

Climate finance
ecosystem and financing
opportunities for methane
emissions reduction
projects in LAC



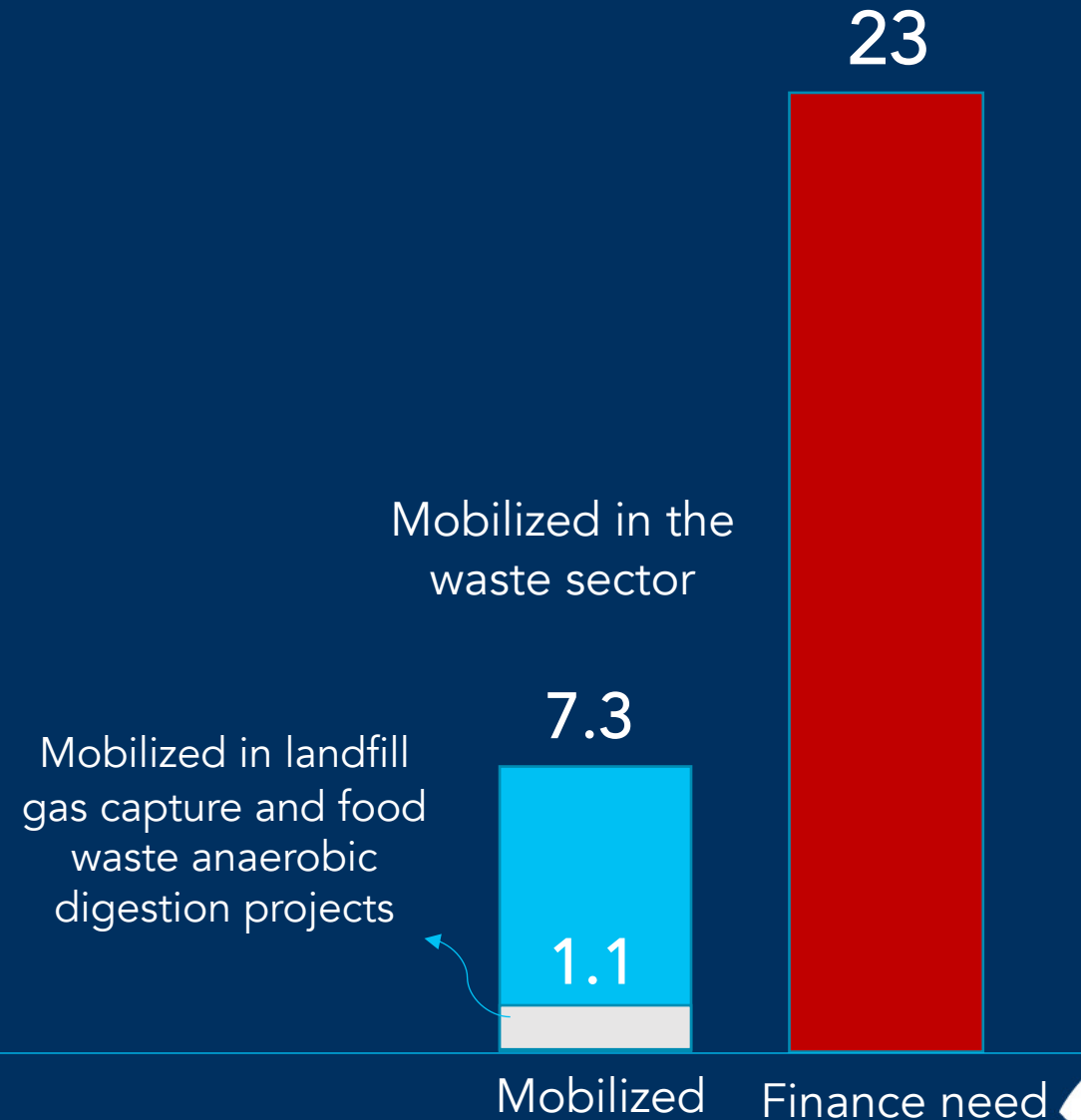
March 23, 2023

Need financial support for organic waste management projects

- Limited access to climate finance hampers effective climate actions in the waste sector.
- Organic waste projects – implemented by municipalities - need financial and technical support to develop project pipelines that reduce waste sector emissions.

