

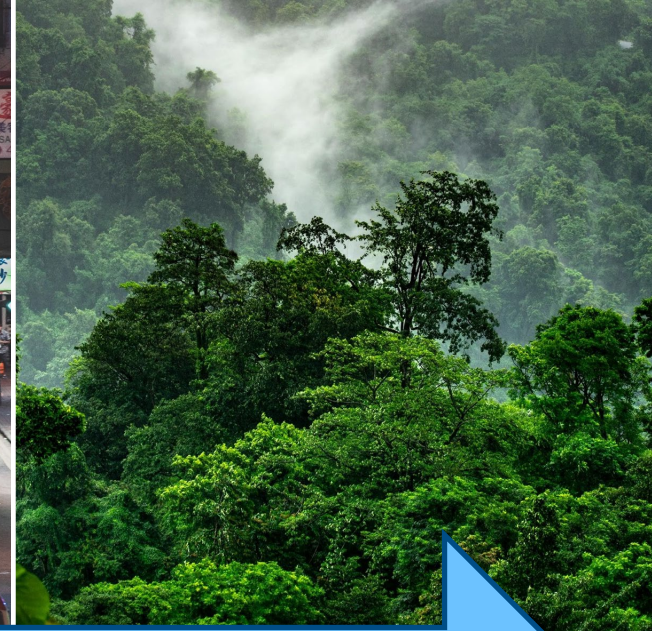


Private sector engagement and blended finance program

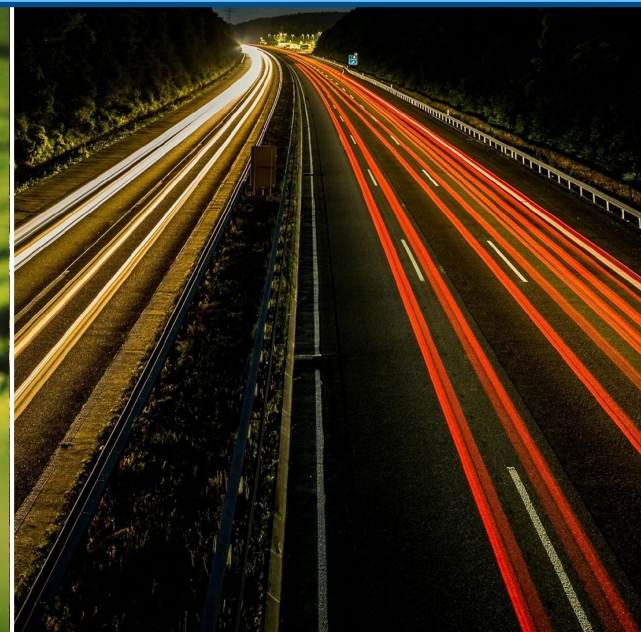
GEF Introduction Seminar 2021 | Day 2, February 23

