

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

- The IDB Sustainable Caribbean Basin Private Equity Fund (\$15 Million - co-financing \$200 million) seeks to foster private investments that promote energy security, environmental sustainability and related economic opportunities in nations across the Caribbean Basin.
 - highly innovative investment platforms and business models that expand access to clean and safe energy, achieve the sustainable use of natural capital, and generate opportunities for local businesses and low income populations, including women and indigenous people



Expanding Private Sector Engagement in GEF Projects (2)

- The IDB MIF PPP Program (\$15 Million – co-financing \$266 Million) is making targeted equity investments in funds to promote energy efficiency, renewable energy, and bio-diversity in Latin America.
 - investments will contribute to energy savings, new renewable energy supply, reduction of greenhouse gas (GHG) emissions, preservation of natural resources, protection of bio-diversity, and development of sustainable business models.
- The IDB Climate-Smart Agriculture Fund For The Americas (\$5 Million – co-financing \$50.9 Million) is catalyzing greater private sector investments in sustainable agriculture, forestry and rangeland systems in order to maintain and improve the flow of agro-ecosystem services from productive landscapes in the face of climate change and increasing resource scarcity.
 - focuses on the synergies between private sector funds and agricultural development funds. It will also be the first fund tailored to incentivize private sector investment in climate-smart agriculture.



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



(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



Transformation of policy and regulatory environments

Introduction of Climate Friendly Measures in Transport in Mexico (GEF ID 1155) World Bank

Focal Area

Climate Change
Mitigation

Objective of the Project

Introduce means of public transportation that allow energy savings.

GEF

The GEF supports the development of policies and measures to facilitate the renewal of small, inefficient vehicles to vehicles that are compatible with the climate, more efficient and less polluting.

Private Sector

Participates with its technical capacity and capital investment in more efficient and less pollutant buses.

Best practices and lessons learned

The government developed a suitable regulatory and timely framework to facilitate the investment of the private sector and actively searched the participation of the private sector.



Strengthening institutional capacity and decision-making processes

The GEF Earth Fund: Greening the Cocoa Industry (GEF ID 3357/4070) IFC/UNEP

Focal Area

Biodiversity

Objective of the Project

Transform 10% of the global supply of cocoa to a sustainable cocoa production system to enhance biodiversity conservation.

Private Sector

The project created a public-private partnership between two leading manufacturers of chocolate. Mars Inc., Kraft Foods and commercial cocoa companies to mobilize and support the growing involvement of the private sector towards the use of sustainable practices.

GEF

GEF funds support the strengthening of capacity building in countries and Cocoa-producing companies in the field of business practices and production that integrate the promotion of biodiversity, a long-term stability of the industry and growth in the revenue of entrepreneurs.

Best practices and lessons learned

GEF investments were catalytic, gathered partners, supported the development and adoption of common standards, and demonstrated the feasibility of the PPP scheme to encourage the use of sustainable practices within the private sector.



Establishment of multi-stakeholder partnerships

The GEF Earth Fund: Public-Private Funding Mechanisms for Watershed Protection
(GEF ID 3357/4260) IFC/BID

Focal Area

Biodiversity

Objective of the Project

To establish mechanisms for public-private long-term financing to promote private sector participation in the conservation of freshwater ecosystems and biodiversity.

GEF

Support the establishment of at least five water funds across the Latin American and Caribbean region with contributions from a variety of public and private funds.

Private Sector

The funds will attract capital contributions from water supply companies and local industry, including endowments, which can be invested in a wide range of asset markets and watershed programs or other conservation projects, which may involve other private sector actors

Best practices and lessons learned

A partnership between stakeholders helped align incentives and contributions to the successful implementation of a project that lives at the intersection of conservation and economics. GEF's contribution helped demonstrate the feasibility of high- scale investments in ecosystem management . The project successfully attracted various actors united by a common purpose.



