



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

Advances in Blended Finance

GEF's Solutions to Protect the Global Environment



Foreword

The health of the Global Commons—our lands and forests, oceans and atmosphere—is essential for a thriving world. That recognition is at the heart of the Sustainable Development Goals (SDGs), a development agenda that seeks to end poverty and increase prosperity by fostering a transformation to a sustainable, low-carbon, and resilient future. Such a transformation is within our reach, but it will require new ways of thinking about how we invest in efforts to protect the ecosystems, species, and natural processes upon which all life depends.

Unprecedented transformation is required to achieving SDGs and safeguarding global commons. The global community called the private sector to step-in with bold action and new frontier investments. Such ambitious investments will be significantly unlocked by a combination of private and public sources; blended finance is a key tool to mobilize private capital.

The GEF has promoted blended finance solutions since its inception in 1992. Initially focusing on clean energy and energy efficiency, the GEF is increasingly targeting new “frontier” areas such as land degradation, biodiversity, fisheries and others, where private sector investment is scarce. As clean energy and energy efficiency projects become bankable, the GEF role in promoting innovation and de-risking shifts to conservation finance and natural resource management where perceived risks are too high for commercial finance alone. Central to this effort is a three-step approach—identify, incubate, and invest—that continuously advances solutions in blended finance.

First, the GEF works closely with financial leaders, civil society organizations, partner agencies, international conventions, and country partners, to identify where financial innovation can be facilitate greater environmental benefits.

Second, once new approaches are identified, the GEF helps incubate and promote those ideas by establishing platforms for like-minded stakeholders, using its convening power to encourage partnerships, and by making strategic grants that provide technical assistance for development of new approaches.

Finally, we invest. The GEF blended finance initiative has provided more than \$215 million in funding that has proven to attract co-financing as high as 10:1 since 2008, and increasingly into natural resources projects, where private sector investment is scarce.

While it is unrealistic to assume that blended finance alone can solve all environmental problems, it is an important tool in the toolbox to prove investment concepts and create a track-record of bankable projects in developing countries.

In the GEF’s experience, blended finance transactions often create platforms that bring together a broad coalition of stakeholders—multilateral development agencies, private commercial investors, impact investors, civil society, and others—to help achieve the Sustainable Development Goals. This approach also enhances knowledge-sharing and the exchange of ideas, and accelerates those ideas into practice.

With the support of our donors, the GEF is expanding its focus on the use of blended finance and identifying additional strategies to engage the private sector as a full partner in reversing environmental degradation, protecting natural resources, and promoting sustainable development. I invite you to learn more about the GEF’s blended finance approach through this publication, and to reach out to us around opportunities to engage as partners and co-financiers as we continue to grow.

Naoko Ishii
CEO and Chairperson
The Global Environment Facility



GEF Experience with Blended Finance

The GEF has developed and promoted blended finance solutions since its inception. This has included attracting private sector investment through the targeted use of concessional financing (and instruments such as equity, debt, or guarantees) in projects where actual or perceived risks are too high for commercial finance alone.

Central to this effort is a three-step approach that continuously advances solutions in blended finance:

Identify – GEF works closely with financial leaders, civil society organizations, partner agencies, international conventions, and country partners, including indigenous peoples, to identify where financial innovation can facilitate greater environmental benefits. For example, the GEF was an early pioneer, with IFC, in identifying the need for risk-sharing facilities to help local banks invest in low-carbon solutions.

Incubate – Once new approaches are identified, the GEF helps incubate and promote those ideas by establishing platforms for like-minded stakeholders, using its convening power to encourage partnerships and through strategic grants that provide technical assistance for development of new approaches. For example, the GEF supported the Land Degradation Neutrality Fund with a grant of \$2 million to help kick-start the fund's efforts—that same fund reached an investment level of more than \$150 million by October 2019 and is still expanding.

Invest – GEF's Council has encouraged the GEF to make key non-grant investments in path-breaking companies and initiatives using blended finance tools, such as debt, equity, and guarantees. The GEF's non-grant investments have provided more than \$215 million in set-aside funding that has attracted co-financing as high as 10:1.

The GEF project Piloting Innovative Investments for Sustainable Landscapes encapsulates all three elements