(USD Billion)

Finance in need annually through 2050



Key barriers in securing climate finance at the municipal level

Policy and institutional limitations

- Extensive and complex process in accessing public green funds
- Absence of sector-specific definitions for economic activities

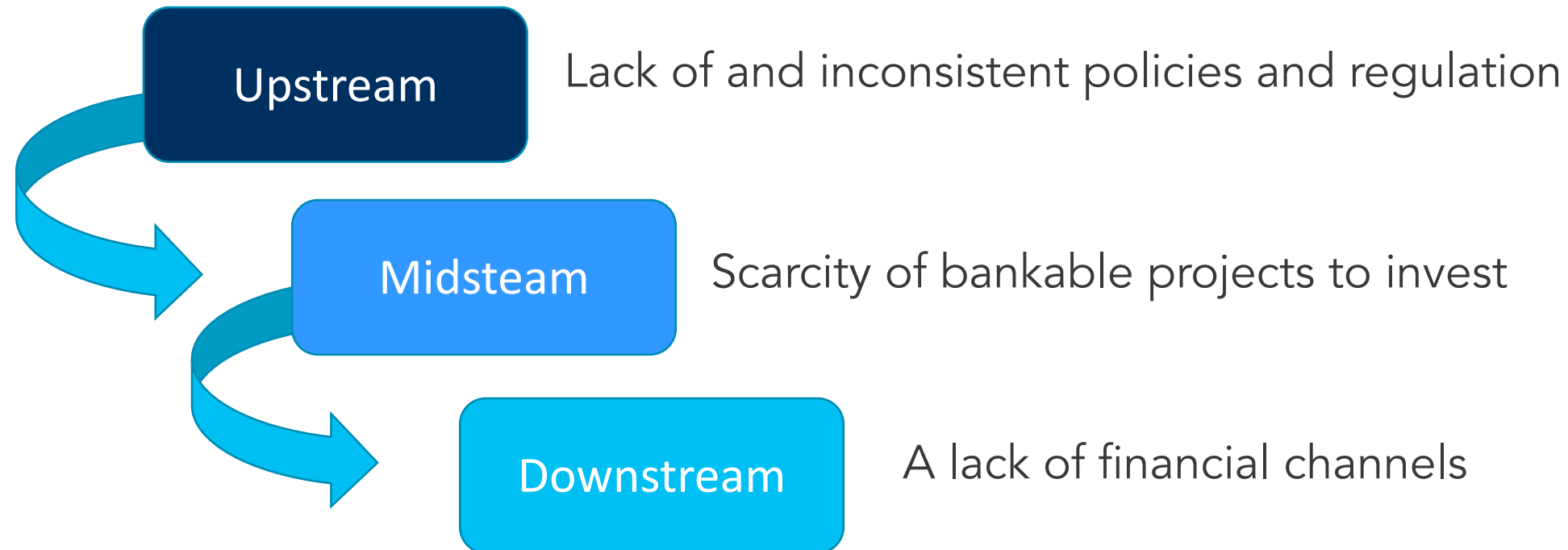
Lack of municipal-level technical capacity

- Lack of technical capacity and expertise to advise project formulation process
- Lack of municipal experience in showcasing project bankability

Limited availability of private capital

- High risk perception of investment among private sector investors
- Lack of markets for by-products
- Capital-intensive alternatives to landfills are not being promoted due to low revenue streams

Bottlenecks of private finance mobilization





Climate Finance

How to close existing gaps and barriers?
Enabling policy tools and financial
instruments and mechanisms for
municipalities

Climate Finance

Financial Mechanism

A structure that supports the deployment of financial sources. It could be referred as a fund, trust fund, type of organization, or program.

