# GEF-7 Non Grant Instruments Program

## Expanded Constituency Workshop

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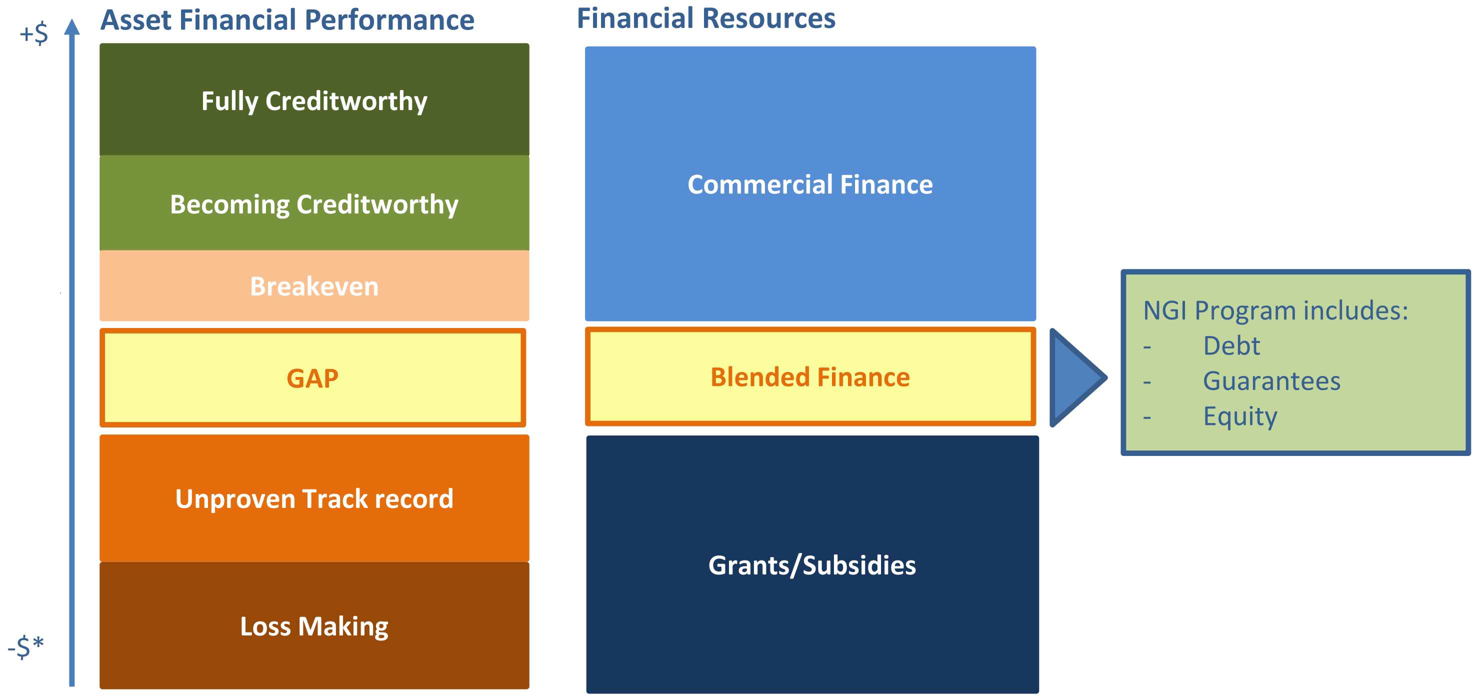
**Avril Benchimol**
Sr. Finance Specialist, GEF

# GEF’s Non Grant Instruments for Blended Finance

- **Blended finance** is the targeted use of **concessional financing** in projects where actual or perceived risks are too high for commercial finance alone. It is **a strategic tool to promote private sector participation** in projects that would otherwise not take place.

- The GEF-7 **blended finance initiative** is focused on the use of non-grant instruments such as debt, guarantees and equity under the Non Grant Instrument Program (**NGI Program**).