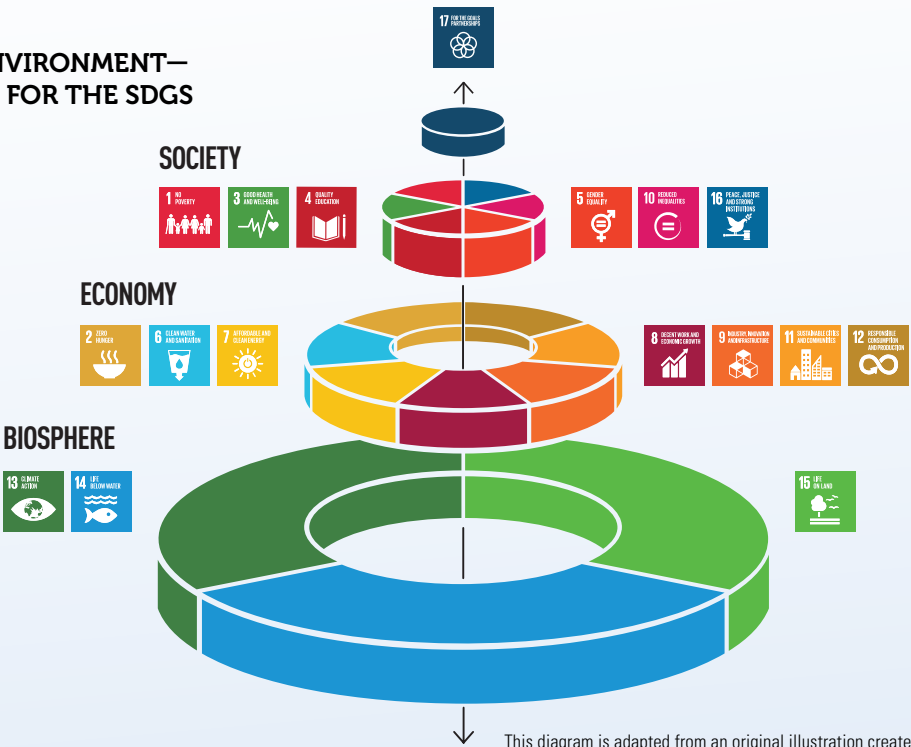
of the GEF approach to blended finance. This project supports the *Green Fund*, announced at Davos in January 2017, through a strategic partnership with the Norwegian government, the Sustainable Trade Initiative (IDH), and UNEP. This project showcases additional cases and best practices on enhanced engagement of the private sector and public sector through innovative finance models that deliver protection and production benefits. The Fund also involves several tropical forest countries and is supported by major food companies and international environmental civil society organizations. It is intended to trigger private investments in deforestation free agriculture in countries that are working to reduce their deforestation and forest and peat degradation.

Another example is the GEF's early partnership with IUCN and others to identify the need for expanding private sector investment in conservation, resulting in the formation of the Coalition for Private Sector Investment in Conservation (CPIC) which is now a coalition, investment platform, and incubator for companies, and a GEF non-grant investment.

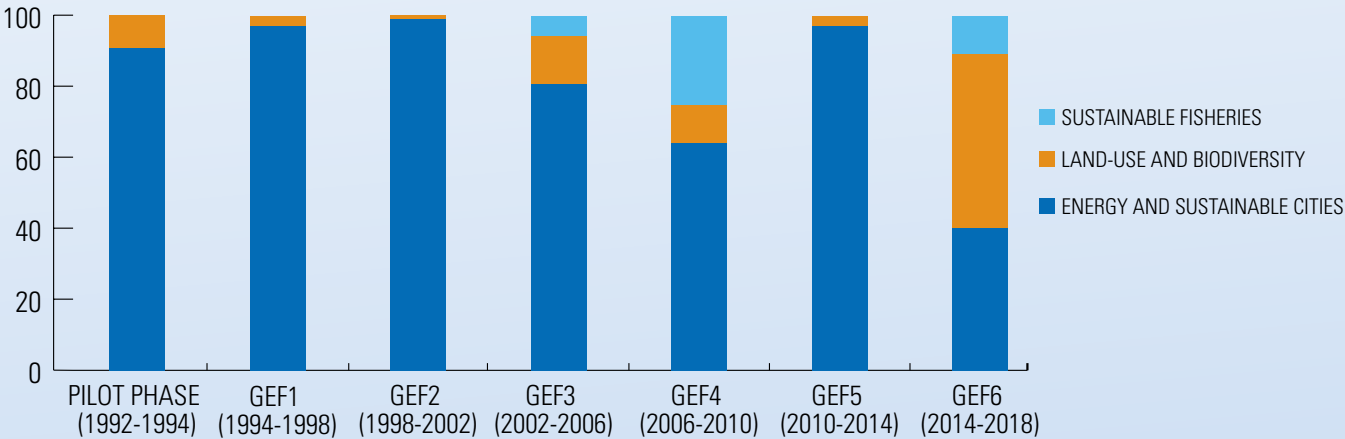
Using this model—identify, incubate, and invest—the GEF has invested more than **\$700 million in 91 blended finance projects and mobilized \$7 billion in co-financing.**

Blended Finance refers to structured transactions in which development finance and private capital achieve climate or other environmental impacts while delivering adequate risk-adjusted financial returns for the private investor. The most commonly used financial instruments in blended finance are (i) guarantees, which provide protection from various forms of risks of capital loss for investors; (ii) debt, typically in the form of subordinated or concessional debt (or both); and (iii) equity, typically in the form of junior equity accepting higher risks for lower financial returns.

THE GLOBAL ENVIRONMENT— A FOUNDATION FOR THE SDGs



IMPACT AREA DISTRIBUTION



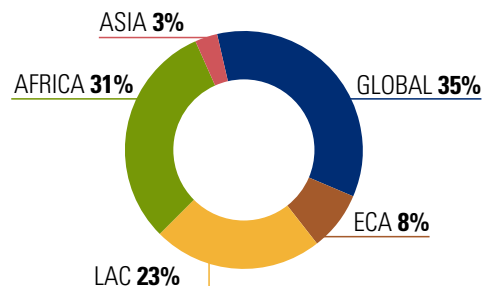
GEF experience in Blended Finance

In the early funding cycles, the GEF provided grants to partner agencies which then applied the funding in a variety of non-grant applications, such as revolving funds, debt, guarantees, performance awards, and equity investments. As the use of financial instruments began to expand in GEF-4, with the 2008 launch of the GEF/IFC Earth Fund, blended finance projects have been increasingly designed to use investment returns to repay GEF Trust Fund.

