



GEF Blended Finance

GEF Regional ECA/ME Workshop

Wednesday December 7th, 2022



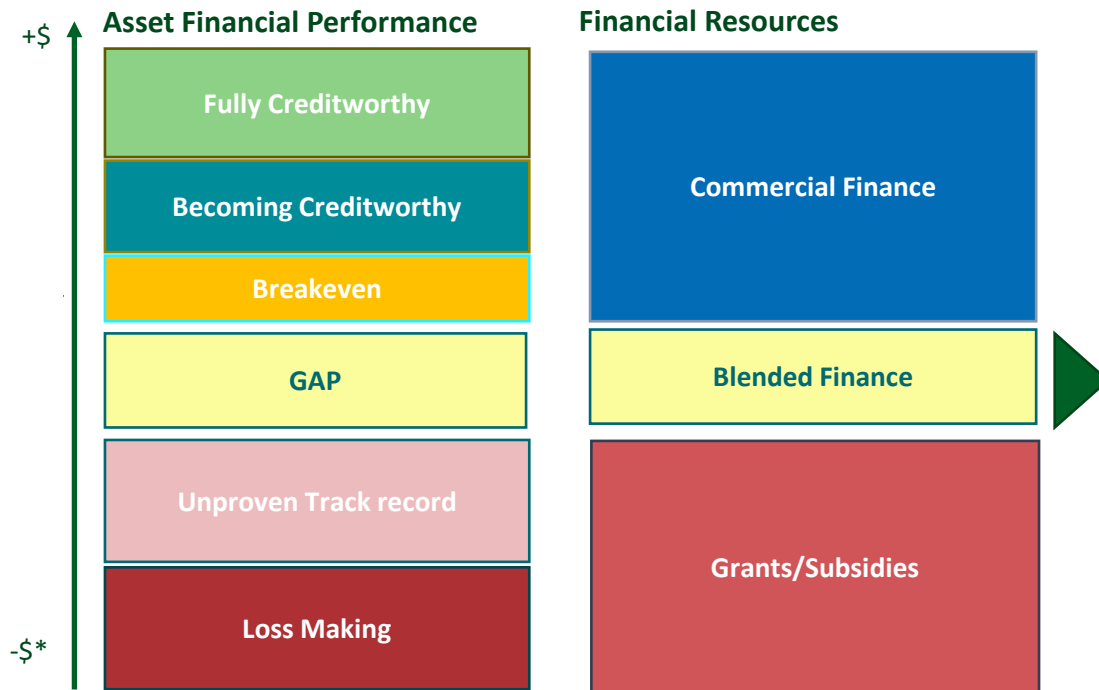
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What is Blended Finance

- **Blended finance** is the targeted use of **concessional finance** in projects where actual or perceived risks are too high for commercial finance alone.
- The use of instruments other than grants for TA, help create risk return profiles that are acceptable for the private sector to participate in the investment



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.

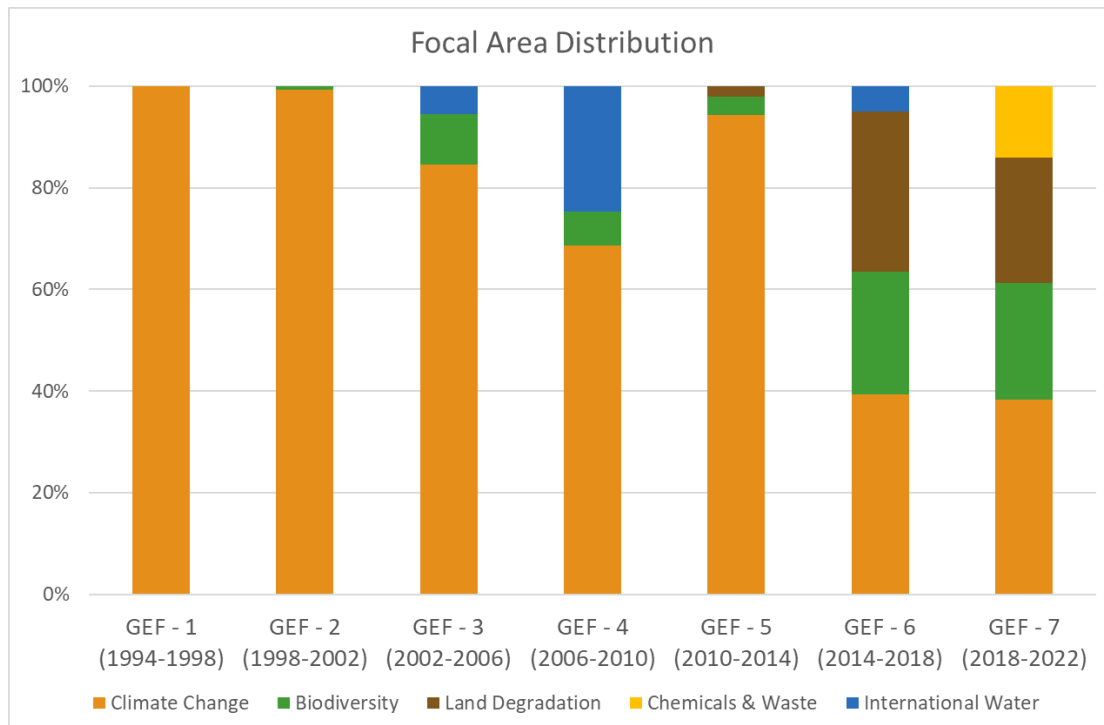
Blended Finance structures can be used:

