

The background of the slide is a composite image. The left half is a solid dark brown color. The right half is an aerial photograph of a city skyline, likely New York City, showing a river, a bridge, and numerous skyscrapers under a clear blue sky.

Accelerating Private Investments in Climate Finance

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Table of Contents

1. Introduction

2. Categorization of Climate Finance Projects

3. Investor Landscape

4. Case Studies (see Appendix):

- 4.1 Indonesia Green Corporate Bond
- 4.2 The Green Guarantee Company (GGC)
- 4.3 Seychelles Debt-for-Nature Swap (DFN)
- 4.4 TCX's Long-term FX Risk Management
- 4.5 Adaptation Benefit Mechanism (ABM)
- 4.6 Social Success Note (SSN)

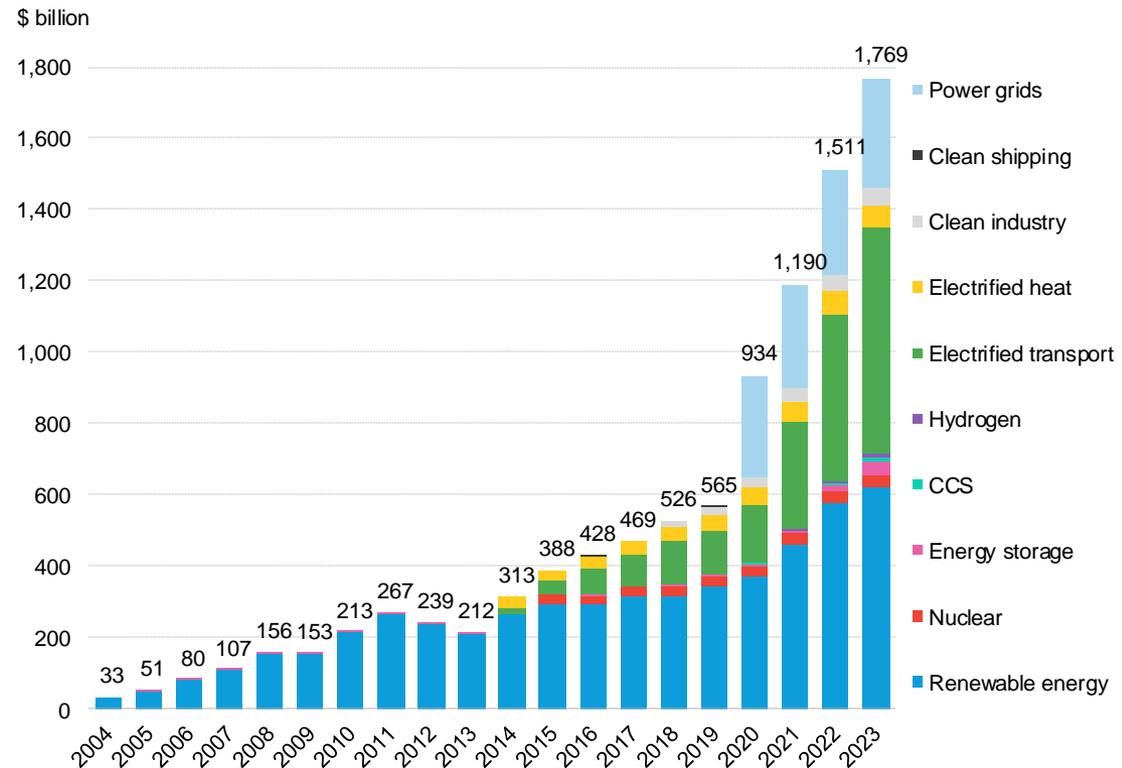
5. Policy Recommendations



1. Introduction

- Climate finance, as defined by the UNFCCC, refers to local, national, or transnational financing from public, private, and alternative sources aimed at supporting mitigation and adaptation actions.
- To meet the Paris Agreement's goal of limiting global temperature rise to below 2°C by 2050, low-carbon investments need to increase from \$1.8 trillion annually to \$5 trillion by 2030.
- Private capital is essential to bridge this climate finance gap.

