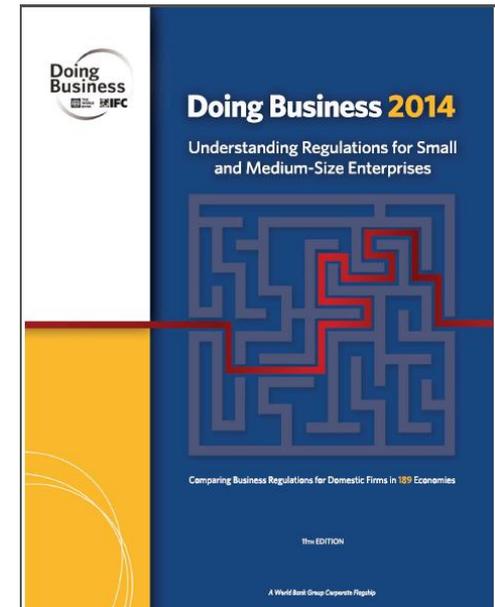
Climate solutions

The role of innovative financing in sustainable development and climate change
Leading Group experts' workshop
Paris, June 19-20, 2014

Vladimir Stenek
IFC, World Bank Group

Creating an enabling environment

- WBG's Doing Business: objective measures of business regulations and their enforcement across a number of indicators in 189 economies
- Used by policy-makers, business community and others to identify barriers and promote reforms
- Business regulatory reforms making a tangible impact, e.g. helping increase employment: Mexico's simplified municipal procedures increased employment by 2.8%



Creating an enabling environment

- G20 Dialogue Platform on Inclusive Green Investment
- Practical and implementable interventions
- Significant potential for investment risk reduction and higher investment flows towards adaptation

Data and information

1. Climate and hydrological projections
2. Direct and indirect impacts
3. Adaptation measures, costs and benefits
4. Community vulnerability, risk and adaptation

Institutional arrangements

5. Institutions and forums

Policies

6. Building standards and/or codes
7. Public infrastructure
8. Local zoning rules
9. Permitting and impact assessments
10. Investor relations and/or stakeholder management

Economic incentives

11. Government incentives
12. Finance
13. Full-cost accounting for water and energy
14. Environmental trading markets

Communication, technology and knowledge

15. Information and communication technologies
16. Technology and knowledge



Enabling Environment for Private Sector Adaptation

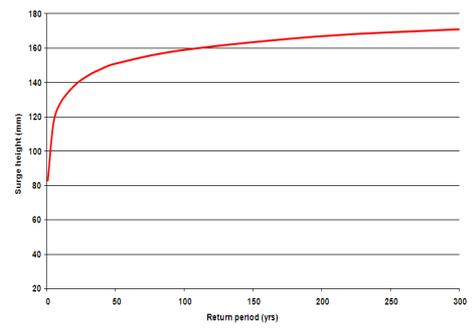
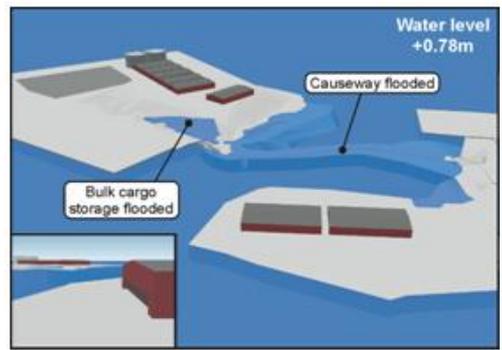
An Index Assessment Framework

Vladimir Stenek, International Finance Corporation
Jean-Christophe Amado, David Greenall, Deloitte

