



# **GEF'S PRIVATE SECTOR ENGAGEMENT IN CLIMATE FINANCE**



The private sector—the dominant driver of global economic activity—is a vital player in the fight against climate change. To achieve reductions in GHG emissions at the scale required to keep the increase in global warming below 2° C, we must work to ensure that low-carbon investments become commercially viable and at least as profitable as less climate-friendly alternatives in order for the private sector to make the necessary change in their investment decisions.

The GEF supports transformational change in the private sector through a variety of channels:

- (i) we help governments put in place policy and regulatory regimes that are conducive for low-carbon investments;
- (ii) we use innovative concessional financial instruments to mobilize private finance;
- (iii) we support multi-stakeholder alliances in support of environmentally sustainable practices;
- (iv) we help strengthen institutional capacity in both public and private sectors; and
- (v) we help demonstrate innovative approaches that has the potential to be scaled up.

Together with our dedicated climate adaptation funds, the GEF aims to accelerate climate finance during in the next four years. The newly completed sixth replenishment of the GEF Trust Fund (GEF-6) will enable the GEF to make about US\$3 billion available for climate finance, and leverage up to US\$30 billion from other sources.

*“Our goal is not just a few more projects with a few more private sector partners, but the transformation of businesses practices towards environmental sustainability.”*

— Naoko Ishii, GEF CEO



## NON-GRANT PILOT PROGRAM IN GEF-6

Drawing on its experience in utilizing debt, equity and guarantee products in the past, the GEF is launching a \$110 million pilot program to demonstrate and validate the use of innovative approaches to combat global environmental degradation across all GEF's areas of work, including biodiversity, climate change, forests/REDD+, international waters, land degradation and chemicals and waste management.

The Pilot offers attractive financial terms to encourage innovative and forward looking proposals that can be scaled up in the future. Public and private sector partners are encouraged to develop their ideas in partnership with GEF Agencies who will be the conduit for all applications. The GEF intends to commit a first round of funding for projects under the Pilot in June 2015, and a second round in November 2015.

Find out more at: [www.TheGEF.org/gef/NGI](http://www.TheGEF.org/gef/NGI)



**In private sector engagement the GEF's influencing models promote complementarity with other climate finance actors.**

## **1. Transforming Policy and Regulatory Environments**

The GEF helps governments put in place the policies, regulations and institutions to foster sustainable investment paths and spending practices. It also gives individuals and companies at the local, national, and multinational level clear and predictable signals to change their consumption and production choices.

The GEF, in partnership with others, supported the South African government to put in place new policy and regulatory frameworks for their renewable energy market. This contributed to create enabling conditions to make South Africa one of fastest growing clean energy market in the past five years. Other examples include the introduction of regulatory reforms to promote Energy Service Companies (ESCOs), establishment of minimum energy performance standards, and stronger building codes in dozens of countries.

## **2. Deploying Innovative Financial Instruments**

Concessional financial instruments can help cover risks or investment gaps that investors usually do not have the incentive to cover, helping to leverage private sector investments.

The *Africa Renewable Energy Fund* project with the African Development Bank (AfDB), catalyzes investment in renewable energy for the power sector and contributes to the delivery of universal power supply in the African continent. Part of GEF's grant is used by the AfDB as an equity investment to seed the Sustainable Energy Fund for Africa and attract additional investors.

## **3. Convening Multi-Stakeholder Alliances**

GEF-financed investments support organizations and companies with global reach to encourage environmentally sustainable approaches in their buying practices, facilitating partners to scale multi-country commitments. To protect the global commons, partnerships with the private sector, civil society, research, and indigenous and local communities are vital.

*en.Lighten*, a GEF and UNEP initiative, established a strong public-private partnership to support the phase-out of inefficient lighting. By formulating country-level policy reforms and incentives, sixty countries are now transitioning to energy efficiency lighting, including CFLs and LEDs.

In partnership with Sustainable Energy for All (SE4All), the GEF is expanding the use of this model, in partnership with UNEP and the International Copper Association, through a new "accelerator" for Energy Efficient Equipment and Appliances.



## 4. Strengthening Institutional Capacity and Decision-Making Processes

Capacity building for government and private sector stakeholders is needed to advance private sector engagement.

The initiative *Climate Information for Resilient Development and Adaptation to Climate Change in Africa (CIRDA)* funded by the GEF/LDCF with UNDP supports 11 countries in their efforts to better collect, analyze and disseminate climate information, with major benefits to private sector partners in agriculture, transportation and insurance.

The GEF/World Bank project *Green Energy Schemes for Low-Carbon City in Shanghai* supports low-carbon urban design by providing technical assistance to apply abatement cost curve methodology for low-carbon strategies, including green buildings, renewable power, and green transport.

## 5. Demonstrating Innovative Approaches

The GEF has a long history of supporting ground-breaking technology, policy measures or innovative approaches that can be expanded and scaled-up to address environmental degradation.