- **To de-risk** (guarantee/subordinated-debt)
- **To experiment** (innovation): equity
- **To scale-up**
- Create track-records of investable projects



GEF Experience with Blended Finance

Goal	Mobilize private sector investment
Definition	Investment has potential for generating reflows



- **GEF has experimented with Blended finance since its inception.** 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-7, the blended finance initiative became the **Non-Grant Instrument Program (NGI Program)** with **USD 136 million**. So far, the GEF Council has approved **10 projects for USD 122.6 million** with a co-financing ratio of **1:19.8**. In GEF-8, the **Blended Finance Program** has **USD 196 million** allocation.
- **There is high demand for blended finance.** In the three calls for proposals closed to date, we received **44 project proposals for more than USD 602 million** more than quadrupling the available amount in the blended finance envelope.



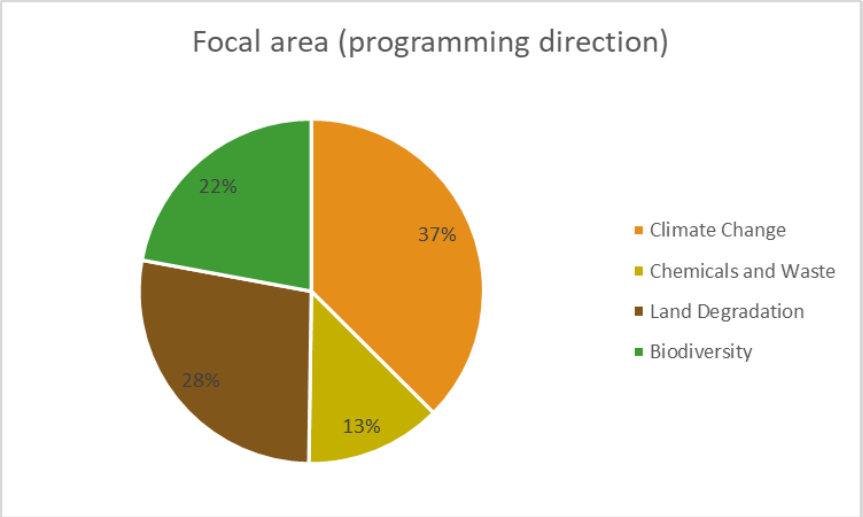
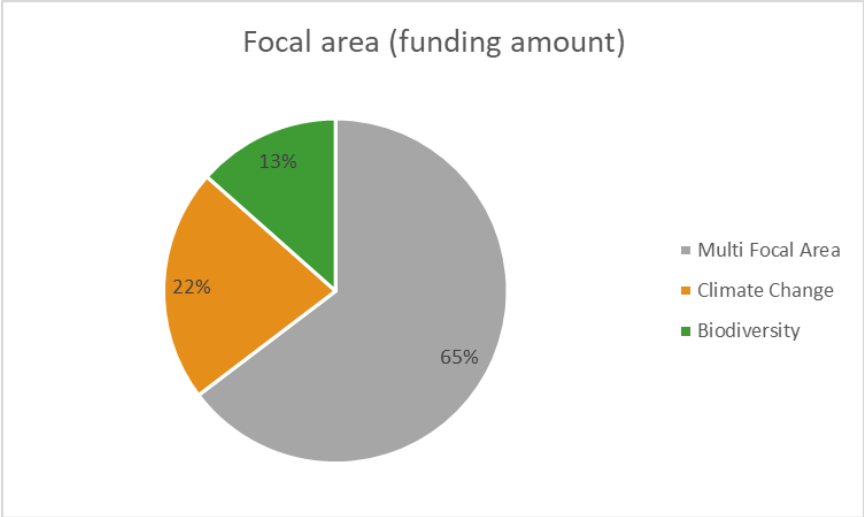
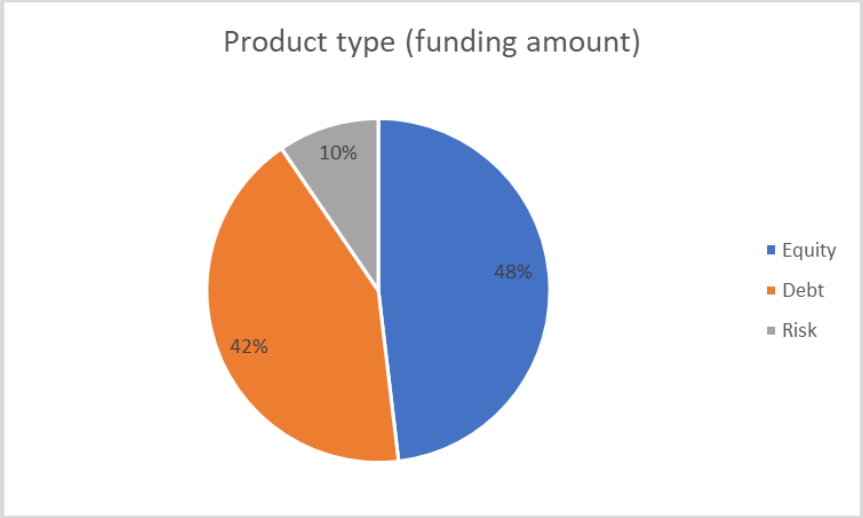
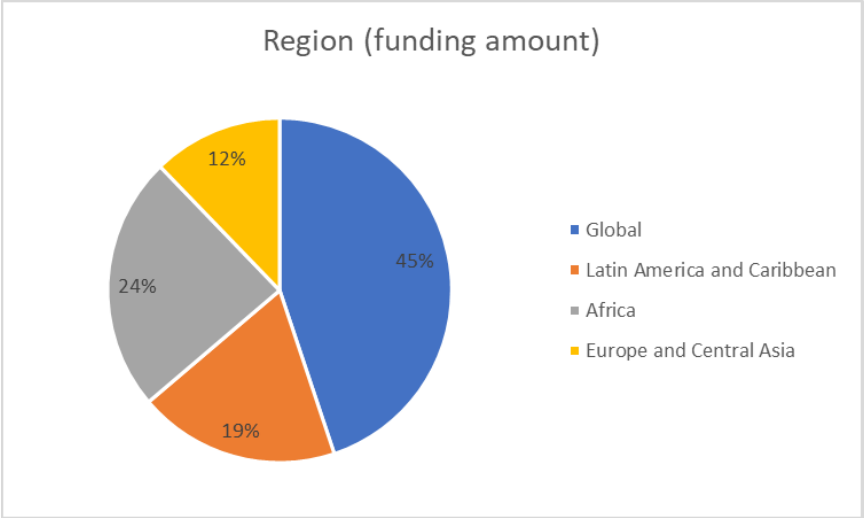
GEF-7 portfolio snapshot



NUMBER OF PROJECTS: 10



CO-FINANCING RATIO: 19.8:1



Use of Non-Grant Instruments: 2 entry points



**Blended Finance Program
(Set- Aside)**

STAR or IW/CW allocation

Goal Mobilize private sector investment

Mobilize public/ private sector investment

Features Investment has potential for generating reflows to the GEFTF
Separate CFP and rules for selection of projects

