

# »» Project Information

## Climate change – international

Global fund for climate-friendly investments

How can we create a reliable energy supply and mitigate global climate change? This question is one of the greatest challenges of our century. The Global Climate Partnership Fund (GCPF) is an innovative financing instrument that promotes investments in a climate-friendly energy supply for small and medium-size enterprises as well as private households in 20 emerging and developing countries. KfW is not only the initiator of the fund and its main investor it also acts in a fiduciary capacity, administering the investments by the Federal Government in the fund.

### Context

The higher the economic productivity of developing countries and emerging economies, the more energy they use. The Global Climate Partnership Fund was launched by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) as part of its International Climate Initiative in 2009. It operates in China, India, Brazil and South Africa and another 16 emerging and developing countries as these up-and-coming economies are among the greatest energy consumers. They also are among the countries with the highest emissions of greenhouse gases because their energy supplies are largely based on coal and other fossil fuels. Consequently, more needs to be invested in renewable energy and increased energy efficiency in these countries.

In most countries, however, there small and medium-sized enterprises or private households have hardly any opportunities geared toward long-term and sustainable financing in climate change mitigation. As a result, the financial institutions in these emerging and developing

countries play a key role in providing the necessary financing.

### Project approach

This is the starting point of the Global Climate Partnership Fund. This innovative financing instrument provides national banks, foreign investors and other creditors with monetary funds for investments in climate change mitigation. For the fund to be active in the respective countries, they must have a reliable legal framework for foreign investments and functioning banking regulations. The supported financial institutions route the funds to small and medium-sized enterprises and private individuals that can then introduce a low-emissions energy supply to their company or private

<b>Project name</b>	Global Climate Partnership Fund (GCPF)
<b>Commissioned by</b>	Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB)
<b>Country/Region</b>	Global
<b>Project partner</b>	International Finance Corporation and other public and private investors





Funded by the Global Climate Partnership Fund: renewable energy.  
Source: KfW photo archive , photographer: Holger Peters

household. The fund can also invest directly in renewable energy projects to a limited extent.

The fund is comprised of an equivalent of EUR 64 million in BMUB budget funds and USD 75 million committed by KfW from its own funds. BMUB also contributes EUR 2.5 million for advisory services that are necessary due to the innovative nature of the financial product.

A new feature of the Global Climate Partnership Fund is that it brings together public and private investors who want to invest as partners in climate change mitigation. Particularly innovative is the breakdown into different risk classes which significantly cushions donor risk depending on their individual risk tolerance. This way any losses that occur are absorbed first by the lowest risk category where public sector investors like the BMUB are mainly represented. This is followed by international financial institutions like KfW and finally private investors such as pension funds. The fund works in reverse when it comes to profits: private investors profit first and international public donors last.

To gain access to the funding, the partner institutions in the emerging and developing countries must guarantee that the financed climate mitigation measures actually reduce energy consumption and/or CO<sub>2</sub> emissions by 20 %. As the primary investor, it is KfW's responsibility to continuously monitor these goals.

### Impact

Since the Global Climate Partnership Fund was created, its special risk architecture has attracted substantial additional funds from both public and private donors. For example, nearly USD 390 million had been invested in partner institutions and directly in projects in 20 coun

tries by 2017 with the assistance of the GCPF. Over the entire life cycle of the financed measures, emissions of carbon dioxide can be reduced by a total of 10 million tonnes.

In addition to this mitigation effect, the fund also contributes to development policy objectives because it helps preserve or create jobs in the energy and construction sector. And last but not least, the risk structure of the Global Climate Partnership Fund also encourages private sector investments in energy efficiency and renewable energy. It therefore contributes to establishing corresponding financing opportunities in the fund's investment countries.



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