Figure 1: Global energy transition investment, by sector

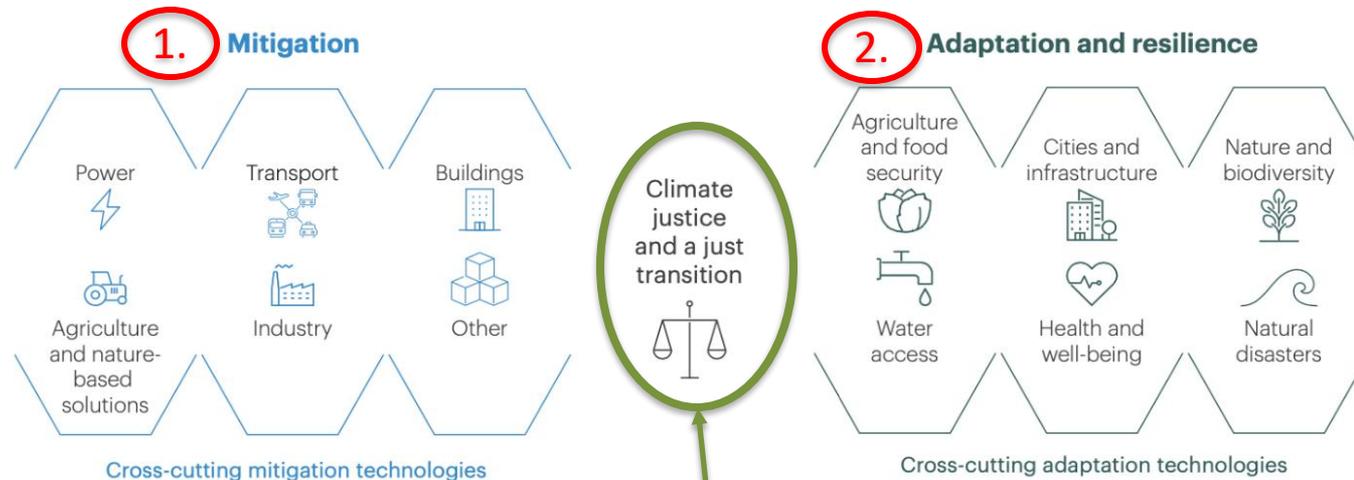


Source: BloombergNEF



2. Climate Finance Project Categories

Figure 2: Two Main Areas of Climate-Finance Need



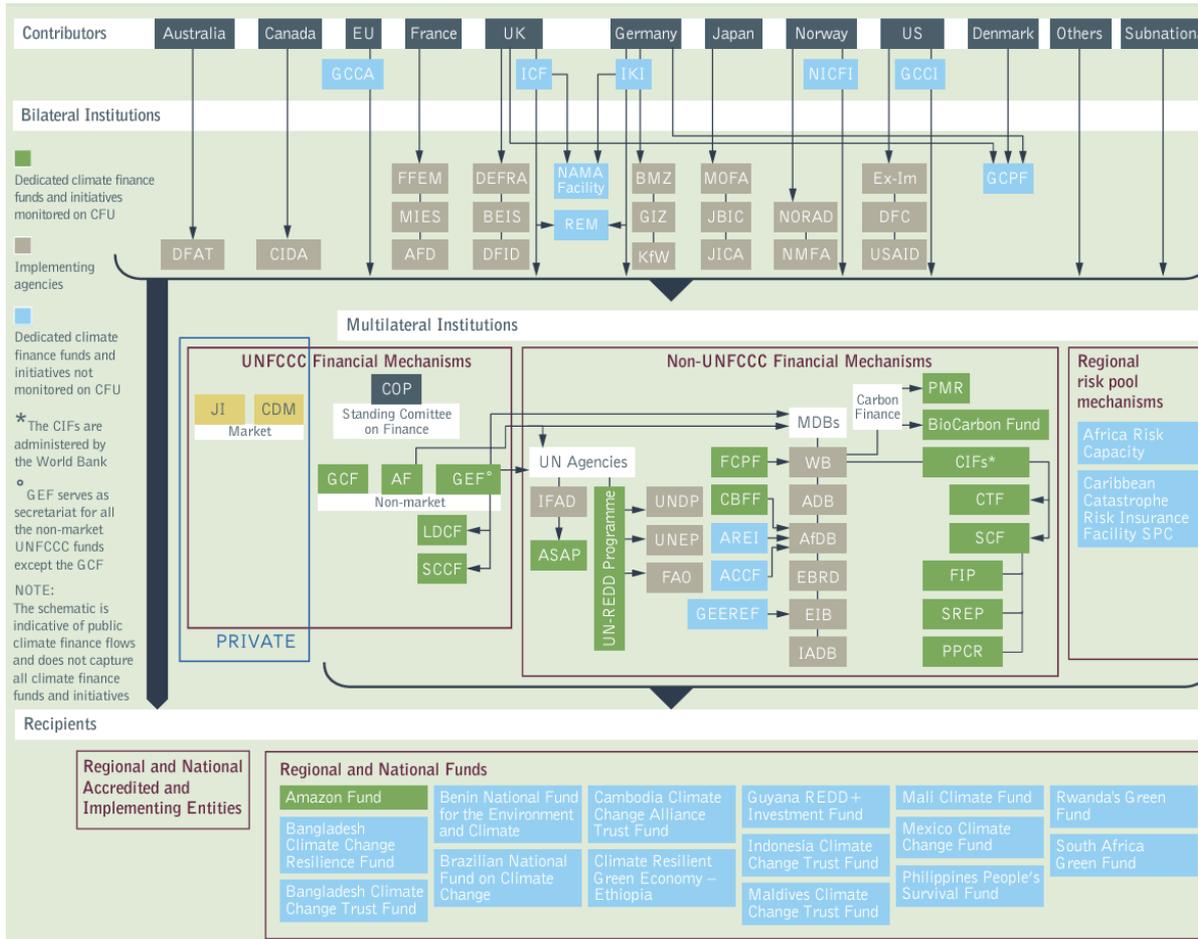
Source: The Rockefeller Foundation, and BCG. Rep. What Gets Measured Gets Financed . The Rockefeller Foundation, November 2022.

