

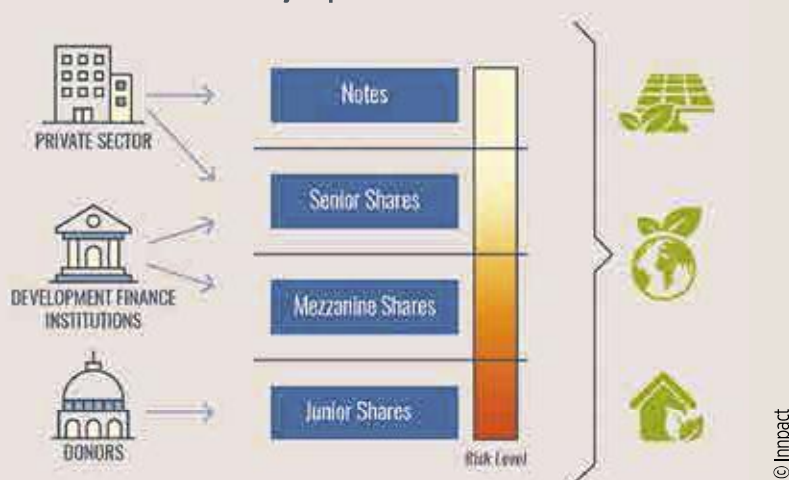
# How to engage the private sector in your Climate Finance Initiative

The wave of momentum following COP21 has generated considerable interest in climate finance but how can your institution use all this private interest to build an effective US\$500+ million investment fund?

Private sector investors want to invest in climate finance initiatives but are easily deterred by the relatively high financial risk of these investment opportunities. In order to back your Climate Finance project, private investors want assurance that there will be a balance between their perceived investment risk and expected returns. Layered funds have already proven to be an efficient way to mitigate risk and leverage private financing for climate and environmental programmes and other impact and development finance initiatives.

In a layered fund, the fund issues different capital tranches suited to each investor's profile. Public investors and donors with a greater tolerance for risk invest in junior and mezzanine shares of the fund. These shares take any first losses resulting from the fund's underlying investments, effectively building a risk cushion for private impact investors, institutional investors, pension funds, and high-net-worth individuals looking to invest in climate finance but who may be concerned about such a fund's inherent risk. Because of the fund's unique layering, private investors can be more secure in their investment and will thus be more eager to support your initiative.

## An introduction to LAYERED FUNDS by Innpact



As an example, the Global Climate Partnership Fund (GCPF) is a layered climate finance fund that strives to deliver greenhouse gas emissions reductions and energy savings in emerging and developing economies around the globe. The GCPF provides financing through local financial institutions in order to promote energy efficiency and renewable energy lending to SMEs and ESCOs, as well as to private households. Founded by KfW and the German Federal Ministry for the Environment (BMUB), the fund has attracted investment from many other public institutions and has notes held by private investors all contributing to the total fund size of nearly US\$300 million.

Innpact has provided structuring services to the Global Climate Partnership Fund and has actively participated in the structuring of

over 20 impact finance funds with a current total value of over US\$4.5 billion including nearly US\$1 billion in climate finance. Our proven experience, working especially with Development Finance Institutions like KfW, EIB, IFC and EBRD, to structure impact investment vehicles that catalyse private, public, and social investors positions us as an ideal partner for your next initiative.

At Innpact we focus on fostering sustainable impact finance initiatives with our expertise and advice. For more information visit our website at [www.innpact.com](http://www.innpact.com) or contact Arnaud Gillin at [arnaud.gillin@innpact.com](mailto:arnaud.gillin@innpact.com) ■

