BRIDGE

BRokering **I**nnovation for **D**ecentralised climate finance & **G**ender **E**quality

Developing innovative methods of financing for gender-sensitive adaptation projects in Cameroon

Training session no 5

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BRIDGE training programme on financing for gender-responsive adaptation

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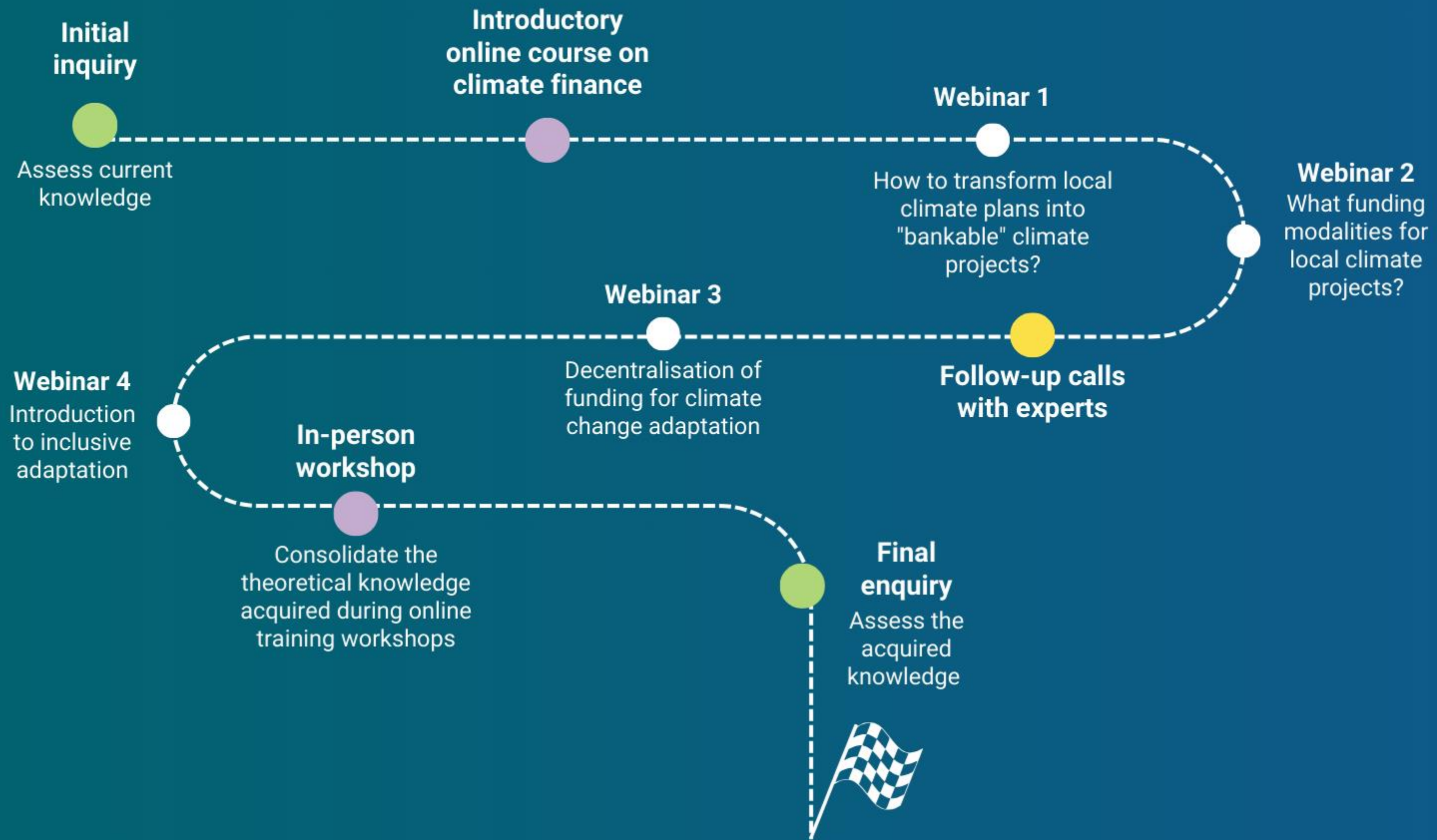