3. Loss & Damage: Addressing the irreversible effects of climate change, especially in vulnerable regions.



3. Investor Landscape

Figure 3: Global climate finance architecture



Key players in climate finance:

- Public sector: Governments, green banks, development banks, climate funds.
- Private sector: Institutional investors, philanthropists, venture capitalists, corporations.



Table of Contents

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- 4.3 Seychelles Debt-for-Nature Swap (DFN)
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- 4.6 Social Success Note (SSN)

5. Policy Recommendations



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5. Policy Recommendation

Key insights from the case studies show the importance of:



Government and
institutional support



Initial public capital
to attract private
investment



Risk management
through guarantees,
swaps, and other
instruments



Sustainable business
models for project
longevity



To scale climate finance, we recommend:

1. Identifying private-sector LDFM capacities.

- Large, globally diversified firms and net-zero committers can be “Stackleberg leaders”

2. Creating enabling environments to build country-level capacities.

- Granular data on hazards and damages, flexible insurance pricing, fiscal redistribution

3. Blending public-private finance to attract institutional investors.

- Guarantees, stage/seed-financing, targeted/directed technical change, knowledge transfer

APPENDIX

4.1 Indonesia Green Corporate Bond

- **Description:** Indonesia's green bond program highlights private sector involvement through multi-tranche structures while needing government support for full environmental impact.
- **Date Created:** 2018
- **Where Based:** Indonesia
- **Total Funds Available:** \$95 million (sustainability bond) and \$1.25 billion from the Green Sukuk.
- **Key Insights:** Success driven by the multi-tranche structure and USAID's partial credit guarantee.

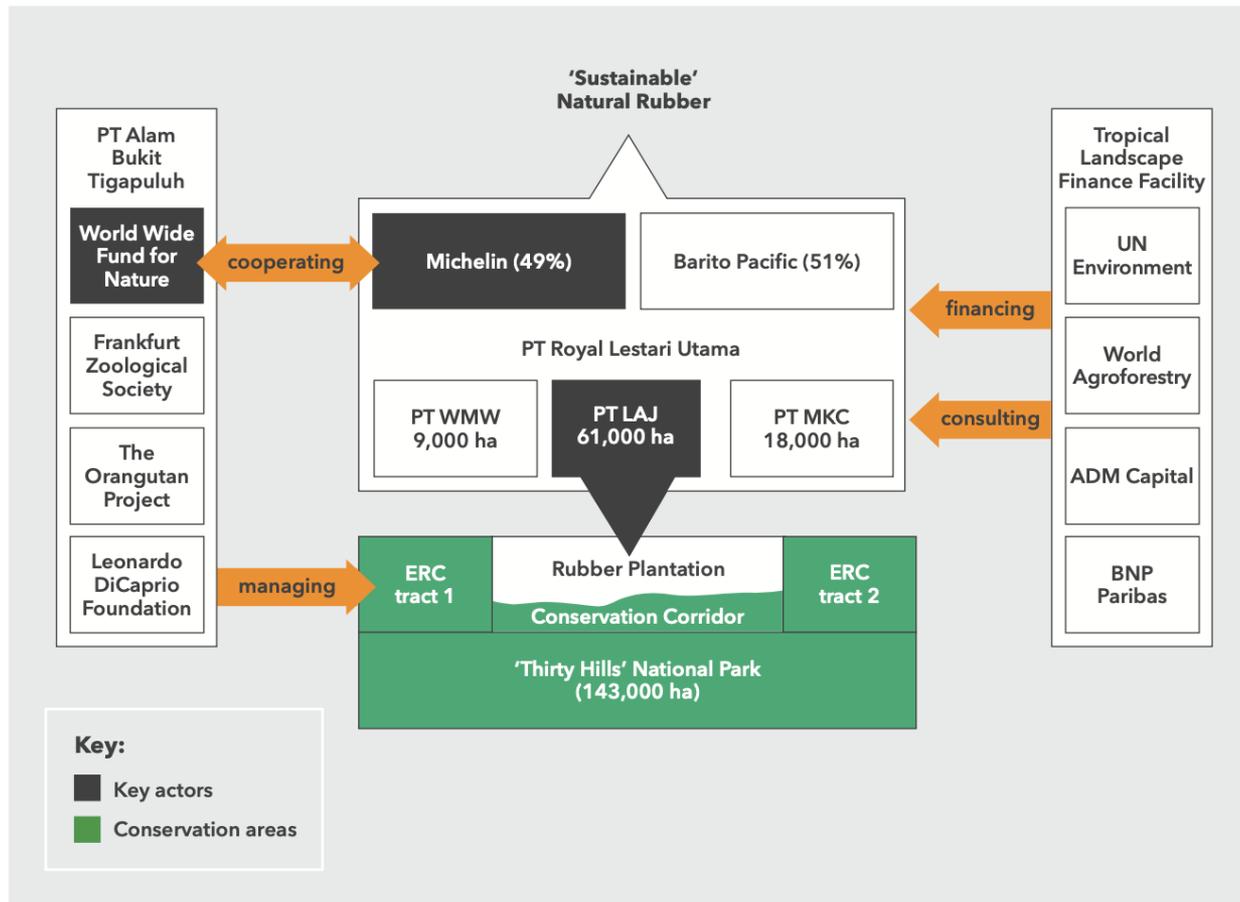
Table 1

Bond grade	Amount	Maturity	Coupon rate
Class A (Aaa rated by Moody's)	\$30m	15 yrs	4.14%
Class B1a	\$20m	15 yrs	9.00%
Class B1b	\$15m	5 yrs	8.38%
Class B1c	\$15m	7 yrs	8.88%
Class B2	\$15m	15 yrs	2.00%

