



Global Environment Facility

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April 7, 2008

Dear Council Member:

The World Bank as the Implementing Agency for the project entitled ***Global: GEF Public-Private Partnership Fund*** has submitted the attached proposed project document for CEO endorsement prior to final Agency approval of the project document in accordance with the World Bank procedures.

The Secretariat has reviewed the project document. It is consistent with the project concept approved by the Council in June 2007 and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank satisfactorily details how Council's comments and those of the STAP have been addressed.

If by May 5, 2008, I have not received requests from at least four Council Members to have the proposed project reviewed at a Council meeting because in the Member's view the project is not consistent with the Instrument or GEF policies and procedures, I will complete the Secretariat's assessment with a view to endorsing the proposed project document.

We have today posted the proposed project document on the GEF website at www.TheGEF.org. If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

A handwritten signature in black ink, appearing to read "Monique Barbut", is written over the typed name.

Monique Barbut
Chief Executive Officer and Chairperson

Attachment: Project Document

cc: Alternates, GEF Agencies, STAP, Trustee



REQUEST FOR CEO ENDORSEMENT/APPROVAL

PROJECT TYPE: Full-sized Project
THE GEF TRUST FUND

Submission Date: March 26, 2008

Re-submission Date:

PART I: PROJECT INFORMATION

GEFSEC PROJECT ID: 3357

GEF AGENCY PROJECT ID: 557085

COUNTRY(IES): Global

PROJECT TITLE: The GEF Public-Private Partnership Initiative, now renamed the "GEF Earth Fund"

GEF AGENCY(IES): World Bank/IFC, UNDP, UNEP and others TBD

OTHER EXECUTING PARTNER(S): private sector participants, TBD

GEF FOCAL AREA(S): Biodiversity, Climate Change, International Waters,

GEF-4 STRATEGIC PROGRAM(S): BD SP1-SP8, CC SP1-SP6, IW SP2-SP4

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: THE GEF PUBLIC PRIVATE PARTNERHSIP INIATIATIVE, NOW RENAMED, THE "GEF EARTH FUND"

Expected Calendar	
Milestones	Dates
Work Program	June 1, 2007
CEO Endorsement/Approval	April 2008
GEF Agency Approval	May 2008
Implementation Start	June 2008
Mid-term Review (if planned)	June 2011
Implementation Completion ¹	TBD

A. FINANCING PLAN SUMMARY FOR THE PROJECT (\$)

	<i>Project Preparation*</i>	<i>Platforms</i>	<i>Agency Fee</i>	<i>Total at CEO Endorsement</i>	<i>For the record: Total at PIF</i>
GEF	190,000	50,000,000	6,000,000	56,190,000	56,190,000
Co-financing	695,000	150,000,000		150,695,000	150,695,000
Total	885,000	200,000,000	6,000,000	206,885,000	206,885,000

* Please include the previously approved PDFs and PPG, if any. Indicate the amount already approved as footnote here and if the GEF funding is from GEF-3. Provide the status of implementation and use of fund for the project preparation grant in Annex D.

B. DESCRIBE THE BUDGETED M&E PLAN: M&E plans will be established as an integral component of each platform, prior to approval, and will be incorporated in documents prepared for Council approval. Agencies will be responsible for conducting M&E activities for their specific Platforms

PART II: PROJECT JUSTIFICATION

A. DESCRIBE THE PROJECT RATIONALE FOR THE GEF EARTH FUND: Consistent with the Private Sector Strategy and in recognition that private sector opportunities are not being fully captured by the GEF, the GEF approved in June 2007 the creation of the GEF Public-Private Partnership, now renamed the "GEF Earth Fund". The purpose of the GEF Earth Fund is to leverage private sector funds, creativity and energy to generate global environmental benefits in a sustainable and cost-effective manner. Its Earth Fund could be a first step for the GEF to more systematically engage with the private sector, thereby reaching beyond its own limits and fostering innovation and opening new markets that would deliver environmental benefits.

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS: The GEF Earth Fund is being established to support GEF's engagement with the private sector along the GEF 4 Strategic Priorities and focal areas. All Platforms approved for funding under the GEF Earth Fund will be in line with these Strategic Priorities and will directly address the private sector to achieve GEF goals and objectives.

C. DESCRIBE THE INCREMENTAL REASONING OF THE PROJECT: The GEF Earth Fund and its platforms will provide support when it is clear that the private sector would not otherwise support such initiatives.

¹ The GEF Earth Fund is anticipated to be an ongoing initiative for the GEF to engage the private sector. A mid-term review of activities will occur after three years.


- D. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED AND OUTLINE RISK MANAGEMENT MEASURES :** The GEF Earth Fund is being established with streamline processes for approval of Platforms, however there is a risk that this process remains inefficient and projects are developed slowly. The risk that the GEF Earth Fund does not attract significant co-financing will be mitigated by the requirement at the project level of a minimum 1:3 leverage for GEF funds.
- E. EXPLAIN HOW COST-EFFECTIVENESS IS REFLECTED IN THE PROJECT DESIGN:** The GEF Earth Fund Platforms will incorporate all lessons learned through past programming experience to achieve the greatest cost-effectiveness within each Platform approved under the GEF Earth Fund.

PART III: INSTITUTIONAL COORDINATION AND SUPPORT

A. PROJECT IMPLEMENTATION ARRANGEMENT: The GEF Earth Fund will be managed operationally by the GEF Secretariat. The IBRD will be the Implementing Agency and the IFC will be the Executing Agency. The IFC will also perform two functions: it will manage the GEF Earth Fund trust fund account, and as such will act on instructions from the GEF Council and GEF CEO for disbursements from that account. The IFC will also manage one Platform within the GEF Earth fund.

