



SEED  
CAPITAL  
ASSISTANCE  
FACILITY

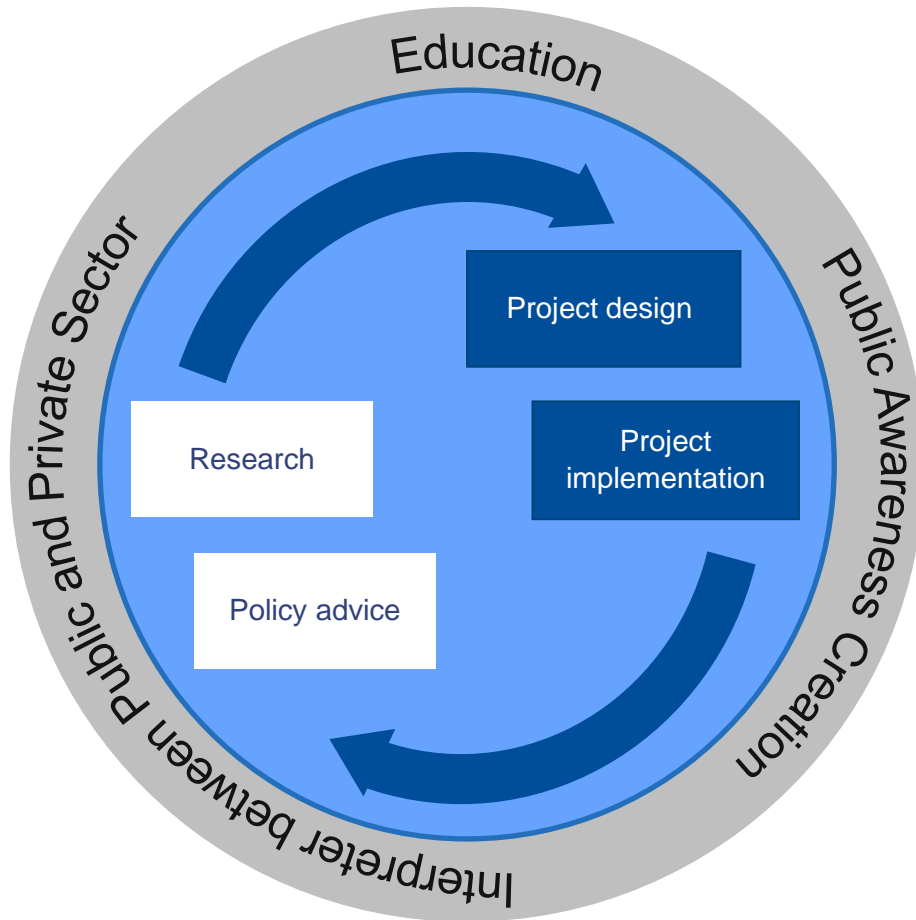
# Seed Capital Assistance Facility for FLR

*International Conference on Forest Landscape Restoration  
under Global Change*

*June 8, 2017, Puerto Rico*



- I. Frankfurt School and the FS UNEP Collaborating Centre**
- II. Market failures and the need for intervention
- III. The Seed Capital Assistance Facility- overview
- IV. Seed Capital Assistance Facility RE – approach and instruments
- V. Why is it relevant for FLR?



- ‚Advisory arm‘ of a private German university
- UNEP’s competence partner for climate finance
- 25 experts
- Offices in Frankfurt and Nairobi
- Three partners:



Federal Ministry for the  
Environment, Nature Conservation,  
Building and Nuclear Safety



Frankfurt School  
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## What are the underlying finance issues in FLR?

- **Financing the substantial challenges faced and commitments made by governments, FLR cannot be financed solely with increasingly scarce public funds**
- **Despite the fact that the private sector has currently pledged up to USD 1.5billion for FLR activities, very little has actually happened so far**
- **What is needed to initially pilot and then scale up private investment in FLR?**
- **Are there approaches and concepts from other climate finance activities that could be replicated or adapted to FLR?**
- **Are there private players already out there today that can be enticed to show-case that FLR projects can attract triple bottom line investors?**