GEF Private Sector Engagement





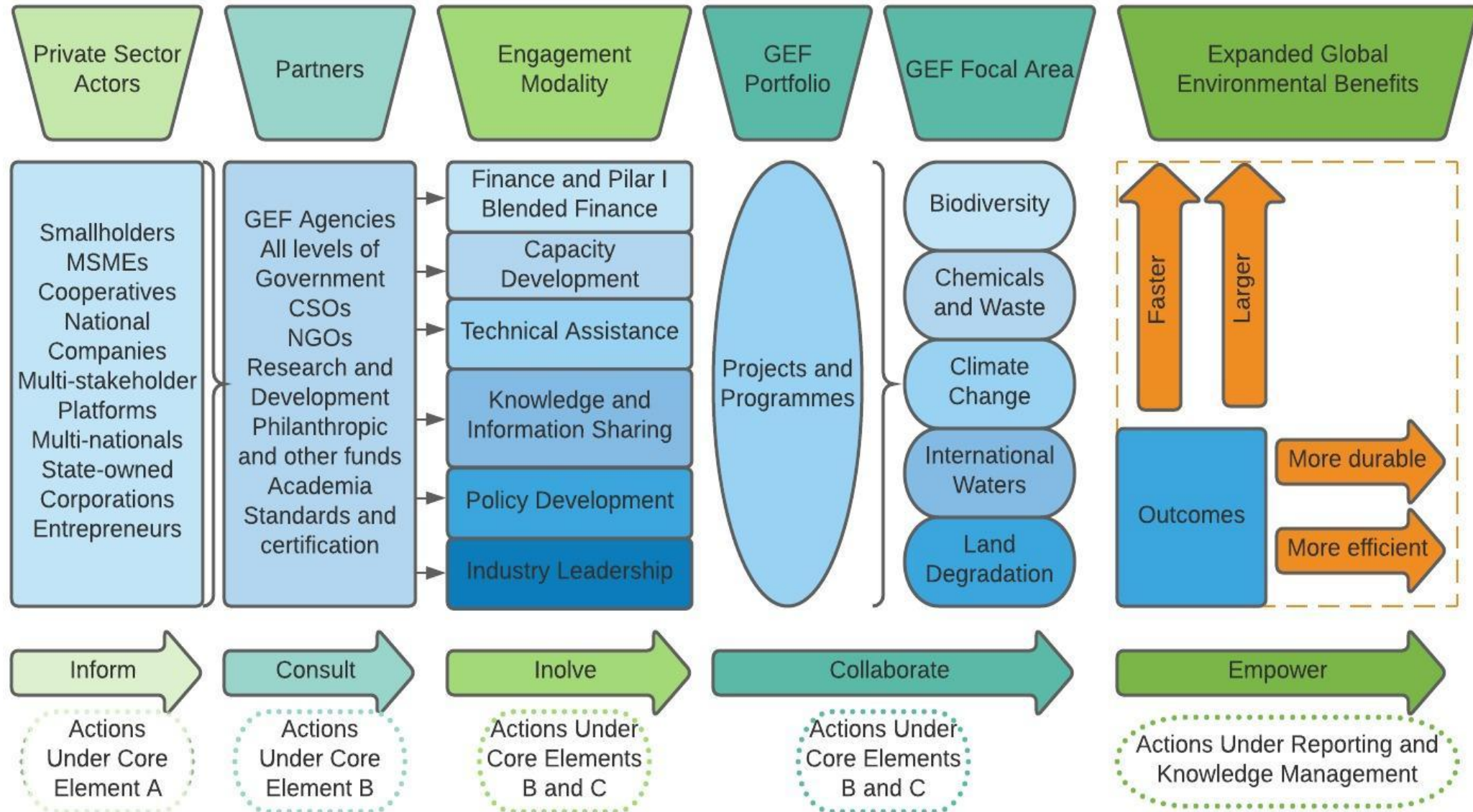
PRIVATE SECTOR ENGAGEMENT: BRINGING SPEED, SCALE AND DURABILITY



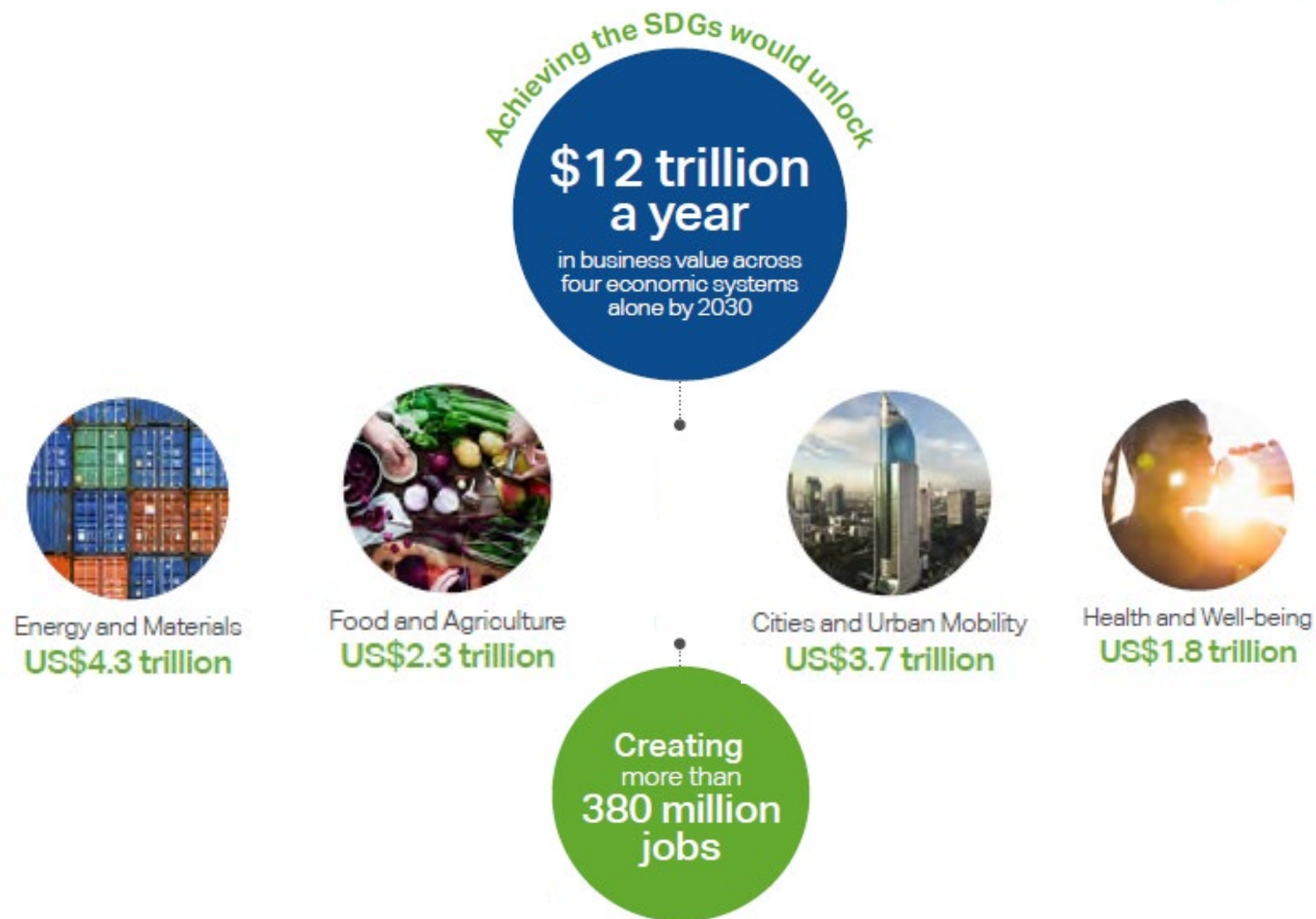
PSES Core Elements



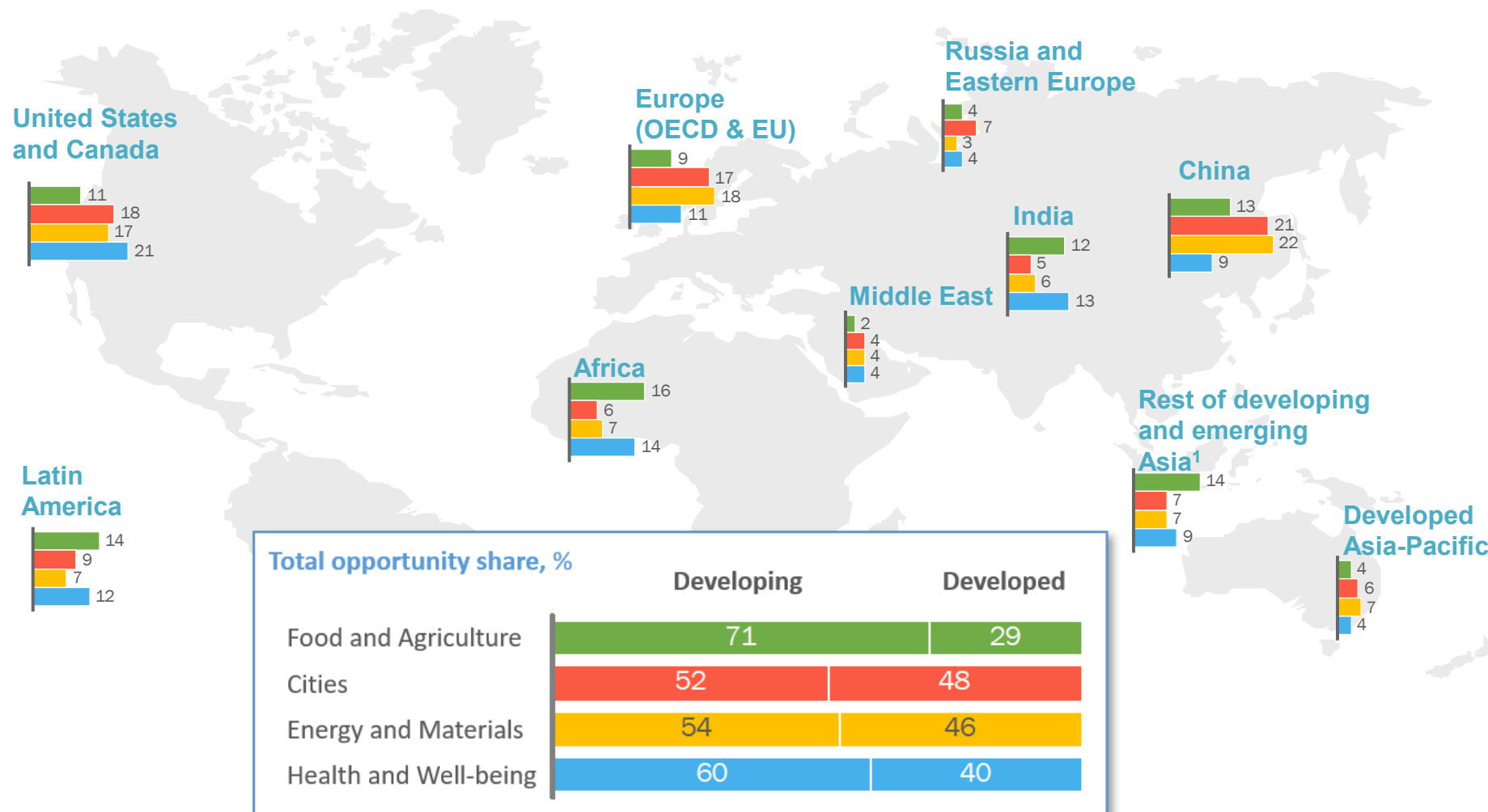
PSES NARRATIVE FLOWCHART



GEF-7 is **investing**
into the **major**
systems that are
identified as
providing the **most**
economic value to
business from
meeting SDGs