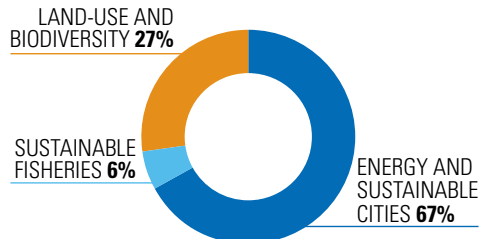
Over time, GEF's blended finance has catalyzed significant private sector investment. Initially focusing on renewable energy and energy efficiency (67 percent of GEF funding from GEF-4 to GEF-6 was directed to energy and sustainable cities), recent investments are prioritizing "frontier" areas such as land degradation, biodiversity, and international waters, where private sector investment is scarce. For example, in GEF-6 alone, out of 10 innovative projects for \$98 million that attracted \$1.74 billion in co-financing, 48 percent of GEF funding was for land use and biodiversity and almost 11 percent to fisheries. These projects deliver multiple environmental benefits, including climate change.

The blended finance initiative has been broadly distributed geographically and by focal area. The most requested financial tool is equity investment, with 44 percent of funding. In GEF-7, the NGI Program expands the envelope of non-grant blended finance to \$136 million to accelerate the use of non-grant instruments in support of delivering Global Environment Benefits (GEBs) and continue to catalyze investments from the private sector.