Source: Convergence

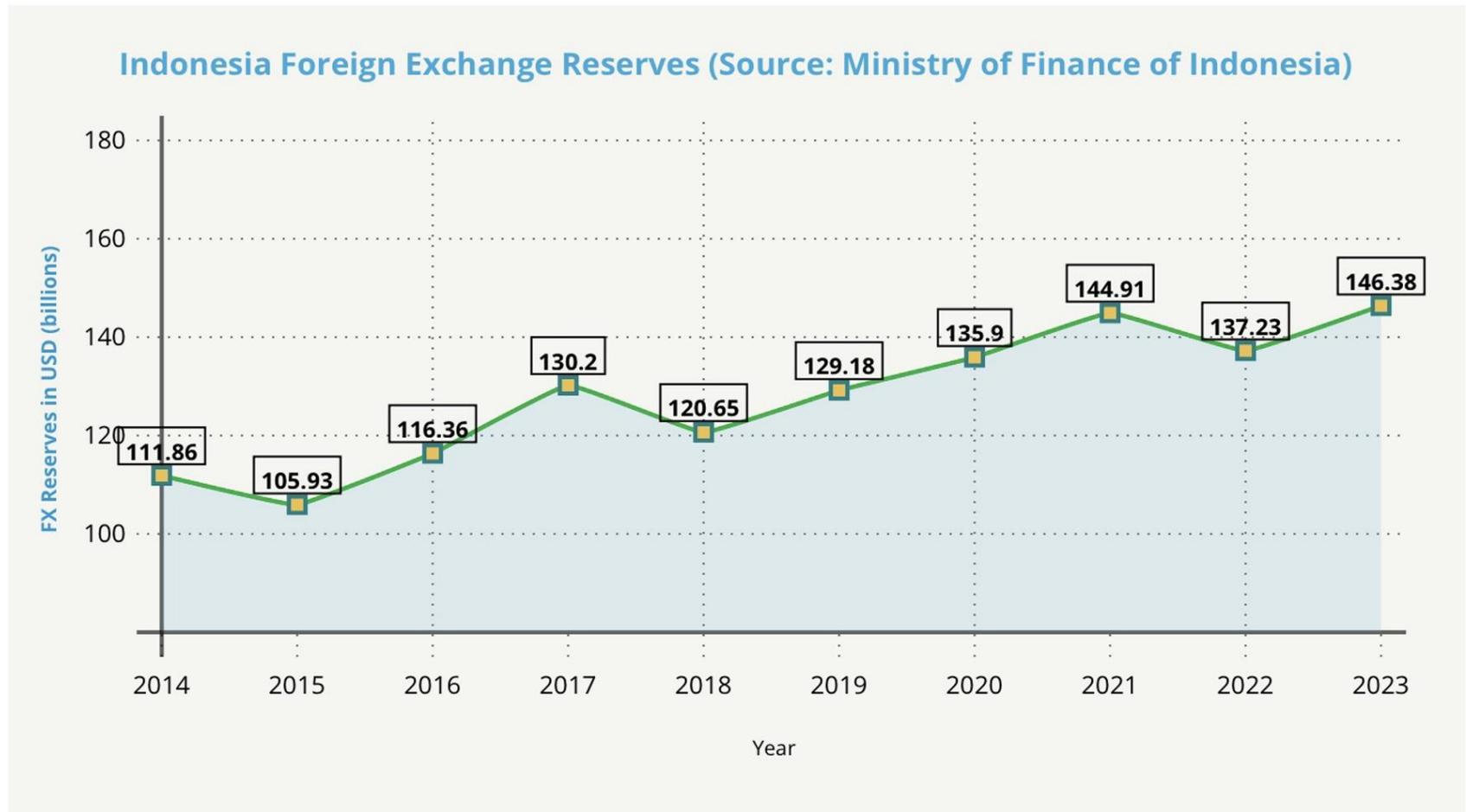
4.1 Indonesia Green Corporate Bond

Figure 4: Project Transnational Network of Actors



Source: Mighty Earth

4.1.1 Indonesia Foreign Exchange Reserves

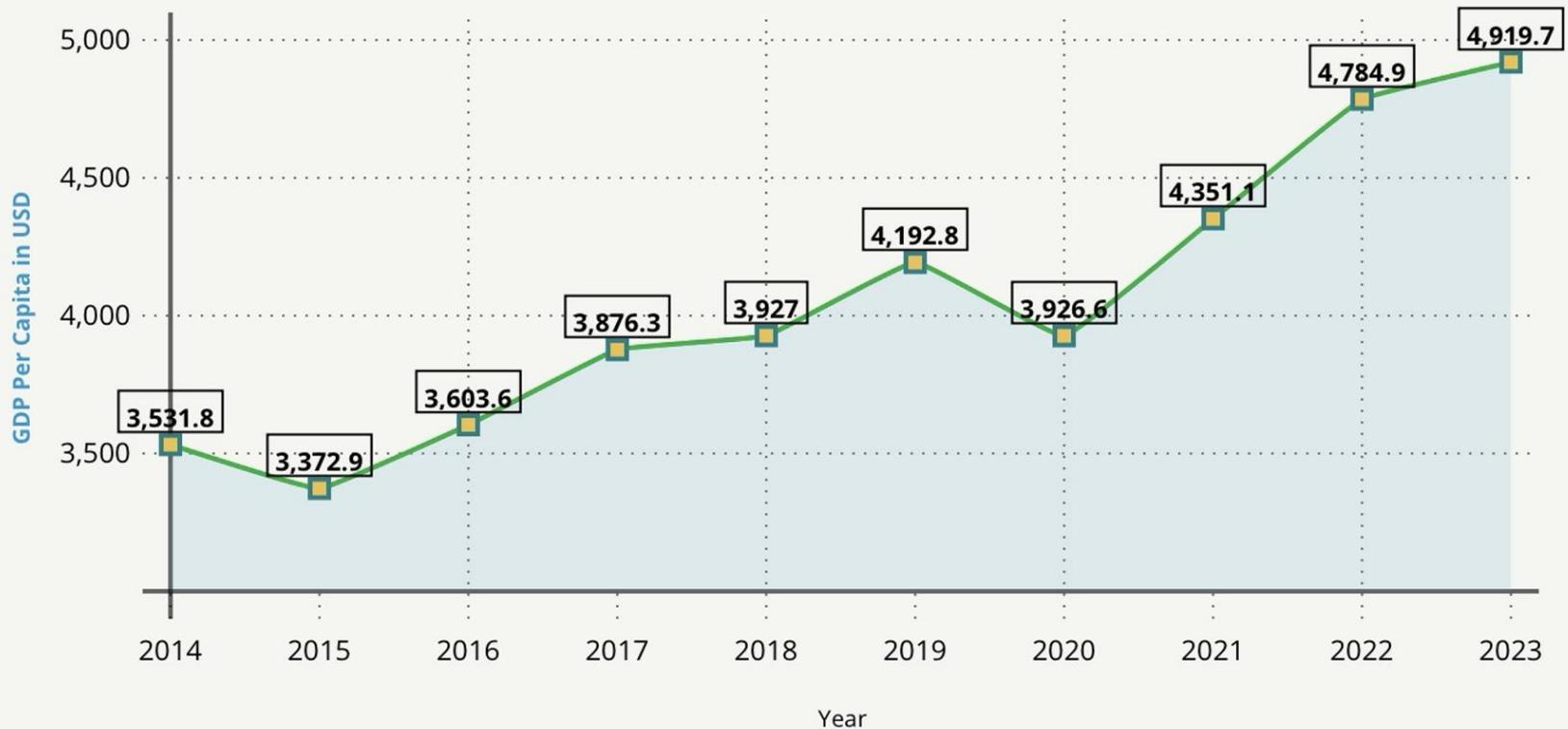


Source: Ministry of Finance of Indonesia



4.1.2 Indonesia GDP Per Capita

Graph 2. Indonesia GDP Per Capita (Source: Ministry of Finance of Indonesia)