Distribution of Business Opportunities



GEF Private Sector Engagement Reviews

Reviews by the Independent Evaluation Office have found:

- A low level of incentive or pathways for private sector collaboration
- Lack of interest at the country level in private sector engagement
- Few opportunities for engagement that have been presented to the private sector
- Difficulty on all sides in understanding the entry points for private sector collaboration
- Business is not engaged from the outset of project development, therefore making it harder to engage business at later stages and throughout the project lifecycle
- The focus has been on financial contributions to the GEF fund, rather than on engagement and partnerships



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Findings of Previous GEF Private Sector Engagement Reviews

However, the good news!

GEF investments involving the private sector have delivered:

- Higher levels co-financing compared to the average
- Balanced regional distribution of investments and projects
- Actions that address the drivers of environmental degradation

Leading Examples of GEF Private Sector Engagement

- The GEF enlisted the support of major palm oil producers who have committed to “zero-deforestation” palm oil production, facilitating training and capacity building for small-holders that form the foundation of the supply chain. In Paraguay, McDonalds joined this initiative to support zero-deforestation beef production.
- Major appliance and equipment manufacturers such as Philips, Osram, ABB, MABE are supporting the Sustainable Energy for All effort to accelerate energy efficiency and leapfrog developing markets to more efficient equipment
- The Maritime Trading Organization and major shippers committed voluntarily to an international regulatory framework which reduces the spread of invasive species through the **Globallast Program**, leading to formal adoption of the approach in the Ballast Water Management Convention (BWM) in 2017
- The GEF Gold partnership **PlanetGold** which aims at taking mercury out of the supply chain, builds a bridge between suppliers and corporate consumers of gold, such as computer, high end jewelry, as well as financial sector, enabling new approaches to reduce harmful mercury emissions across the full supply chain
- GEF’s early support for water funds in Latin America fostered partnerships between public and private, urban and rural, to provide protection for vital catchment zones.

