GEF-7 Non Grant Instruments Program

Expanded Constituency Workshop

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Jason Spensley
Spécialiste Senior en Changement Climatique, FEM
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**).

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**Asset Financial Performance**
- Fully Creditworthy
- Becoming Creditworthy
- Breakeven
- GAP
- Unproven Track record
- Loss Making

**Financial Resources**
- Commercial Finance
- Blended Finance
- Grants/Subsidies

**NGI Program includes:**
- Debt
- Guarantees
- Equity

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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 accept 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 participation 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 50.800.000,00

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Thank you!