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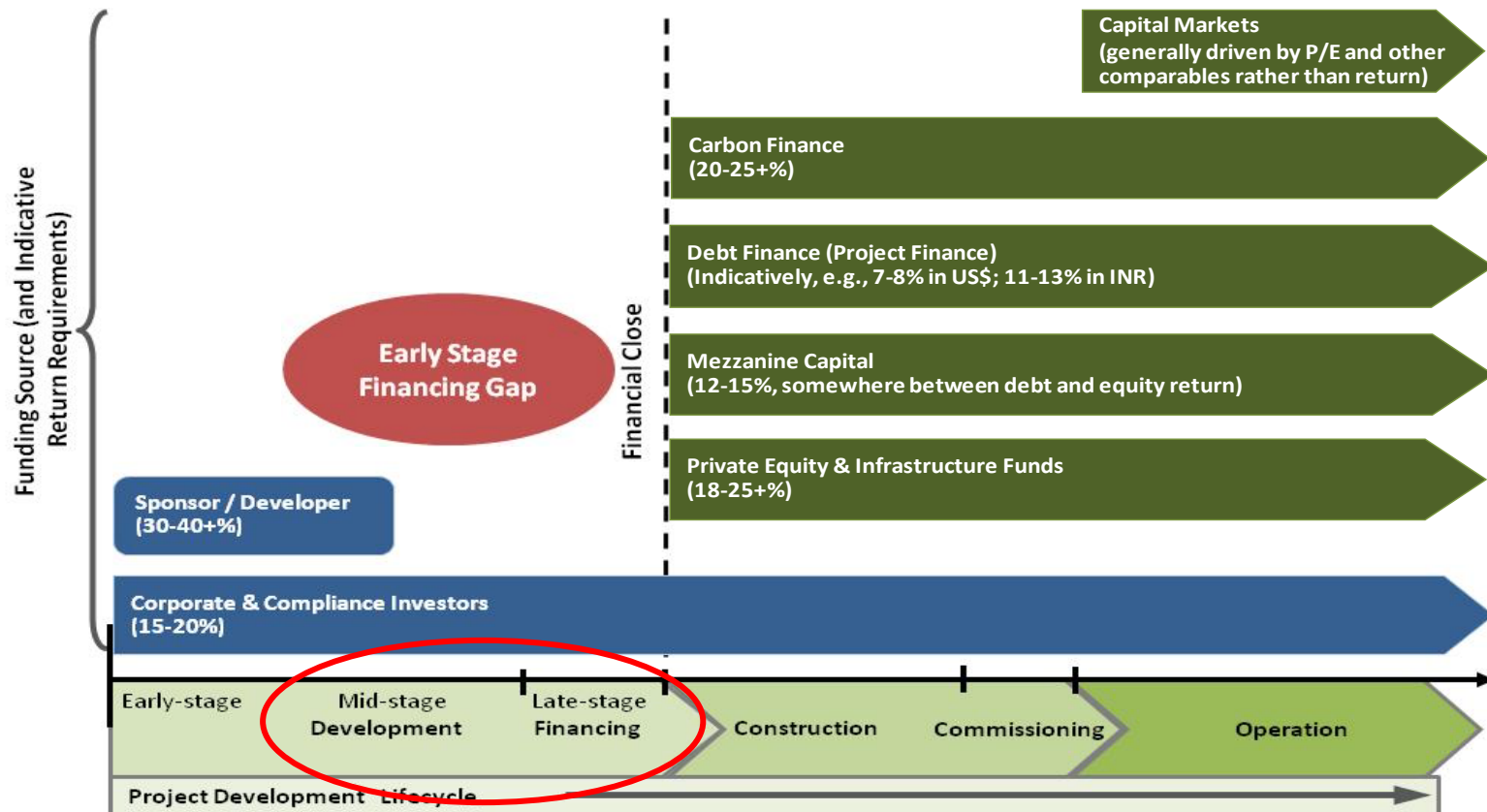


## The SCAF approach

- Created in 2010, the original Seed Capital Assistance Facility (SCAF RE) worked with 6 private equity funds in renewable energy in Africa and South East Asia; currently upscaled in its 2<sup>nd</sup> round with another 7 partners
- The SCAF RE approach: use limited public funds to leverage a maximum of private investments (leverage factor of > 10x on average)
- Twofold objective: (i) entice the private sector to engage in early stage project development deemed too risky; and (ii) work through the private sector to achieve local capacity building
- Achieve alignment of interest through cost-sharing approach and obligation to reimburse grants in case of success



