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# Private Sector Strategy

## Introduction Seminar

Washington, D.C.  
January 22, 2019

# Working with the private sector

- The pace of environmental degradation is accelerating and requires new approaches
- The private sector is responsible for 80% of all economic activity and is increasingly dependent on scarce natural resources
- The private sector has the capacity to rapidly innovative and deploy sustainable solutions
- Public-private partnerships can address non-market barriers and reduce risk to foster sustainability



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# Private sector actors in 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



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# GEF-7 Opportunities: Two-pillar strategy to engage private sector

- **Pillar I: Expand the use of non-grant instruments**

- ✓ Accelerate use of non-grant instruments for blended finance in support of delivering GEBs
- ✓ Continue to catalyze investments from capital markets at global and national levels aligned with focal areas
- ✓ Continuously innovate, keep track of global trends in blended finance and seek increased number of projects in natural resources management

- **Pillar II: Mobilizing the private sector as an agent for market transformation**

- ✓ Impact Programs seek to bring in private sector at an early stage of program design with specified roles
- ✓ Multi-stakeholder partnerships to mainstream private sector engagement



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# Pillar I: Non-Grant Instrument (NGI) Program

- **GEF-7: Expanding the use of non-grant instruments**

- ✓ \$136 million set-aside
- ✓ Debt, equity or risk guarantees
- ✓ Terms and conditions set on a case-by-case basis
- ✓ Existing policy and procedures, plus additional elements for GEF-7
- ✓ Funding cap typically at \$15 million per project, but exceptions are possible
- ✓ Advisory Group of Financial Experts to complement standard review process

***Experience from  
GEF-6 NGI***

- 11 projects
- \$99.5M from GEF
- \$1.79B co-financing



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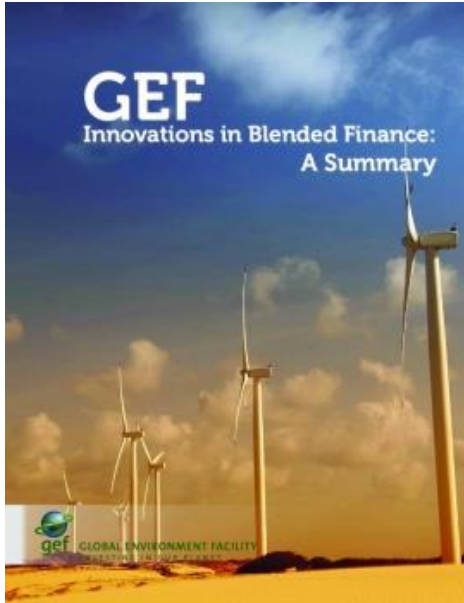
# Pillar II: Mobilizing the private sector as an agent for market transformation

- **GEF-7: Mainstreaming private sector in Impact Programs and regular programming**
  - ✓ Private sector to provide expertise, technology, and access to finance
  - ✓ Impact Programs seek to bring in private sector at an early stage of program design with specified roles and through platforms
  - ✓ Multi-stakeholder partnerships to mainstream private sector engagement: Countries and agencies to conduct careful analysis and stakeholder consultations to identify role of private sector
  - ✓ Include private sector from the outset/upfront of project/program design, as core elements integral to any GEF-7 project



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# Questions?



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# The GEF uses five intervention models

1	Transforming policy and regulatory environments	<ul style="list-style-type: none"><li>▪ Policy and regulatory development (e.g., feed-in tariffs for renewable energy, regulatory incentives that guarantee markets for new sustainability innovations and encourage business to make long-term investments)</li></ul>
2	Deploying innovative financial instruments	<ul style="list-style-type: none"><li>▪ Loans, equity, and performance based funding</li><li>▪ Risk-sharing facilities, guarantees, revolving loan funds</li><li>▪ Offer a potential for financial returns</li></ul>
3	Convening multi-stakeholder alliances	<ul style="list-style-type: none"><li>▪ Collaborative goal setting for transformational targets (e.g. 80% cocoa certified sustainable by 2020)</li><li>▪ Certification and supply chain management (e.g. Forest Stewardship Council, Marine Stewardship Council)</li><li>▪ Standards and certification</li></ul>
4	Strengthening institutional capacity and decision-making	<ul style="list-style-type: none"><li>▪ Capacity building for public sector agencies</li><li>▪ Advisory services (e.g., for SMEs, local banks)</li><li>▪ CSO and stakeholder participation</li></ul>
5	Demonstrating innovative approaches	<ul style="list-style-type: none"><li>▪ Payment for eco-system services</li><li>▪ Cleantech Innovation Programme for SMEs</li><li>▪ Information and communication technologies</li></ul>



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