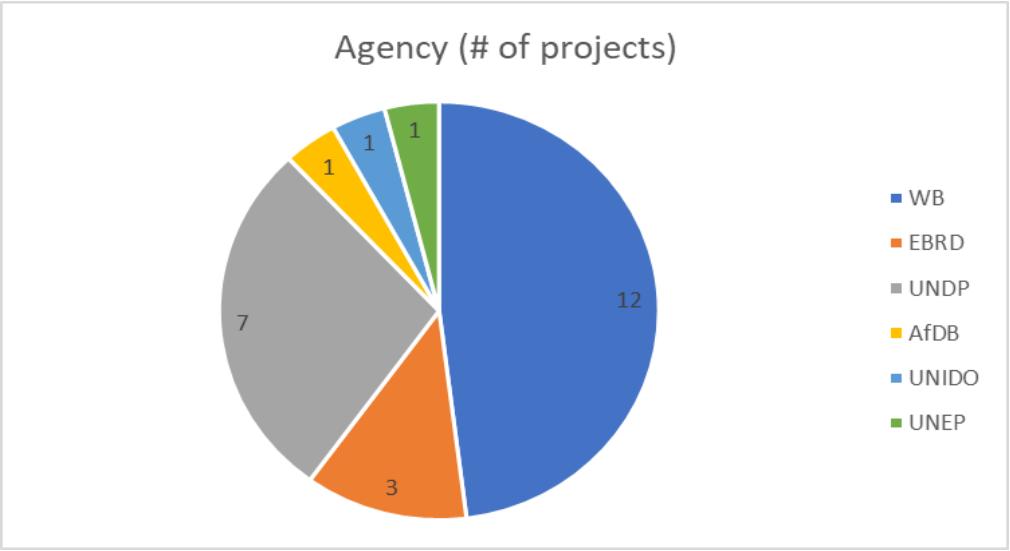
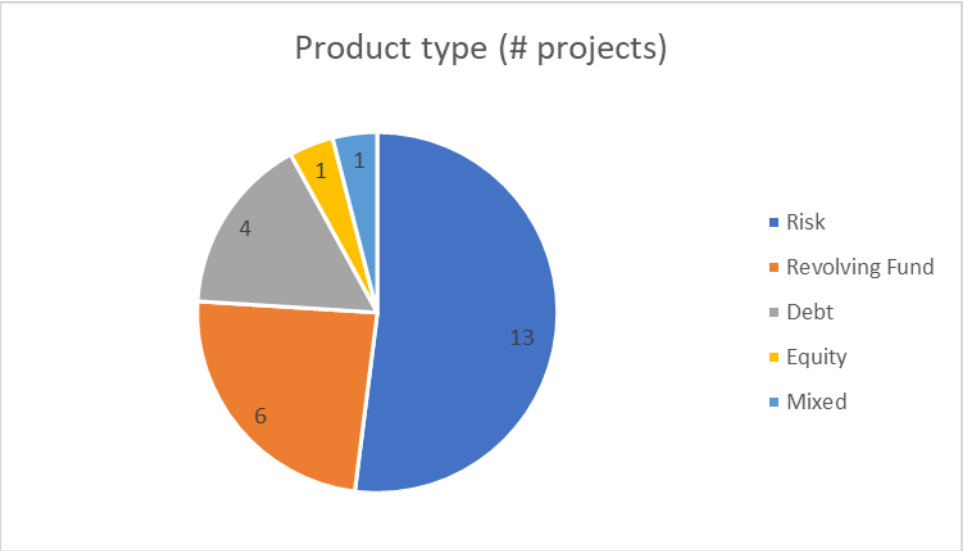
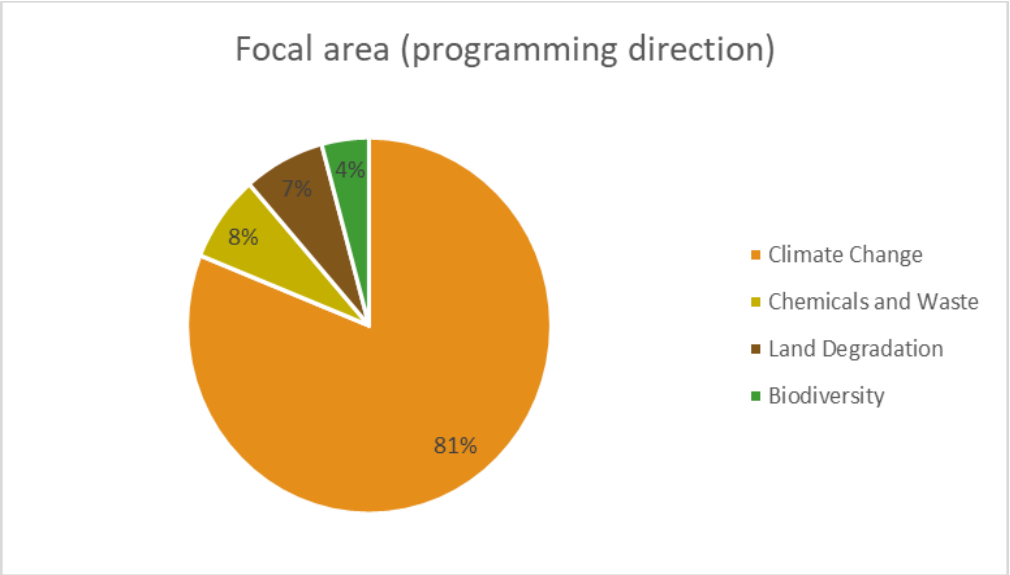