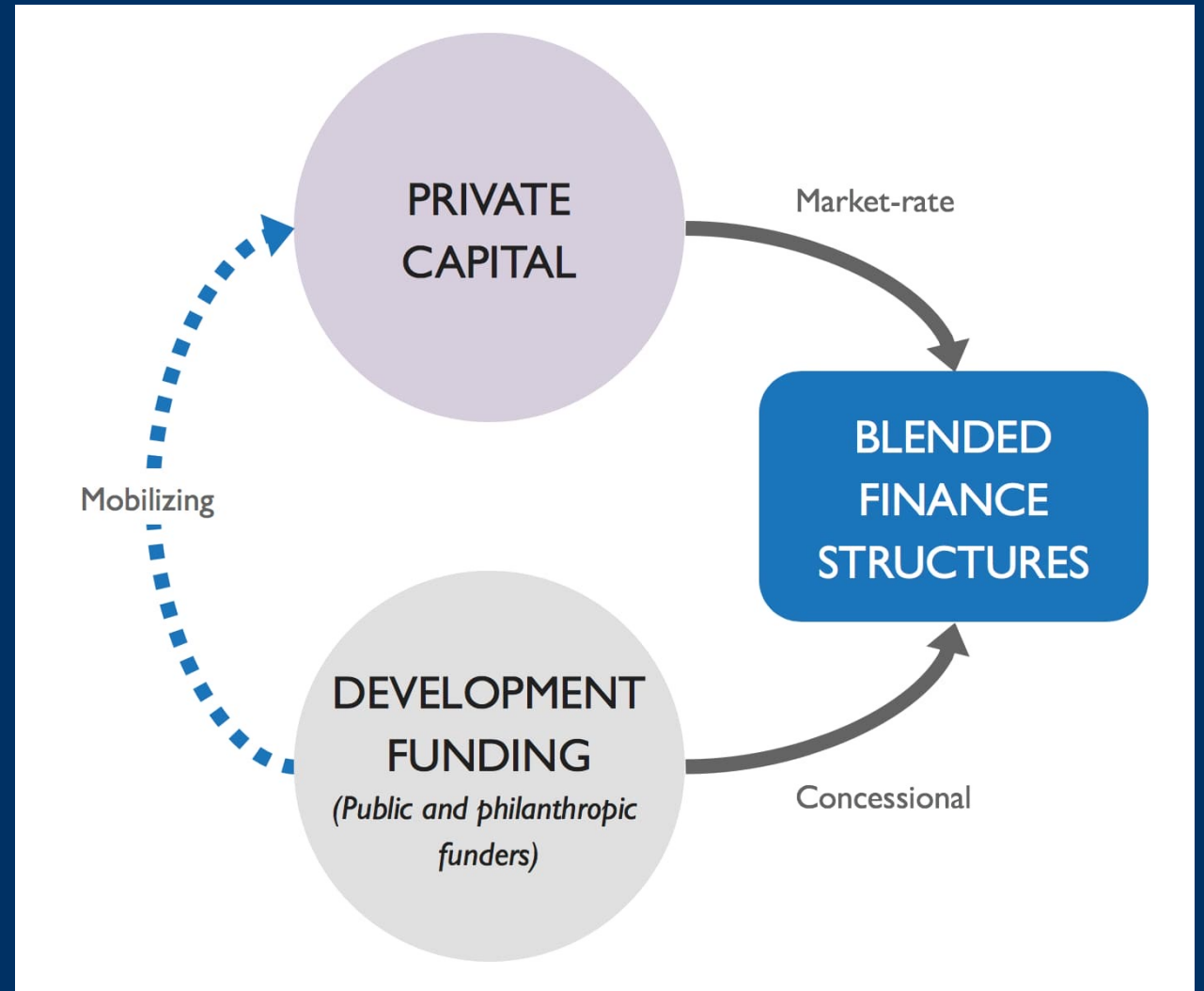
Financial Instrument

An asset, capital, or equity that refers to a legal transaction where the sources are negotiated and stipulated by a contract, under certain conditions.

