

# Expanding Engagement with the Private Sector on GEF Projects



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# Expanding Private Sector Engagement in GEF Projects (1)

***Private sector engagement is not new; but GEF projects can deliver more by partnering on sustainable business models and attracting more investment for environmental benefits***

During GEF-5 → the Council approved five innovative PPPs (three in LAC) with a total funding commitment of \$70 million which has attracted \$907 million in co-financing → potential to generate re-flows

- The IDB Sustainable Caribbean Basin Private Equity Fund (\$15 Million - co-financing \$200 million) seeks to foster private investments that promote energy security, environmental sustainability and related economic opportunities in nations across the Caribbean Basin.
  - highly innovative investment platforms and business models that expand access to clean and safe energy, achieve the sustainable use of natural capital, and generate opportunities for local businesses and low income populations, including women and indigenous people



# Expanding Private Sector Engagement in GEF Projects (2)

- The IDB MIF PPP Program (\$15 Million – co-financing \$266 Million) is making targeted equity investments in funds to promote energy efficiency, renewable energy, and bio-diversity in Latin America.
  - investments will contribute to energy savings, new renewable energy supply, reduction of greenhouse gas (GHG) emissions, preservation of natural resources, protection of bio-diversity, and development of sustainable business models.
- The IDB Climate-Smart Agriculture Fund For The Americas (\$5 Million – co-financing \$50.9 Million) is catalyzing greater private sector investments in sustainable agriculture, forestry and rangeland systems in order to maintain and improve the flow of agro-ecosystem services from productive landscapes in the face of climate change and increasing resource scarcity.
  - focuses on the synergies between private sector funds and agricultural development funds. It will also be the first fund tailored to incentivize private sector investment in climate-smart agriculture.



# Expanding Private Sector Engagement

In GEF-6 we are pursuing:

1. ***Mainstreaming*** - seeking private sector engagement in all projects
2. ***Integrated Approach Pilots*** - targeted pilots
3. ***Non-grant instrument Pilot*** - special set-aside



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# (1) Non-grant Instrument Pilot (NGI)

- 115 Million → \$5 million will be reserved for the Sustainable Cities Integrated Approach Pilot
- Objective → to support the achievement of the GEF's objectives through the use of non-grant instruments for targeted investments that promote global environmental benefits
- Until now, non-grant instruments have not been used in the GEF's engagement with public sector entities → we expect this to happen
- The use of non-grant instruments under the GEF-6 Pilot will be focused on instruments that have the potential to generate reflows → contribute to the GEF Trust Fund's financial sustainability



## (2) Non-grant Instrument Pilot (NGI)

- By demonstrating and validating successful models for the use of non-grant instruments, the GEF can help catalyze large-scale changes through broader adoption and generate experiences which may also be useful for other international environmental funding mechanisms
- Selection criteria:
  - Demonstrate use of non-grant instruments in areas other than climate change
  - Demonstrate innovative application of financial mechanisms and partnerships that may be broadly adopted and can be scaled up;
  - Support innovative engagement of the private sector and public sector through innovative business models;
  - Deliver high levels of co-financing



### (3) Non-grant Instrument Pilot (NGI)

- For projects/programs with private sector recipients, the GEF Partner Agency will negotiate an appropriate concessional rate or return on investment, which, consistent with the Agency's regular practices → no necesita carta de endoso de PFO
- For projects/programs with loans to public sector recipients, the Pilot will use differentiated terms:
  - LDCS and SIDS: 40 years maturity, 10 years grace period, 0,25% interest
  - Non LDCS - SIDS: 20 years maturity, 10 years grace period, 0,75% interest
- In case of the use of guarantee instruments for public sector entities, the reflow schedule and fees will be negotiated on a case-by-case basis by the GEF Partner Agency



## Typical types of private sector actors for GEF projects

Type	Description/Examples
1 Capital providers	▪ Pension funds, VCs
2 Financial intermediaries and facilitators	▪ Investment banks, commercial banks, financial advisory services
3a Industry players – large corporations	▪ Large retail, manufacturing companies, project developers, etc.
3b Industry players – SMEs	▪ Full time staff below 250 or less depending on the country
3c Industry players – individuals/entrepreneurs	▪ Small start-ups with full time staff below 10



## Benefits of Private Sector Engagement

*The private sector can strengthen partnerships and make contributions to environmental and developmental solutions, such as:*

1. Additional funding
2. Expertise/skills/knowledge
3. Innovation
4. Technology transfer
5. Phase out substandard products

## Reflections on selected GEF projects in this region

We reviewed a few GEF projects to learn:

- **Was the private sector part of the problem and solution?**
- **Is there an essential contribution of private sector stakeholders in the project?**
- **What results or lessons learned can provide insights for future private sector engagement?**

We used the GEF intervention models to review these projects

# The GEF regularly uses five intervention models

- 1 Transforming policy and regulatory environments



- 2 Strengthening institutional capacity and decision-making



- 3 Deploying innovative financial instruments



- 4 Convening multi-stakeholder alliances



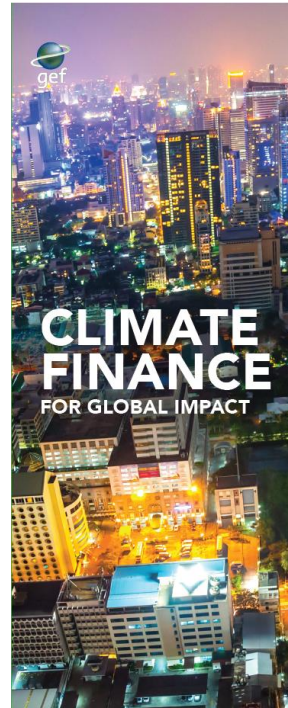
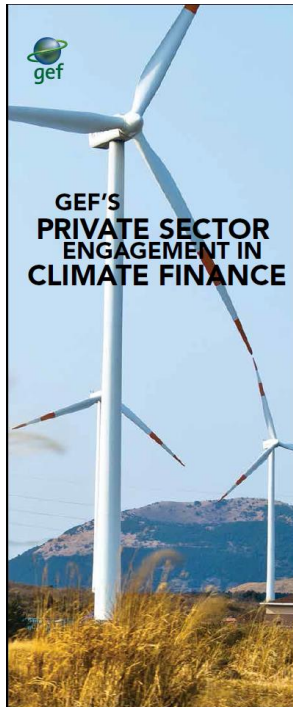
- 5 Demonstrating innovative Approaches



## Private sector engagement exercise

- Would private sector engagement contribute to environmental benefits and my projects?
- Identify specific actions to engage the private sector and include private sector in project design and implementation.
- Think about who you would need to involve, through the project design, which agency, why.
- Examples include 1) forestry: private sector alliances to help design lacking regulatory policies and 2) e-waste: corporate partners.

# Documents and Publications



# Your Questions or Ideas!

Contact your country support representative.

More information is also available at the following link: [www.thegef.org/gef/ppp](http://www.thegef.org/gef/ppp)



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