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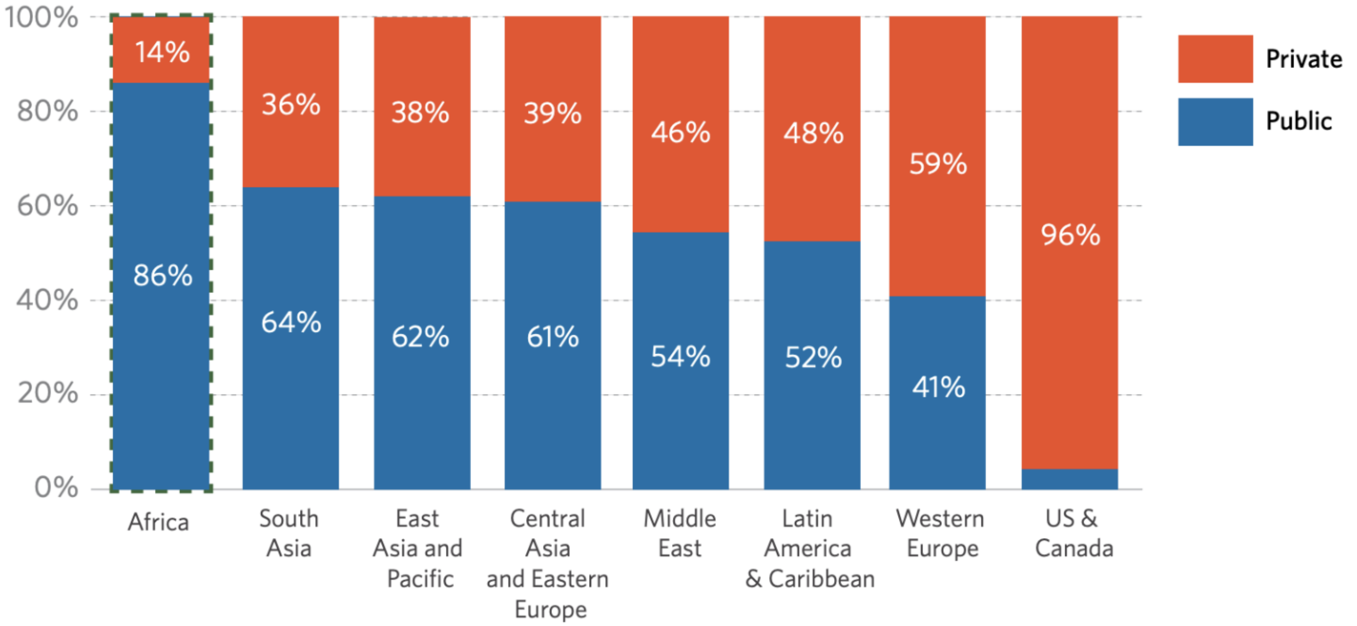
Session agenda

- Key figures on financing adaptation
- Introduction to innovative tools for financing gender-sensitive adaptation projects
- Focus on the development of blended finance instruments
- Case study of innovative financing methods being developed in Africa
- Reflections on the opportunities for developing innovative financing methods in Cameroon

I. Key figures on adaptation funding in Cameroon (webinar 3)

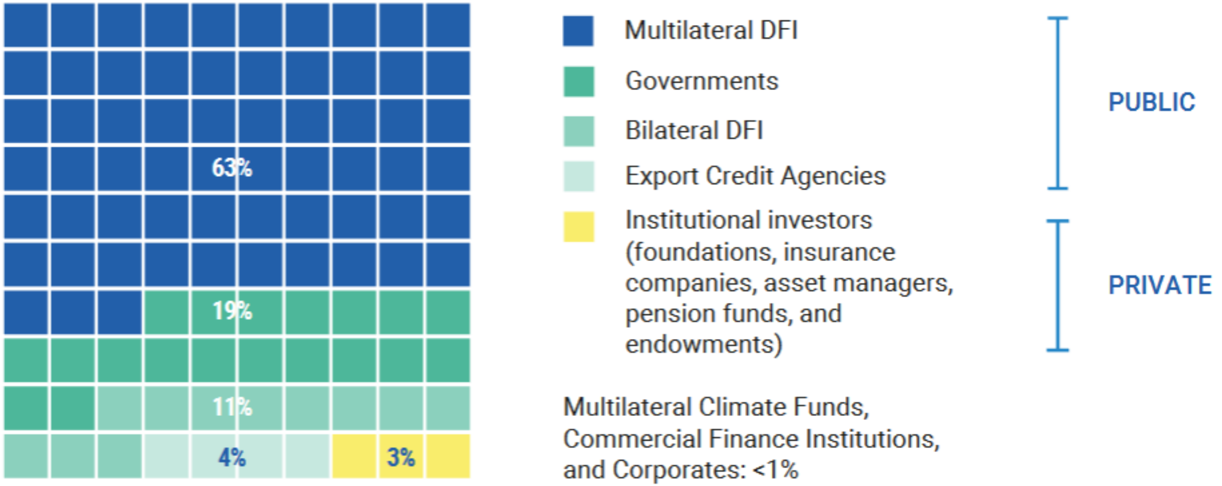
Private funding for financing under-exploited adaptation projects in Africa

Figure 10: Share of private climate finance to total climate finance by region (2019/2020 average)



Multilateral development banks as the main providers of climate finance in Africa

