

Scaling Sustainable Finance: The Global Environment Facility's Experience

Anil Sookdeo

Coordinator, Chemicals and Waste



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The GEF is the family of funds for the environment.

It is a financial mechanism for six multilateral conventions and administers six trust funds. With GEF support, countries address the root causes of challenges as they strive for international environmental goals.

Connecting Multiple Conventions



Convention on Biological Diversity



UN Convention to Combat Desertification



Minamata Convention on Mercury



UN Framework Convention on Climate Change



Stockholm Convention on Persistent Organic Pollutants



Biodiversity Beyond National Jurisdiction Agreement

Three Decades of Investing in the Planet

Overall since 1991:

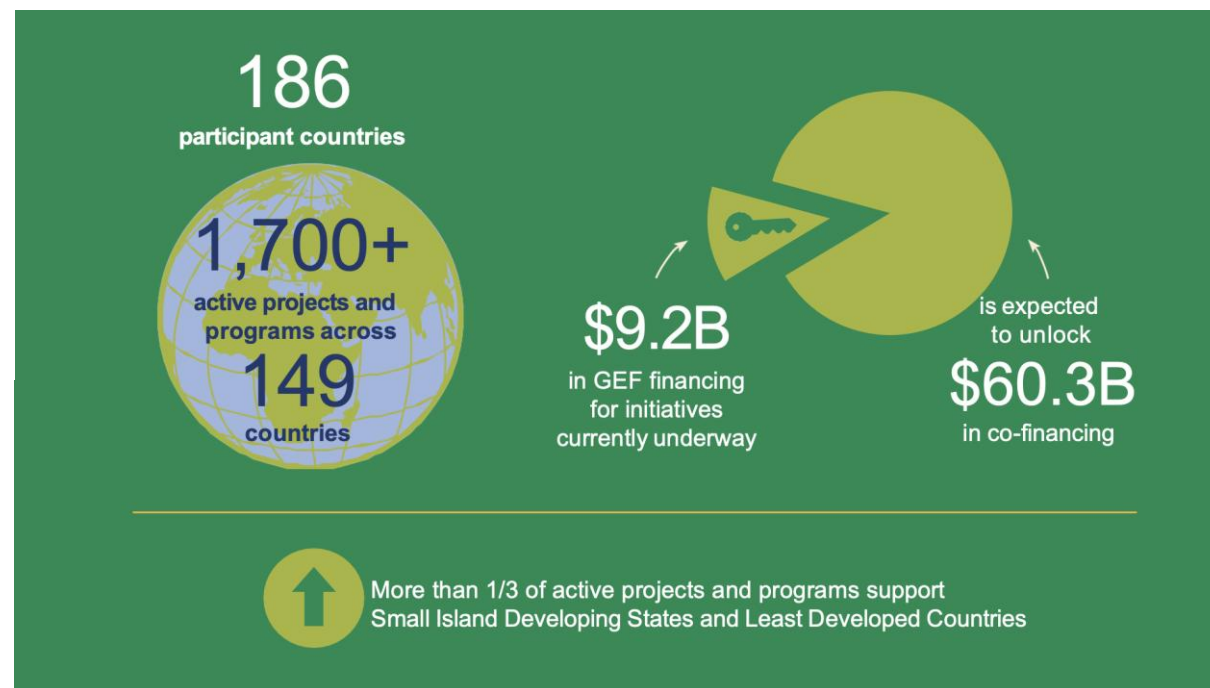
\$26B+
in financing provided



\$149B
in capital mobilized



Support for protected areas larger than the size of Australia



GEF approach to activating the Private Sector



Blended Finance, through the
blended finance window