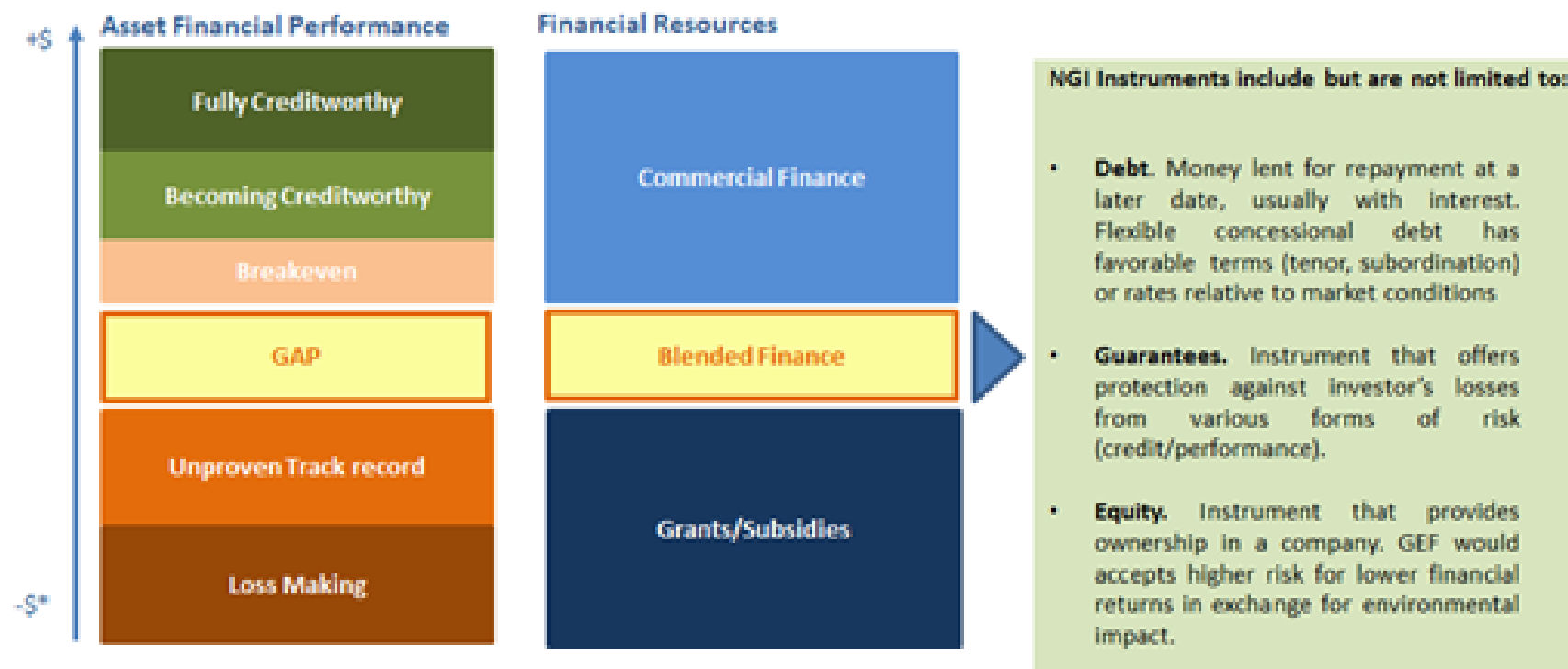


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- I. What is Blended Finance?
- II. GEF's experience with Blended Finance
- III. GEF's Goal in Blended Finance
- IV. Competitive process to select blended finance projects
- V. Q&A

I. What is Blended Finance?

- **Blended finance** is the targeted use of **concessional finance** in projects where actual or perceived risks are too high for commercial finance alone.
- The GEF Blended finance initiative or **Non-Grants Instruments Program (NGI Program)** focuses on the use of financial products other than grants: **debt, equity, guarantees** to attract private investment.



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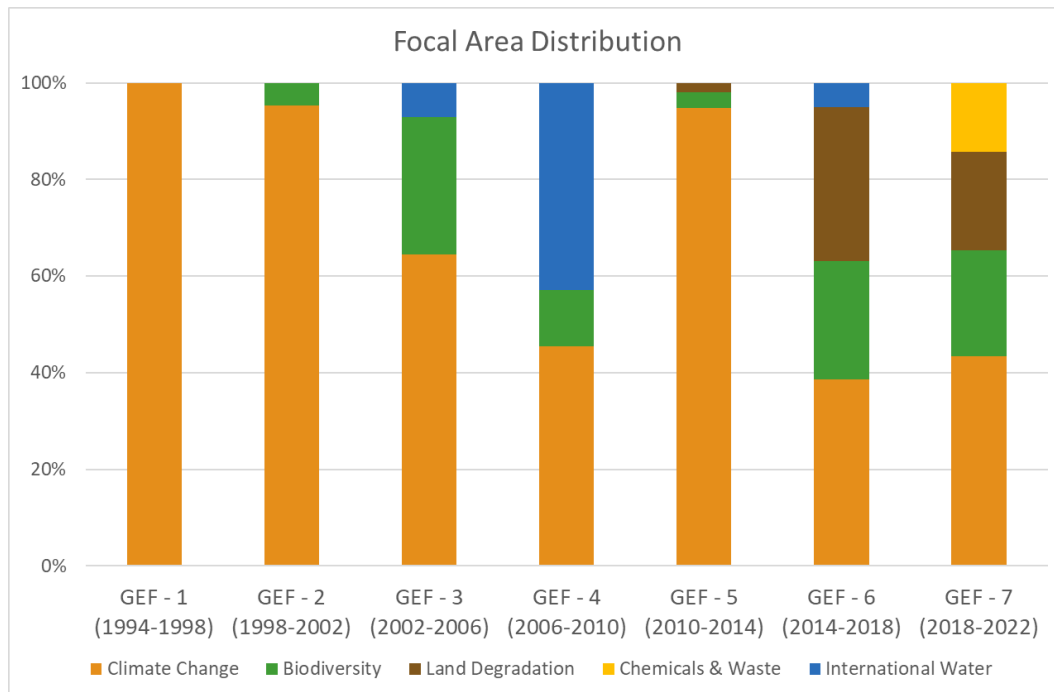
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II. GEF's history in Blended Finance