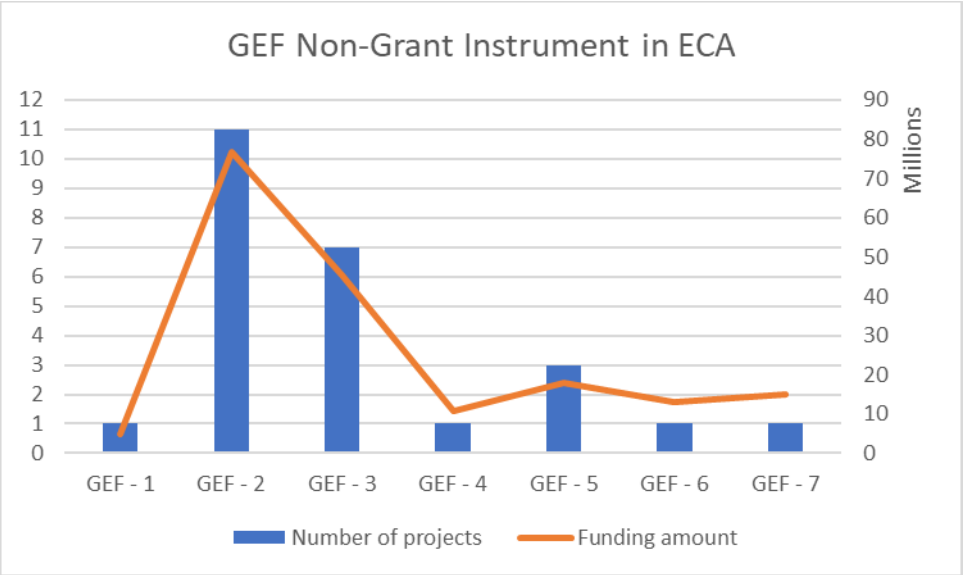
Investment reflows stay in the country
Selection and allocation depend on Country priorities.

