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GEF-7 Non Grant Instruments Program

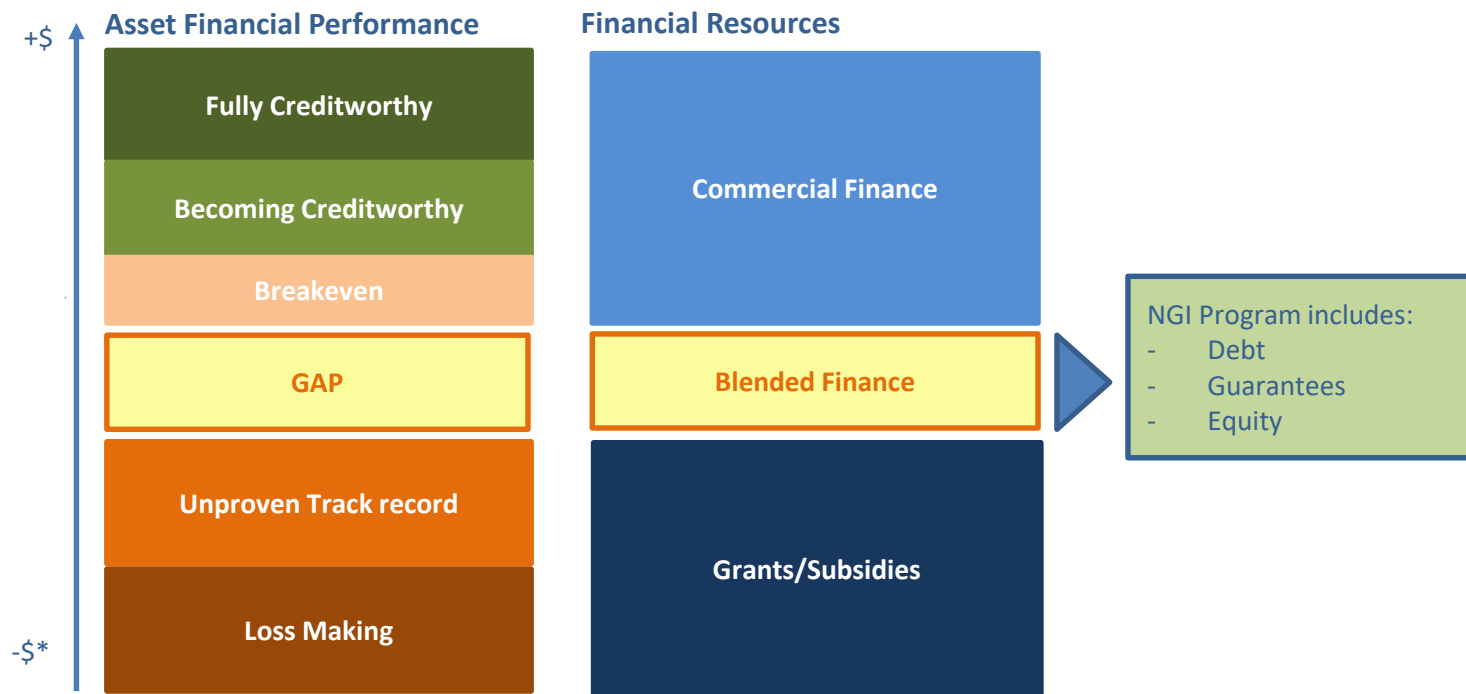
Expanded Constituency Workshop

**Douala, Cameroun
Octobre 15-18, 2019**

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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**).



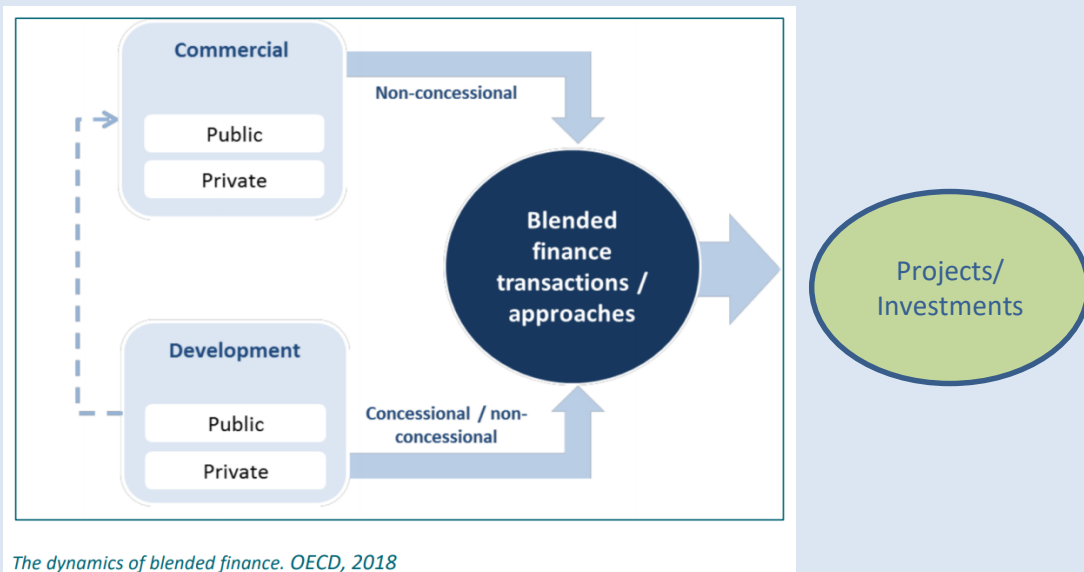
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GEF's Non Grant Instruments for Blended Finance, cont'

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



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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



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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.

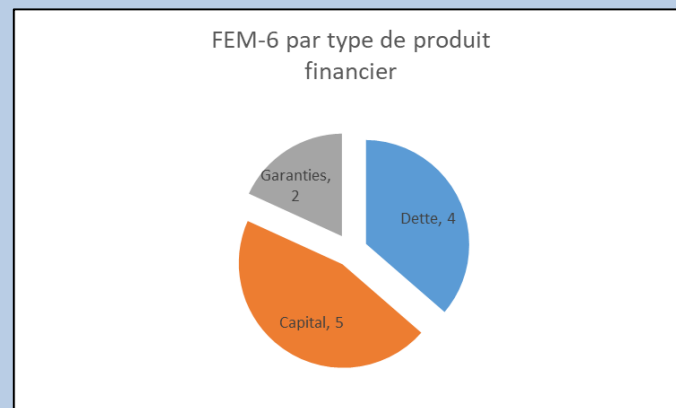
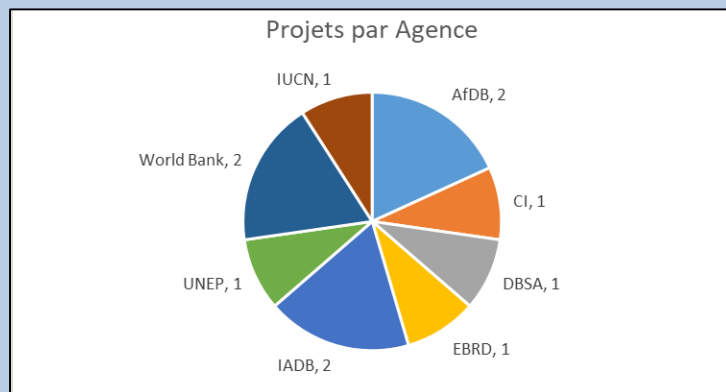
Eligibility Criteria

- 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/



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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 50.800.00,00



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Thank you!