# Where are financiers along the project cycle – the case of RE



Source: UNEP, Aequero

**Development/Transaction Costs**





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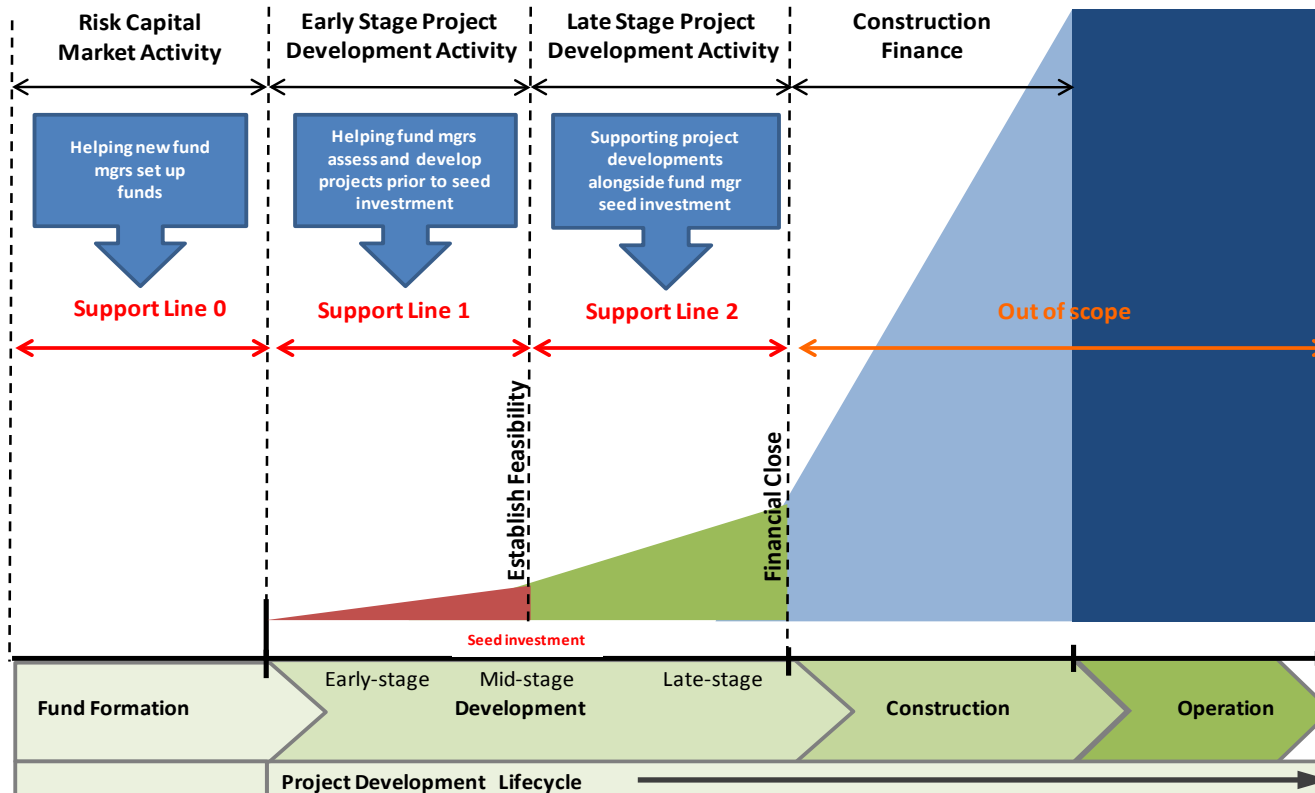


## Market failures in RE

- **Lack of local project developer expertise to get bankable renewable energy project to financial close**
- **Lack of fund management expertise in early stage renewable energy projects**
- **Lack of sufficient equity resources for early stage investment & high transaction costs**
- **Lack of appetite for least developed/low income countries**



# SCAF approach supporting RE projects



Source: Aequero, UNEP, FS



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## Why is SCAF relevant for FLR?

- A recent market mapping studies shows a (yet limited) number of private equity funds that could engage in FLR
- Due to their professionalism & risk profile, PE funds could be used as catalysts to demonstrate the commercial viability for FLR projects
- Market failures identified for the renewable energy sector are to some extent comparable with the FLR sector
- Seed capital investment is risky for private equity funds but critical to develop bankable FLR projects
- SCAF could provide a risk-sharing mechanism for early-stage FLR project development activity similar to the existing facility
- Accordingly, SCAF could provide an incentive to private equity funds to consider engaging in FLR and opening a dedicated FLR window



## Key messages

- ***By addressing early stage investment barriers, the Facility leverages substantial private funds***
- ***Efficient use of donor funds through a recycling of grants throughout its lifetime***
- ***By working entirely through commercial partners, the Facility avoids moral hazard in project selection***
- ***Innovative approach of different instruments available to beneficiaries, from fund raising to project support***
- ***Proven implementation concept, in operation since 2010 with various renewable energy players***



**Thank you!**

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