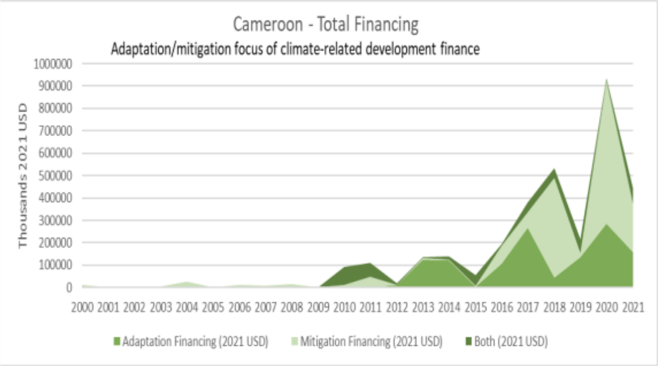
Figure 6. Adaptation Finance Flows in Africa, by Actors (2021–2022, USD billion)



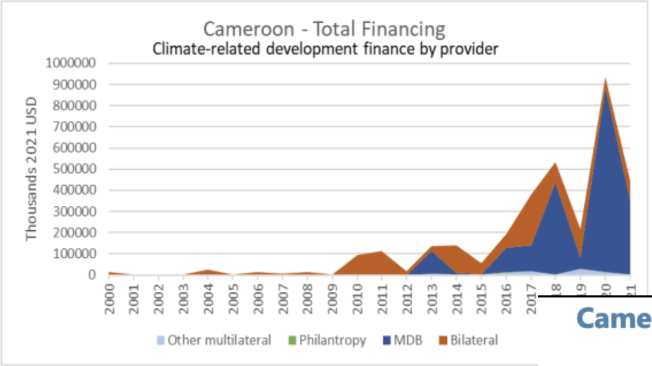
Providers of climate change-related adaptation finance

Cameroon: Adaptation/mitigation focus of climate-related development finance

(Thousands of 2021 USD)



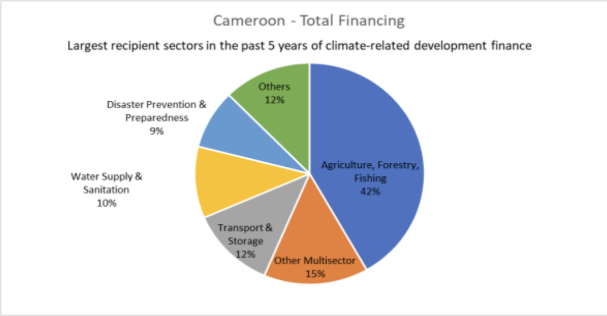
Cameroon: Providers of climate-related development finance



MAIN SOURCES (in euros)

WB - 1,150 m
IMF - 183 m
GCF - 100 m
EU - 100 m
GIZ & KfW - 65 m
ADB - 50 m
GEF - 30 m
AF - 10 m
AFD - 6 m

Cameroon: Sectors targeted by adaptation flows, 2017-2021



II. Developing innovative financing mechanisms for your adaptation projects: an opportunity or a necessity?

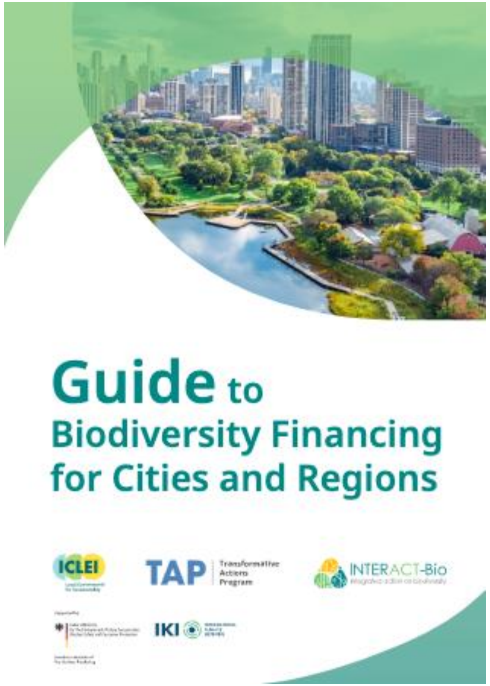
What is meant by "innovative financing"?

Traditional financing instruments

- Own-source revenues
- Biodiversity-relevant subsidies
- Intergovernmental transfers

Innovative financing instruments

- Ecological fiscal transfers
- Blended finance
- Green bonds
- Green loans
- Crowdfunding
- Payment for ecosystem services
- Equity
- Public-private partnerships
- Biodiversity offsetting
- Eco-labels
- Debt-for-nature swaps
- Conservation trust funds
- Insurances



Instruments with different levels of maturity

Instruments par Secteur et Cas d'étude
Instruments Financiers Novateurs pour le financement de l'adaptation

Categorie	Secteurs									
Instrument	Production alimentaire	Services écosystémiques	Infrastructures d'accès à leau	Protection côtière	Réduction des risques de catastrophes	Infrastructures énergétiques	Infrastructure es transports	Infrastructure de l'environnement bâti	Social infrastructure	Industries
Debt instruments										
● Emissions obligataires vertes (green bonds)	■	■	■	■	■	■	■	■	■	■
◐ Climate (resilience) bonds	■	■	■		■	■	■	■	■	■
◐ Emissions obligataires bleues (Blue bonds)	■	■	■	■						
◐ Obligations sociales (social bonds)	■		■		■			■	■	
◐ Obligations durables (sustainability bonds)	■	■	■	■	■	■	■	■	■	■
◐ Sustainability-linked bonds		■	■			■	■	■		■
◐ Prêts verts (Green loans)	■	■	■	■	■	■	■	■	■	■
◐ Sustainability-linked loans	■	■	■	■	■	■	■	■	■	■