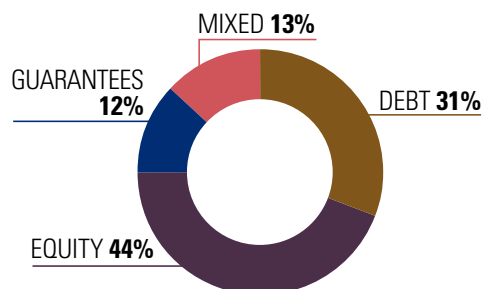
GEOGRAPHIES 2010–2018



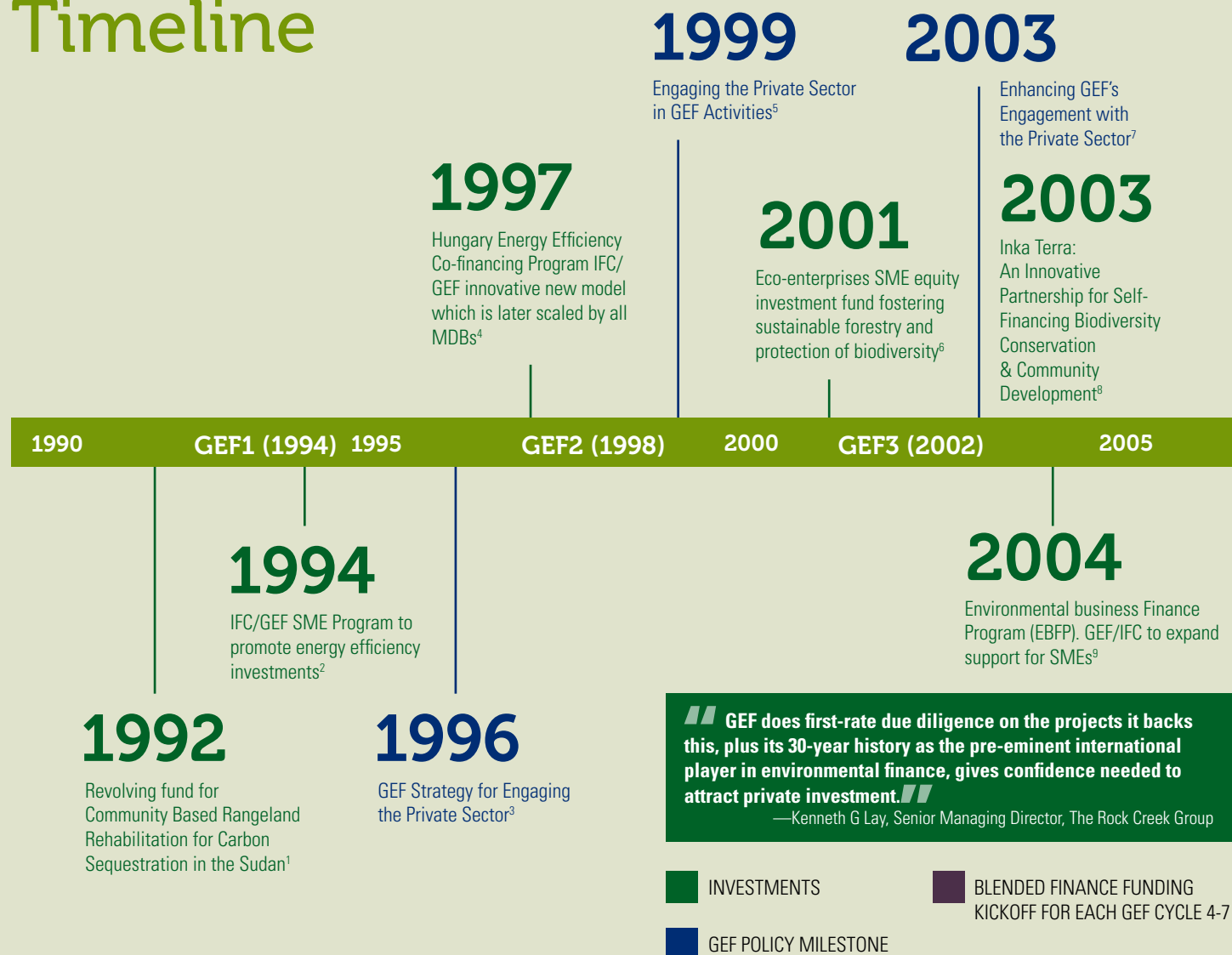
IMPACT AREA GEF-3 TO GEF-6



FINANCIAL PRODUCT 2010–2018



GEF's Blended Finance Timeline



1 UNDP, \$1.5 million, land restoration
2 IFC, \$3 million, energy efficiency
3 GEF/C.7/12. This is a council paper.
4 IFC, \$5 million, energy efficiency
5 GEF/C.13/Inf.5
6 IFC, \$1 million, biodiversity
7 GEF/C.22/Inf.10

8 IFC, \$725,000, biodiversity
9 IFC, \$20 million, renewable energy and energy efficiency
10 World Bank, energy efficiency Phase I, 2006, \$16.5 million, Phase II, Phase III
11 GEF/C.21/7

12 GEF-4 Non-grant IFC, \$30 million GEF, \$10 million IFC, climate change and biodiversity. Note the Earth Fund project was 2008, The GEF-4 replenishment with private sector "set-aside" of \$30 million was 2006.
13 IADB, \$13.5 million, energy efficiency
14 GEF-5 non-grant.



15 UNEP, \$20 million international waters

16 GEF/C.41/09/Rev.01

17 GEF \$15 million, IADB, climate change

18 GEF/C.47/06

19 GEF-6 Non-Grant.

20 World Bank, \$18 million, energy efficiency

21 World Bank, \$8 million, \$33 million co-financing,

international waters. This project has technical assistance/advisory services but no investment

22 GEF \$12 million, AFD

23 CI, \$10 million.

24 World Bank, \$5 million, biodiversity, international waters

25 GEF grant \$ 2 million Co-financing \$ 52 million

26 GEF/C.54/13/Rev.01

27 IUCN, \$8 million.

28 GEF-7 non-grant. This is the new NGI for GEF-7 and suggest color to match the other NGI from 2008, 2010, and 2014.

29 LDCF and SCCF, \$10 million

Sustainable Energy

7 AFFORDABLE AND CLEAN ENERGY



Title: African Renewable Energy Fund
GEF Agency: African Development Bank
Instrument: Junior Equity
GEF Investment: \$4.5 million
Co-financing: \$150 million

With a focus on spurring investment in utility-scale renewable energy, the GEF investment in the Africa Renewable Energy Fund (AREF) in the form of Class A shares with return capped at 4 percent. By accepting a capped return, the GEF enables net returns to other investors to increase by 2-3 percent, which will expand the range of potentially investable projects and reduce

the need for enhanced policy incentives to make projects bankable. The equity funding provided by the GEF and other development partners is expected to attract at least \$150 million from public, institutional, and commercial partners and significant additional private sector finance, primarily debt, for the actual projects, with a pipeline already worth half a billion dollars.

/// GEF alongside SEFA and AfDB spearheaded the genesis of the African Renewable Energy Fund (AREF). GEF committed USD 4,5 million alongside AfDB and SEFA into the AREF that permitted to give the necessary financial start for the Fund and helped attract 13 additional investors into the Fund 's first close in March 2014 until its final close in September 2015. The investment of GEF contributed to finance investments in various renewable energy projects undertaken by the Fund and to cover the Fund operational expenses. ///

—Hajavola Rakotondrazaka, Principal Equity Portfolio Officer, African Development Bank (AfDB)

7 AFFORDABLE AND CLEAN ENERGY



Title: Equity Fund for Small Projects Independent Power Producers
GEF Agency: Development Bank of South Africa
Instrument: Junior Equity
GEF Investment: \$15 million
Co-financing: \$190 million

This innovative effort will promote renewable energy supply in South Africa by supporting and investing in small and independent power producers. Similar to AREF, GEF funds are invested with the expectation of below-market return. DBSA will also create a securitization platform to help resell initial investments after the projects have begun power production. These

two interventions help reduce capital costs for small-scale producers and attract private sector capital. The proposed investments will result in installation of close to 100MW of renewable energy, reducing approximately 260,000 tons CO₂e per year, resulting in an estimated 5 million tons CO₂e over an assumed average project lifetime of 20 years.

11 SUSTAINABLE CITIES AND COMMUNITIES



Title: Green Logistics Program
GEF Agency: European Bank for Reconstruction and Development
Instrument: Subordinated, Concessional Debt
GEF Investment: \$15 million
Co-financing: \$155 million

The Green Logistics Program will improve efficiency and productivity of freight transport in the Black Sea Region by enhancing access to finance. GEF funding will provide subordinated loans at a concessional rate and security for investments made by the EBRD that promote energy efficiency and lower GHG emissions in the logistics sector. The availability of junior funding from the GEF will allow the EBRD to invest its own funds in projects that otherwise would be priced excessively, thus leveraging

the EBRD's capacity to deliver energy efficiency solutions in the logistics sector in the region and to help clients to introduce energy efficient practices. With the GEF funding, co-financing investments should be well over \$155 million during the project period. Subsequent follow-on investments are expected to rise to \$250 million after the project is completed. Estimated greenhouse gas emissions reductions are 9.1 million tCO₂e.