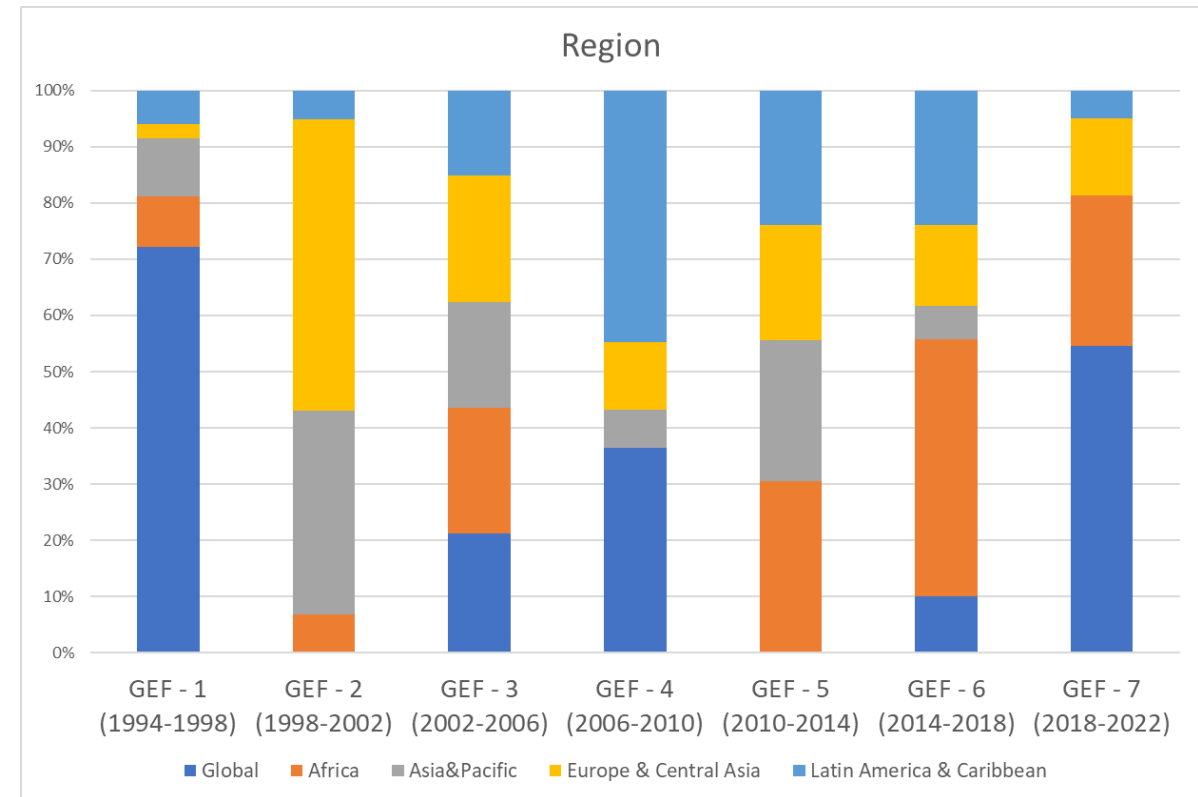
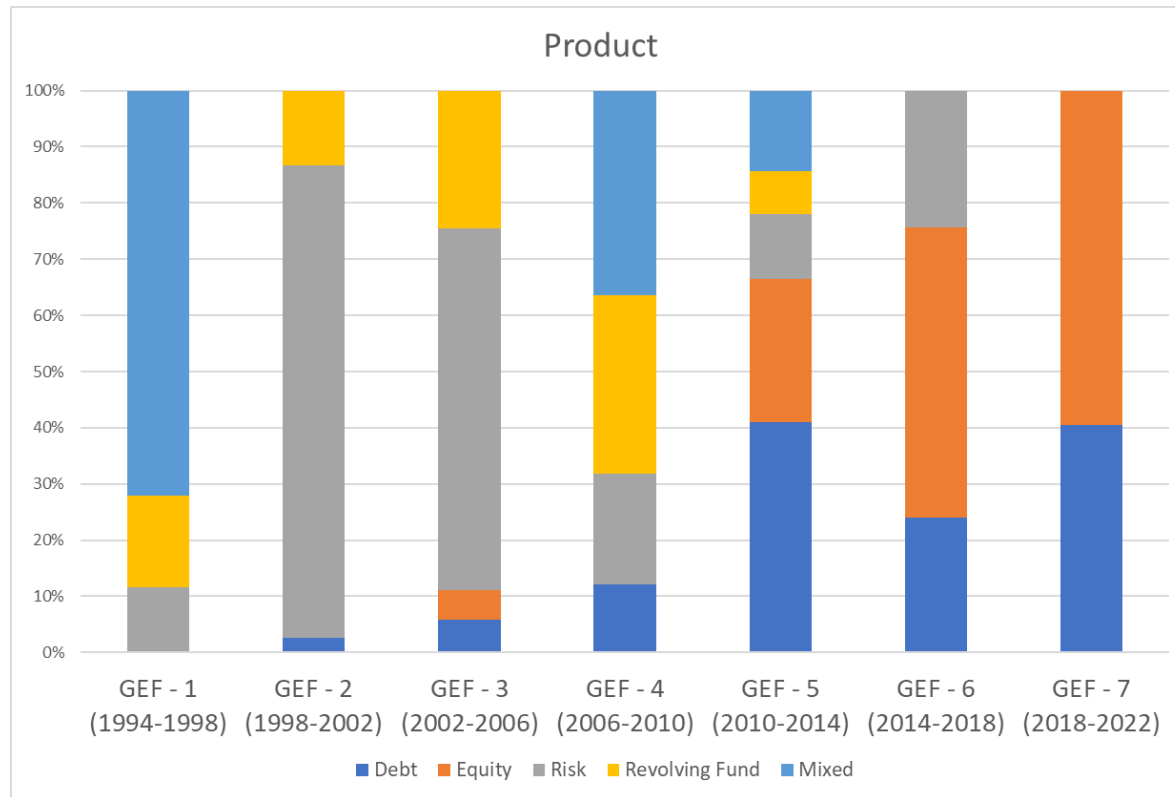
- **GEF has experimented with Blended finance since 2008.** Initially focusing on renewable energy and energy efficiency but lately moving to “**frontier**” areas such as land degradation, biodiversity, and international waters where private sector investment is scarce.



