

# Leveraging the Private Sector

## **Introductory remarks**

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# Leveraging the private sector

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- TC members need to decide how best to structure this engagement.
  - Discussion note for workshop on private sector engagement (part III) draws on contributions to date and identifies key issues.
  - Key Issues TC members are looking to answer:
    1. Should the GCF have a private sector facility (or window) and, if so, how would it operate?
    2. Does the GCF need to employ special procedures for projects or programs involving the private sector, whether or not they are funded through a private sector facility or windows?
    3. Can we attract private sector in LDCs and SIDS? What could be possible modalities?
    4. How could the GCF best access private sector expertise to enhance the effectiveness of the Fund's operations?
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# Private Sector Engagement since TC2

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Sought private sector inputs through written submissions and consultations

*'In order to fulfill the mandate of the Transitional Committee, members have highlighted the need to seek private sector inputs to the GCF design process. This can be done at several levels, including seeking input from the private sector through a harmonized questionnaire (several private sector associations have offered to provide written inputs); TC members undertaking national level private sector consultations; and holding regional/sub regional consultations, subject to budget availability and with the assistance of donors, UN agencies, MDBs and/or private sector associations.'*

*Finance Entry Points Scoping Paper (TC-2/WSIII/1)*

- Consultations undertaken by supporting organizations in Johannesburg (DBSA), London (Chatham House), Nairobi (UNEP/AfDB), Singapore (ADB) and in Latin America (industry survey undertaken by IDB).
  - Submissions and consultation reports available on workshop website and synthesized in workshop background note.
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# Options for Private Sector Engagement

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## **i. Private Sector Investment into the GCF at the Fund level**

- Direct investment into the fund
- Borrowing on the capital markets (climate bonds)
- Philanthropic contributions

## **ii. Private Sector Investment into/through GCF Supported Programmes and Projects**

- Programmatic approaches
    - a) Pooling public and private capital into investment vehicles that can address broad-scale financing needs (e.g., Fund of Funds)
    - b) Sectoral initiatives aimed at scaling up market adoption of proven technologies (e.g., feed-in tariffs, tax credits, crop insurance)
  - Project approaches:
    - a) Aggregation of early investments in first mover projects to catalyze sector growth
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# Options for Private Sector Engagement

## (cont.)

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### **iii. Private Sector as Service Providers and Contractors**

- Requires fair, transparent and merit based approaches to procurement

### **iv. Private Sector as Carbon Investors**

- Various possibilities to engage private investment through the carbon markets, such as: Advanced Market Commitments to support domestic carbon markets; Financing for projects with Emissions reductions agreements, particularly in LDCs/SIDS.
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# Key issues

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- Should the GCF have a private sector facility (or window) and, if so, how would it operate?
  - Does the GCF need to employ special procedures for projects or programs involving the private sector, whether or not they are funded through a private sector facility or windows?
  - Can we attract private sector in LDCs and SIDS? What could be possible modalities?
  - How could the GCF best access private sector expertise to enhance the effectiveness of the Fund's operations?
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# Views from the Private Sector

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## **Barriers to investment:**

- Elevated risks and uncertain returns fundamental barriers to climate investment
- Lack of access to finance and lack of expertise also barriers, particularly in LDCs and SIDS.
- Barriers combine to create a challenging environment for financing climate projects.

## **Possible responses from the GCF:**

- Many approaches suggested, ranging from development facilities, to public-private funds, to guarantees and credit-lines and results based incentives.
- Need to start by helping improve enabling environments, wherever needed.
- Approaches need to be designed according to local conditions, aligned to the on-the-ground needs and structured to 'crowd-in' private capital flows.

## **The need to access private sector expertise:**

- Board should have the mandate/means to consult directly with the private sector.
  - Inputs and expertise should be provided relevant principles, governance, standards and terms needed to mobilize private sector resources.
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