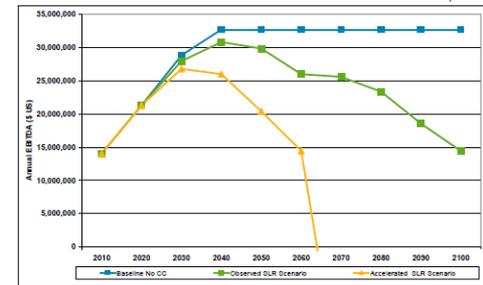
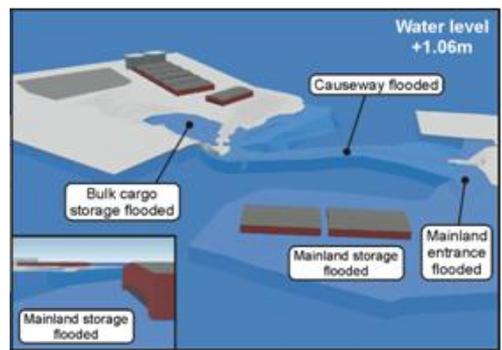


De-risking investments

- Port Muelles el Bosque, Colombia
- USD 180,000 investment in information:
 - mobilized USD 20 million in private finance for adaptation
 - de-risks and protects several hundred million worth of infrastructure
- Climate Risk Management: financial, environmental and social

