



**GREEN
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PSAG recommendations on the development of a private sector outreach plan

Summary

This document contains the recommendations of the Private Sector Advisory Group to the Board on the development of a private sector outreach plan. The recommendations are made in response to a request from the Board, and can be summarised as follows:

- (i) Communicate short and predictable GCF timelines;
- (ii) Build private sector outreach upon strategic planning;
- (iii) Address the specific needs and interests of private sector clients within GCF communications;
- (iv) Use existing networks and communication channels;
- (v) Leverage an annual meeting or conference of the GCF for outreach; and
- (vi) Targeted Requests for Proposals.

I. Introduction

1. As specified in the Initial Strategic Plan, GCF intends to develop a private sector outreach plan, contingent on the findings of the analysis of the barriers to crowding-in and maximizing the engagement of the private sector (decision B.12/20).
2. In order to support this objective, the Green Climate Fund's Board has requested Private Sector Advisory Group (PSAG) to provide recommendations on the development of a private sector outreach plan no later than its seventeenth session (decision B.13/05, para. (d) and B.BM- 2017/02). This mandate has now been added to the agenda of the B.19 Board meeting.
3. The recommendations from PSAG will also inform the development of GCF's strategic road map for leveraging, mobilising, and engaging the private sector, and the development of the Private Sector Facility's (PSF) business plan, both of which will be developed in 2018.
4. PSAG held a meeting from 6 to 7 December 2017 in Copenhagen, Denmark to discuss requests from the Board. Board representatives from the LDCs and SIDS and a CSO representative were also invited to participate.
5. This paper provides an overview of the PSAG discussion on private sector outreach as background information, followed by specific recommendations to the Board in response to this mandate. In annex is a background document prepared by the Secretariat that informed the PSAG discussion.

II. PSAG discussions

6. During the meeting, the PSAG discussed a range of topics related to the development of private sector outreach plans, including barriers to engagement with GCF, outreach principles, and channels for communication.

2.1.1 Barriers to private sector engagement with GCF

7. The PSAG discussion noted the importance of situating outreach plans within a broader context of GCF's strategic role in relation to the private sector. It also noted that the outreach recommendations should build upon the document titled "Analysis of barriers to crowding-in and maximizing the engagement of the private sector, including Private Sector Advisory Group recommendations" (GCF/B.17/03).
8. Several members identified accreditation as one of the key barriers for private sector engagement with the GCF. In particular it was highlighted that processes are long and timelines as well as outcomes, at least for outsiders, completely unpredictable. This is incompatible with needs of private borrowers who expect decisions within weeks if approaching, for example, private banks. The GCF with its months- or years-long procedures risks limiting the pool of potential clients.
9. Ideas suggested in the discussion to overcome these barriers included a fast-track option for private sector entities. Others suggested an exchange between PSAG and the accreditation panel/committee. Another idea was that PSF should present and promote "GCF Private Sector Showcases", highlighting cases where accreditation and project approval occurred in a reasonable timeframe. This might attract new investors. It was further noted that GCF having three Board Meetings per year represents a major obstacle to rapid investment decisions compared to private banks with weekly investment committee meetings. The idea of an "experimental funding window" targeting the private sector to facilitate engagement was also discussed. This could provide a form of finance, accessible for non-accredited entities, to undertake more experimental, higher-risk climate investments.

2.1.2 Outreach principles

10. Members commented that specific Private Sector Facility (PSF) missions to engage with private sector actors should be built upon a country strategy. It was also noted that regular PSF missions and the structured dialogues should continue to play a key role for outreach. The need to tailor approaches to the private sector according to the specific needs and potential of different stakeholders, such as MSMEs or national development banks was cited. PSAG members pointed out the importance of raising awareness among private sector users and managers of funds, as well as financiers. It was emphasized that governments and beneficiaries also need to know about GCF, since they can be key relays to the private sector.