Légende

- ● Instruments matures
- ◐ Instruments émergents
- ○ Instruments pilotes,
- ■ Secteur dans lequel un instrument peut être utilisé

III. Focus on blended financing methods

INTRODUCTION TO BLENDED FINANCE

Achieving the Sustainable Development Goals (SDGs) comes up against a major obstacle: the inadequacy of traditional development aid, whether from public or philanthropic sources. Faced with this challenge, it is becoming imperative to explore new sources of funding, in particular by attracting more private capital to developing countries. Paradoxically, although these funds exist in abundance, they remain largely untapped, mainly because of the perceived risks and uncertain returns associated with these markets. It is in this context that blended finance is emerging as a promising solution. This innovative approach to financial structuring aims to mobilise commercial capital for sustainable development by strategically combining concessional and commercial funds. By using instruments such as guarantees, insurance or concessional loans, blended finance succeeds in reducing the risks for private investors, thereby improving the risk-return profile of development projects. This method not only catalyses investments that would not otherwise have taken place, but also paves the way for more inclusive and sustainable development on a global scale. While challenges remain, particularly in terms of regulatory frameworks and impact measurement, blended finance represents a powerful tool for bridging the financing gap for the SDGs, offering an encouraging prospect for the future of sustainable development.

BLENDED FINANCE

Blended finance is a strategic approach that combines public and private capital to promote sustainable development. By drawing on diverse resources and expertise, blended finance projects are able to attract private investment, generate social impact and address global challenges more effectively.

Discover the key principles, frameworks and success stories shaping the future of blended finance.

THE REGULATORY AND POLITICAL FRAMEWORK FOR BLENDED FINANCE

Public policies

Governments around the world are putting in place incentives, regulations and initiatives to support the development of blended finance. These policies aim to mobilise more private capital to achieve sustainable development goals while sharing the risks. For example, many countries offer subsidies, guarantees or tax incentives to encourage investment in priority sectors such as renewable energy or sustainable agriculture.

Global standards

At an international level, reference frameworks such as the United Nations Global Compact Principles and the Sustainable Development Goals establish guidelines and best practices for blended finance. These standards aim to ensure the compliance, transparency and impact of projects by mobilising responsible and sustainable private investment.

BLENDED FINANCE INSTRUMENTS

Grants

Grants are public funds granted to projects with no expectation of repayment. They make it possible to reduce the risks and costs for private investors, particularly for ambitious initiatives with a high social or environmental value. Grants are often used to finance the development phase of a project or to cover operating costs during the first few years.

Loans

Concessional loans, i.e. loans on terms more favourable than the market, are a way of attracting private investors by sharing the risks. They can take the form of subsidised interest rates, extended grace periods or subsidised repayments. These loans are particularly suitable for long-term infrastructure projects requiring substantial capital.

KEY ACTORS IN BLENDED FINANCE

Blended finance involves a close collaboration between various stakeholders, each bringing their own resources, expertise and objectives. Governments and development finance institutions often provide grants, guarantees and incentives which attract private investors such as investment funds, banks and businesses. Non-governmental organisations (NGOs) and social enterprises also play a key role in identifying local needs and implementing projects with social and environmental impact.

Governments

Establish policies and incentives to mobilise private investment

Development finance institutions

Provide grants, loans and guarantees to share risks

Private investors

Provide capital and expertise to generate financial and social returns

Non-governmental organisations

Identify local needs and implement impact projects

LIFE CYCLE OF BLENDED FINANCE PROJECTS

1 Planning

Every blended finance project begins with a thorough planning phase. Stakeholders engage, assess needs, identify sources of public and private finance, and define a robust governance structure to ensure the success of the project.

2 Mobilising finance

Once the framework has been established, the next step is to attract and coordinate the various types of funding required. This may involve negotiating grants, concessional loans, guarantees or other risk-sharing instruments with private investors.

3 Implementation

The implementation phase is crucial to ensure that the project is delivered effectively and in line with the original objectives. Close monitoring, stakeholder management and continuous adaptation are essential to overcome operational challenges.

4 Assessment and learning

Finally, assessing the social, environmental and financial impact of the project enables a learning process to be carried out and future blended finance projects to be improved. This continuous learning phase is essential to encourage innovation and the replication of best practices.

MANAGING THE RISKS OF BLENDED FINANCE

Financial risks

Financial risks include exchange rate volatility, borrower insolvency and low investment profitability. They are often mitigated by the use of risk-sharing instruments such as guarantees, grants and concessional loans.

Regulatory risks

Regulatory changes, complex authorisation processes and inconsistencies between national legal frameworks can present major challenges. Strong partnerships with governments and adherence to international standards are essential to meet these challenges.