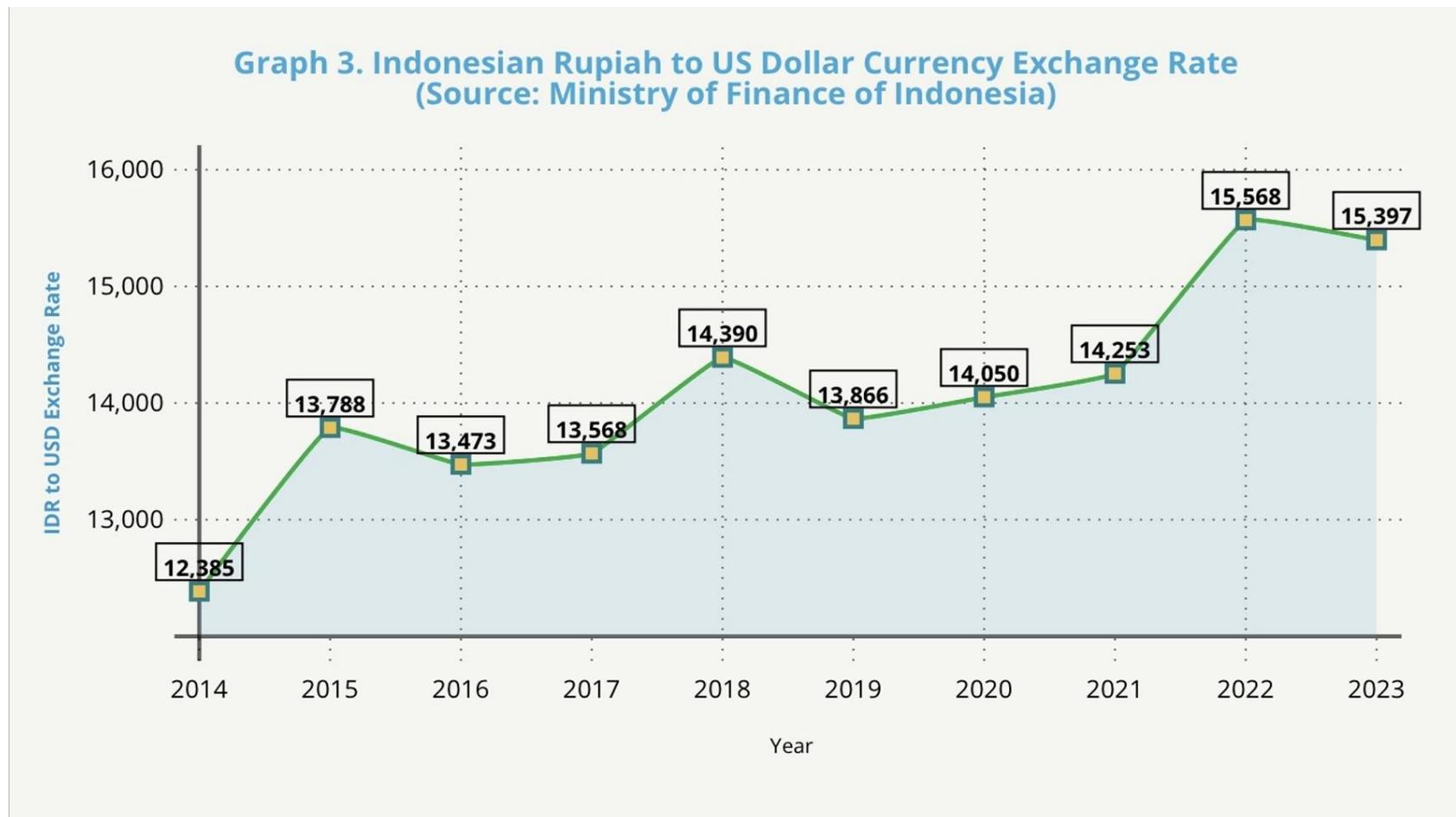


Source: Ministry of Finance of Indonesia

4.1.3 Indonesian Rupiah to US Dollar Currency Exchange Rate



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Source: Ministry of Finance of Indonesia



4.2 The Green Guarantee Company (GGC)

- **Description:** GGC mitigates investor risk in green investments in developing countries and has significant growth potential as demand for climate finance increases.
- **Date Created:** February 2024
- **Where Based:** Global, primarily serving developing countries
- **Total Funds Available:** \$363 million in project value.
- **Key Insights:** creating a “supply chain” or ecosystem to raise green capital can help attract more investors and increase the feasibility of climate projects.

Figure 5: The Green Guarantee Company – Instrument mechanics



Source: The Global Innovation Lab for Climate Finance

4.2 The Green Guarantee Company (GGC)

Table 2: Comparison between GGC and MIGA

MIGA (Multilateral Investment Guarantee Agency) is a part of WBG issued a total of \$6.4 billion in new guarantees in 2023. Within this, \$1.5 billion contributed to climate finance, accounting for 28 percent of the total guaranteed investment in supported projects.

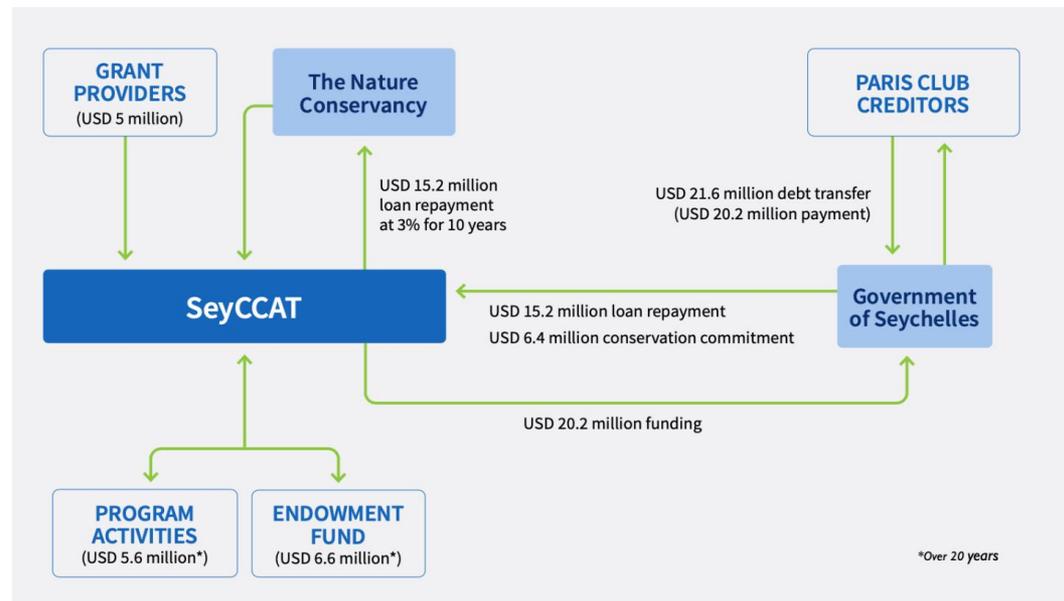
Elements of comparison	GGC	MIGA