- Climate funds (GCF, GEF, Nama Facility, Adaptation fund, etc.)
- Policy-based or result-based financing
- National/international funds
- **Blended finance**
- Public Private Partnerships (PPP)
- Traditional loans
- Concessional loans
- Green, blue, SDG, thematic bonds
- Multilateral/bilateral grants
- Equity
- Guarantees
- Insurance and reinsurance

OECD definition

Blended finance is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries.



Source: Definition of blended finance, Convergence

Three conditions for blended finance



Leverage

De-risk
mechanisms are
necessary



Returns

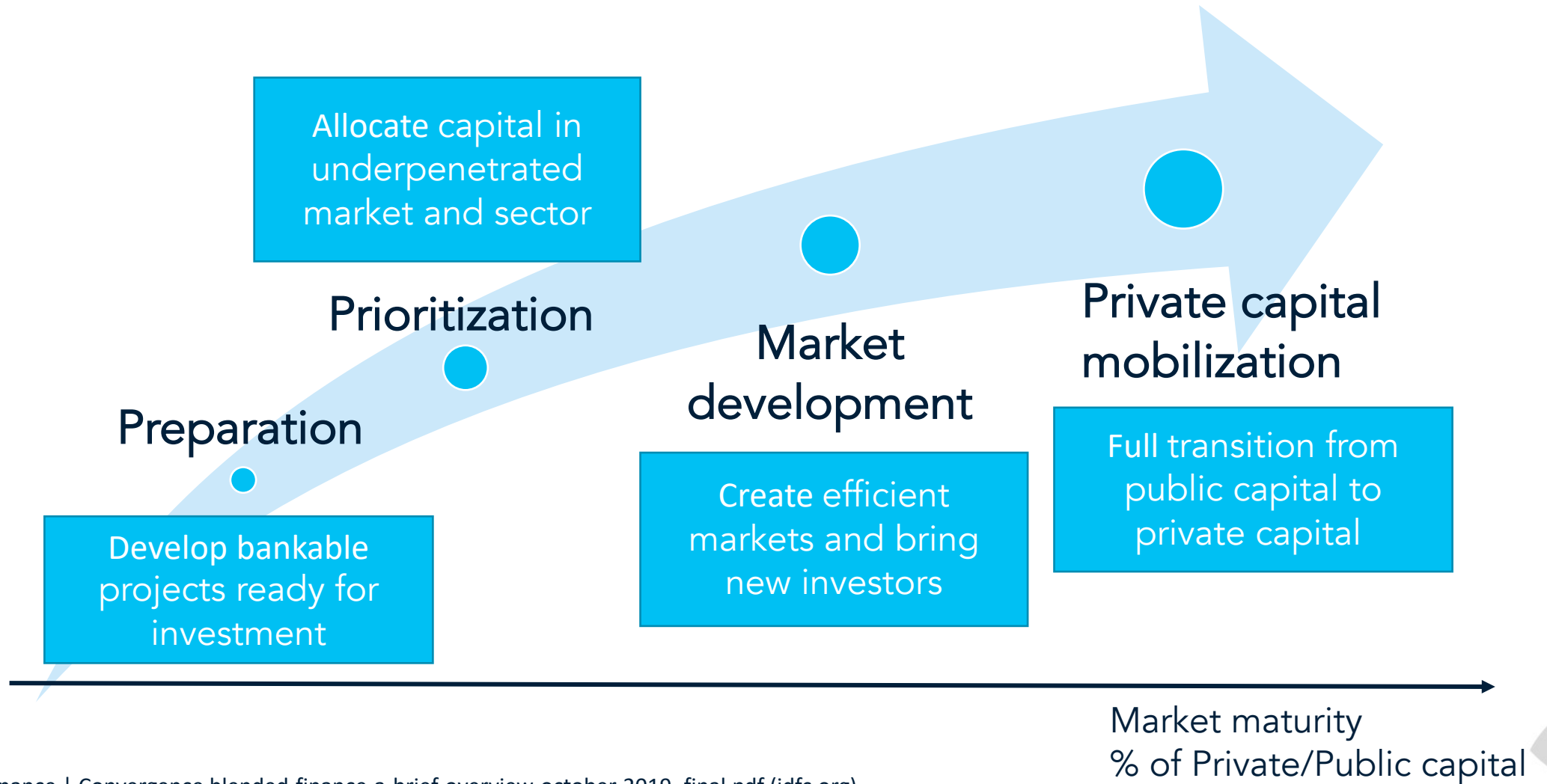
Need a sort of
subsidy to achieve
commercial viability



