Venture Financing

Green Climate Fund

Green Climate Fund, Republic of Korea

https://www.greenclimate.fund

The Green Climate Fund (GCF) is a new global fund created to support the efforts of developing countries to respond to the challenge of climate change. GCF helps developing countries limit or reduce their greenhouse gas (GHG) emissions and adapt to climate change. It seeks to promote a paradigm shift to low-emission and climate-resilient development, taking into account the needs of nations that are particularly vulnerable to climate change impacts.

It was set up by the 194 countries who are parties to the United Nations Framework Convention on Climate Change (UNFCCC) in 2010, as part of the Convention's financial mechanism. It aims to deliver equal amounts of funding to mitigation and adaptation, while being guided by the Convention's principles and provisions.

When the Paris Agreement was reached in 2015, the Green Climate Fund was given an important role in serving the agreement and supporting the goal of keeping climate change well below 2 degrees Celsius.

Responding to the climate challenge requires collective action from all countries, including by both public and private sectors. Among these concerted efforts, advanced economies have agreed to jointly mobilize significant financial resources. Coming from a variety of sources, these resources address the pressing mitigation and adaptation needs of developing countries.

GCF launched its initial resource mobilization in 2014, and rapidly gathered pledges worth USD 10.3 billion. These funds come mainly from developed countries, but also from some developing countries, regions, and one city (Paris).

GCF's activities are aligned with the priorities of developing countries through the principle of country ownership, and the Fund has established a direct access modality so that national and sub-national organisations can receive funding directly, rather than only via international intermediaries.

The Fund pays particular attention to the needs of societies that are highly vulnerable to the effects of climate change, in particular Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States.

GCF aims to catalyze a flow of climate finance to invest in low-emission and climate-resilient development, driving a paradigm shift in the global response to climate change.

Our innovation is to use public investment to stimulate private finance, unlocking the power of climate-friendly investment for low emission, climate resilient development. To achieve maximum impact, GCF seeks to catalyse funds, multiplying the effect of its initial financing by opening markets to new investments.

The Fund's investments can be in the form of grants, loans, equity or guarantees.

Key features

GCF invests in adaptation and mitigation activities in developing countries, managing a project portfolio that is implemented by its partner organisations, known as Accredited Entities.

GCF's approach is marked by several distinct features:

balanced portfolio: GCF's investments are aimed at achieving maximum impact in the developing world, supporting paradigm shifts in both mitigation and adaptation. The Fund aims for a 50:50 balance between mitigation and adaptation investments over time. It also aims for a floor of 50 percent of the adaptation allocation for particularly vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States.

Unlocking private finance: The Fund is unique in its ability to engage directly with both the public and private sectors in transformational climate-sensitive investments. GCF engages directly with the private sector through its Private Sector Facility (PSF). As part of its innovative framework, it has the capacity to bear significant climate-related risk, allowing it to leverage and crowd in additional financing. It offers a wide range of financial products including grants, concessional loans, subordinated debt, equity, and guarantees. This enables it to match project needs and adapt to specific investment contexts, including using its funding to overcome market barriers for private finance.

Country ownership: GCF recognizes the need to ensure that developing country partners exercise ownership of climate change funding and integrate it within their own national action plans. Developing countries appoint a National Designated Authority (NDA) that acts as the interface between their government and GCF, and must approve all GCF project activities within the country. This country-driven approach ensures GCF's activities operate in harmony with national priorities.

The aim of all GCF activities is to support developing countries limit or reduce their greenhouse gas emissions and adapt to climate change impacts.

Development finance and access to finance in Sri Lanka

Central Bank of Sri Lanka
https://www.cbsl.gov.lk

The Central Bank of Sri Lanka (CBSL) on behalf of the Government of Sri Lanka (GOSL), contributes to enhance Access to Finance with the intention of achieving balanced growth and financial inclusiveness in the country. To achieve these objectives, the CBSL coordinates, facilitates and implements various refinance schemes, interest subsidy schemes and credit guarantee schemes while delivering credit supplementary services through Regional Development Department (RDD) of the CBSL.

The strategic objectives of the RDD include the enhancement of regional growth, reduction of poverty, creation of income generating activities and employment opportunities, provision of skills development and training, facilitation of formal financial services, strengthening economic activities in the lagging regions and enhancement of production of essential food items including organic food to ensure food security and food safety.

Financial assistance

The RDD provides affordable finance for beneficiaries in the Agriculture, Animal Husbandry and Micro, Small and Medium scale Enterprises (MSMEs) in the country through a network of Participating Financial Institutions (PFIs) which are mainly Licensed Commercial Banks and Licensed specialized Banks. The funds are made available to the needy people and business ventures at concessionary terms and conditions through PFIs with a view to ensuring those beneficiaries are well geared to meet the challenges ahead. These schemes are funded by the GOSL, the CBSL, Donor Agencies and PFIs. Through these schemes, RDD serves the beneficiaries in a wide spectrum of sectors including Agriculture and Animal Husbandry, Microfinance and Micro, Small and Medium Enterprise (MSME) sectors, by providing affordable finance facilities.

Implementation of GOSL funded schemes

At present, RDD implemented 05 schemes funded by the GOSL including 4 refinance loan schemes and 1 interest subsidy schemes. “Sarusara”- New Comprehensive Rural Credit Scheme (NCRCS) which is funded by the GOSL, serves as an interest subsidy scheme and a credit guarantee scheme as well.

Implementation of CBSL funded schemes

In view of the strategic importance of regional development for balance and inclusive economic growth of the country, CBSL continues to fund two main schemes of RDD, namely, the Saubagya Loan Scheme and the Commercial Scale Dairy Development Loan Scheme (CSDDLS), which is a refinance loan scheme and an interest subsidy scheme.

Implementation of donor funded schemes

International Fund for Agriculture Development (IFAD) serves as the main Donor Agency by contributing millions of rupees towards 6 refinance loan components under Smallholder Agri-business Partnership Programmes (SAPP) which has been implemented in mid 2018. SAPP is introduced in lieu of the National Agribusiness Development Programme (NADeP), another IFAD funded project which was successfully concluded at the end of 2017. RDD manages the Credit Component of SAPP which includes issuing Operating Instructions to the PFIs and providing refinance to them.

Credit guarantee

The RDD implements Credit Guarantee schemes with a view to mitigate credit risk of the loans granted by the PFIs for specific sectors. Under these schemes, loans granted by the PFIs are guaranteed in case of defaults, to a certain extent. To implement this process which supports PFIs to lower their credit risk, RDD issues Operating Instructions to the PFIs, specifying the terms and conditions applicable under each scheme, including issuance of guarantees and indemnity payments, etc. To be eligible under the scheme, PFIs are expected to pay a premium, specified in the Operating Instructions of the particular scheme.

Interest subsidy

Under the Interest Subsidy Schemes implemented by the RDD, PFIs are eligible to receive interest subsidy for the loans granted by them through a relevant interest subsidy scheme. These schemes are implemented to compensate the cost of funds of PFIs while encouraging them to grant loans to the specific priority sectors of the economy.

Public awareness

CBSL conducts a series of awareness building and skill development programmes, especially for those who are have not accessed the formal financial sector, through RDD. These programmes mainly focus on financial management, entrepreneurship development, Training of Trainers (TOT) and workshops on entrepreneurs, mainly to promote financial inclusiveness of the country. In addition, RDD take efforts to enhance public awareness on Access to Finance and Financial Inclusiveness, using print and electronic media. Moreover, RDD takes necessary policy measures in line with the contemporary developments in the economy.