PART IV: EXPLAIN THE ALIGNMENT OF PROJECT DESIGN WITH THE ORIGINAL PIF: The project design has been modified from the original PIF to reflect comments from the GEF Council at time of submission into the work program, but remains consistent with the original PIF.

PART V: AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for CEO Endorsement.	
<i>Steve Gorman</i>  GEF Executive Coordinator The World Bank	Project Contact Person
Date: April 1, 2008	Tel. and Email:

ANNEX A: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF)

Responses to Comments are provided in the attached cover memo

ANNEX B: CONTRIBUTION TO KEY INDICATORS IDENTIFIED IN THE FOCAL AREA STRATEGIES : The GEF Earth Fund will contribute to many key indicators over the length of the project as additional platforms are proposed and approved. Based on the initial platforms proposed, the GEF Earth Fund will contribute to:

GEF-4 Focal Area Strategies for Biodiversity

Strategic Programs for GEF-4	Expected Outcomes	Indicators
1. Sustainable Financing of PA Systems at the National Level	<ul style="list-style-type: none"> • Protected area systems secure increased revenue and diversification of revenue streams to meet total expenditures required to meet management objectives • Reduction in financing gap to meet protected area management objectives 	<ul style="list-style-type: none"> • Total revenue and diversification in revenue streams
2. Increasing Representation of Effectively Managed Marine PA Areas in PA Systems	<ul style="list-style-type: none"> • Increased coverage of marine ecosystems globally and in national protected area systems • Improved management of marine protected areas 	<ul style="list-style-type: none"> • Number and extent (coverage) of national marine protected areas compared to 2006 global baseline for GEF eligible countries • Protected area management effectiveness as measured by individual protected area scorecards
3. Strengthening Terrestrial PA Networks	<ul style="list-style-type: none"> • Improved ecosystem coverage of under-represented terrestrial ecosystems areas as part of national protected area systems • Improved management of terrestrial protected areas 	<ul style="list-style-type: none"> • Terrestrial ecosystem coverage in national protected area systems • Protected area management effectiveness as measured by individual protected area scorecards
4. Strengthening the Policy & Regulatory Framework for Mainstreaming Biodiversity	<ul style="list-style-type: none"> • Policy and regulatory frameworks governing sectors outside the environment sector incorporate measures to conserve and sustainably use biodiversity 	<ul style="list-style-type: none"> • The degree to which policies and regulations governing sectoral activities include measures to conserve and sustainably use biodiversity as measured through GEF tracking tool
5. Fostering Markets for Biodiversity Goods and Services	<ul style="list-style-type: none"> • Markets created for environmental services • Global certification systems for goods produced in agriculture, fisheries, forestry, and other sectors include technically rigorous biodiversity standards 	<ul style="list-style-type: none"> • Number and extent (coverage: hectares, payments generated) of new payment for environmental service schemes created • Published certification systems that include technically rigorous biodiversity standards

Strategic Programs for GEF-4	Expected Outcomes	Indicators
6. Building Capacity for the Implementation of the Cartagena Protocol on Biosafety	<ul style="list-style-type: none"> Operational national biosafety decision-making systems that contribute to the safe use of biotechnology in conformity with the provisions and decisions of the Cartagena Protocol on Biosafety 	<ul style="list-style-type: none"> Percentage of participating countries with regulatory and policy framework in place Percentage of participating countries that have established a National Coordination Mechanism Percentage of participating countries with administrative frameworks in place Percentage of participating countries with risk assessment and risk management strategies for the safe transfer, handling and use of LMOs, specifically focused on transboundary movements Percentage of participating countries that have carried out risk assessments Percentage of participating countries that fully participate and share information on the BCH
7. Prevention, Control and Management of Invasive Alien Species	<ul style="list-style-type: none"> Operational invasive alien species (IAS) management frameworks that mitigate impact of invasive alien species on biodiversity and ecosystem services 	<ul style="list-style-type: none"> National coordination mechanisms to assist with the design and implementation of national strategies for invasive alien species National strategies that inform policies, legislation, regulations and management Regulatory and policy frameworks for invasive alien species in place Point of detection mechanisms in place Incorporation of environmental considerations with regards to invasive alien species into existing risk assessment procedures Identification and management of priority pathways for invasions
8. Building Capacity on Access and Benefit Sharing	<ul style="list-style-type: none"> Access to genetic resources within supported projects is in line with the Convention on Biological Diversity and its relevant provisions Benefits arising from the commercial and other utilization of genetic resources shared in a fair and equitable way with the countries providing such resources in line with the Convention on Biological Diversity and its relevant provisions 	<ul style="list-style-type: none"> Number of mutually agreed terms on access and benefit sharing signed (biodiversity contracts, material transfer agreements, etc.) Implementation of domestic systems governing access to genetic resources and the fair and equitable sharing of benefits arising from their utilisation, consistent with the Bonn Guidelines

GEF-4 Focal Area Strategies for Climate Change

Strategic Program	Expected Direct Outcome (targets)	Indicators
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1. Promoting energy efficiency in residential and commercial buildings	Increased market penetration of energy-efficient technologies, practices, products, and materials in the residential and commercial building markets	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: adoption of standards and codes • Outcome Indicator: KWh or TOE of energy saved in new construction and renovation per sq meter
2. Promoting energy efficiency in the industrial sector	Increased deployment of energy-efficient technologies and adoption of energy-saving practices in the industrial sector	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: policy and regulatory framework adopted • Outcome Indicator: volume of energy efficient investments (\$) • