



Mobilizing Climate Finance: definitions and methods

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Outline

- 🌍🌍 How do we mobilize resources
- 🌍🌍 How do we deploy the resources
- 🌍🌍 Mobilization and leverage in the ALM world
- 🌍🌍 Challenges of mobilization and leverage in project finance
- 🌍🌍 Outlook of some climate change related investment markets
- 🌍🌍 Mobilization and leverage in the climate finance world: points for reflection



How do we
mobilize
resources

Shareholder Capitalization

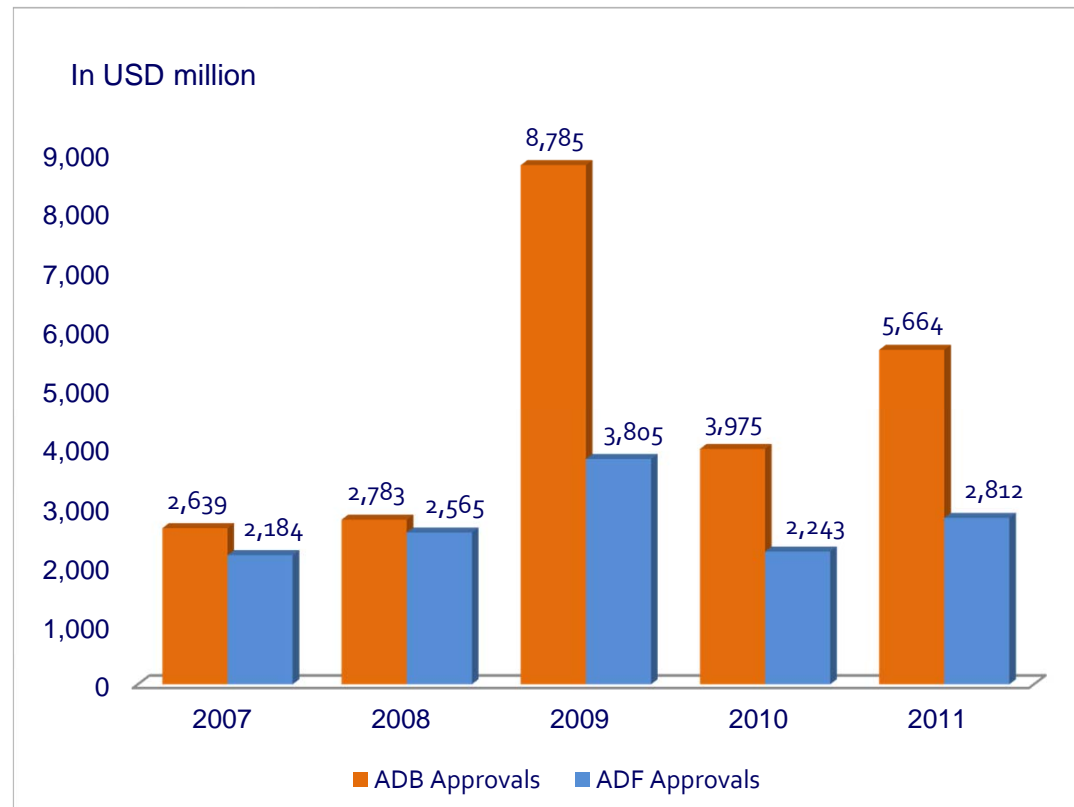
Replenishment

Concessional Trust Funds

Capital Market



How do we invest the resources



- Approvals include loans, grants, equity investments, emergency operations, HIPC debt relief, loan reallocations and guarantee, Post Conflict Country Facility.
- In 2011 climate finance represented 20% of the total resources deployed.



