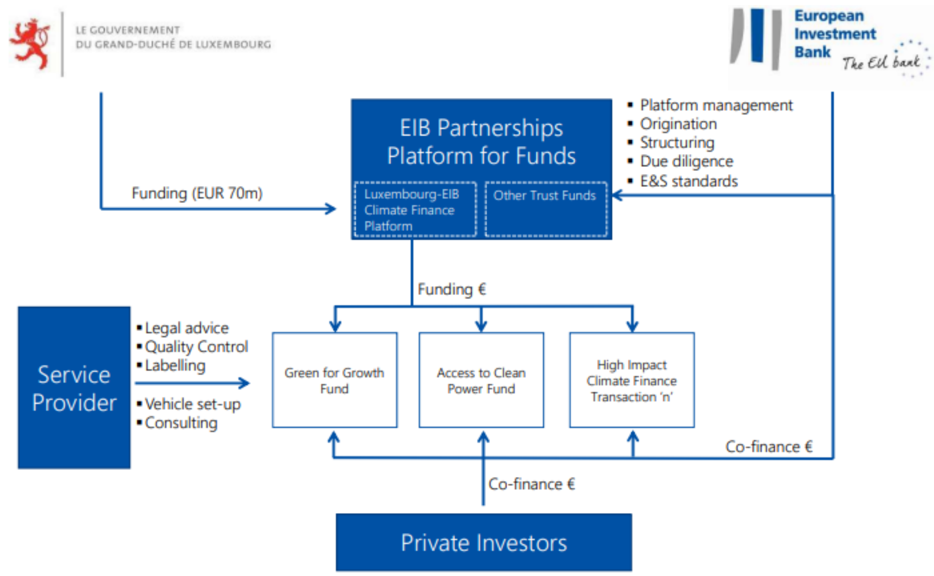
FUND NAME	**Luxembourg-EIB Climate Finance Platform**[1]
COUNTRY/REGION	Africa, Asia, and Latin America and the Caribbean
MANDATE	Accelerate climate action investments while providing an attractive entry point into the sector for large scale institutional investors
SIZE, FINANCIAL CLOSE AND TERM	Luxembourg Government: USD 40.4 million direct contribution to the LCFP USD291 million: EIB co- financing USD18.5 billion: mobilized in project investment Financial close: 2017 Renewable term
INVESTOR(S) AND FUNDERS	Catalytic Capital: Grand Duchy of Luxembourg Commercial Capital: EIB
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Multilateral, Bilateral, and DFIs
OBJECTIVE	The LCFP aims to increase the impact of climate financing by mobilising private sector investment, thereby acting as a catalyst for additional financing. LCFP provides first-loss piece in layered investment funds to crowd-in private & public capital.
ENVIRONMENTAL IMPACT (ON CLIMATE MITIGATION AND/OR ADAPTATION)	The LCFP supports the complex segment of the 13th UN Sustainable Development Goal: urgent action to combat climate change and its impacts. The benefits brought about by the projects supported by the Luxembourg-EIB Climate Finance Platform will help to achieve this goal, through reduced emissions, energy savings, land restoration, the promotion of new technologies and much more.
CAPITAL STRUCTURE	• Government of Luxembourg: EUR 40 million, wholly concessional • Co-financing EIB: Equity (EUR 288.4 million)
FINANCING MODEL/APPROACH (EX: BLENDED FINANCE)	Concessional capital creates fiduciary investment assets at portfolio level (fund of funds)
RATIONALE FOR FINANCING MODEL/APPROACH	LCFP was designed to respond to three central market barriers; (i) protracted project development and construction phases due to lack of access to finance; (ii) high cost of capital because of high perceived market risk in the regions where LCFP operates; and (iii) limited exit options for private investors.
FINANCIAL INSTRUMENT(S) (LOANS (COMMERCIAL/ CONCESSIONAL), EQUITY, GUARANTEE)	Equity into eligible funds

