

Expanding Engagement with the Private Sector on GEF Projects



GEF Expanded Constituency Workshop

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GLOBAL ENVIRONMENT FACILITY
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Expanding Private Sector Engagement

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

In GEF-6 we are pursuing:

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



(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



Strengthening institutional capacity and decision-making

Senegal River Basin
(GEF ID 1109/5133) World Bank

Focal Area

International Waters

Project Objectives

Sustainable management of water resources and biodiversity

GEF

GEF grant helps build capacity of the Senegal River Basin Organization and partners in riparian countries to lead adaptation across the river basin; and inform future investments in multi-purpose dams

Private Sector

Small-scale infrastructure investments sustained through water users' associations and other cooperative arrangements that will collect fees from private users (e.g., farmers and cooperatives)

Best Practices/Lessons

GEF investment is catalytic. It demonstrated the feasibility of the scheme.

Deploying innovative financial instruments

AfDB-PPP Public-Private Partnership Program (GEF ID 4929) AfDB

Focal Area

Climate Change

Project Objectives

Clean energy, infrastructure and private-sector development

GEF

GEF's grant used by AfDB as an equity investment to seed the fund and attract additional investors.

Private Sector

Additional investment partners may provide investments of \$100M. Fund will have a 5 year investment period and is expected to mobilize \$300M in debt to finance the projects.

Best Practices/Lessons

"Missing link" story of the government's failure to deliver appropriate regulatory framework when all other participants were standing ready to proceed with one of the Fund's investment project

Convening multi-stakeholder alliances

Payment for Ecosystem Services (PES) to Support Forest Conservation and Sustainable Livelihoods in Mozambique (GEF ID 5516) FAO

Focal Area

Multi Focal Area

Project Objectives

Promote biodiversity conservation and climate change mitigation while creating financial resources

GEF

Creating the capacity to implement and monitor a PES mechanism for the disbursement of 20% of all government taxes and fees collected from the use of wildlife and protected areas to local communities.

Private Sector

Forest concessions, including charcoal producers for the domestic and international market, will pay taxes, of which 20% will feed into a fund managed by the PES scheme / A joint venture of public and private companies.

Best Practices/Lessons

An alliance of the project's stakeholder helped align incentives for the successful implantation of the project / joint venture helped sponsor a scoping study (involving research institutions) to trigger private sector interest in investing in eco-system services.

Demonstrating innovative approaches

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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.

Your Questions or Ideas!

Contact your country support representative.

More information is also available at the following link: www.thegef.org/gef/ppp



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