How do we deploy the resources

... across a broad spectrum of financial products

Equity and
quasi-equity
investments

Agency lines to
fund SMEs
through financial
intermediaries

Foreign and
local currency
loans

Partial Risk
Guarantees to
cover risk of
government
failure

Market and
commodity risk
management
products

Syndicated
loans

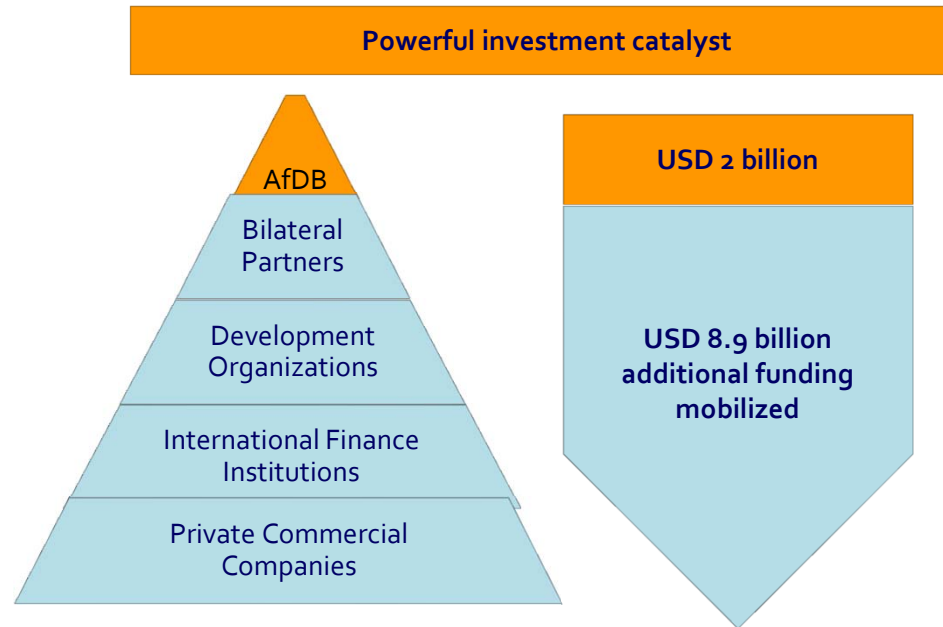
Partial Credit
Guarantees to
cover scheduled
repayments of
private loans or
bonds

Trade finance
lines of credit for
commercial
banks & DFIs

Lines of credit
to financial
institutions



Mobilization and leverage in the ALM world



In 2011 AfDB's resources deployed through private sector arm mobilized an additional investment of USD 8.9 billion



Leverage

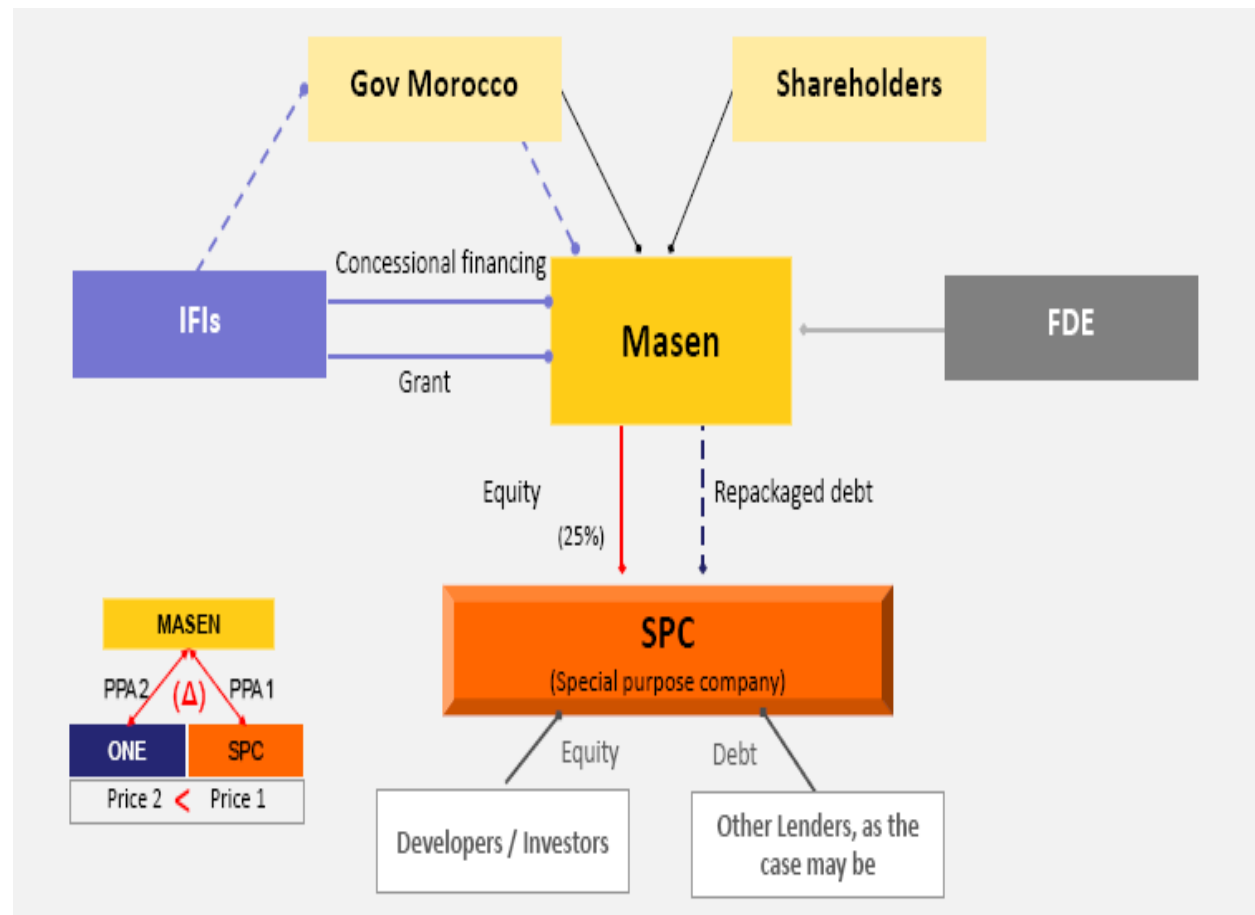
Debt / (Paid-in capital + Reserves + Callable capital of non-borrowing countries rated A- and above)