Sustainable Forestry and Land Restoration

15 LIFE ON LAND



Title: Moringa Agro-Forestry Fund for Africa
GEF Agency: African Development Bank (AFDB)
Instrument: Junior Equity
GEF Investment: \$12 million
Co-financing: \$50 million

The Moringa Agro-forestry Fund for Africa will promote sustainable land management in production landscapes in Burkina Faso, Cote d'Ivoire, Kenya, Mali, Tanzania, Zambia, and Congo DR. The Fund will invest in 5-6 scalable, replicable agroforestry projects that combine plantation forestry with agricultural elements to capture most of the value chain. The GEF has taken a junior equity position in the fund with an expected return of 6 percent. GEF's position helps lower risks for private sector investors who

may be reluctant to consider land management projects on purely commercial terms due to for example long payback periods, lack of track record and uncertainty over product prices. The project also targets 79,000 hectares to maintain significant biodiversity and associated ecosystems goods and services, and more than 200,000 hectares of production systems under sustainable land and forest management. The project is expected to yield GHG emissions benefits of 9.5 million tons CO₂e.

15 LIFE ON LAND



Title: 8Green Fund
GEF Agency: United Nations Environment Programme (UNEP)
Instrument: Redeemable Grant
GEF Investment: \$2 million
Co-financing: \$52 million

This medium-sized project is investing in the 8green fund, a strategic partnership with the Norwegian government, Unilever, and the IDH Sustainable Trade Initiative, and implemented by the UN Environment Programme. The 8green fund prioritizes sustainable investment into tropical forest production landscapes and is supported by major commodities companies and international environmental NGOs. This fund enhances engagement of the private and public sectors through innovative finance models that deliver protection and production benefits

in critical forest and biodiversity landscapes. By providing credit guarantees, first-loss guarantees, and concessional loans in return for forest protection and/or restoration commitments, GEF's capital channeled through the 8Green Fund is able to de-risk and attract private financing that would otherwise not be forthcoming in areas considered too uncertain for commercial investors. This blended finance is intended to trigger private investments into deforestation free agriculture in order to reduce tropical forest loss and peatland degradation.

15 LIFE ON LAND



Title: EcoEnterprises II—GEF ID: 4959
GEF Agency: Inter-American Development Bank (IADB)
Instrument: Equity Investment into a Venture Capital Fund
GEF Investment: \$5 Million
Co-financing: \$30.25 Million

In 2012, the GEF, along with other institutional investors, established the venture capital fund EcoEnterprises II, to invest in environmentally, socially and financially sound companies in Latin America. The GEF holds an equity participation of 14.18% of EcoEnterprises II, making it one of the Fund's largest Limited Partners. The Fund's investment period ended in December of 2017, with investments in 12 portfolio companies for an aggregated amount of \$35.25 million. The Fund has now entered its divestment period.

The environmental and social results generated through the portfolio companies of the Fund to date include 4,047,618

acres of sustainably managed or directly protected land, and 83,455 local beneficiaries. The portfolio companies of EcoEnterprises II achieved these results through their focus on the sustainable use of land and its conservation, the preservation of vulnerable ecosystems, the mitigation of climate risks, and the creation of livelihoods and resilience among low income and local communities. The Fund's investments are predominantly in small to medium sized companies located in meso-America, the Northern Andean and the Amazon Basin.

“ For innovative enterprises, securing venture capital funding is a key hurdle in the early, critical phase of transitioning from start-up to a small but creditworthy company with market presence. Thanks to the trust of risk-tolerant LPs such as the GEF, biodiversity and socially driven small and medium sized companies of the region were able to grow and expand their operations, which have generated positive environmental and social results. ”

—Anita Fiori, Lead Investment Officer, Investments Unit, Inter-American Development Bank (IDB Lab)

Sustainable Fishing and International Waters

14 LIFE
BELOW WATER



Title: The Meloy Fund: Sustainable Small-scale Fisheries in Southeast Asia
GEF Agency: Conservation International
Instrument: Equity
GEF Investment: \$6 million
Co-financing: \$35 million

The Meloy Fund: A Fund for Sustainable Small-scale Fisheries in Southeast Asia, will improve the conservation of coral reef ecosystems by providing financial incentives to fishing communities in the Philippines and Indonesia to adopt sustainable fishing behaviors and rights-based management regimes. This project will focus on the business aspects of the industry, such as ensuring market access, improving assets/equipment as well as providing technical assistance. The Meloy Fund will be the first impact fund focused entirely on community small-scale fishers in the developing tropics and will have a long-lasting impact by financing unbanked enterprises to acquire those fixed assets that will enable financial

growth, job creation, and resilience to economic shocks. Estimated global environmental benefits are improved management of 1.2 million hectares of seascapes. Co-financing of \$35 million comes from the technical assistance provided by executing partners; foundations; investment and impact funds; and other private sector investors. Under the non-grant pilot, investments will be targeted to small and medium enterprises with expected tenors of 5-7 years and will be expected to earn between 10-15 percent returns, yielding an estimated gross internal rate of return of approximately 10.5 percent over the 10-year life of the fund. Additional reflow details will be defined by CEO endorsement stage.