Piloting Innovative Approaches

Towards a Green Economy in Uruguay: Stimulating Sustainable Production Practices and Low-emission Technologies in Prioritized Sectors (GEF ID 4890) UNIDO

Focal Area

Climate Change
Mitigation

Objective of the Project

Transforming waste generated in agriculture and the agribusiness production chains to various types of energy and other products, with the goal of developing a model of sustainable production and low carbon , supported by the development and transfer of technologies

GEF

Support a combined approach of capacity building, technology transfer and regulatory frameworks with regard to waste recovery and waste -to-energy transformation

Private Sector

The involvement of large agricultural producers and bioenergy companies . The implementation of a communication campaign aimed at private companies in the agricultural sectors to promote the transformation of waste into energy, sustainable patterns of production , low emission technologies and exchange of experiences in the region

Best practices and lessons learned

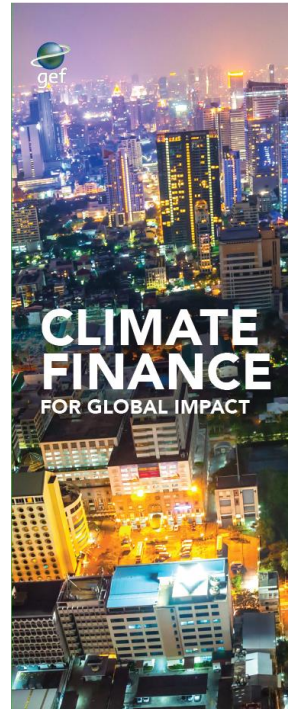
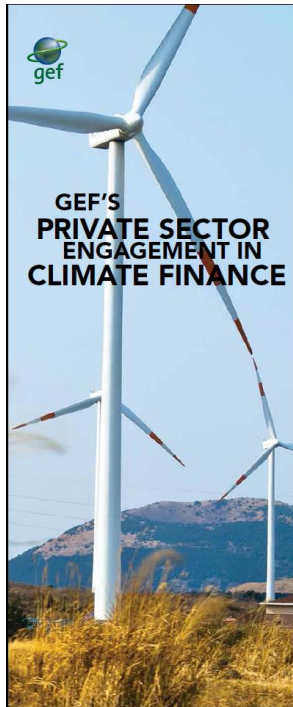
GEF intervention demonstrates the application of a proven technology in a new environment through innovative business models that go beyond " demonstrations " and to realize the potential of this technology on a significant scale



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.

Documents and Publications



INNOVATIVE FINANCING FOR THE GLOBAL ENVIRONMENT

GEF'S NON-GRANT PILOT

Drawing on its experience in utilizing debt, equity and risk mitigation products in the past, the GEF is now launching a \$110 million pilot program to demonstrate and validate the application of non-grant financial instruments to combat global environmental degradation.

The GEF offers attractive financial terms for both public and private sector respondents as follows:

FINANCIAL TERMS FOR PRIVATE SECTOR	FINANCIAL TERMS FOR PUBLIC SECTOR (UNEP/World Bank/Global Environment Facility)
<ul style="list-style-type: none"> Flexible investment interest rate Guaranteed level of investment after a start-up period in the business Five-year maturity (extendable) Multi-currency At 0% interest Flexible exit date to enable investments 	<ul style="list-style-type: none"> Class structure of 90% equity Interest rate of 0.05% or 0.10% Minimum maturity of 10 or 20 years Flexibility used to extend period towards other private sector

Proposals are especially encouraged if they: (a) demonstrate innovative private and public sector applications of financial instruments, business models, partnerships and approaches for achieving the objectives of GEF Global Areas Encouraged that may not be readily addressed and can be scaled up; (b) target high levels of co-financing and focus on areas other than climate change.

The GEF invites private and public sector respondents to propose projects through eligible GEF Partner Agencies in its pilot phase.

PHASE 1	Proposals should be submitted by mail (March 2015) Submitted by Council (October to June 2015)
PHASE 2	Proposals should be submitted by mail (August 2015) Submitted by Council (October to November 2015)

The resources can be used for projects that deliver global environmental benefits in one or several GEF focal areas, including biodiversity, climate change, international law, land degradation and chemicals and waste management. The funding size is flexible and expected to range up to approximately \$15 million per project.

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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