Challenges to define mobilization and leverage in project finance



Morocco CSP Qarzazate I





Challenges to define mobilization and leverage in project finance



Morocco CSP Qarzazate I

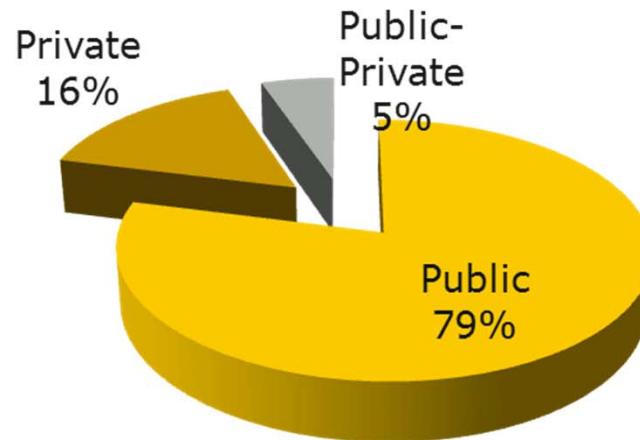


Source: CPI, 2012



Development of Wind Energy Markets Project Sponsorship

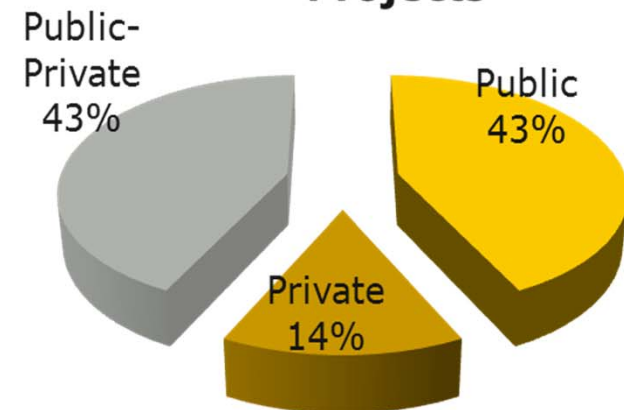
Completed Projects



- Sponsorship dominated by governments
- Support from development agencies like DANIDA, USAID, KfW

- Increased participation of private sector through PPP and IPP
- Catalytic role by the public sector
- Fully privately sponsored projects on the increase

Ongoing and Planned Projects



Source: Compiled by AfDB staff in 2011



Development of Wind Energy Markets Funding Sources

- **Governments** - budget contributions , subsidies, taxation
- **Official Development Assistance (ODA)** - Grew to reach a peak in 2004. Financial flows declined in the aftermath of the financial crisis and now the debt crisis
- **Multilateral Development Banks** - Support policy and regulatory reforms, risk management instruments and accessing carbon finance
- **Funds dedicated to the development of clean energy** - Global Environment Facility (GEF), Clean Investment Funds (CIF), Africa Green Fund (AGF), Sustainable Energy Fund for Africa (SEFA)- on the increase
- **Private investment** - hugely driven by the expected return on investment. Increased over the years.



Mobilization and leverage of climate finance: points for reflection

- **Definition of Leverage:** in general is defined as the ratio of specific public climate finance to broader public and private financial flows.
- It is often used interchangeably with other terms such as co-financing, co-investment, parallel financing, mobilized financing, co-lending, etc.
- The AGF Report have identified different definitions of leverage for different climate finance instruments such as carbon finance, policy incentives (e.g., feed-in-tariffs), investment guarantees and public climate finance.
- **Need for clarity in terms of the conceptual framework**



Mobilization and leverage of climate finance: points for reflection

- AfDB's use of mobilization and leverage of climate finance
- **Mobilization:** \$ value
- **Leverage:** ratio
- AfDB's resources vis-à-vis climate finance: ratio of climate finance/AfDB financing excluding project preparation grants or TA
- Private sector resources vis-à-vis AfDB's resources: ratio of private sector financing/AfDB financing excluding project preparation grants or TA



Mobilization and leverage of climate finance: points for reflection

- **Attribution**
- **Type of instruments**
- **Additionality**
- **Higher leverage from private sector:** closely associated with use of risk-sharing instruments relevant for the different markets



Thank You!
Merci!

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