



**GLOBAL ENVIRONMENT FACILITY**  
INVESTING IN OUR PLANET

GEF/C.49/Inf.13  
October 15, 2015

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49th GEF Council Meeting  
October 20 – 22, 2015  
Washington, D.C.

**MOBILIZING CLIMATE FINANCE FROM THE PRIVATE SECTOR —  
SUMMARY OF GEF EXPERIENCE**

## MOBILIZING CLIMATE FINANCE FROM THE PRIVATE SECTOR — SUMMARY OF GEF EXPERIENCE

- 1. Earlier this month, in connection with the Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund, the Secretary-General of the Organization for Economic Co-operation and Development (OECD) launched the report “Climate finance in 2013-14 and the USD 100 billion goal”<sup>1</sup>.** The report estimates that public and private finance mobilized amounted to \$62 billion in 2014, up from \$52 billion in 2013; making an average of \$57 billion annually over the 2013-14 period. As part of its contributions towards this report, the GEF analyzed the share of climate-related financing out of its total funding commitments over the two-year reporting period; and the private co-financing mobilized through these climate-related projects and programs.
- 2. About two thirds of the GEF portfolio can be considered “climate-related”.** In 2013-14, the GEF committed a total \$1.4 billion in “climate-related” financing (defined as having climate change mitigation or adaptation as a principal or significant objective according to OECD’s “Rio Marker” methodology), out of total commitments of \$2.1 billion, across all the GEF’s funding windows. Thus, 68% of all GEF financing can be considered “climate-related”.
- 3. The GEF’s climate portfolio mobilizes almost \$8 for each \$1 GEF grant invested; for climate change mitigation projects the ratio is even higher at \$10.3 per \$1 GEF grant.** Mobilized finance, recorded as “co-financing” in GEF project documents, has been important for the GEF since its inception. The co-financing ratio for GEF climate-related finance during 2013-14 was \$7.9, which is higher than the \$7.1 for the GEF portfolio as a whole (see below). The difference is mainly due to higher-than-average co-financing ratios for climate change mitigation projects—which reached \$10.3 during 2013-14. The average co-financing ratio for climate change adaptation projects was \$6.4.
- 4. On average, GEF climate change mitigation projects mobilize \$1.3 from the private sector per \$1 GEF grant.** In 2013-14 climate change mitigation projects mobilized on average \$1.3 from the private sector for each committed \$ GEF grant. This is about twice as much as for GEF projects as a whole, where the average was \$0.6. For adaptation projects, co-financing from the private sector was only \$0.2, reflecting the focus in the GEF’s adaptation portfolio on support for policy development and public infrastructure.
- 5. In early GEF experiences with targeted, innovative instruments mobilization rates from the private sector have reached \$6.8 for each \$ in GEF grant, suggesting a significant potential to increase mobilization of private sector finance.** In recent years, the GEF has piloted the use of innovative “non-grant instruments” in its portfolio. In these projects, GEF financing is being used to fund for example first loss risk guarantees, or junior debt and equity positions in larger climate finance packages. The GEF has made a total of 10 such climate-related investments since GEF-5. Early experiences show that these instruments have the potential to mobilize very significant levels of private sector finance: not only is the overall co-financing ratio (\$11.5 for each \$ GEF grant)

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<sup>1</sup> OECD (2015), “Climate finance in 2013-14 and the USD 100 billion goal”, a report by the Organization for Economic Co-operation and Development (OECD) in collaboration with Climate Policy Initiative (CPI).

higher than usual, but at \$6.8 per \$ GEF grant finance mobilized from the private sector is several multiples of the average co-financing for climate mitigation projects.

**Table 1. GEF leverage of co-financing from the private sector and other sources**

	Total Project Financing (US\$ million)				Share of co-financing		Leverage ratios (\$ co-financing per \$ GEF Grant)		
	GEF Grant 7/	Total co-financing	Private Sector co-financing	Other co-financing	Private Sector	Other	Total	Private Sector	Other
Programmed since inception 1/	13,905	70,410	10,465	59,945	15%	85%	5.1	0.8	4.3
All project commitments in 2013-14 2/	2,067	14,697	1,269	13,428	9%	91%	7.1	0.6	6.5
Of which climate-related 3/	1,426	11,292	795	10,497	7%	93%	7.9	0.6	7.4
Of which Mitigation 4/	514	5,286	660	4,626	12%	88%	10.3	1.3	9.0
Of which Adaptation 5/	415	2,649	63	2,585	2%	98%	6.4	0.2	6.2
Recent, targeted, innovative GEF Climate Finance 6/	128	1,474	872	602	59%	41%	11.5	6.8	4.7

1/ Includes all GEF funded projects from the following GEF-managed trust funds (GEF Main Trust Fund, Least Developed Countries Fund, Special Climate Change Fund and the Nagoya Program Implementation Fund). It does not include data for the Adaptation Fund.

2/ Includes all GEF funded projects from the following GEF-managed trust funds (GEF Main Trust Fund, Least Developed Countries Fund, Special Climate Change Fund and the Nagoya Program Implementation Fund) that were endorsed or approved by the GEF CEO during calendar year 2013 and 2014. "CEO Endorsement or Approval" in the GEF project cycle is the final step before start of implementation.

3/ Includes all GEF funded projects from the following GEF-managed trust funds (GEF Main Trust Fund, Least Developed Countries Fund, Special Climate Change Fund and the Nagoya Program Implementation Fund) that were endorsed during calendar year 2013 and 2014 and had climate change mitigation or adaptation as a "principal" or "significant" objective (as defined by OECD's "Rio Marker"). Note that this may include projects funded from GEF focal areas other than climate, it could, for example, be a forest restoration project funded from the GEF's biodiversity focal area which nevertheless has significant climate change mitigation objectives.

4/ Projects with climate change mitigation as a "principal" objective

5/ Projects with climate change adaptation as a "principal" objective. Note that the definition of "climate-related" finance, following standard OECD practice, is broader than mitigation and adaptation as a "principal" objective, which is why row 4 and 5 do not sum to row 3.

6/ Includes a total of 10 projects funded by the Main GEF Trust Fund under the GEF-5 "Private Sector Set-aside" and programming to date under the GEF-6 Non-grant Instrument Pilot. Data is preliminary and should be treated with caution as data for a number of the projects are based on project concepts only, not endorsed projects.

7/ Excludes agency fees and project preparation grants.

## ANNEX: GEF'S OVERALL EXPERIENCES WITH CO-FINANCING

- 1. Across its entire portfolio—climate and non-climate-related—the GEF has mobilized \$5.1 for each \$ GEF grant invested since its inception.** In total, the US\$13.9 billion in GEF grants programed across all GEF focal areas—biodiversity, climate, land, water and chemicals—has mobilized US\$70.4 billion in co-financing (table 1). That is, the GEF has mobilized \$5.1 for each \$ GEF grant invested since its inception.
- 2. In the past two years, the GEF's average co-financing ratio reached \$7.1, which is lower than the average for GEF climate-related finance.** The GEF's co-financing has increased steadily over time, reflecting continuous enhanced efforts on mobilizing financing. In the past two calendar years, 2013-14, the GEF co-financing ratio increased to \$7.1 for each \$ GEF grant programmed.
- 3. Historically, the GEF as a whole has mobilized \$0.8 from the private sector for each \$ GEF grant.** Since inception, the private sector has made about 15% of total GEF co-financing, for a total of US\$10.5 billion. That is, for each \$ of GEF grant about \$0.8 has been mobilized from the private sector. The remaining co-financing is provided by GEF implementing agencies, recipient governments and other project stakeholders.