11. The need for clear, simple language in communicating with the private sector was repeatedly advanced by members, including the use of languages other than English where possible. Language should address the needs and demands of the private sector, and be accessible for a non-expert, non-UNFCCC audience. This should include clear communication of GCF's investment criteria. Members also suggested that communicating a clear profile of the GCF's added value as a complement to other institutions such as the Global Environment Facility (GEF), multilateral development banks, Climate Investment Funds (CIFs) etc., would make engaging the private sector easier. PSAG members discussed engaging with the private sector prior to the issuance of Requests for Proposal (RfPs) in order to ensure they are clear, relevant and appropriate, and to promote exchanges with the private sector on expectations and requirements.

2.1.3 Communication channels

12. The discussion identified a few promising entry points for private sector outreach such as via industry associations and publications, business and climate-related meetings and conferences. PSAG members highlighted possible GCF cooperation opportunities with CTI-Private Financing Advisory Network (CTI-PFAN), National Development Banks, United Nations Industrial Development Organization (UNIDO), Climate Technology Centre and Network (CTCN) and others in order to promote outreach to the private sector.

13. Several members indicated that PSAG members could themselves play a role in promoting GCF engagement with the private sector. They could promote the Fund through their contacts and networks, but for this more regular updates on developments within the GCF would be useful.

14. Members also discussed the potential for an annual GCF event to raise awareness of GCF, and promote outreach to private sector representatives. It was suggested that the GCF conference planned for 2018 could play this role.

III. PSAG recommendations

15. The following recommendations are made to the GCF Board by the Private Sector Advisory Group in relation to the development of a GCF private sector outreach plan.

- (a) **Communicate short and predictable GCF timelines:** GCF and PSF should ensure short and smooth processes with respect to accreditation, project selection (including under RfPs) and project approval. Typically, entrepreneurs would expect decisions within weeks, not months or years. Standard accreditation timelines should be tracked and published, and accreditation processes for all applicants should be concluded in an expedited and time-bound manner. The Board may also wish to consider monitoring and, if feasible, publishing average processing times for projects, potentially broken

down by stages, and to consider developing short, standardised timelines for consideration of private sector project proposals.

- (b) **Build private sector outreach upon strategic planning:** regular PSF missions and the structured dialogues should continue to play a key role for regional and country-level outreach, which should be based upon more strategic planning for private sector engagement. Outreach should also address the specific needs and interests of the target audience, such as for example national development banks or MSMEs.
- (c) **Address the specific needs and interests of private sector clients within GCF communications:** simple language should be used, including in languages other than English where possible, so that a non-expert audience can understand any communication materials. Communications should be adapted to be relevant to the needs of the private sector.
- (d) **Use existing networks and communication channels:** Industry associations, industry magazines, climate-related meetings and (electronic) newsletters and similar channels are promising and cost-effective entry points for outreach activities, as are partnership opportunities with targeted networks and organisations.
- (e) **Leverage an annual meeting or conference of the GCF for outreach:** invite private sector players to the planned GCF annual meeting, in order to allow private sector actors to familiarize themselves with the purpose of the GCF, PSF and its private sector success stories.
- (f) **Targeted Requests for Proposals:** Should the aggregate volume of high quality proposals be significantly above the currently allocated funding window for the Mobilizing Funds at Scale RfP, PSAG invites the Board to review the progress of the results of the RfP at a later date in order to evaluate whether an increase in the allocated programme envelope may be justified. This would help to yield a greater volume of high-quality climate projects with interested private partners and avoid disappointment on the part of the private sector with respect to the RfP process. In future such RfPs could include a streamlined process to enable private sector applicants to either advance their own accreditation or be matched with current Accredited Entities following review of the proposals.

Annex I: Background paper on GCF's private sector outreach

(Prepared by the Secretariat and provided as input for PSAG discussion at Copenhagen meeting, 6-7 December 2017)

