

# Global Environment Facility Introduction Seminar



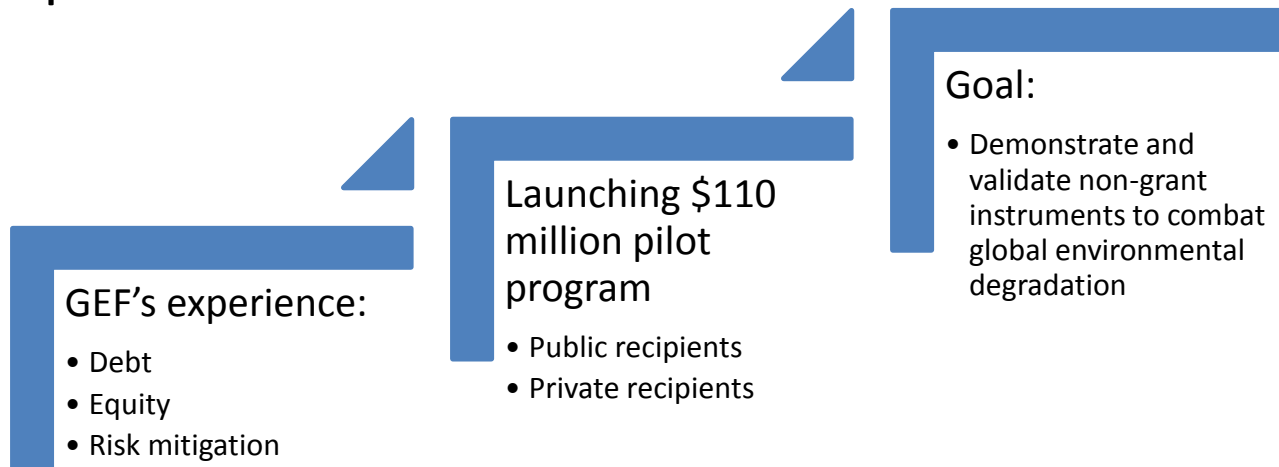
Non-Grant Instrument  
Policy  
Wednesday January 21<sup>st</sup>  
14:00 – 14:45

*David Rodgers – Sr CC. Specialist*

January 20 - 22, 2015

# Introduction

***GEF's experience to date*** suggests that non-grant instruments can make an important contribution to the achievement of the GEF's objectives. They have helped deliver innovative projects and catalytic partnerships.



***Updated Operational Policies and Guidance for the Use of Non-Grant Instruments, approved by the GEF Council in Oct 2014***



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

# GEF's experience with Non-Grant Instruments

- ❑ Since the GEF's inception, a total of **86 projects** have been recorded as having utilized a “non-grant” instrument, totaling \$715 million of GEF financing (about 6% of the GEF's total programmed amount)
- ❑ **Co-financing ratio of these projects has trended high** over time, and is well above co-financing levels of GEF grant programming
- ❑ The largest share of projects has been in the **CCM focal area** (80% of the funds). 7 projects have been in the BD.
- ❑ **Debt instruments and risk mitigation products** are the most frequently used non-grant instruments (71 % of the funds)



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

## GEF-6 NON-GRANT PILOT

- will play a key role in supporting the GEF's efforts **to leverage significant capital from the private sector** through the use of innovative and flexible financial instruments.
- will expand the range of tools available to the GEF and allow the GEF to assess the demand and applicability of GEF non-grant instruments for public sector recipients.
- 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 such as the Green Climate Fund.
- by focusing the Pilot on non-grant instruments that have the potential to generate reflows, the Pilot can make a contribution to the **GEF Trust Fund's financial sustainability**.



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

# Implementation

- ❑ **A set-aside of \$110 million for the Non-Grant Pilot.**
- ❑ The maximum amount of funding for each project is approximately \$15 million.
- ❑ Proposals must be **submitted by one of the GEF Agencies** on behalf of the potential project proponent. Interested parties are encouraged to contact the relevant GEF Partner Agency focal point



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

# Implementation

- ❑ Only proposals using non-grant instruments ***with a potential for reflows to the GEF Trust Fund*** will be funded under the Pilot.
- ❑ Consistent with the Policy on Non-Grant Instruments, ***a broad and flexible range of debt, equity and guarantee instruments will be supported under the Pilot***. For projects/programs with public sector recipients, instruments include concessional loans and guarantee instruments; an emphasis on concessional loans is expected.



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

# Implementation – Selection criteria

- ❑ Project proposals are eligible as long as they contribute global environmental benefits consistent with GEF's strategic programming under GEF-6.
- ❑ The Pilot will seek to fund a diversity of recipient countries, regions, and Focal Areas. Proposals for both full-sized projects and medium-sized projects will be considered.



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

# Implementation – Selection criteria

Following elements are especially encouraged:

- demonstrate ***innovative application*** of financial mechanisms and partnerships that may be broadly adopted and can be scaled-up;
- demonstrate use of non-grant instruments ***in areas other than climate change mitigation***;
- deliver innovative engagement with the private sector, ***innovative business models*** and project level innovation;
- deliver ***high levels of co-financing***.



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET



# Implementation

FINANCIAL TERMS FOR PRIVATE SECTOR:	FINANCIAL TERMS FOR PUBLIC SECTOR: <i>(LDCs/SIDS and Other Recipient Countries)</i>
<ul style="list-style-type: none"><li>✓ Flexible concessional interest rate;</li><li>✓ Minimum level of concessionality to avoid displacing other finance;</li><li>✓ First-loss position if justified;</li><li>✓ Maximum maturity of 20 years;</li><li>✓ Flexible exit date for equity investments.</li></ul>	<ul style="list-style-type: none"><li>✓ Grace period of 10 years;</li><li>✓ Interest rate of 0.25% or 0.75%;</li><li>✓ Maximum maturity of 40 or 20 years;</li><li>✓ Principal repaid in equal annual payments after grace period.</li></ul>



**GLOBAL ENVIRONMENT FACILITY**  
INVESTING IN OUR PLANET

# Implementation - Financing Terms

- Consistent with MDB standard lending practice, the GEF Agencies will not seek any guarantee or security for lending to sovereign governments under the Pilot. If a GEF loan under the Pilot is made to a sub-national entity, the beneficiary country will be required to guarantee the loan if the GEF Partner Agency requires such guarantees for sub-sovereign lending.
- 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. There will be no requirement for sovereign government indemnity for any guarantee product



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

# Implementation – application

## Schedule:

- It is anticipated that funds under the Pilot could be allocated rapidly—the Pilot aspires to be fully programed by the end of the calendar year 2015. This will facilitate early compilation of lessons learned that might be useful for GEF-7, for other environmental finance mechanisms and interested parties.
- The first opportunity for FSPs will open in Nov 2014 . Agencies are encouraged to submit projects/programs in time for consideration by Council in the June 2015 WP. The second opportunity for FSPs will open in July 2015.
- Medium-sized projects can be submitted for CEO consideration under the Pilot on a rolling basis, consistent with regular processing of medium-sized projects



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET

Updated policy documents are available at: [www.thegef.org/gef/ngi](http://www.thegef.org/gef/ngi)

For further information, please contact an eligible GEF Partner Agency or the GEF Secretariat:

- David E. Rodgers, Sr. Climate Change Specialist: [drodgers@TheGEF.org](mailto:drodgers@TheGEF.org)
- Dustin S. Schinn, Operations Analyst: [dschinn@TheGEF.org](mailto:dschinn@TheGEF.org)



GLOBAL ENVIRONMENT FACILITY  
INVESTING IN OUR PLANET