Projects NGI window GEF-7 supported projects:
GEFID 10328 Circular Economy Project (EBRD)
GEFID 10330 Wildlife Conservation Bond (WB)

GEF-5 Project ID 4918: Partial Risk Sharing Facility for Energy Efficiency (INDIA) US\$ 16 M 1st Loss Guarantee



Regional snapshot – ECA



Blended Finance State of the Market: ECA and ME



Figure 8: Proportion of Climate blended finance deals by regional breakdown, 2016-2021

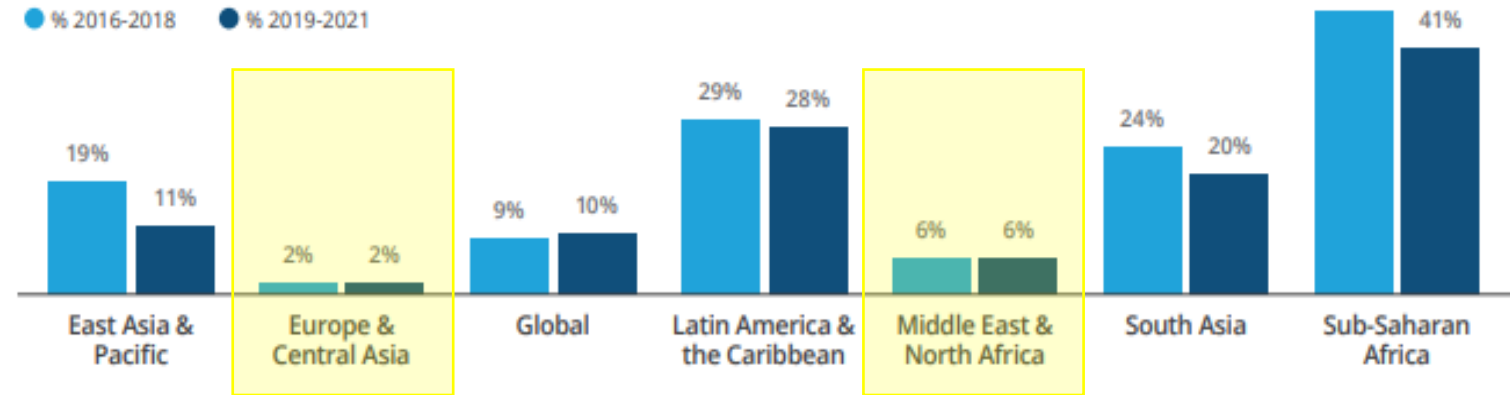
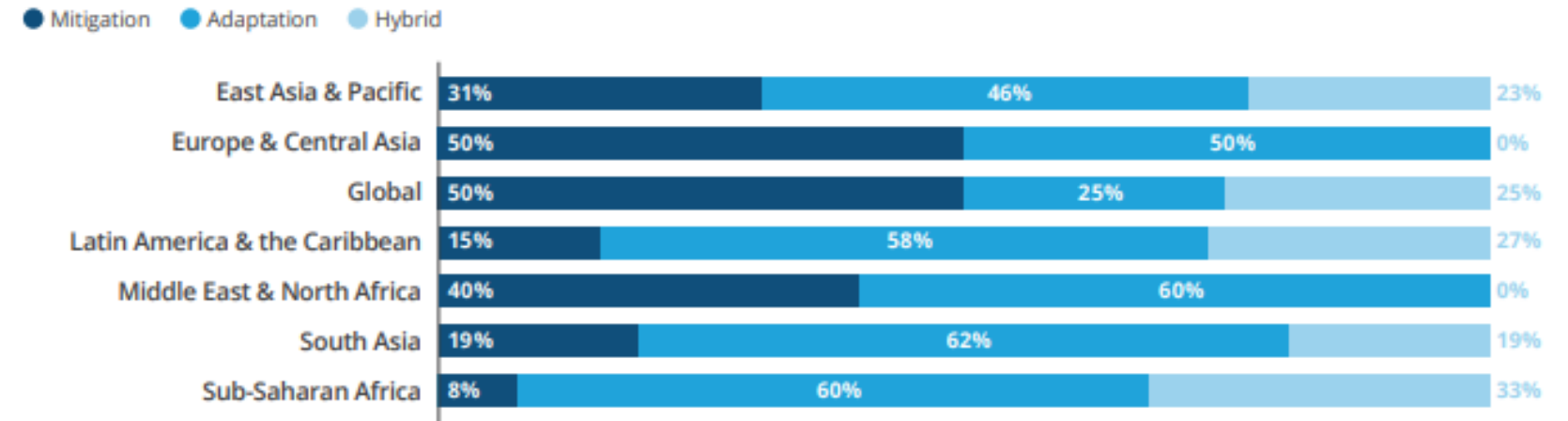


Figure 11: Proportion of climate blended finance transactions across regions by climate sub-theme, 2019 – 2021



Circular Economy Regional Initiative (CERI) (GEF-7, 10328)

Project summary

The Programme's objective is to catalyze the scale up of circular economy initiatives by addressing barriers to investments in circular economy technologies and processes, and adoption of circular economy strategies and business practices.

Regional (Europe and Central Asia)/ Climate Change & Chemicals and Waste/ SDG 12, 13

