Early Warning System

GCF-FP181

CRAFT – Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries

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Quick Facts

Countries	Bahamas, Brazil, Mexico, Rwanda, South Africa, Trinidad and Tobago
Financial Institutions	Green Climate Fund (GCF)
Status	Approved
Bank Risk Rating	B
Voting Date	2021-10-07
Borrower	Pegasus Capital Advisors LP (Pegasus)
Sectors	Climate and Environment, Education and Health, Infrastructure, Water and Sanitation
Investment Type(s)	Equity
Investment Amount (USD)	$ 100.00 million
Project Cost (USD)	$ 400.00 million

Project Description

This Funding Proposal recommends that GCF commit up to $100 million of catalytic capital to scale-up ambition in adaptation finance by catalyzing the Climate Resilience and Adaptation Finance and Technology-transfer facility (“CRAFT” or the “Fund”), the first private investment fund for climate resilience and adaptation. CRAFT addresses the “Adaptation Gap” by mobilizing capital to scale up technologies for climate resilience and adaptation and applying them in developing countries using a south-south technology transfer mechanism. CRAFT employs an innovative blended finance structure, including a Junior concessional layer that mitigates downside risk for Senior non-concessional investors.

Having achieved first close in 2019 with a combination of public, private, and philanthropic investors, CRAFT has been securing additional Junior and Senior capital, but its mobilization has been impacted by the effects of COVID19. CRAFT has mobilized over $125 million of public, private, and philanthropic investor commitments into the Fund and $108 million of non-concessional capital into CRAFT’s first investment. GCF’s catalytic capital would help to scale investment into private sector adaptation in developing countries by mobilizing up to $136 of additional Senior nonconcessional capital.

The Fund has identified multiple market segments and technologies, products, and services to manage climate variability and weather volatility, reduce physical disruption and damage from climate extremes, and reduce resource scarcity (particularly water and food). A $100 million commitment of catalytic capital from GCF would allow CRAFT to scale-up ambition in adaptation finance and accelerate development, application, and transfer of critical private sector adaptation and climate resilience technologies in developing countries, particularly in the context of promoting green recovery from COVID-19. GCF’s finance could mobilize capital in two ways: 1) encourage up to $136 million of additional Senior capital at the fund level to scale up CRAFT to its maximum size of $400 million and 2) unlock $800 million or more in co-financing at the portfolio company level. It is expected that GCF’s engagement and expertise would accelerate CRAFT’s impact by aligning its investments and applications with developing countries’ national climate action plans and accelerating the scaling up of adaptation and climate resilience technologies and solutions.

CRAFT is focused on developing countries in which private capital mobilization is broadly more challenging. These challenges are exacerbated by COVID-19, which has increased potential investors’ perceived risk of new investment strategies, particularly those aimed at developing countries. GCF’s catalytic capital commitment mobilizes capital by overcoming that perceived risk, enabling CRAFT to achieve substantially greater mobilization and impact in the postCOVID-19 environment. In addition, COVID-19 has had dramatic human health impacts and increased the fragility of society and the economy, particularly in the most vulnerable developing countries, further increasing the strain on global systems that are already susceptible to the physical risks and impacts of climate change. Additional analysis on COVID19 and its link to climate resilience can be found here.

Investment Description

- Green Climate Fund (GCF)

Contact Information

GCF CONTACTS

General media inquiries

GCF Communications
PHONE +82 32 4458 6338 (KST)
SEND E-MAIL

Request for information

GCF Information Disclosure
REQUEST INFORMATION ABOUT THIS PROJECT

Additionally, if information requested is denied, an appeal can be filed to the Information Appeals Panel: iap@gcfund.org. You can learn more about the Information Appeals Panel at: https://www.greenclimate.fund/about/disclosure/appeals.

ACCOUNTABILITY MECHANISM OF GREEN CLIMATE FUND

The Independent Redress Mechanism (IRM) addresses complaints by people who believe they are negatively affected or may be affected by projects or programmes funded by the Green Climate Fund (GCF). The complainant can raise issues related to any of GCF's policies and procedures, including those relating to social and environmental issues, indigenous peoples, gender, and information disclosure, among others. If you submit a complaint to the IRM, it may seek to address the issues raised by facilitating problem solving or conducting a compliance process. You can learn more about the Independent Redress Mechanism and how to file a complaint at https://irm.greenclimate.fund/.

You can access a video about the IRM (English) at: https://youtu.be/1LanbriVhfs.

A brochure about the IRM can be accessed in English, French, Spanish, Portuguese, Arabic, Mandarin, Mongolian, Vietnamese, Russian, Ukrainian, Korean, German, and Kiswahili at: https://irm.greenclimate.fund/.

Bank Documents

- Funding Proposal