Impact

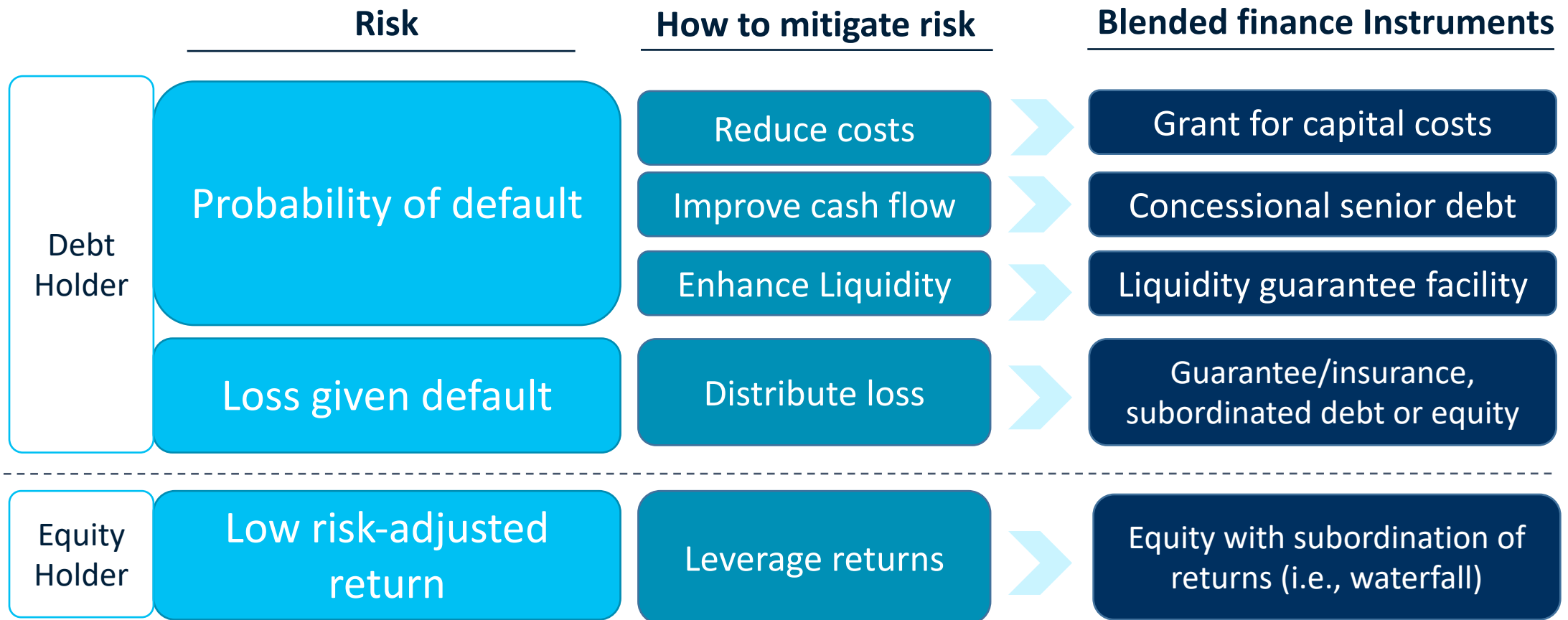
Purpose of finance for
both economic
impact and
development