Size	\$363 million all for climate finance until now	\$6.4 billion (\$1.5 billion for climate finance) in 2023
The types of guarantee services offered	<p>Eligible instruments for guarantee:</p> <ul style="list-style-type: none"> • Use of Proceeds Bond • Revenue Bond • Project Bond • Securitization (ABS) Bond • Covered Bond • Sukuk • Syndicated /Club Loan • Private Placement 	<ul style="list-style-type: none"> • Credit Guarantees: for loans to the public or private sector. • Trade Finance Guarantees for Public Sector Risk: short-term guarantees for trade finance transactions involving a public entity. • Political Risk Insurance: insuring against non-commercial risks for private sector projects or public-private partnerships.
Technical Assistance offered	Yes	Yes
Guarantee process	<ol style="list-style-type: none"> 1. Due diligence 2. Screening 3. Approval from the Green Guarantee Company's Impact Committee and its Investment Committee 	<ol style="list-style-type: none"> 1. Preliminary and definitive application with a fee 2. Review and due diligence 3. Underwriting and approval
Underwriting duration	Not declared	<p>Mostly 4 to 6 months or less;</p> <p>Projects under the Small Investment Program take 1 to 2 months.</p>
Exposure limit	The greater of \$200 million or otherwise as may be agreed by the GGC Board.	Up to \$500 million