- In GEF-6, the **Non-Grant Instrument Pilot** resulted in 9 projects accounting for USD 99.5 million in GEF funding while attracting USD 1.79 billion in co-financing (co-financing of 1:17).
- In GEF-7, the blended finance initiative became the **Non-Grant Instrument Program (NGI Program)** with **USD 136 million**. So far, the GEF Council has approved **8 projects** for **USD 109.5 million** with a co-financing ratio of **1:14**.
- **There is high demand for blended finance.** In the three calls for proposals closed to date, we received **28 project proposals for more than USD 400 million** more than tripling the available amount in the blended finance envelope.



II. GEF's history in Blended Finance cont'



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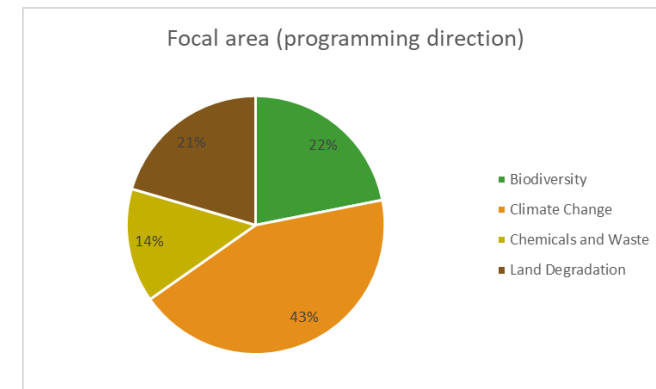
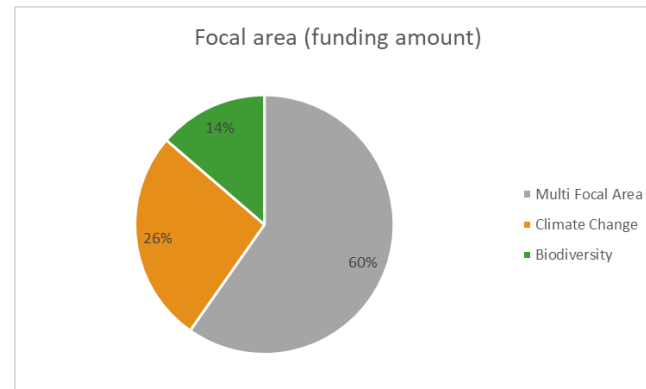
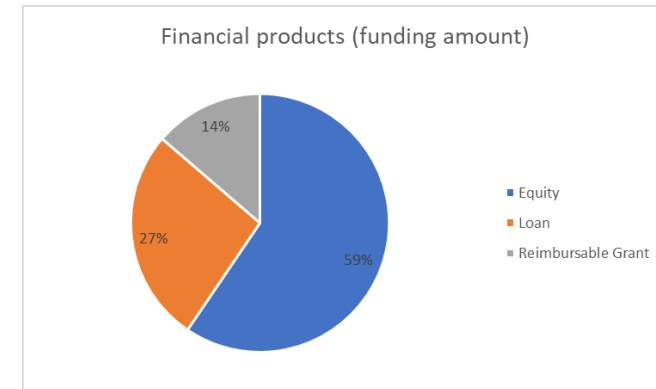
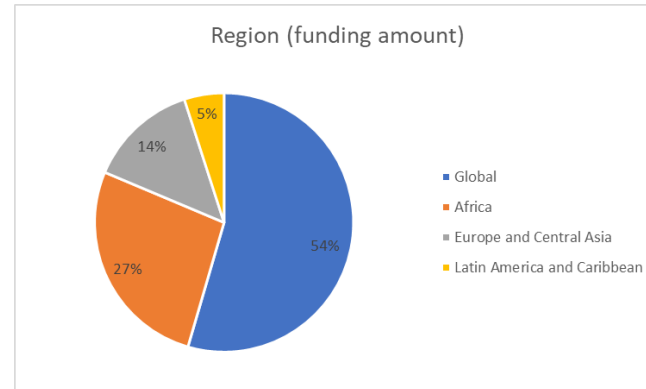
II. GEF's history in Blended Finance: GEF- 7 portfolio