Introduction of blended finance mechanism



Targeted use of blended finance instruments

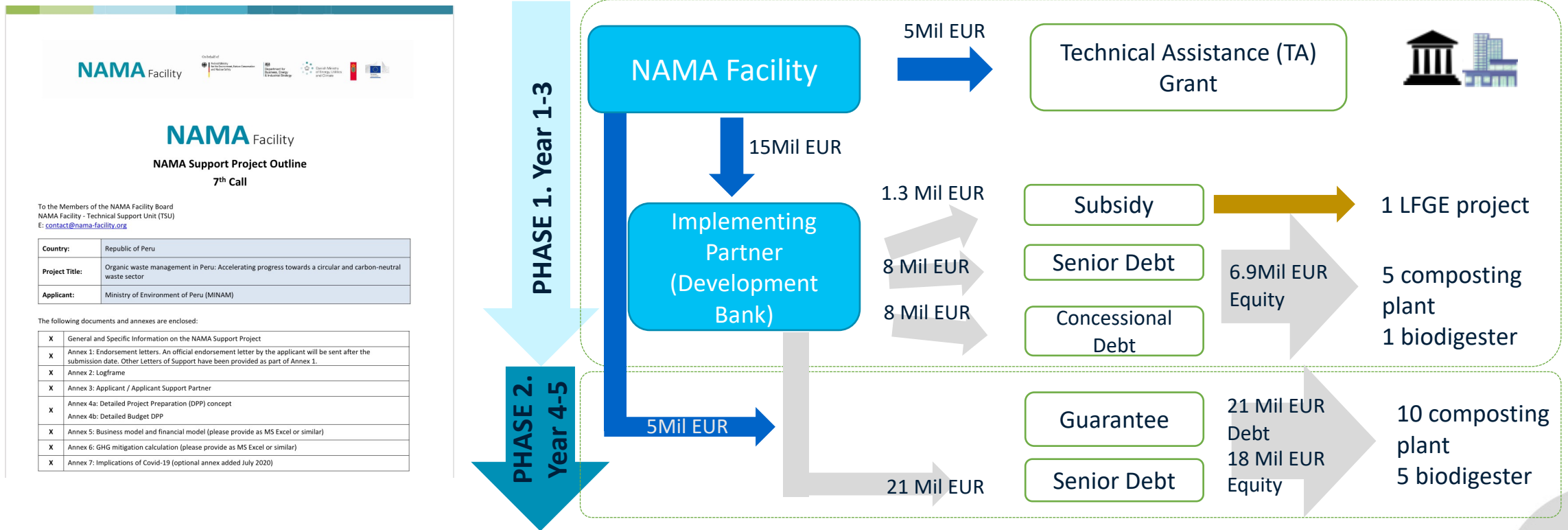
Instruments per a type of project level risk