1. Approximately 50 per cent of GCF's project portfolio is undertaken with the private sector. However, only nine out of fifty-nine Accredited Entities are private sector entities, and only three of those (Acumen, CDG, and XacBank) are direct access entities. Most of GCF's private sector portfolio has been developed in partnership with the private sector programmes of multilateral development banks, particularly the European Investment Bank and European Bank for Reconstruction and Development. Direct access private sector entities account for only 1.7 per cent of GCF's project portfolio.
2. GCF's private sector outreach activities are led by the guidance provided in UNFCCC decision 10/CP.22 and GCF Board Decision B.04/08 to develop modalities to support activities enabling private sector involvement in the least developed countries and small island developing states, and to seek opportunities to engage with the private sector, including local actors, on adaptation action at the national, regional and international levels. In line with the abovementioned guidance, outreach strategy was mainly driven by a set of activities to develop the project portfolio and operationalize GCF in line with the prior Board decisions.
3. GCF's outreach to the private sector is led by the Private Sector Facility (PSF), and is characterised by a number of engagement activities with various stakeholders. These activities consist of missions (for bilateral meetings), participation in conferences and events (providing opportunities for multilateral engagement), and outreach via promotion of GCF programming windows and RFPs. Outreach activities form an integral part of the mission planning, with visit programs adjusted to include on-site meetings with local private institutions and associations that may provide projects and bring in additional private capital.
 - (a) **National Designated Authorities:** There are regular meetings with NDAs, including via missions, GCF structured dialogues, and other events. Promoting local private sector engagement forms part of these discussions, including how to incorporate such outreach into country programming.
 - (b) **Accredited Entities:** AEs (both private sector AEs and public sector AEs with private sector programmes) are regularly engaged by GCF. Discussions take place on potential projects that could be developed, including referrals to appropriate AEs of project ideas/concepts received informally by GCF from third parties. GCF also supports private sector AEs in developing entity work programmes.
 - (c) **Regional and national financial institutions and private companies:** PSF reaches regional and national financial institutions via country missions, and also participates in conferences and public events where PSF team members engage in outreach activities with private sector entities and other actors, and undertake informal discussions.
4. GCF has undertaken two major RFP campaigns targeted at the private sector:
 - (a) In 2016 the RFP for Micro-, Small-, and Medium-sized Enterprises was launched. 30 concept notes were received. The geographical distribution was: LAC 41 per cent, Africa 23 per cent, Asia and the Pacific 19 per cent, Multiple regions 17 per cent. Of 14 concept notes with identified AEs, 75 per cent of funding was requested from international access entities and the remaining 25 per cent from direct access entities.
 - (b) In 2017 the RFP for Mobilizing Funds at Scale reached an even wider audience, since this was open to non-accredited entities as well as existing AEs. Activities in more than

70 developing countries were covered by replies to the RFP, as promoted by the ‘Pitch for the Planet’ campaign. 350 concept notes (CNs) were received, with 258 passing the preliminary review stage. Of the CNs received, 56 per cent were from Africa, 29 per cent Asia and Pacific, 7 per cent LAC, 7 per cent Global, and 1 per cent Europe. Access modality was: 37 per cent direct, 31 per cent international, 31 per cent not specified.

5. In terms of effectiveness, it can be difficult to evaluate the impact of outreach efforts to date, due to the long lead time from first communication with the project sponsor or program idea, to entity accreditation, and then to its visible results within the GCF project portfolio. (Note that there are some exceptions: FP028, ‘Business loan programme for GHG emissions reduction was progressed from accreditation to disbursement in under a year.)

6. A survey of GCF’s Accredited Entity private sector partners did provide some feedback and recommendations on GCF’s private sector engagement. The respondents stressed that there was a lack of knowledge of how GCF engaged with the private sector, including its risk profile, priorities, and business model. GCF’s own processes were seen as providing a barrier to engagement by some, with the timeframe for Board approvals and bureaucratic requirements cited. The most important priority for outreach was seen as helping NDAs to engage with the local and international private sector to align the private sector and country priorities.

7. Finally, it should be noted that in dealing with NDAs, AEs and private sector entities, GCF does not have universal outreach instruments, since establishing relationships usually requires a tailor-made approach for the initial stages. Successful engagement requires bespoke communication, analysis of specific contexts of the issue and direct engagement of stakeholder counterparties. As such, outreach is inevitably constrained by resources, although the scaling-up of the PSF team in line with the overall increase in Secretariat headcount approved by the Board will provide greater capacity, particularly regarding hard to reach remote regions and new markets, where such bespoke intervention is most needed.