4.3 Seychelles Debt-for-Nature Swap (DFN)

- **Description:** Seychelles' debt-for-nature swap underscores the importance of clear conservation goals and local facilitators, though its success relies on a strong tourism or natural resource sector.
- **Date Created:** 2015
- **Where Based:** Seychelles
- **Total Funds Available:** \$21.6 million in debt restructuring, with additional \$23 million in loans and \$5 million in grants.
- **Key Insights:** Success requires strong local facilitation and economic potential tied to conservation efforts.

Figure 6: Model of Seychelles' debt-for-nature swap



Source: USAID



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4.3 Seychelles Debt-for-Nature Swap (DFN)

Below are key funders for this swap:

- China Global Conservation Fund, financed by the China Board of The Nature Conservancy;
- The Jeremy and Hannelore Grantham Environmental Trust;
- Leonardo DiCaprio Foundation;
- Lyda Hill and the Lyda Hill Foundation;
- Oak Foundation;
- Oceans 5, an international funders' collaborative dedicated to protecting oceans;
- Turnbull Burnstein Family Charitable Fund;
- Waitt Foundation.

Collaborators on the initiative include the governments of Belgium, France, Italy, South Africa, and the UK, the United Nations Development Programme (UNDP), GEF, and the Global Island Partnership.

4.4 TCX's Long-term FX Risk Management



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Table 3:TCX's investors

- **Description:** TCX fills a market gap in currency risk management for underdeveloped markets but faces capital insufficiency despite steady growth.
- **Date Created:** 2007
- **Where Based:** Global, focusing on underdeveloped markets
- **Total Funds Available:** Not explicitly mentioned, significant backing from DFIs and governments.
- **Key Insights:** Effective risk pooling through a diversified portfolio helps manage FX risks.

Investor Name	Classification	% of Total Capital Paid In
Kreditanstalt für Wiederaufbau (KfW)	DFI	17.57%
European Bank for Reconstruction and Development (EBRD)	DFI	17.57%
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO)	DFI	17.57%
The European Investment Bank (EIB)	DFI	11.21%
International Finance Corporation (IFC)	DFI	11.03%
Agence Française de Développement (AFD)	DFI	7.48%
Development Bank of Southern Africa Ltd. (DBSA)	DFI	3.74%
OIKOCREDIT (Ecumenical Development Cooperative Society U.A.)	MIV	2.52%
Belgian Investment Company for Developing Countries SA/NV (BIO)	DFI	1.87%
Promotion et Participation pour la Coopération Économique (PROPARCO)	DFI	1.59%
ASN Microkredietpool	MIV	1.40%
MFX Solutions LLC	MIV	1.31%
European Fund for Southeast Europe (EFSE)	MIV	0.93%
Compañía Española de Financiación del Desarrollo S.A. (COFIDES)	DFI	0.93%
OPEC Fund for International Development (OFID)	DFI	0.93%
EMF Microfinance Fund AGmvK	MIV	0.75%
Blue Orchard Microfinance Fund (BOMF)	MIV	0.75%
Stichting Oxfam Novib	MIV	0.47%
Grameen Credit Agricole Microfinance Foundation (GCAMF)	MIV	0.37%