[1] This case was provided by the European Investment Bank as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

Diagram of the financing structure



Executive Summary

The LCFP is a blended finance vehicle created by the European Investment Bank (EIB) and the government of the Grand Duchy of Luxembourg in 2017 to help address climate change challenges. It is designed to make equity investments in junior tranches of layered funds, which reduces the risk of investment in senior tranches for private sector players. These funds then invest in companies in emerging markets that are involved in climate change mitigation and adaptation projects. These regions will be worst hit by climate change which, if unchecked, could see the forced displacement of up to 200 million people, and rural to urban movement of a further 150 million by 2050: entire populations forced to leave their homes as result of desertification, land degradation and volatile weather.

To date, the Luxembourg-EIB Climate Finance Platform has approved investments in six different funds alongside the EIB. These are the Emerging Market Climate Action Fund, the Urban Resilience Fund B, the Green for Growth Fund, the Land Degradation Neutrality Fund, the Access to Clean Power Fund, and the Climate Resilience Solutions Fund. Each fund is quite different in terms of geographies covered and sectors of activity and their impacts are multipronged.

Depending on the fund, the expected multiplier effect of the Luxembourg-EIB Climate Finance Platform, defined as the ratio of total investment in final projects to the platform's initial commitment, ranges from around 146x in the case of the Climate Resilience Solutions Fund, to more than 600x for the Emerging Market Climate Action Fund at target size.

The Platform has provided direct financing of approx. USD 330 m and mobilised USD 18.5bn of investments.

To date, the LCFP has approved investments in six different funds alongside the EIB. These are the Emerging Market Climate Action Fund, the Urban Resilience Fund B, the Green for Growth Fund, the Land Degradation Neutrality Fund, the Access to Clean Power Fund, and the adaptation focused Climate Resilience Solutions Fund.

Analysis

What made this project successful?

The LCFP's targeted equity investments in junior tranches of layered funds, reduces the risk of investment in senior tranches for private sector players. These funds then invest in companies in emerging markets that are involved in climate change mitigation and adaptation projects.

To the date, the €40 million of direct investment in LCFP by Luxembourg and the €288.4 million of co-financing by the EIB have successfully mobilised €18.2 billion in project investment in a wide variety of geographies. Depending on the fund, the expected multiplier effect of the LCFP (ratio of total investment in final projects to the platform's initial commitment) ranges from around 146x in the case of the Climate Resilience Solutions Fund, to more than 600x for the Emerging Market Climate Action Fund at target size.

The LCFP is a fund with fast decision-making processes, which appeals to private funds and investors. In addition, it has global coverage a rigorous appraisal process reviews the economic, environmental, financial, social and technical aspects, leveraging EIB's substantial in-house expertise for due diligence and origination as well as legal, financial and structuring expertise. It has clear criteria for climate finance, and stringent environmental and social

	standards, monitoring and reporting framework, alignment with other international financial institutions.
To what extent is this model scalable?	The model is moderately scalable given the investment universe of eligible funds and underlying projects that align with the eligibility criteria. Sufficient investments from interested donors/development partners/impact investors in seeding and establishing similar blended finance structures.
What are the necessary conditions to make it replicable in other countries/regions?	The financing model/fund of funds approach is not geographically constrained, LCFP has mobilized investment for projects in Africa, Asia, Latin America and the Caribbean.
Constraints/Drawbacks of Financing Model	Fund of funds structure may have implications for monitoring, verification and evaluation on a look through basis. Operations eligible for financing under the LCFP are not limited to a specific geography but must be in line with the EIB's climate strategy and Luxembourg's strategy for allocating funds. It may be difficult to
Lessons Learnt	• Relatively small amounts of junior, risk bearing capital at portfolio level can achieve high leverage ratios and crowd in substantial project-level investment. • The fund of funds structuring leverages targeted investment expertise in particular geographies and/or sectors