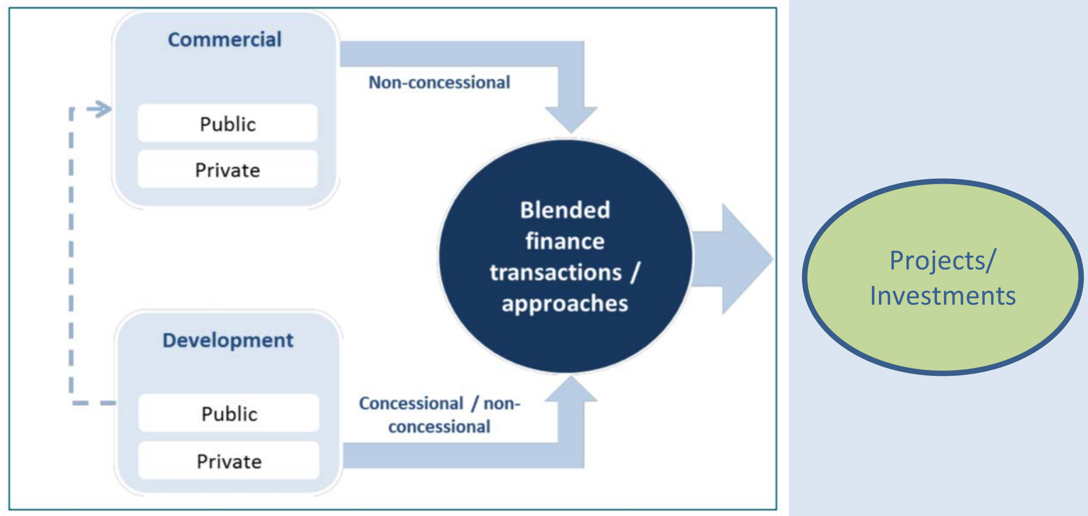


# GEF’s Non Grant Instruments for Blended Finance, cont’

**NGI Instruments include but are not limited to:**

- **Debt**. Money lent for repayment at a later date, usually with interest. Flexible concessional debt has favorable terms (tenor, subordination) or rates relative to market conditions
- **Guarantees.** Instrument that offers protection against investor’s losses from various forms of risk (credit/performance).
- **Equity.** Instrument that provides ownership in a company. GEF would accepts higher risk for lower financial returns in exchange for environmental impact.

**How financing “ blends” to achieve financial terms to attract private sector investment**




*The dynamics of blended finance. OECD, 2018*

# GEF’s experience with Blended Finance: Priorities

- **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 11 innovative projects that included USD 99.5 million in GEF funding while attracting USD 1.79 billion in co-financing through a balanced regional distribution addressing fundamental drivers of global environmental degradation.

- In **GEF-7**, the NGI Program expands the envelop of blended finance to USD 136 million to accelerate the use of non-grant instruments in support of delivering GEBs and continue to catalyze investments from private sector, capital markets. mental benefits.

- **General terms of NGI financing**:
  - Types of instruments: (i) equity; (ii) guarantees; (iii) debt instruments, among others
  - Maximum amount per project: US$ 15 million
  - Maximum Maturity of the financing: 20 years

# NGI Program Selection Criteria and Eligibility Criteria

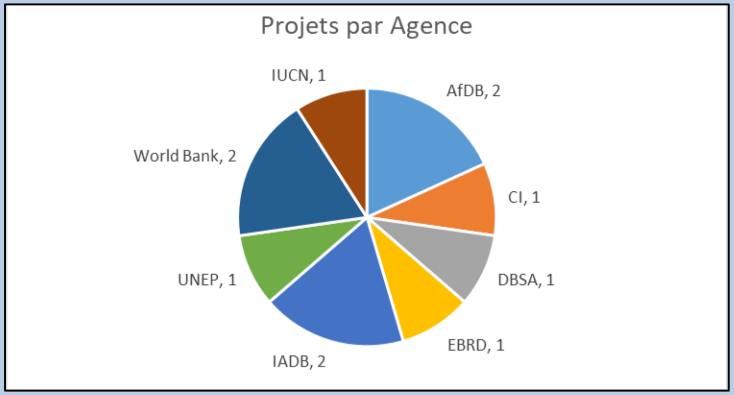
**Selection Criteria**

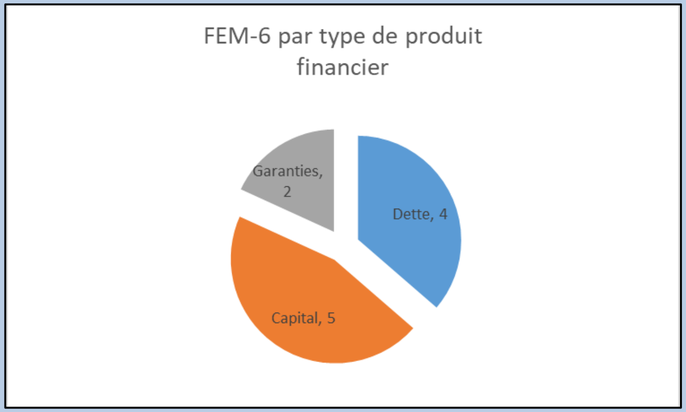
1. Scalability: financial structures or investment platforms aimed at scaling-up projects beyond a "one-by one" projects;
2. Appropriate levels of co-financing: in line with the intended impact of the project and in the context of each focal area capacity;
3. Attractive financial terms: to be disclosed in an indicative financial termsheet.
4. High Financial Additionality;
5. Capacity to generate reflows;
6. Innovation;
7. GEBs: 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: include but are not limited to: (i) debt, (ii) risk mitigation products or (iii) equity instruments disclosed in *Policy - Non-Grant Instruments*, FI/PL/

# GEF-6 Results of Selection Process of NGI




# Moringa Agroforestry Fund for Africa FEM-6

**Project Goals:** Facilitate investments at big scale in activities to avoid land degradation and reducing deforestation. The project will result in 5 or 6 investments in Africa with the particpation of the private sector.

**Financing:**

| | |
|---|---|
| AFDB -GEF Set Aside NGI : | USD 12.500.000,00 |
| Moringa Equity Investors: | USD 38.300.000,00 |
| **Total:** | **USD 50.800.00,00** |

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Thank you!