Introduction to Green Finance - Cases

Case 1: Forestry Fund

Investors (GEF and others) → Forestry Fund → Forestry projects/businesses

(1) Forestry companies need capital. But private sector investors reluctant to invest due to long payback periods, lack of successful track records and uncertainty over product prices.

(2) The Fund, which includes funding from the GEF and private investors, will provide long-term **(debt / equity)** funding to 5-6 existing projects to scale them up, so they can further attract **(debt / equity)** financing from financial institutions.

(3) The GEF has taken a **(lower return & higher risk / higher return & lower risk)** position in the fund, which helps lower risks for private sector investors.

(4) The interests of private sector **(debt, equity)** investors are closely aligned with those of the other shareholders: they want to add value by ensuring effective governance and high environmental & social standards of funded companies.

Case 2: Fisheries Fund

(1) GEF and other investors are creating a fund for sustainable small-scale fisheries, which will be one of the very few financial institutions providing long term financing in community fisheries.

(2) Fund Will provide long-term **(debt / equity / debt and equity)** investments to promising enterprises operating in the sustainable wild-caught seafood sector. Capital to be used for the acquisition of fixed assets by borrowers.

(3) GEF invests in **(stocks / loans)** of 5-7 years and expects to earn 10-15% return.

Case 3: Energy Efficiency Program

(1) Energy Service Companies (ESCOs) - private enterprises that implement improvements to reduce energy consumptions. Require lending for equipment and process improvements. However, they lack access to **(commercial credit / capital markets).**

(2) The banks conventionally lend against high levels of **(fixed asset collateral / guarantees from other financial institutions).** ESCOs often cannot meet these requirements.

(3) The project objective is to develop energy efficiency industry, through **(risk sharing / co-investing)** with commercial lenders.

(4) GEF funds will be used to create a **(performance risk guarantee / credit enhancement guarantee)** program. The program includes creation of the Risk Facility.

(5) The Risk Facility will be used to share the risk with commercial banks. Its funds would be paid out to participating banks in the event of a loss or default - partial coverage of banks risk exposure. Thereby ESCOs can obtain a bank debt with a **(lower / higher)** cost and a **(shorter / longer)** term.