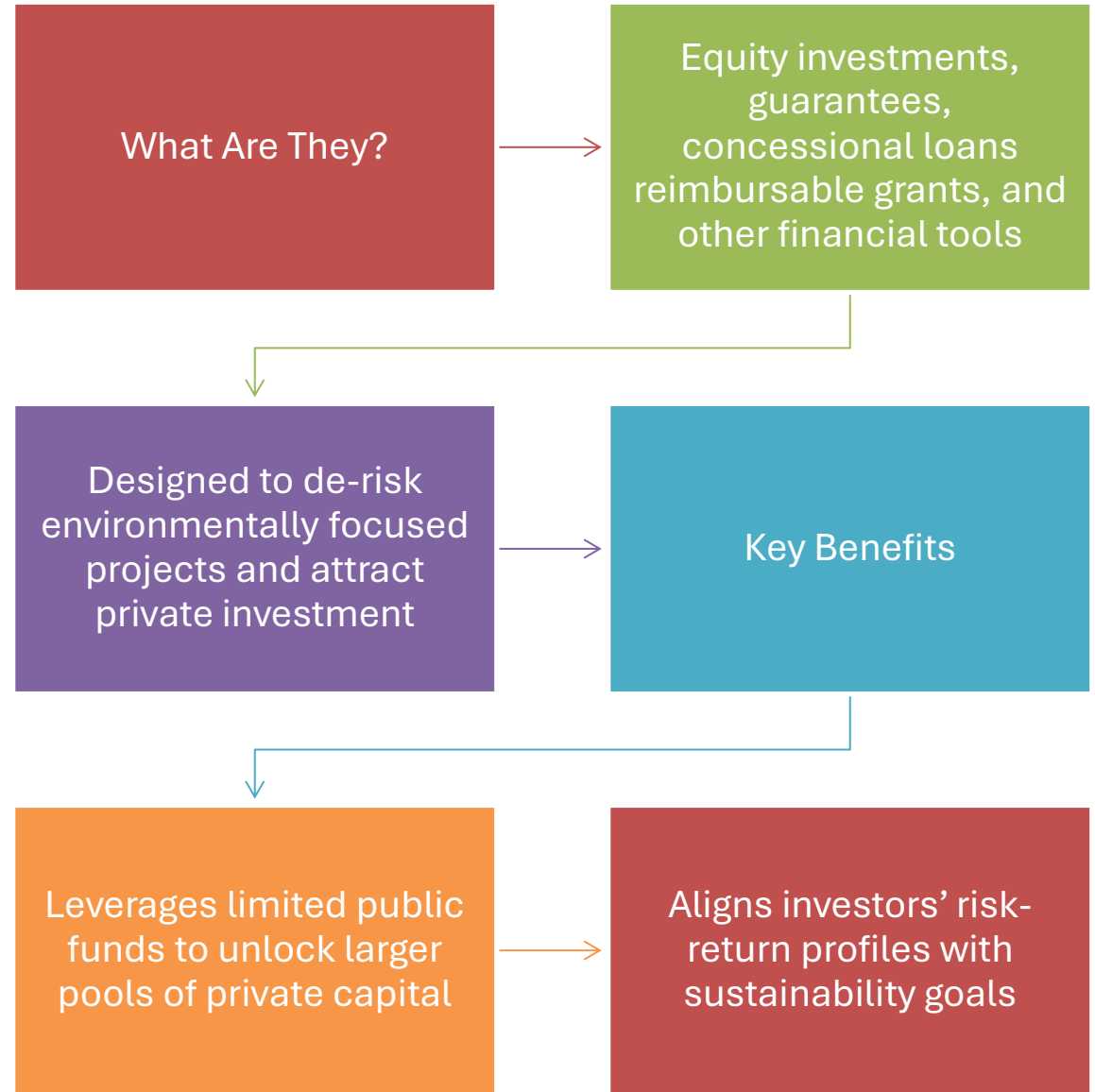


Private Sector Engagement
Strategy



Unlocking commercial resources
for better practices

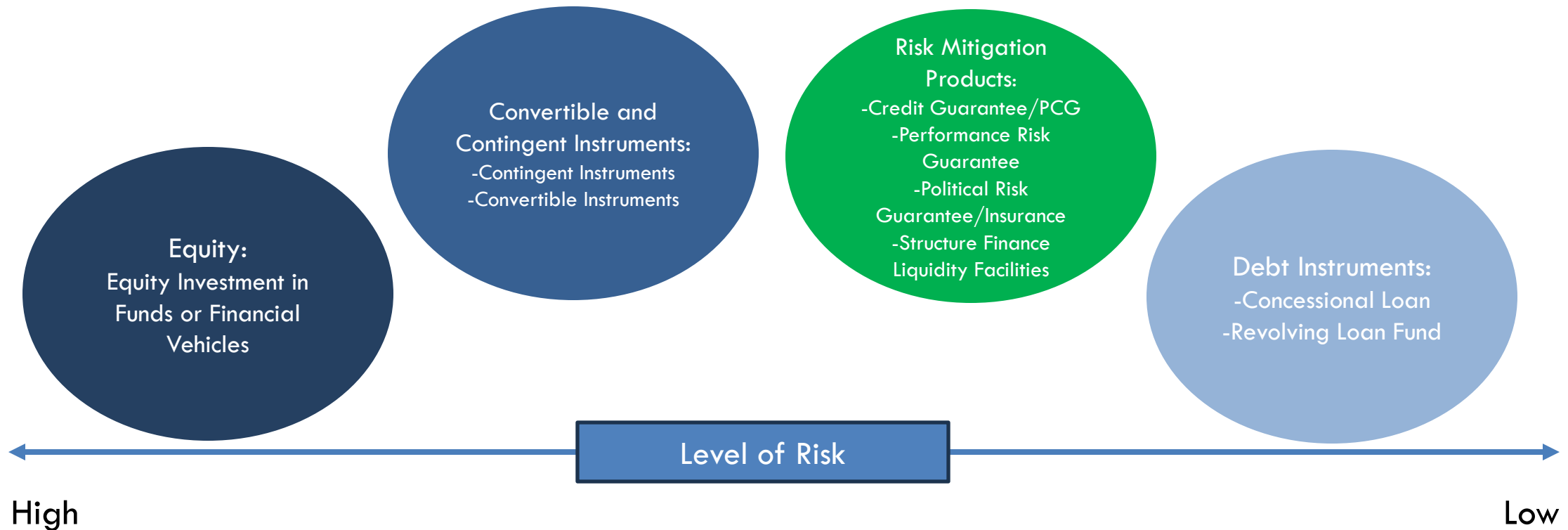
GEF Non-Grant Instruments



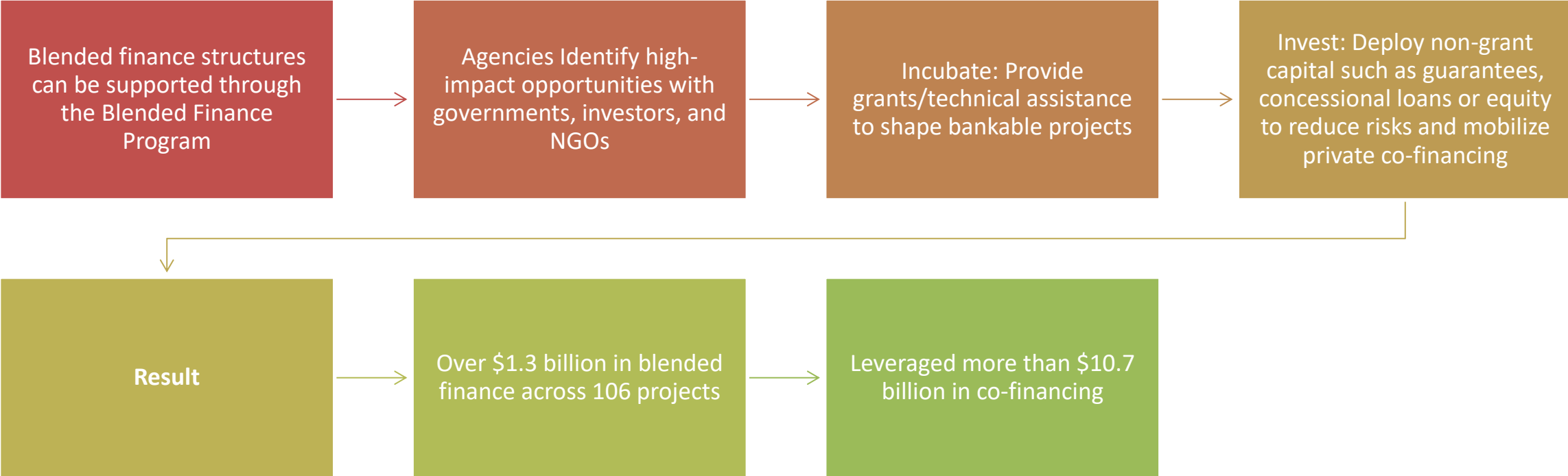
Blended Finance Instruments in GEF

- Blended Finance Program provides wide-range of blended finance instruments to respond to constantly evolving and producing innovative approaches

List of GEF Blended Finance instrument



Blended Finance Model



Global Environment Facility: Use of Non-Grant Instruments

	GOAL	FEATURES	PROJECTS
“BLENDED FINANCE PROGRAM” (NGI SET-ASIDE)	Mobilize private sector investment in GEF Focal Areas	Investment has potential for generating reflows back to the GEFTF Separate Call for Proposals (CfP) and rules for selection of projects	GEF-7/8 supported projects: <ul style="list-style-type: none"> • <i>GEF ID 10497 Agri 3 (CI)</i> • <i>GEF ID 10328 CERI (EBRD)</i> • <i>GEFID 10330 Rhino Bond (WB)</i>