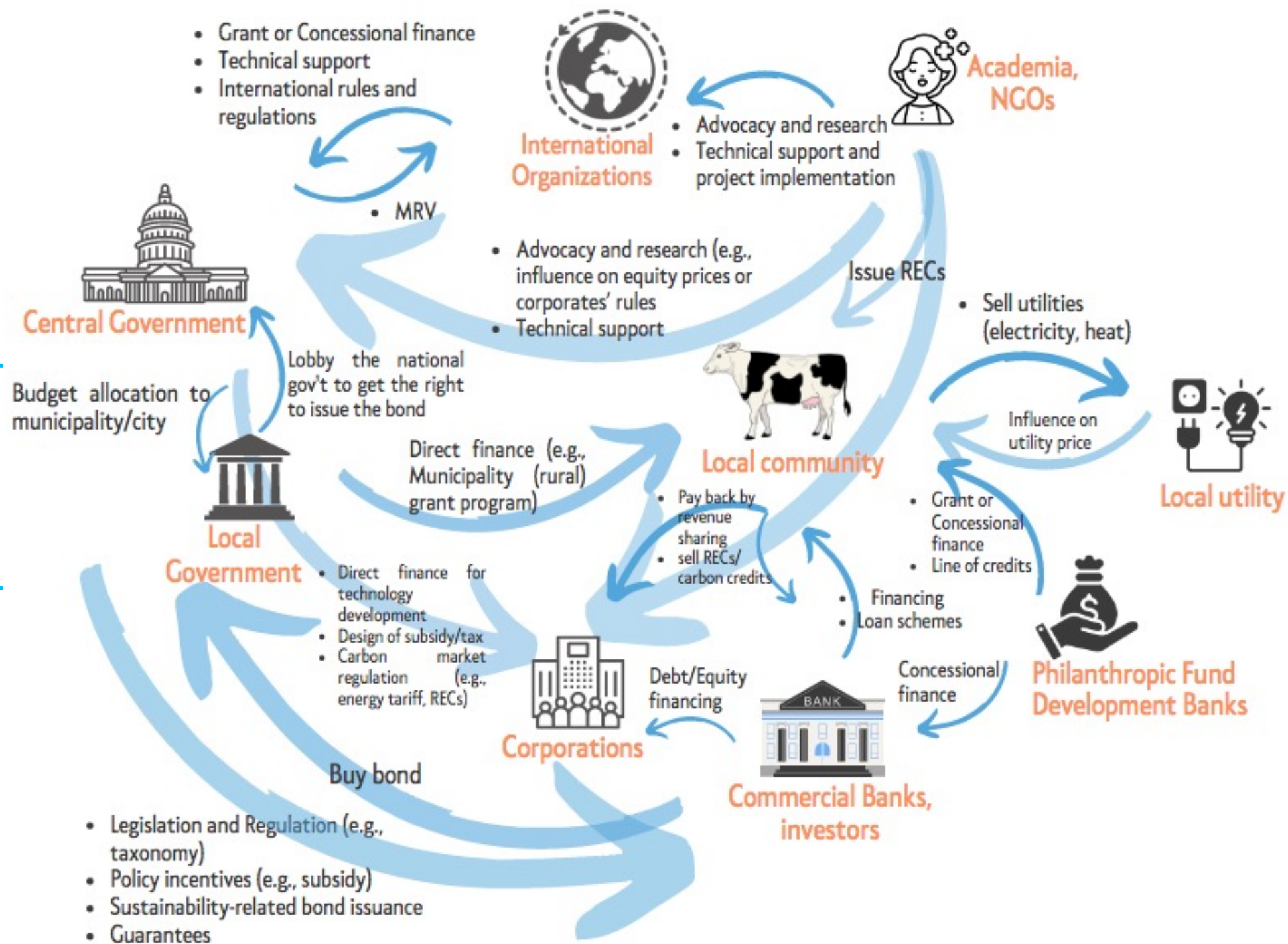


Example: NAMA Facility Peru

Project: Organic waste management in Peru: accelerating progress towards a carbon-neutral waste sector



Ecosystem of climate finance for methane emissions reduction projects





Moving forward with blended finance

1

Capacity-building for preparation

- Find available international/national funds targeting capacity-strengthening of practitioners and other local talent at the municipal and city levels
- Promote TA Grant programs to local actors including corporations and communities

2

A sound governance and Institutional setting

- Set clear models for collaboration between the public and private sectors
- Develop simplified and standardized procedures (**scalability & replicability**)
- Promote transparent information disclosures among relevant actors to ensure public value for money (e.g., creation of electronic-based technical support and funding platform)

3

Facilitate green asset market development

- Put legal and regulatory framework that aligns with international standards in place (e.g., green taxonomy) together with a national government and capital market authorities
- Put de-risking instruments in place
- Issue green and sustainability bonds



Q&A



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