Environmental and social risks

Potential negative impacts on the environment, local communities and human rights must be carefully assessed and managed. In-depth impact assessments and stakeholder participation can help mitigate these risks.

BLENDED FINANCE MECHANISMS

- **Guarantee Funds** offer protection against potential losses, attracting private investment in risky projects. It covers 50% of losses for a renewable energy project, thereby encouraging private investors to participate.
- **Social Impact Bonds (SIBs)** are innovative financial instruments that enable social projects to be financed while involving private investors.

Subordinated Loans provide financing at a lower interest rate, in exchange for a potential first loss for investors.

Convertible Grant Funding: An NGO receives a grant that converts into capital if it achieves carbon emission reduction targets.

Co-investment: A development bank and a private investor jointly finance an infrastructure project, sharing the risks and rewards.

Risk Sharing Mechanisms: An agricultural project where losses due to extreme weather conditions are shared between investors and the State.

Crowdfunding platforms: An online campaign to finance a reforestation project, enabling thousands of small investors to contribute.

Results-based financing (RBF): A health programme where payments to providers are made only if health indicators are achieved, such as the vaccination of a certain percentage of children.

CASE STUDY: Sustainable renovation of social housing in Belgium

1 Planning

In the city of Liège, the local authorities have teamed up with a social housing foundation and a development bank to set up an ambitious programme to renovate 500 dilapidated social housing units. After a detailed assessment of needs and financing options, the project framework was carefully defined to meet the goals in terms of energy efficiency, accessibility and well-being of residents.

2 Mobilising finance

Thanks to public subsidies and concessional loans from the development bank, the owners were able to obtain 70% of the financing required for the renovation. The remaining 30% was raised from private investors attracted by tax incentives and the security offered by public guarantees. This innovative financial package made the project viable and accessible to low-income households.

3 Implementation

During the construction phase, close coordination between the various actors was essential to ensure compliance with quality, safety and sustainability standards. The social housing foundation played a central role in managing the site, providing support for tenants and monitoring the technical performance of the renovations.

4 Evaluation and impact

Following completion of the project, an in-depth evaluation showed remarkable results: a 60% reduction in energy consumption, a significant improvement in residents' comfort and health, and a satisfaction rate of over 90%. This data helped to justify the programme's continued existence and facilitate its replication in other Belgian towns.

CASE STUDY: FP 212 PROJECT

Presentation and objectives

The FP 212 project, entitled "Green Fund: investing in inclusive agriculture and protecting forests", is a major initiative with a total budget of USD 984.6 million. This project aims to promote sustainable agricultural production and preserve tropical forests, while responding to current environmental challenges.

Project objectives

- Promoting the sustainable production of agricultural raw materials.
- Increase productivity on agricultural land while reducing pressure on forests.
- Reduce greenhouse gas emissions and strengthen the resilience of local communities.

Blended Financing Mechanisms

Blended Financing Mechanisms
The project's financing is based on a blended finance mechanism, combining public and private funds to achieve maximum impact:

1. Green Climate Fund (GCF): 19.2%
    1. Loan: USD 180 million
    2. Grant: USD 9.35 million
2. Co-financing: 80.8%.
    1. Loan: USD 658.5 million
    2. Subsidy: USD 133.29 million
    3. Grant: USD 3 million

.

Impact and strategy

The FP 212 project focuses on transforming tropical agricultural supply chains from extractive to sustainable practices. It targets key sectors such as livestock, palm oil, soya, rubber, cocoa and forestry, which are often responsible for deforestation.

By providing technical assistance and financial support to producers, the project sets conditions that encourage the protection and restoration of existing forests. In this way, FP 212 contributes not only to environmental sustainability, but also to improving the livelihoods of local communities.

Conclusion
The FP 212 project represents an integrated approach to meeting agricultural development needs while protecting valuable forest resources. Its blended financing mechanism ensures the viability and effectiveness of the initiatives, contributing to a more sustainable future.

CASE STUDY: FP 222 PROJECT

Presentation and objectives

The FP 222 project, known as the Renewable Energy Performance Platform (REPP 2), has a total budget of USD 250 million. This programme aims to promote small-scale renewable energy projects in nine countries in sub-Saharan Africa, seven of which are classified as least developed countries.

Project objectives

- Improving access to clean energy for more than 7.7 million people in hard-to-reach regions.
- Strengthening the climate resilience of small businesses and households.
- Promoting investment in renewable energies by overcoming market barriers and stimulating investor appetite.

Blended Financing Mechanisms

The project is based on a blended finance mechanism, combining public and private funds to maximise its impact:

1. Green Climate Fund (GCF): 20%.
    1. Equity capital: USD 50 million
2. Co-financing: 80%.
    1. Loan: USD 50 million
    2. Share capital: USD 150 million.

Conclusion

FP 222 represents an integrated approach to meeting the growing energy needs of sub-Saharan Africa while building resilience to climate change. Its blended financing mechanism ensures the viability and effectiveness of renewable energy projects, contributing to a sustainable and inclusive energy future.

