

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 with a total funding commitment of \$70 million which has attracted \$907 million in co-financing → potential to generate re-flows



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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 need for Endorsement letters from OFP
- 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

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



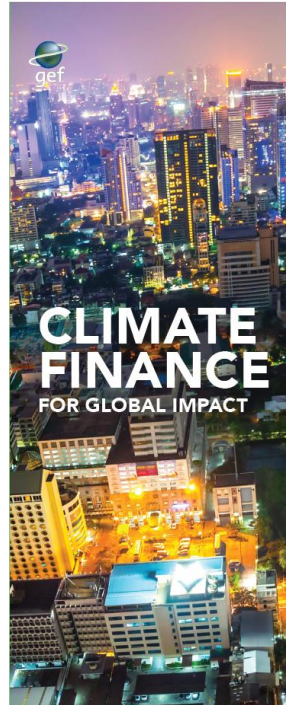
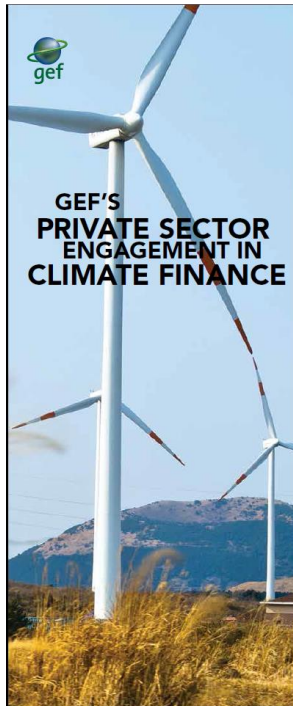
- 4 Convening multi-stakeholder alliances



- 5 Demonstrating innovative Approaches



Documents and Publications



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, 3) Global Supply Chains for Marine Commodities, Shipping Industry, Caribbean Revolving Fund for Wastewater Management.

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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