INTERNATIONAL FINANCIAL CONSULTING

Green Finance:

Best Practices and Future Trends

ADFIAP financing sustainable development

VNESHECONOMBANK

37th ADFIAP Annual Meeting

Hosted by Vnesheconombank

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April 24, 2014

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Key Features of National Development Banks

Development Mandate Promotes financing and associated market development in underserved sectors	**Public Sector Entity** Can interact with different levels of governments and potentially influence policy-making	**Financial Institution** Is in the business of financing and risk taking, particularly in support of long term investments
Mobilizer Works with private financial institutions and seeks to mobilize or attract co-financing	**Project Structurer** Understands the risks and barriers and can shape and influence the project structure	**Risk Taker** Can identify, manage, mitigate and assume risks that the private sector LFIs cannot
Incubator and Aggregator Can develop innovative and catalytic financial instruments and can manage small scale projects	**International Partner** Has access to long-term hard currency borrowings and work closely with the MDBs, bilateral DFIs and foreign ECAs	**Connector** Has connections to all of the relevant public and private sector actors

National Development Banks are in the frontline to address climate change

- NDBs play a unique role. NDBs use a variety of different financial and non-financial instruments that can promote private sector finance, and many of them already offer such instruments for climate change activities.
- There is a need to scale up private sector investments in climate change activities but there are barriers that private sector investments
- NDBs can play a more effective role in both stimulating **demand for green finance** as well as increasing the **supply of green finance**

Public finance from NDBs can be used to leverage private sector investments

- Increasing the **"demand"** side for investments and finance in climate friendly projects by:
  - addressing sector- and country-specific constraints,
  - promoting an appropriate and stable enabling environment for investment
  - building awareness and capacity to analyze and structure climate-related interventions
  - bringing projects and companies to a state of investment-readiness

- Providing the necessary incentives to mobilize the **"supply"** of climate friendly investments from the private sector by:
  - offering financial instruments at adequate terms and conditions for this type of projects and by
  - supporting private investors/LFIs in understanding and tackling the specific investment and financial barriers that prevent private actors to engage in 'green' and climate resilient projects.

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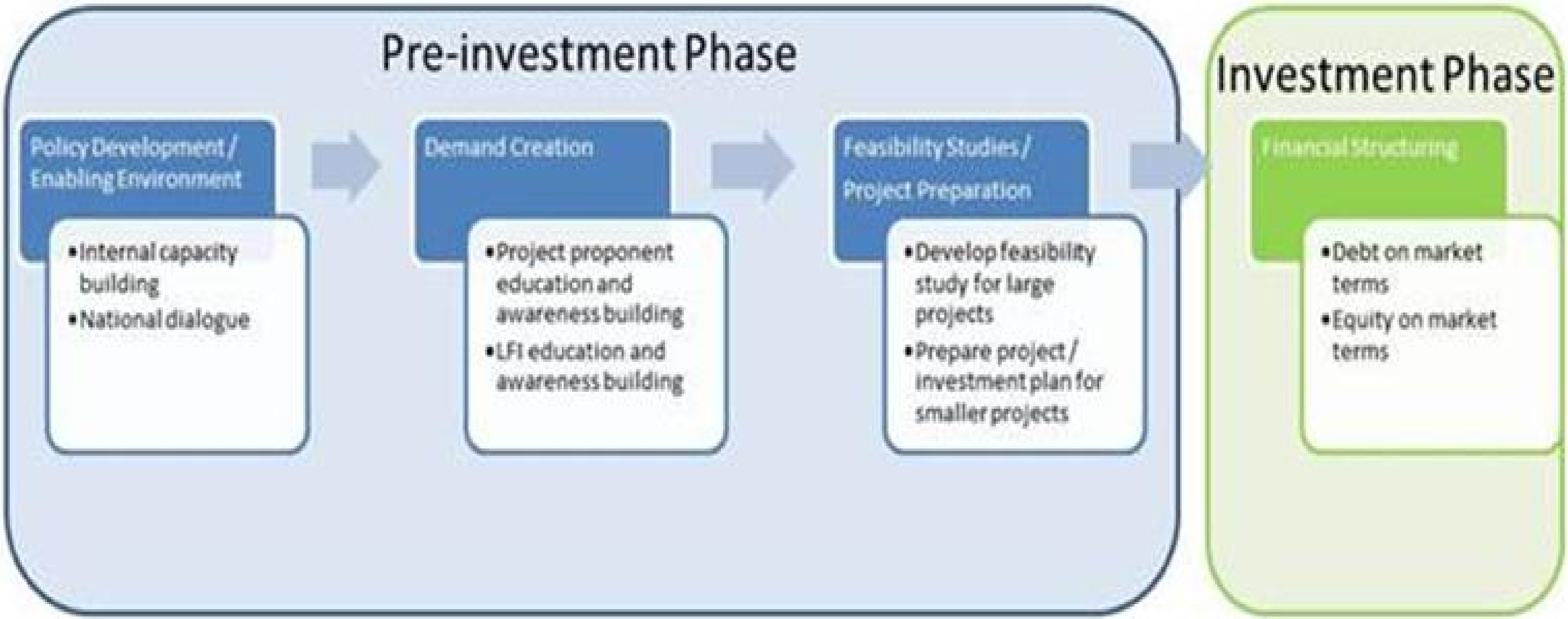
Conditions for effective scale up of private climate finance



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NDBs have the capacity and need the competency to develop solutions

Step 1:	Identify problem
Step 2:	Assess the root cause
Step 3:	Imagine different scenario
Step 4:	Consider what would change
Step 5:	Design instrument
Step 6:	Test it to determine if it impacts

NDBs can address the obstacles to scaling up of green investments

	If an Obstacle is....	Then a possible solution is........
Enabling Challenges	Lack of awareness of opportunities for climate change mitigation and economic benefits	Project developers and LFIs need capacity building and awareness campaigns, building on key success stories
	Lack of coordination among main actors	Policymakers, LFIs, project developers need to be assembled to create action, and synchronize objectives and interests
	Lack of knowledge of relevant market actors, including LFIs, technology and service providers	Project developers and LFIs need promotion and certification of technology and service providers
Project Challenges	Costs of feasibility studies and project preparation are prohibitive	Project proponents need support and incentives to pursue opportunities
	Knowledge of sector/technology is lacking	LFI may need to co-finance with another local or foreign lender with prior experience in the area
	Counterparty risk is too high or lacks sufficient collateral	LFI may need a guarantee from a third party
	Project lacks sufficient equity	Project proponents needs additional equity to strengthen balance sheet of the underlying project
	Transaction size too small or transaction costs too high relative to return for LFI	LFI may need to bundle a package of projects to achieve economies of scale
	Long-term liquidity not available to LFI	LFI may need to access long term funds - in foreign or local currency - to meet project requirements
	Transaction size too large for LFI's balance sheet	LFI may need to syndicate transaction
	Credit risk limits reached for obligor or sector	LFI may need to transfer risk to a third party to stay within its single obligor/sector limits
	CDM process not well understood or easy to manage	Project developer may need guidance and financial support to navigate the process
	Monitoring, reporting and verifying properly GHG emissions reductions	Project developers and LFIs may need guidance and technical support to establish an adequate MRV system or financial incentives through performance-based finance approaches.

Often the best ideas come as responses to real problems

- Problem: MFIs portfolios are highly vulnerable to natural disasters
  - After a natural disaster, the MFIs have large numbers clients unable to pay
  - Portfolio is in serious jeopardy

- Solution: Microfinance insurance fund
  - This fund mutualizes risk across MFIs and their clients

Thank You - Спасибо

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