



PRIVATE SECTOR ENGAGEMENT WITH THE GREEN CLIMATE FUND (GCF) – STATEMENT ON BEHALF OF CLIMATE MARKETS & INVESTMENT ASSOCIATION (CMIA) AND IT'S MEMBERS

Private actors need to be encouraged and incentivized to help mobilize funds at scale for investment in climate change activities. But, progress has been slow in this respect. The GCF is intended to play a pivotal role in engaging the private sector to invest in low-carbon climate-resilient development across the globe. This statement on behalf of the members of CMIA sets out our vision on how the GCF can more proactively engage and incentivize the private sector.

The GCF has made significant strides since it became operational in 2015. Efforts to engage the private sector are to be lauded, such as the establishment of the Private Sector Facility (PSF) and the recent Pitch for the Planet. The Private Sector Advisory Group (PSAG) has already made substantive recommendations to the Board on how to overcome barriers to engagement with the private sector. Nevertheless, there remains work that can be done to catalyze private sector engagement. Currently, beyond accreditation, there are limited opportunities for the private sector to engage with the GCF. At the same time, there is a perception within the private sector that accreditation is onerous, slow, and costly. To overcome this, there must be more avenues for the private sector to participate with the Fund. We call on the GCF's Board and Secretariat to consider the following high-level recommendations for more effective engagement:

Strengthen Private Sector Outreach: The GCF must help articulate the commercial opportunities of climate change activities to financial institutions beyond just RFPs and advertising on the GCF website. This could be achieved through strategic outreach and dialogue with large-scale investors and potential project proponents. This will help stimulate development of climate change orientated investment products, and capitalize on the willingness of major investors to support climate change actions. With sufficient awareness and buy-in from large private investors, opportunities will arise to test out new products and approaches, as well as new ways of delivering finance to new markets. Furthermore, the Private Sector Outreach Plan (currently under preparation for the Board) should seek to develop a shared understanding between large private sector actors and the Fund on best practices and the innovations that are needed. There is also the opportunity to include the use of new and innovative instruments (besides grants and concessional loans) to attract private sector investment.

Actively Encourage Accreditation of Private Sector Organizations: The GCF could proactively encourage suitable private sector organizations, such as financial intermediaries or local banks from developing countries, to become accredited. Once strategic financial intermediaries enter the market and establish themselves as market leaders, other financial intermediaries will likely follow suit as they recognize the value. The Board may wish to consider a streamlined or devolved accreditation process to expedite speedier decisions. The PSF could also be charged with identifying and accrediting suitable private sector entities, which would help ensure a degree of certainty and predictability, as well as remove some time burdens on The GCF Board. The PSF could proactively approach key private sector actors to encourage and assist with accreditation. To expedite the accreditation process for private sector organizations whilst ensuring high standards (as well as helping alleviate the workload for the independent Technical Advisory Panel), we would further recommend the GCF develop modalities to use of third-party evidence. As has already been noted by the Secretariat, this could include evidence from regulators, listing agencies, rating companies, corporate social responsibility rating bodies and existing intermediated financing systems.

Clarify Investment Approach: We note the progress of the Investment Committee in developing minimum benchmarks, but feel there needs to be clearer guidance, and indeed faster pace in their development and implementation. Greater clarity on benchmarking, particularly around additionality and concessionality, is essential to help attract private sector organizations to engage with the Fund, as well as guide private sector actors when developing potential projects. A more robust approach to additionality that can draw from the successful elements of the CDM for example, that could include positive lists, standardized baselines, and other positive elements of the additionality tools. To bring greater clarity to the GCF investment framework, CMIA is



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developing a GCF 'White Paper' providing policy recommendations on project metrics such as additionality, incremental cost reasoning and concessionality. The purpose of this paper is to start a fruitful dialogue between the GCF and the private sector that will support the PSF and wider efforts to mobilize private sector engagement with the GCF. CMIA invites the GCF to participate in this thinking around the investment framework.

About CMIA

The Climate Markets & Investment Association (CMIA) leads a global coalition of private sector actors who facilitate policy engagement, regulatory implementation and instrument design for effective investment and market solutions to combat climate change. CMIA is an independent, not-for-profit, professional member-led organization and is a Private Sector Observer at the Green Climate Fund, the Climate Investment Funds and the Forest Carbon Partnership Facility.