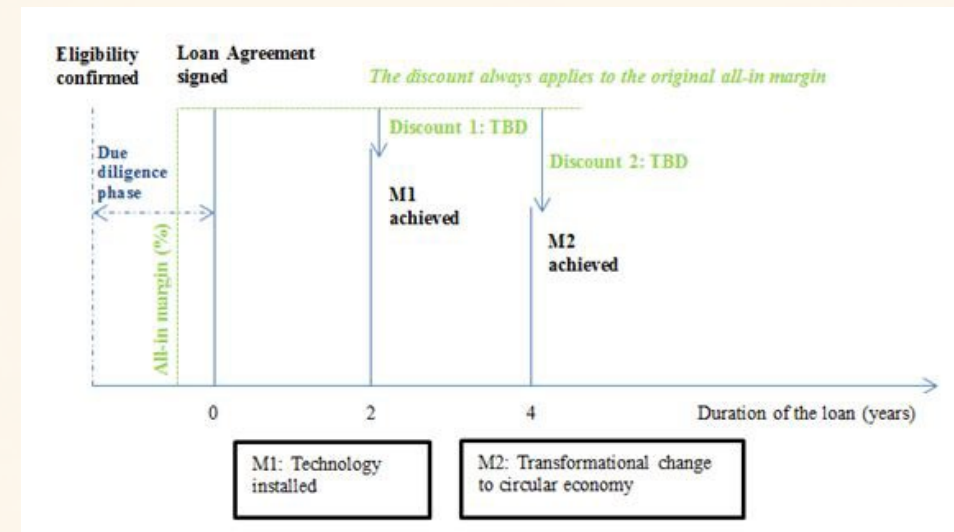
Financial terms*

- Investment type: Loan
- Amount of investment: USD 15M**, co-financing: USD 141.8M
- IRR: 0.5% - 6.0% p.a. depending on the market conditions (initial interest rate will be parallel to EBRD loan, discount subject to achievement of two milestones – technology installation and transformational change to circular economy)
- Maturity: 10 years

Global Environmental Benefits*

Indicator 5.3	Amount of Marine Litter Avoided	50,000 Metric Tons
Indicator 6	Greenhouse Gas Emissions Mitigated	6,250,000 tCO ₂ e (dir) 15,625,000 tCO ₂ e (indir)
Indicator 9	Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials and products	2,000 Metric Tons
Indicator 9.6	Quantity of POPs/Mercury containing materials and products directly avoided	10,000 Metric Tons
Indicator 10	Reduction, avoidance of emissions of POP to air from point and non-point sources	75 gTEQ
Indicator 11	Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment	640 male 160 female

Financial structure*



Wildlife Conservation Bond (GEF-7, 10330)

Project summary

The five-year rhino bond, which raised \$150 million in its March 23, 2022 issuance, has changed this story. It is a combination of existing financial products – a bond with an excellent credit rating (AAA for World Bank issued bonds), paired with a performance-based grant funded by the GEF which results in a new financial structure that can successfully harness investment from capital markets to directly support endangered species conservation.