“ The GEF is an anchor investor of the Meloy Fund, and as such was critical in attracting additional investment from the private sector to support the Fund’s unique strategy to benefit coastal ecosystems through impact investing. We greatly appreciate GEF’s support and its ongoing commitment to creative uses of capital on behalf of nature. ”

—Miguel Morales, Vice President GEF/GCF Agencies, Conservation International



14 LIFE BELOW WATER



Title: Blue Bonds for the Third South West Indian Ocean Fisheries Governance a Shared Growth Project (SWIOFish3)

GEF Agency: World Bank

Instrument: Concessional Debt

GEF Investment: \$5 million

Co-financing: \$32 million

This project will commit financial resources in partnership with the Government of Seychelles to support the issuance of Blue Bonds to attract private sector investment. The Blue Bonds proceeds will strengthen efforts to improve management of fisheries and coastal conservation at regional and national levels and improve fish handling processes at targeted handling sites in the Seychelles. This approach is a unique blending of GEF non-grant resources with grant resources from Seychelle's GEF country allocation and resources from GEF's International Waters. With the pioneering support of The Nature Conservancy, Seychelles has pledged to protect 30 percent of its Exclusive Economic Zone by 2020 and initiated a Marine Spatial Planning exercise to serve as the foundation of its sustainable blue economy strategy.

In parallel, Seychelles is also developing management plans for its near-shore fisheries, including the first fisheries management plan for the Mahe' Plateau, with a view to progressively transition from an open access fishery to a more controlled fishery. However, the implementation of these two initiatives faces the risk of being underfunded. To supplement the financial flows needed, the Government of Seychelles will issue Blue Bonds (for an estimated total of \$15 million) to finance this alternative scenario, in a landmark new kind of transaction that mobilizes capital markets to finance Seychelles' blue economy objectives. The GEF loan of \$5 million will be used alongside an IBRD guarantee to lower the cost of the Blue Bonds. Co-financing of \$32 million is expected.

Climate Change Adaptation and Resiliency

13 CLIMATE ACTION



Title: Climate Resilience and Adaptation Finance and Technology Transfer Facility (CRAFT)
GEF Agency: Conservation International
Instrument: Technical Assistance
GEF Investment: \$1 million
Co-financing: Up to \$500 million when fully invested

GEF will provide technical assistance for a brand-new fund to boost adaptation efforts in some of the world's most vulnerable countries, while for the first time, giving private investors the opportunity to get their return by investing in a fund that exclusively focuses on resilience-related companies. CRAFT is an initiative developed by US-based investment firm Lightsmith Group. Beyond GEF's SCCF funding, other partners include the Nordic Development Fund (NDF) and Conservation International (CI). CRAFT will invest in companies that provide either "resilience intelligence," such as data analytics, modeling, and forecasting, or "resilience solutions" including products and services that address climate risks in areas like water, agriculture, and energy. Envisaged areas for investment range from climate-smart supply chain analytics software

and drought-tolerant tree crops to coastal protection and disaster recovery. The Lightsmith Group has developed the concept and will execute and manage the fund. The new SCCF project, also endorsed by the Climate Innovation Lab, will facilitate the completion of investment, impact, and fundraising strategies for CRAFT, support the identification and incorporation of 250 companies into the Fund's database of climate resilience companies, and identify at least five high-probability potential investment transactions. CRAFT could mobilize as much as \$500 million to invest in adaptation, acting as a steppingstone towards catalyzing a broader market for climate resilience solutions and investments, and provide direct benefits to reduce the vulnerability of businesses and communities through building resilience.

“Simply put, the GEF has been an essential partner for CRAFT, the first private investment strategy for adaptation and climate resilience. GEF's early support and partnership have been crucial in bridging the gap between concept and execution, enabling us to develop a full investment and impact measurement strategy, identify over 800 potential investments, and engage over 200 investors around adaptation and climate resilience. GEF has been a great partner operationally as well, providing key insights into our approach to impact measurement and engaging the private sector. Thanks to the vision of GEF's CEO and the hard work of its team, we believe GEF's early support will mobilize multiples of private and philanthropic investment into adaptation and climate resilience.”

—Jay L. Koh, Managing Director, The Lightsmith Group

Biodiversity and Natural Resources

14 LIFE
BELOW WATER



15 LIFE
ON LAND



Title: Impact Investment in Support of the Implementation of the Nagoya Protocol on Access and Benefit Sharing
GEF Agency: Inter-American Development Bank (IADB)
Instrument: Equity
GEF Investment: \$10 million
Co-financing: \$48 million

This project pioneers investment in small and medium enterprises (SMEs) in Latin America and the Caribbean that are actively implementing the Nagoya Protocol. It will focus on 20 SMEs that are taking part in the production and valorization of genetic resources by means of research and development or that are part of value chains linking users and producers of these genetic resources. The investment will facilitate improved capacities for the valorization of genetic resources or commercialization of value-added products, effectively linking users and

producers of these genetic resources. The project will bring on board the experience of the Union for Ethical Biotrade (UEBT). The project is expected to earn an estimated risk-adjusted equity return of 13-15 percent over ten years. The project yields estimated benefits of 100,000 hectares under improved management of landscapes and seascapes; 800,000 hectares under sustainable land management; and two freshwater basins with water-food-ecosystems security and conjunctive management of surface and groundwater.