STAR OR IW/CW ALLOCATION	Mobilize public/private sector investment in GEF Focal Areas	Investment reflows stay in the country Non-competitive process for STAR Selection and allocation depend on Country priorities.	GEF-5: <ul style="list-style-type: none"> • <i>GEFID 4918 Partial Risk Sharing Facility for EE (WB)</i> GEF-8: <ul style="list-style-type: none"> • <i>GEF ID11064 PSEEP (DBSA)</i>
Challenge Program for Adaptation Innovation	Catalyzing innovation and private sector investment in Climate Adaptation	Engage directly with climate adaptation innovators using calls for proposals	33 winners with total US\$40 million
Global Biodiversity Framework Fund (“GBFF”)	Scaling up private/public finance to Support KMGBF	Reflows stay in the country Competitive process – selection rounds Submission and allocation are country-driven.	No submission to date

Examples of Non-Grant Instrument Projects

Circular Economy Regional Initiative (CERI): GEF and EBRD 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 the adoption of circular economy strategies and business practices in Europe and Central Asia. The project involves a loan with a GEF contribution of USD 15M and co-financing of USD 141.8M.

Rhino Bond: The five-year rhino bond, which was issued by World Bank and raised \$150 million in its March 2022 issuance, is a combination of existing financial products paired with a performance-based grant funded by the GEF to be used for conservation of rhinos. This new financial structure harnesses investment from capital markets to directly support endangered species conservation in South Africa. The project involves a reimbursable grant with a GEF contribution of USD 15M.

Debt For Nature Debt Sovereign Conversions in Latin America and the Caribbean ("LAC"): The objective of this project is to establish a Regional Facility to support biodiversity conservation and restoration in at least three LAC countries. It provides long-term financing for conservation, restoration, and sustainable management without increasing the debt ceiling. The project involves a convertible risk mitigation instrument and performance-based grant with a GEF contribution of USD 39.0M (+grant USD 1.18M) and co-financing of USD 641M (+future mobilization expected).