2 South African Parks will receive TA for protection of Black Rhinos.

Country (South Africa)/ Biodiversity/ SDG 15

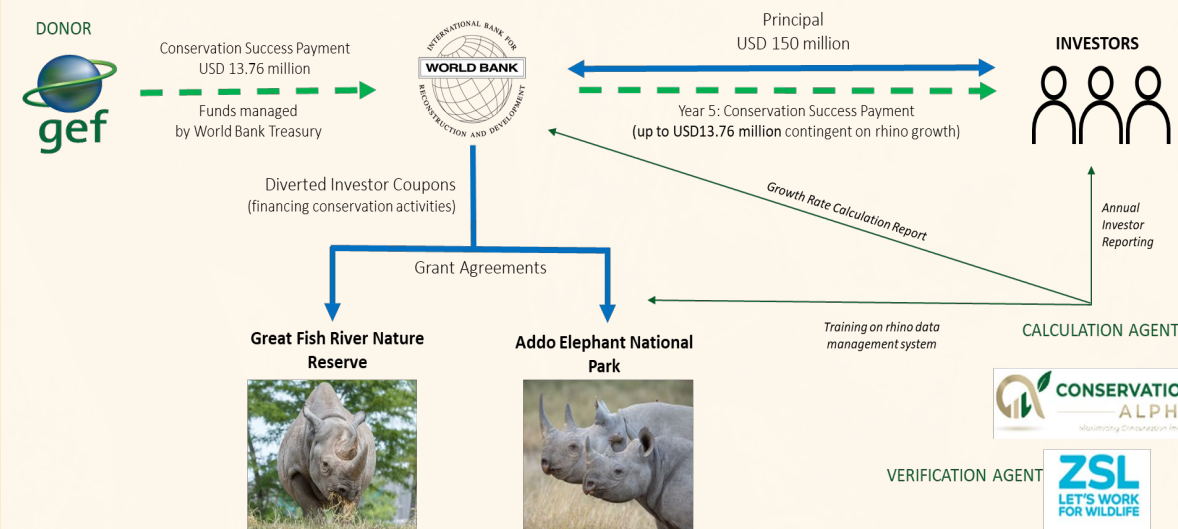
Financial terms

- Investment type for the GEF: Reimbursable Grant
- Amount of investment: USD 15M*
- Coupon: The bonds will be redeemed on the maturity date as par plus a Conservation Success Payment. The higher the rhino growth rate, the higher the success payment.
- Maturity: 5 years
- Reflow: Reflow will vary between 0 and 13.76 million (net of fees) based on rhino growth rate

Global Environmental Benefits*

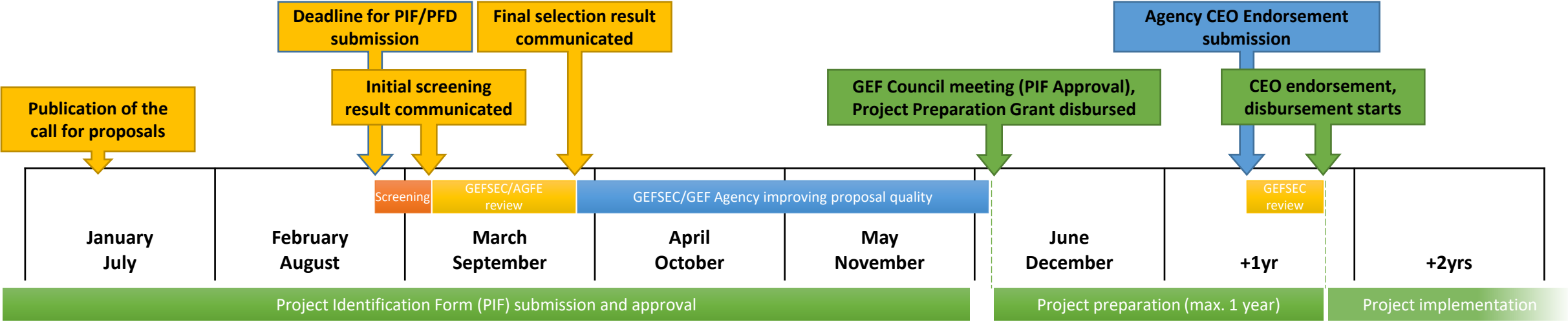
Indicator 1	Terrestrial protected areas created or under improved management for conservation and sustainable use	153,141 ha
Indicator 11	Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment	1,684 male 620 female

Financial structure



* Including GEF Agency fee, Project Preparation Grant (PPG) and PPG Agency fee

Selection process and timeline



Screening

GEFSEC/AGFE review

GEFSEC/GEF Agency improving proposal quality



Terms and conditions NGI (GEF/C.63/12, FI/PL/02)

Financing Amount

< \$15M

(exception for global/regional project with high impact)

Maximum maturity

< 20 years

Currency

Local currencies are acceptable with risk and hedging strategy disclosed and quantified

Financial products

Risk mitigation products, Equity, Debt, Convertible and contingent instruments

Minimum Concessionality*

Should be justified and documented

* Means recipients of concessional finance would not fully self-finance the initiative without GEF support, to avoid crowd-out other sources of financing



Selection Criteria and Eligibility Criteria

Each proposal is evaluated on the basis of the below criteria which were shared in the call for proposals.

Might change in GEF-8 Call for Proposals

Scalability	Appropriate levels of co-financing	Attractive financial terms	High Financial Additionality	Capacity to generate reflows	Innovation	Project execution	GEBs
Do financial structures or investment platforms aim at scaling-up projects beyond a “one-by one” projects?	Is the project in line with the intended impact of the project and in the context of each focal area capacity?	Are the terms and conditions of the GEF investment adequate to achieve acceptable financial terms for private investors to participate in the project?	Does the project show high financial additionality in terms of (i) financing barriers addressed and (ii) quantification of financial additionality?	What is the likelihood of generating returns based on project characteristics, sound financial structure.?	Does the project show innovation in terms of the financial structure and/or the technologies used in the project?	Do executing agency have experience in projects with non-grant instruments and in management of reflows?	Proposals will be evaluated based on their contribution to GEF focal areas, Impact Programs and their capacity to generate global environmental benefits.