14 LIFE
BELOW WATER



15 LIFE
ON LAND



Title: Coalition for Private Investment in Conservation (CPIC)
GEF Agency: Inter-American Development Bank (IADB)
Instrument: Equity and debt
GEF Investment: \$8 million
Co-financing: \$53 million

The Coalition for Private Investment in Conservation (CPIC) aims at increasing deal flow into global priority conservation projects. Founding partners include Credit-Suisse, Cornell University, International Union for Conservation of Nature (IUCN), and The Nature Conservancy (TNC); the coalition now has approximately 100 partners. The core of the CPIC model is the development of investment blueprints that create models for investable conservation projects in five sectors. Blueprints are publicly available and CPIC is building a pipeline of investable projects (30 or more) primarily in sustainable agricultural intensification, coastal resilience and sustainable coastal fisheries. These opportunities

to invest in conservation will be accelerated with the support of the Rockefeller Zero-Gap Initiative and other complementary processes and platforms with similar accelerator roles. Also, the CPIC platform is providing a platform for members to share success stories and spread best practice examples to upscale conservation finance solutions. With GEF funding of \$8 million, this project should attract at least \$50 million in private sector financing and foster a new set of tools to facilitate expanded private investment in support of conservation under improved management of landscapes and seascapes; 400,000 hectares under sustainable land management, and 300,000 tCO₂e emissions mitigated.

Opportunities to Expand Blended Finance

The Seventh Replenishment of the GEF Trust Fund includes a Non-Grant Instrument Program (the GEF-7 NGI Program) which builds on the lessons learned in GEF-6 and expands the envelope of blended finance to \$136 million. GEF-7 will accelerate the use of non-grant instruments in support of delivering global environmental benefits and continue to catalyze investments from capital markets at global and national levels aligned with focal area objectives.

To transform economic systems and reverse unsustainable global trends, the private sector needs to play an active role. The call for greater private sector engagement for sustainability and protecting the environment were strengthened by the 2030 framework for the Sustainable Development Goals, which countries increasingly acknowledge requires strong private sector contribution.

The use of blended finance to support the SDGs—especially natural resources management and conservation—is not a panacea that can be exclusively relied upon to drive the needed transformation in global economic systems. Yet it holds great prospects for

mobilizing private capital and is therefore an important element in the package of available instruments focused on investing in the global commons. Broader support for appropriate policy frameworks that can help improve predictability and support low-emission investments is critically important, as is support for institutional strengthening and targeted capacity building in both the private and public sectors.

The GEF will continue to identify, incubate, and invest in blended finance solutions. Doing so will require continued innovation on the ground to help countries and private sector partners match the right types of financial instruments to specific projects goals and objectives, including in the natural resource management sectors. Support for project preparation, along with aggregation and bundling of projects that can attract large-scale investors is also needed. The GEF will need to not only capitalize on the growing interest by private actors in the sustainability agenda and create the conditions for transformation of markets, but also increasingly “crowd in” private sector investments to deliver environmental benefits beyond business-as-usual.



Opportunities for Adaptation and Resilience

Transformation to climate-resilient economies requires investment and behavior change across all sectors of society, especially the private sector. At the same time, private sector actors who invest purposefully in climate resilience and adaptation are most likely to continue to thrive in the future. The GEF is uniquely placed to catalyze investment and action by the private sector for climate resilience and adaptation.

Opportunities for private sector investment being considered by the GEF, including blended finance, encompass: incubation and acceleration of adaptation-oriented SMEs; promoting climate-relevant financial policies and regulations; developing insurance farmers and fisherfolk against physical climate-related risks; creating lines of credit from microfinance providers at accessible terms for farmers to invest in adaptation actions; and strengthening supply chain resilience. Importantly, emerging opportunities being explored for increased GEF support involve green bonds to finance climate resilient practices of agricultural commodities;

and incorporating climate risk information and risk abatement strategies in commercial lending thereby creating new markets for adaptation goods and services.

The Challenge Program for Adaptation Innovation is one way in which the GEF is catalyzing private sector investment and behavior change for resilience and adaptation. In July 2019, this Challenge Program launched a call for proposals that received overwhelming interest from over 400 project concepts and over 350 different private and public actors. Several of these concepts are now being developed into funding proposals to access resources from the LDCF and SCCF. Opportunities will be explored for supporting more adaptation innovation projects in the future. This demand and the wealth of ideas emerging from this program illustrate the scale of interest and opportunity to increase private sector investment and action in climate resilience through the GEF.