Examples of Private Sector Engagement

GEF Global Electronics Management (GEM) Program

- Tackles e-waste through partnerships along the electronics supply chain
- Encourages sustainable design, collection, and recycling strategies

GEF planetGOLD Program

- Reduces mercury use in artisanal and small-scale gold mining
- Engages private sector partners for responsible sourcing and safer mining practices

Challenges

- Awareness & Capacity: Some countries have limited know-how or regulatory frameworks
- Inconsistent Regulations: Policy uncertainty deters private investment
- High Transaction Costs: Limited infrastructure can raise project expenses

Private Sector Direct Investment

- In some cases, investment finance from actual **value chain actors** themselves, that have direct interest in making upstream investments and clean production facilities, complement GEF projects through co-financing:
 - The Kering and Inditex Regenerative Fund, which is a grant fund for upstream investment in biodiversity, including reductions in harmful chemicals in the fashion sector
 - The E-waste Responsible Producer Organization of Nigeria (EPRON) which is led by HP, DELL, Phillips, Microsoft and Deloitte and has invested millions in waste management, landfill avoidance and resource recovery
 - The Alliance to End Plastic Waste, which has also developed its own one-billion-dollar fund to invest in waste management projects through a venture capital approach, in addition to the Alliance's grant-based work.

Finance in GEF-9 and Beyond



Building on derisking capital in commercial sources

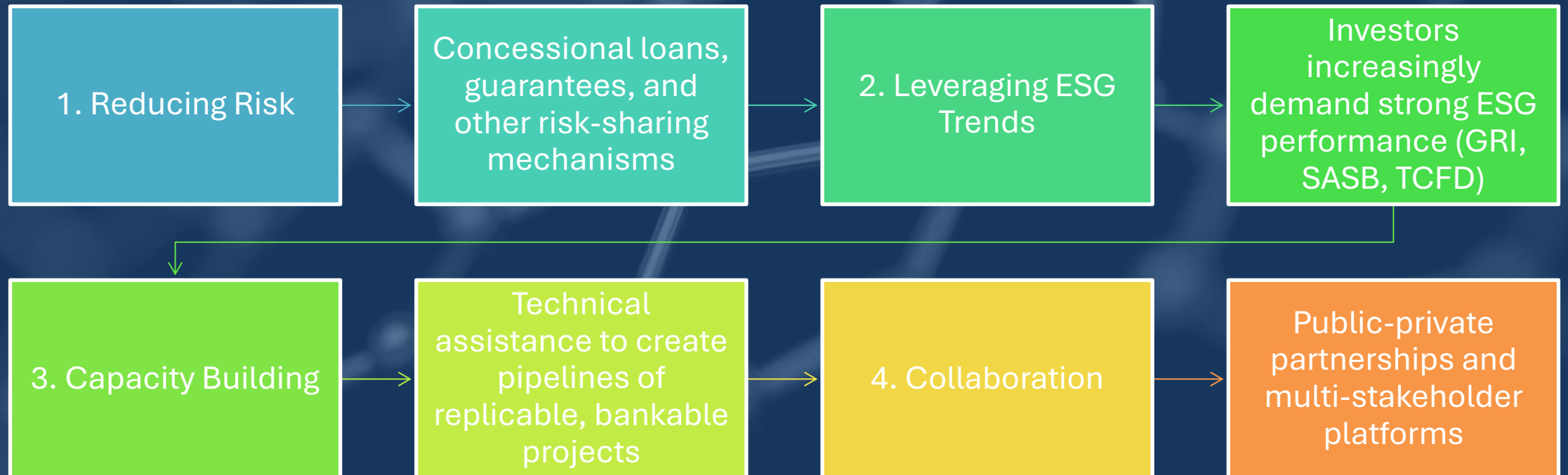


Aligning domestic financial flows through policy coherence, green budgeting, etc.



Policy instruments for minimum industry standards.

Opportunities & Best Practices



Path Forward

Road to Target D3

- Strengthen policy frameworks for pollution prevention and management
- Scale non-grant instruments to unlock private capital
- De-risking of investments in pollution prevention
- Strengthen private sector engagement
- Support successful pilot projects and share lessons learned

Key Takeaway

- There is no one way to activate the private sector financing.
- It requires a basket of tools to fit the particular circumstance of the private sector.
- GEF's blended finance model, non-grant tools and other mechanisms have shown the ability to drive sustainable practices in pollution prevention and management on a global scale.
- These instruments along with policy remove uncertainty which facilitates investments.