CASE STUDY: FP 205 PROJECT

Presentation and objectives

The Infrastructure Climate Resilient Fund (ICRF) has a total budget of USD 765.1 million. The aim of the fund is to develop infrastructure that is resilient to the effects of climate change in sub-Saharan Africa, a region already facing infrastructure challenges in terms of quantity, quality and accessibility.

Project objectives

- Strengthening infrastructure to cope with the impacts of climate change,
- Overcoming barriers to investment in resilient infrastructure
- Improve access to infrastructure services for up to 50 million people directly and 144 million people indirectly.

Blended Financing Mechanisms

1. Green Climate Fund (GCF): 33.2%
   1. Equity capital: USD 240 million
   2. Grant: USD 13.755 million
2. Co-financing: 66.8%.
   1. Loan: USD 230 million
   2. Equity capital: USD 280 million

Impact and strategy

To address the barriers to investment in resilient infrastructure, the GCF will contribute USD 240 million in junior equity to the Infrastructure Climate Resilient Fund (ICRF). This contribution will act as a catalyst to attract additional investment from the private sector and pension funds by providing Tier 1 capital to mitigate risk.

Conclusion

FP 205 represents an innovative approach to developing resilient infrastructures in sub-Saharan Africa.

Through its blended financing mechanism, it not only facilitates access to the necessary funds, but also helps ensure reliable infrastructure services for millions of people, thereby strengthening the region's economic and social resilience in the face of climate change.

TRENDS AND INNOVATIONS IN BLENDED FINANCE

$150B

Expected growth in the blended finance market by 2025, driven by increased private investment in sustainable development

40%

Share of blended finance transactions using digital tools and platforms to improve transparency, accountability and efficiency

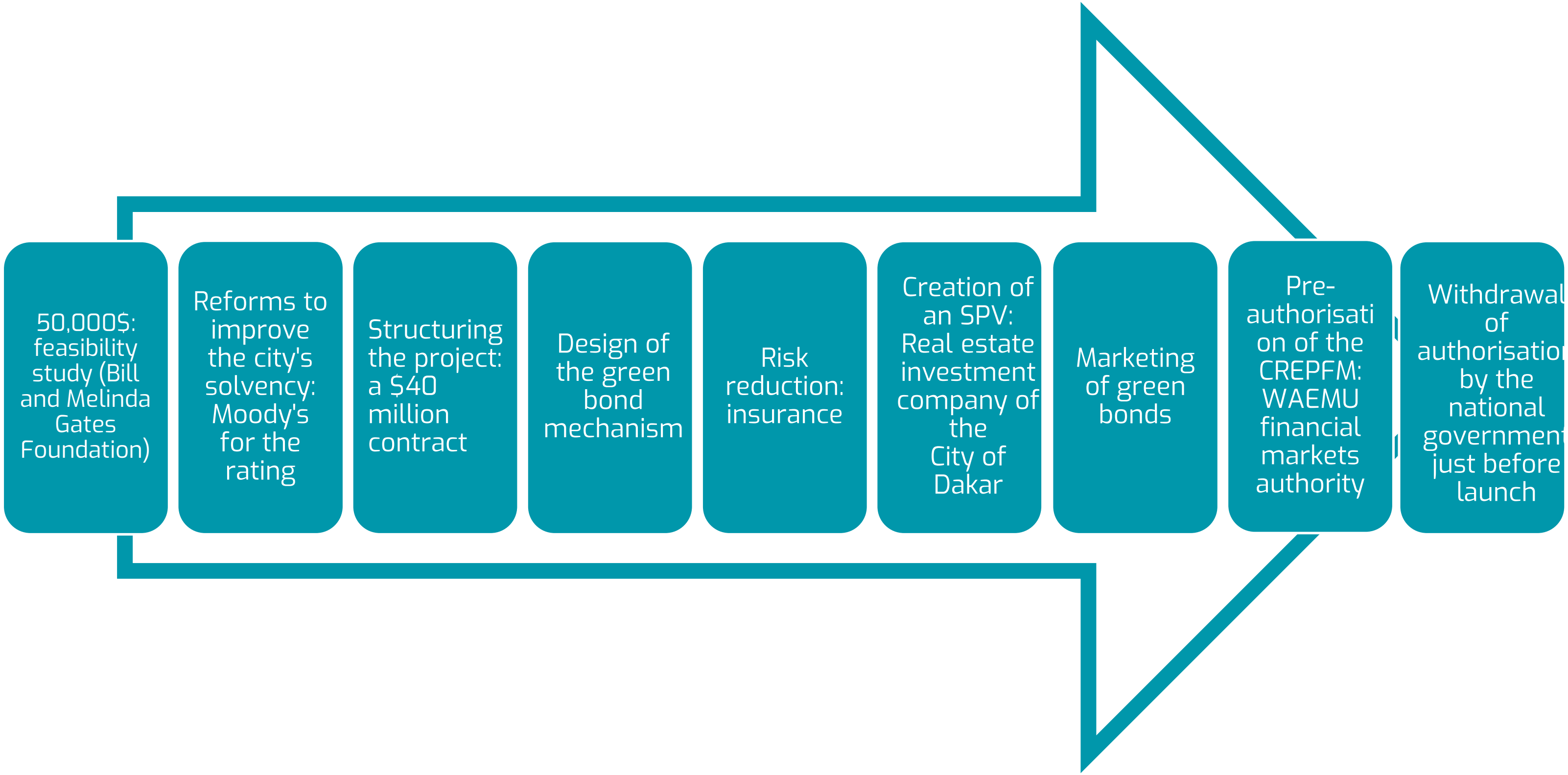
70%

of blended finance practitioners reporting use of innovative financing instruments such as impact bonds, pay-for-success models and catastrophe bonds