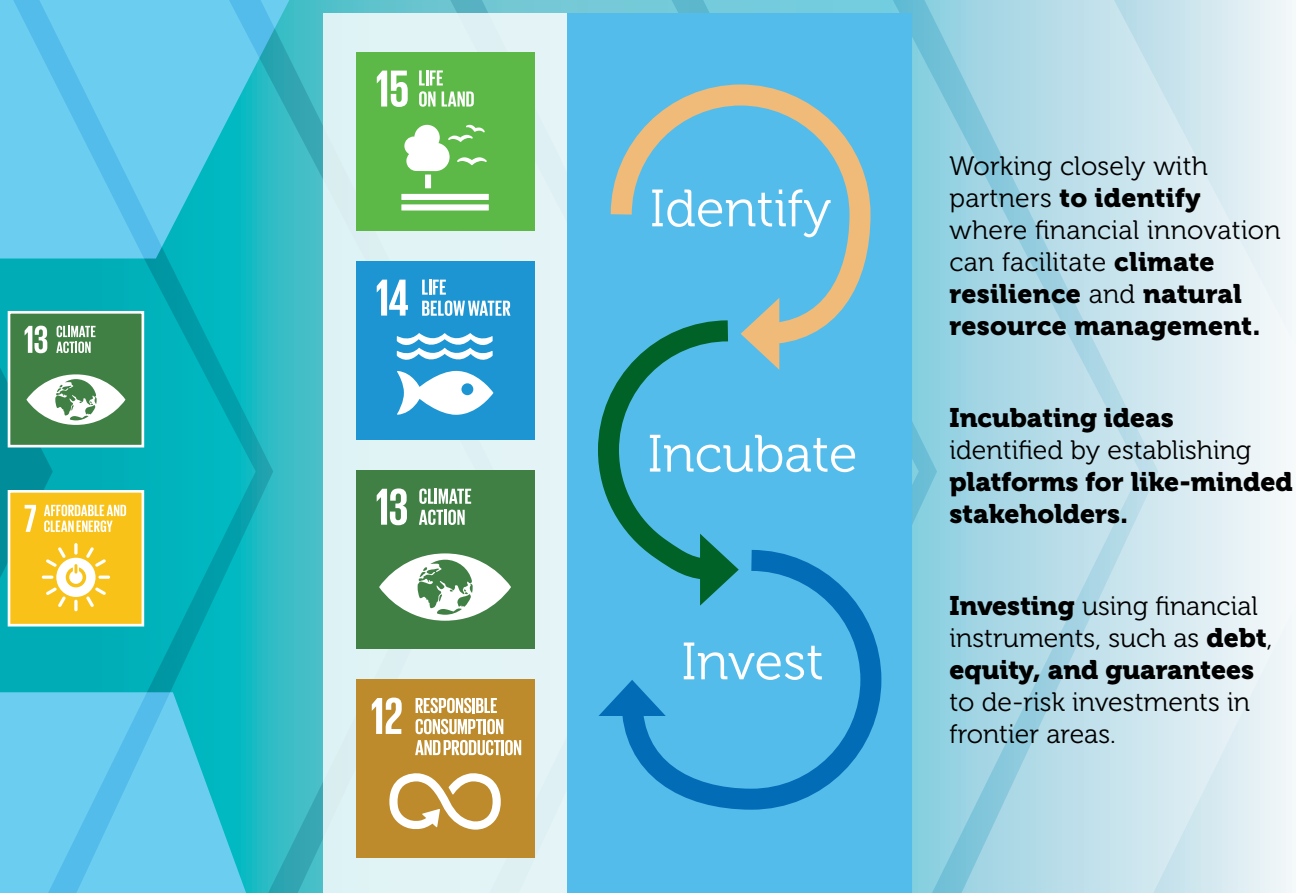


Opportunities in Chemicals and Waste

The GEF-7 program global opportunities for long-term development of the artisanal and small-scale gold mining sector (GEF GOLD) has also identified the critical need for innovation of financial instruments to facilitate investments in sustainable approaches, allocating \$18 million for promotion of investment options and direct market access for artisanal miners and their communities. This will include diverse solutions to facilitate the access to finance for artisanal and small-scale miners will be piloted in the various child projects of the program. Revolving funds from which miners/communities can source required investments, which can then be reimbursed at favorable rates and financed from the increased productivity outcome will be implemented in various forms. The program will help use or set up such funds and provide support to communities to build their capacity to access financing. In some countries, the funds will be established by the host government while in others, it will be set up in collaboration with external investors. UNEP finance initiative's experience in setting up revolving funds will be built upon in some countries of the project. The program will also work with gold consumers, and with industrial users in order to raise their awareness on their possible

role of positively influencing gold extraction practices through ensuring implementation and compliance with international standards on responsible mineral supply chains such as the OECD guidance. Miners will be more incentivized to adopt social and environmental standards if they realize that better practices will unlock markets previously inaccessible to them. The program will work with industrial partners in order to demonstrate this interaction and implement innovative financing schemes to ensure miners have the necessary means to transition to cleaner and more efficient production methods. The program will also benefit from existing projects developed in the framework of the implementation program of the OECD guidance to build secure artisanal gold supply chains in conflict and high-risk areas. Finally, the development of more direct gold value chains through the cooperation between national gold buying institutions and international refiners and gold end-users will ensure miners who respect environment and social standards obtain a better selling price for their production. The incentive presented by this increased revenue will ensure the sustainability of adoption of the cleaner production methods introduced under GEF GOLD.

New Frontiers to Advance Blended Finance Across the SDGs



“Every conservation finance conference trumpets the importance of blended finance and risk allocation, but the devil is in the details, the actual financing structuring. GEF is moving the field forward”

—Patrick Coady, Senior Director Seale & Associates Investment Bankers





The Global Environment Facility (GEF) was established on the eve of the 1992 Rio Earth Summit to help tackle our planet's most pressing environmental problems. Since then, the GEF has provided over **\$19 billion** in grants and mobilized an additional **\$100 billion** in co-financing for more than **4,700 projects** in **170 countries**. Through its Small Grants Programme, the GEF has provided support to nearly 24,000 civil society and community initiatives in 128 countries.

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