NUMBER OF
PROJECTS: 8



CO-FINANCING
RATIO: 14.8:1



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III. GEF's goal Blended Finance




- The GEF will target investments with a potential to **transform industries, create novel financial products, or test new asset classes** that are important to the future of the planet yet are challenging for financiers without GEF support.
- The GEF encourages deal origination **in frontier sectors** such as circular economy, conservation of endangered species, shipping industry pollution, sustainable agriculture, and nature-based solutions to increase resilience.



III. GEF's goal Blended Finance: project Examples


GEF-6

15
LIFE
ON LAND


Title: **Green Fund**
GEF Agency: United Nations Environment Programme (UNEP)
Instrument: Redeemable Grant
GEF Investment: \$2 million
Co-financing: \$52 million

15
LIFE
ON LAND


Title: **Moringa Agro-Forestry Fund for Africa**
GEF Agency: African Development Bank (AFDB)
Instrument: Junior Equity
GEF Investment: \$12 million
Co-financing: \$50 million

14
LIFE
BELOW WATER


Title: **Blue Bonds for the Third South West Indian Ocean Fisheries Governance a Shared Growth Project (SWIOFish3)**
GEF Agency: World Bank
Instrument: Concessional Debt
GEF Investment: \$5 million
Co-financing: \$32 million

Title: **Wildlife Conservation Bond**
GEF Agency: WBG
GEF Investment: \$15 million
Instrument: Reimbursable grant
Co-financing: 1:10



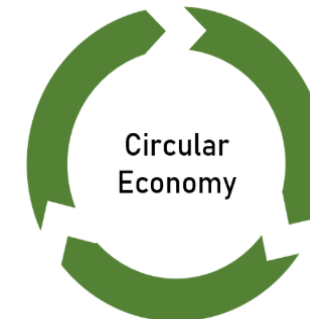
Title: **Green Shipping Initiative**
GEF Agency: IFC
GEF Investment: \$15 million
Instrument: Mezzanine debt
Co-financing: 1:10



Title: **Livelihoods Funds III**
GEF Agency: CI
GEF Investment: \$15 million
Instrument: Equity
Co-financing: 1:8.3



Title: **Circular Economy Initiative**
GEF Agency: EBRD
GEF Investment: \$15 million
Instrument: Performance Based Loan
Co-financing: 1:10



GEF-7

IV. Competitive process to select blended finance projects

Similarities and differences with other GEF projects

What remains business as usual in NGI:

- NGI follows the GEF Project and Program Cycle Policy and Guidelines.
- Importance of **GEBS** and compliance with **GEF- 7 Programming Directions**

What is different in NGI:

- **Competitive process:** projects are selected through rounds of open calls for proposals. Each proposal is evaluated on the basis of **Selection Criteria** and **Eligibility Criteria**.
- **Support of the AFGE:** GEF formalized its collaboration with the Advisory Group of Finance Experts (AGFE) for GEF-7. The AGFE reviews are non-binding and are provided on a pro-bono basis as an additional input to the review process conducted by the GEF Secretariat. Members are Joan Larrea, Ken Lay and Pat Coady.
- **Detailed termsheet** to evaluate financial aspects of the proposals.
- **Timeline:** PIFs and PFDs are requested to be submitted earlier than the standard deadline to allow for additional review of the AGFE.



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IV. Competitive process to select blended finance projects

Selection Criteria and Eligibility Criteria

Selection Criteria

Scalability	Appropriate levels of co-financing	Attractive financial terms	High Financial Additionality	Capacity to generate reflows	Innovation	Project execution	GEBs
Do financial structures or investment platforms aim at scaling-up projects beyond a “one-by one” projects?	Is the project in line with the intended impact of the project and in the context of each focal area capacity?	Are the terms and conditions of the GEF investment adequate to achieve acceptable financial terms for private investors to participate in the project?	Does the project show high financial additionality in terms of (i) financing barriers addressed and (ii) quantification of financial additionality?	What is the likelihood of generating returns based on project characteristics, sound financial structure.?	Does the project show innovation in terms of the financial structure and/or the technologies used in the project?	Do executing agency have experience in projects with non-grant instruments and in management of reflows?	Proposals will be evaluated based on their contribution to GEF focal areas, Impact Programs and their capacity to generate global environmental benefits.

Eligibility Criteria

- Geography: project beneficiaries must be in eligible GEF recipient countries
- GEF Partner Agency eligibility requirements
- Modalities: middle-sized projects, full-sized projects and programs;
- Non-grant instruments Policy



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Thank
you