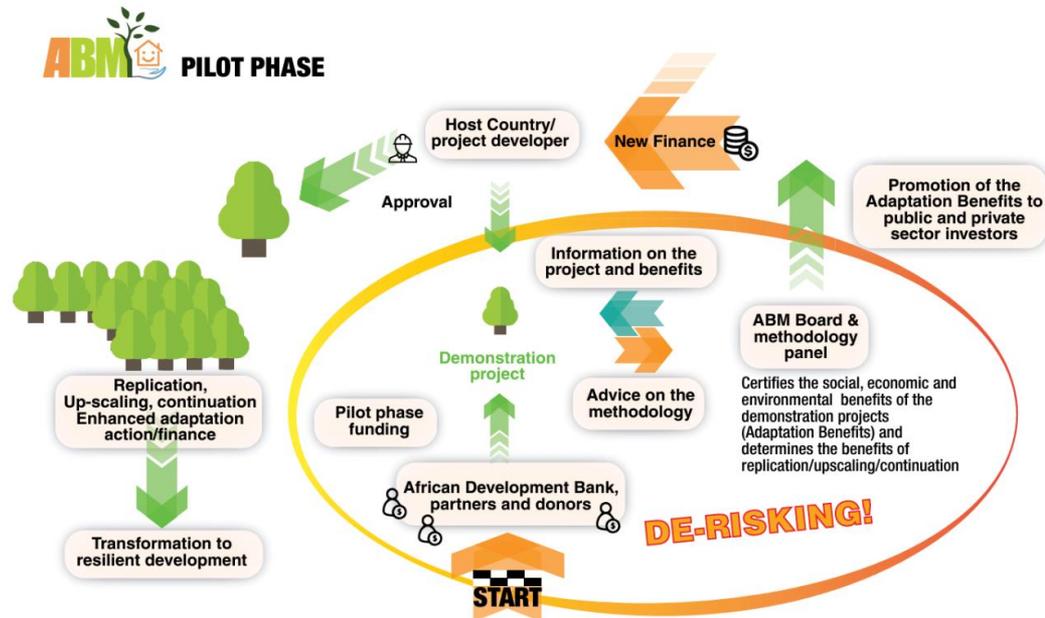
Data Source: TCX Annual Report 2023



4.5 Adaptation Benefit Mechanism (ABM)

- **Description:** ABM fosters long-term climate adaptation projects by aligning stakeholder interests and reducing costs through a results-based, non-market approach.
- **Date Created:** Pilot phase started in 2019
- **Where Based:** Managed by the African Development Bank
- **Total Funds Available:** Not explicitly mentioned.
- **Key Insights:** ABM offers a flexible, results-driven approach to incentivizing adaptation projects.
- **Major Funders:** Green Climate Fund, African Climate Change Fund, donor countries.

Figure 7: ABM schematic



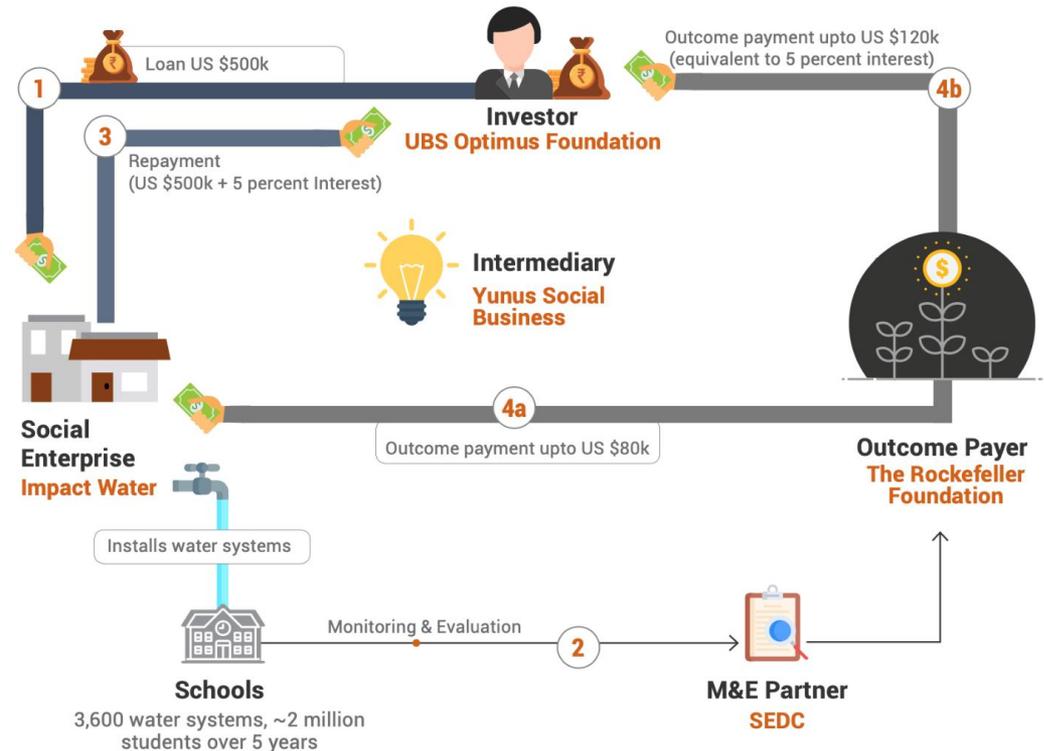
Source: AfDB



4.6 Social Success Note (SSN)

- **Description:** SSN provides affordable loans to social enterprises with performance-based incentives, though clearly requires strong local evaluation and technical support for success.
- **Date Created:** 2018
- **Where Based:** Uganda (for this specific initiative)
- **Total Funds Available:** In the initial project, \$500,000 loan from UBS Optimus Foundation, with \$200,000 in outcome payments from the Rockefeller Foundation.
- **Key Insights:** Pay-for-success mechanism attracts social enterprises and incentivizes impact through clear performance measures. Any institution can implement this mechanism.

Figure 8: SSN implementation schematic



Source: Social Success Note Playbook