As the landscape of blended finance evolves, new trends and innovations are emerging that will change the way public and private capital is mobilised for sustainable development. From the rapid growth of digital platforms that improve transparency and data-driven decision-making, to the rise of pioneering financing instruments that better align risk and return, the future of blended finance is filled with exciting opportunities to drive global impact at scale.

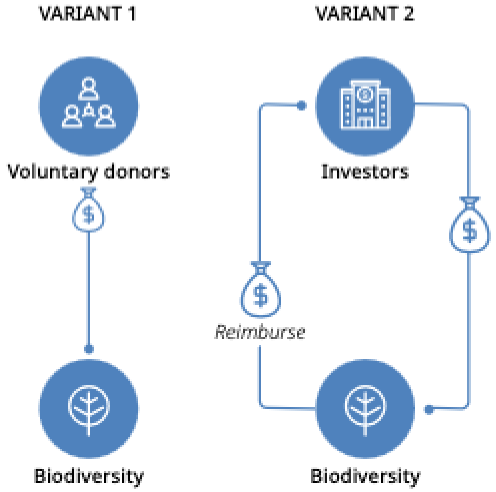
IV. Some of the "most mature" financing mechanisms in Africa

The "most mature" mechanisms in Africa - 1. Green bond issues



Example of a green bond issue by the city of Dakar

The "most mature" mechanisms in Africa - 2. crowdfunding



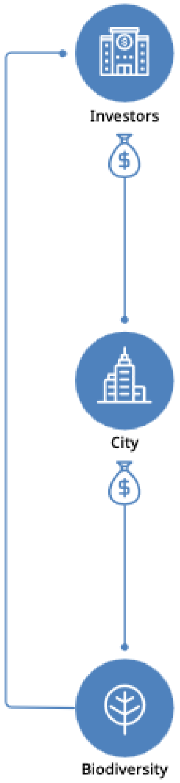
CASE STUDY

Ghent crowdfunding platform realizing climate change adaptation through urban greening

In response to the pressing challenges posed by climate change, the city of Ghent, Belgium, has taken proactive steps to transform its urban landscape into a greener and more sustainable environment. Recognizing the city's strong social fabric and creativity, with citizens actively spearheading grassroots initiatives, Ghent has sought to harness this spirit of community engagement. However, many of these well-intentioned, small-scale projects encountered obstacles in securing adequate financing to flourish into successful ventures. Undeterred, Ghent authorities conceived a pioneering solution: the establishment of a crowdfunding platform, designed to empower citizens by enabling them to propose and finance their innovative ideas for the city.

The impact of this initiative has been nothing short of remarkable. Through the platform, two ambitious projects focusing on climate adaptation have been brought to fruition, symbolizing a testament to the power of collective action. Among these projects are one aimed at promoting urban farming and another dedicated to realizing the concept of edible streets. While individually these endeavors might appear modest in addressing the case climate change challenges, their successful implementation marks the beginning of a larger transformation. The crowdfunding platform has emerged as a valuable instrument, allowing the city to embrace incremental climate adaptation measures - akin to small "drops" - with potential to generate far-reaching ripple effects throughout the urban landscape. These initiatives not only enhance the city's green spaces but also serve as inspiring examples of the capacity for grassroots efforts to drive meaningful change [41].

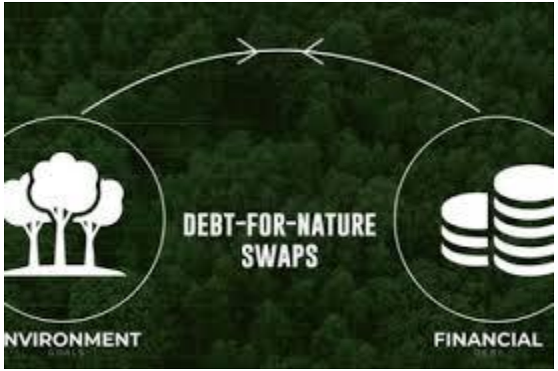
The "most mature" mechanisms in Africa - 3. Equity investments



Meridiam – un fonds d'investissement basé à Paris et le gouvernement mauritanien viennent de créer une société d'économie mixte pour protéger la ville de Nouakchott contre les risques d'érosion et d'inondation et aménager son littoral au profit des riverains. Ce projet innovant, dont le coût total est estimé à 60 millions d'euros (2,4 milliards d'ouguiyas), sera mis en œuvre par la Société d'Aménagement du Littoral de Nouakchott (SALN), dans laquelle le fonds TURF - IMIF, géré par Meridiam en partenariat avec The Rockefeller Foundation et UNCDF, investira à parts égales avec le gouvernement mauritanien.