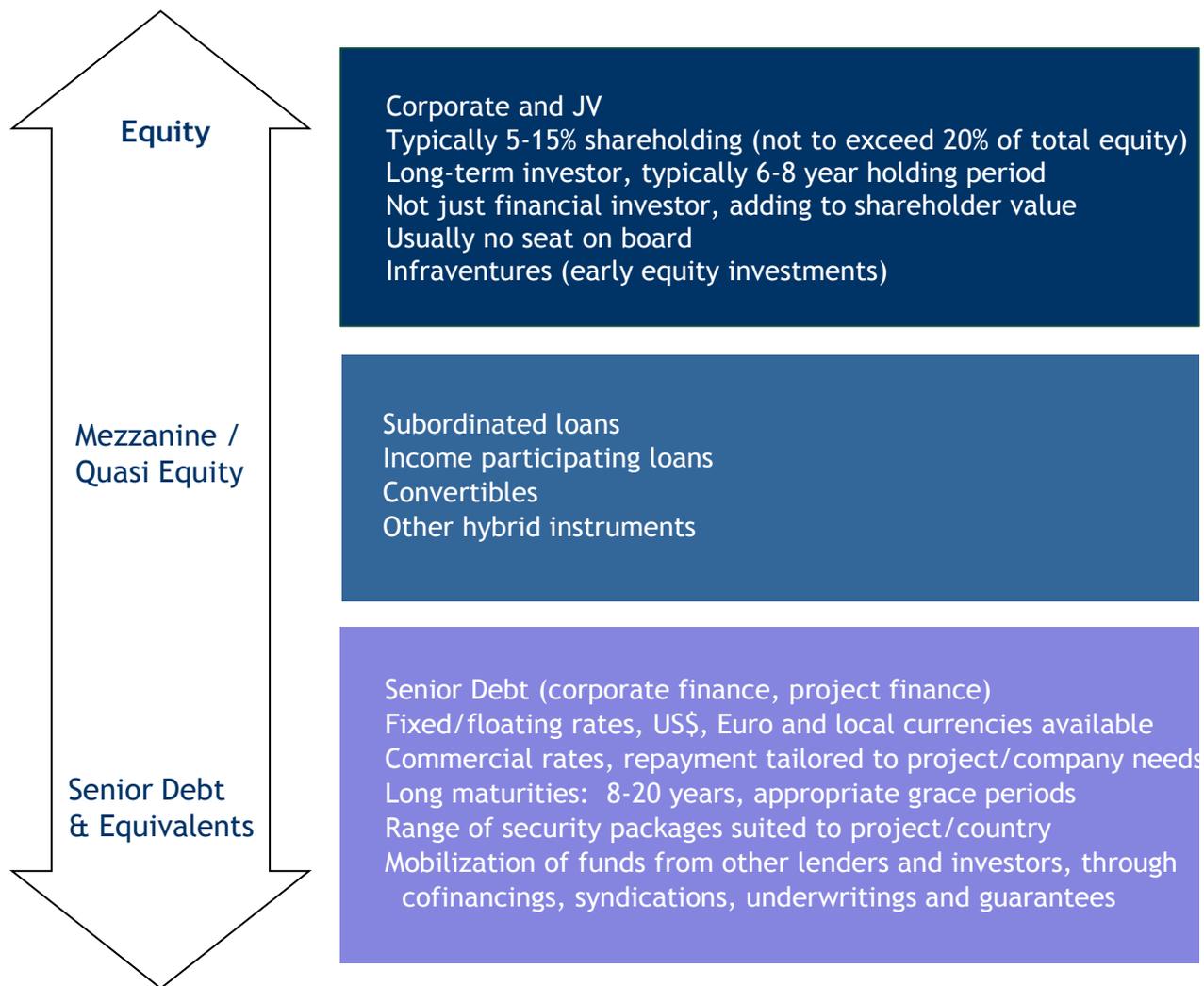


Storm surge height



Seawater flooding, 2050, observed and accelerated SLR scenarios

Financial Products - From Equity to Debt



Reaching smaller projects

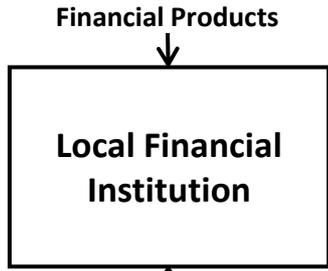
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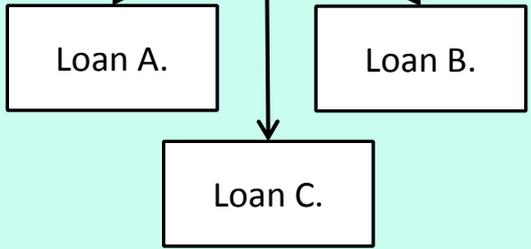
Type 2.

Risk positions at the level of the FI:

- Equity;
- Credit lines;
- Subordinated debt;
- Currency swap;



Bank Loans to Climate Related Projects



Portfolio of Climate Related Projects

Risk positions at the level of the underlying assets:

- Guarantees;
- Portfolio Risk Sharing;
- Mezzanine instruments.



Business beyond usual: concessional financing

Over \$410M Concessional Funds Available for Climate Smart Investments

Canada Climate Change Program (CCCP)

- US\$280M in-house
- Eligible Projects: RE, EE, forestry, adaptation
- Country Eligibility: select countries are not eligible
- No equity or CDM
- Max 30% subordinated
- Local currency where possible



Available \$158M

Climate Investment Funds (CIF)

- Comprised of 4 funds
 - Mitigation (CTF)
 - Forestry (FIP)
 - Adaptation (PPCR)
 - Small RE (SREP)
- Funds in house
 - ~\$328M (CTF)
 - ~\$19M (FIP)
 - ~\$14M (SREP)
 - ~\$13M (PPCR)
- Available for countries with approved Investment Plans



Available \$246M

Global Environment Facility (GEF)

- Environmental Business Finance Program
 - Projects for SMEs through FIs (\$24M)
- Eligible Projects: RE, EE, biodiversity conservation



Available \$12M

IFC has delegated authority from donors to utilize these funds

IFC's Principles for deploying Blended Finance

Moves Beyond IFC Additionality

- Only supports transactions where a subsidy is needed to complete a transaction

Avoids Market Distortion

- **Minimum concessionality**: Provide minimal subsidy to make the project happen with minimal market distortion

Leads to Sustainability

- **Time-bound**: should not be applied where long term subsidies are required; limited in time; couple with advisory services (as needed) to broaden impact and achieve market transformation

Promotes Transparency

- **Conflicts of interest addressed by**: Blended Finance Committee, a sub-committee of IFC's Senior Management that approves use, structure, and terms of concessional donor funds

Green Bonds

- Instruments for financing projects with environmental benefits; a focus on climate change
- World Bank Treasury issued the first green bond in 2008
- IFC Treasury issued \$3.4 billion in green bonds, including two \$1 billion benchmark sales that helped develop the market (proceeds for RE, EE projects).
- More than \$30 billion in circulation. Diversification of currency, tenor, issuers, including municipalities and corporates:
- GDF Suez, May '14, 2.5 billion euro offering, 3x oversubscribed
- Unilever, March '14, \$374 million, for emissions reduction, water use and waste
- Toyota Motors, \$1.6 billion, March '14, hybrid vehicle financing

Thank you!

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