In GEF-6, we are supporting EBRD's innovative efforts to train local banks for financing SMEs industrial efficiency projects. Further, the GEF plans to expand the use of information and communication technologies to foster climate smart agriculture and enhance resilience; expand the use of geographic information systems to enhance understanding of carbon stocks; and test the use of micro-finance and cell-phone based payment technologies to foster energy access. Through the *China Utility Energy Efficiency Program (CHUEE)*, the GEF provided funds to de-risk large volume of loan-guarantees from the International Finance Corporation (IFC) to help unlock energy efficiency lending from commercial banks. This has become a model of energy efficiency lending replicated across the country.

## GEF IN ACTION

### Public Private Partnership (PPP) Program

During GEF-5, the Council approved five innovative PPPs with a total funding commitment of \$70 million which has attracted \$907 million in co-financing. More details about these projects can be found at: [www.thegef.org/gef/PPP](http://www.thegef.org/gef/PPP)

**The IDB MIF PPP Program (\$15 Million)** is making targeted equity investments in funds to promote energy efficiency, renewable energy, and bio-diversity in Latin America. The 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. (Co-financing \$266 million)

**The AfDB PPP Program (\$20 Million)** is promoting scaling up of renewable energy technologies on the African continent



and contributing to the delivery of universal power supply in the region. Through the support for renewable energy projects, the program will contribute to reducing GHG emissions from the energy supply and their negative effects on global warming and climate change. (Co-financing \$240 million)

**The EBRD South Eastern Mediterranean EE/ ESCO Markets Platform (\$15 Million)** is establishing an innovative financing facility to serve four GEF countries in the Southern Mediterranean, including Egypt, Jordan, Morocco, and Tunisia. The program will catalyze the creation of an energy efficiency and Energy Services Company (ESCO) market and explore innovative financing schemes for combined heat and power and renewable energy. The GEF/EBRD PPP program supports the emergence of a market for energy efficiency that would not materialize otherwise. (Co-financing \$150 million)

**The IDB Sustainable Caribbean Basin Private Equity Fund (\$15 Million)** seeks to foster private investments that promote energy security, environmental sustainability and related economic opportunities in nations across the Caribbean Basin. The fund will seek to invest in 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. (Co-financing \$200 million)

**The IDB Climate-Smart Agriculture Fund For The Americas (\$5 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. This Fund 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. (Co-financing \$50.9 million)

## Global Cleantech Innovation Programme

This GEF-UNIDO program is designed to encourage innovation in SMEs through a competition and incubation pilot. As of 2014 seven countries have enrolled in the program: South Africa, Malaysia, India, Armenia, Thailand, Turkey, and Pakistan.

Innovators and entrepreneurs participating in these country led competitions will receive extensive training and mentoring on business plan development, product development, and funding strategies, as part of the initiative. Competitors will be evaluated to select the winners.

Five countries have recently completed their first annual competitions and accelerators as part of the inaugural year of the Global Cleantech Innovation Programme in these countries. The winners, who include female entrepreneurs, has met potential partners, customers and investors from around the world at the Cleantech Open Global Forum in San Francisco, California, on 12–13 November 2014.

The GEF has provided \$6.8 million for this program, obtaining cofinancing of \$19.8 million. More details about the Global Clean-Tech Innovation Programme can be found at: [www.thegef.org/gef/cleantech](http://www.thegef.org/gef/cleantech)



### Further information

For further information please contact  
**David Rodgers**  
[drodgers@TheGEF.org](mailto:drodgers@TheGEF.org)

## ABOUT THE GEF

The Global Environment Facility is a partnership for international cooperation where 183 countries work together with international institutions, civil society organizations and the private sector, to address global environmental issues.

Since 1991, the GEF has provided \$13.5 billion in grants and leveraged \$65 billion in co-financing for 3,900 projects in 165 developing countries. For 23 years, developed and developing countries alike have provided these funds to support activities related to biodiversity, climate change, international waters, land degradation, and chemicals and waste in the context of development projects and programs.

Through its Small Grants Programme (SGP) the GEF has made more than 20,000 grants to civil society and community based organizations for a total of \$1 billion.

Among the major results of these investments, the GEF has set up protected areas around the world equal roughly to the area of Brazil; reduced carbon emissions by 2.3 billion tons; eliminated the use of ozone depleting substances in Central and Eastern Europe and Central Asia; transformed the management of 33 major river basins and one-third of the world's large marine ecosystems; and slowed the advance of desertification in Africa by improving agricultural practices—all this while contributing to better the livelihood and food security of millions of people.

During the latest replenishment of the GEF (GEF-6) 30 donor countries have pledged the record amount of \$4.43 billion to support developing countries' efforts over the next four years to prevent degradation of the global environment.

## GEF PARTNER AGENCIES

Asian Development Bank (ADB)  
African Development Bank (AfDB)  
Conservation International (CI)  
Development Bank of Southern Africa (DBSA)  
European Bank for Reconstruction and Development (EBRD)  
Food and Agriculture Organization of the United Nations (FAO)  
Inter-American Development Bank (IADB)  
International Fund for Agricultural Development (IFAD)  
International Union for Conservation of Nature (IUCN)  
United Nations Development Programme (UNDP)  
United Nations Environment Programme (UNEP)  
United Nations Industrial Development Organization (UNIDO)  
The World Bank Group  
World Wildlife Fund (WWF-US)

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