IV. Some emerging financing mechanisms in African countries

Debts for nature swaps



Source: Soutar & Koop, 2021 [56]

Conservation and resilience trust funds

While there is no commonly accepted format, a strategic and financial plan generally addresses the following:

Goals which identify targets and state what must be done to accomplish the CTF vision.

Who is going to carry out each activity, keeping in mind that CTFs often need to work with other partners to undertake activities and achieve objectives.

Objectives which restate goals in operational terms and quantify what and when results will be achieved.

Resources which are needed (human and financial) and, in particular, any gap between existing financial resources and the costs of carrying out the strategy.

Activities which express how the results will be achieved and describe what actions the CTF will take to achieve results.

Metrics, benchmarks or key performance indicators (at the goal, objective and/or activity level) to identify how the CTF will measure its progress relative to goals.

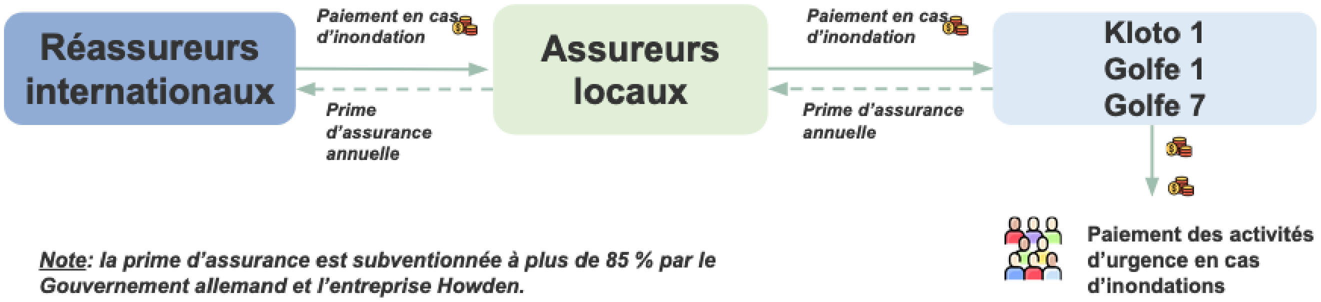
Exemple du FTP : Le Fonds des Caraïbes pour la Biodiversité

Le projet Fonds pour la biodiversité des Caraïbes (CBF), créée en 2012, fournit un financement à long terme pour la conservation dans la région des Caraïbes. Le CBF distribue des subventions à des projets locaux, régionaux et nationaux par le biais d'appels de propositions compétitifs. Les actions financées comprennent la restauration et la réhabilitation des écosystèmes, l'atténuation, l'installation de récifs artificiels et des solutions d'infrastructure gris-vert. Le CBF a été créé grâce à un financement de 42 millions de dollars américains de The Nature Conservancy (TNC), du Fonds pour l'environnement mondial et du gouvernement allemand, et avec la participation de huit pays des Caraïbes. En 8, des engagements de financement de 2023 millions de dollars américains ont été pris, avec des travaux en cours dans 67.5 pays.

Developing insurance mechanisms for urban resilience

Début 2025, l'assurance sera lancée.
Elle permettra d'indemniser les communes toutes les 4 années en moyenne en cas d'inondation.

Vue simplifiée du mécanisme d'assurance de la ville :



***Note**: la prime d'assurance est subventionnée à plus de 85 % par le Gouvernement allemand et l'entreprise Howden.*

A la fin de notre projet, le nouveau produit d'assurance sera placé sur le marché togolais et international pour choisir l'assureur le plus compétitif.

Opportunities for developing innovative financing mechanisms in Cameroon

Figure 5. *Five big ideas to mobilize private finance for biodiversity*

1. **Environmental fiscal reforms**

   Governments could include the reforms as part of crisis recovery plans. Reforming agricultural subsidies and Land ownership has the largest potential impact.

2. **National data provision**

   Governments can support the integration of biodiversity criteria in financial sector decision making by adopting natural capital accounting practices and providing relevant data as a public good.

3. **Establish the Task Force for Nature-Related Financial Disclosure**

   The initiative will provide a framework and guidance for regulating and supporting biodiversity reporting and risk assessment by real and financial sector firms.

4. **Establish a 'Nature Action 100'**

   Investors could come together to identify the top 100 companies with the greatest negative impact on nature to drive changes in real sector corporate behavior - including greening of supply chains.

5. **Aggregate projects**

   Municipal Development Banks (MDBs) and governments can mobilize private investment for biodiversity goals by serving as cornerstone investors and providing catalytic capital to funds and other financial instruments that aggregate projects.

Source: World Bank, 2020 [16]

Thank you!

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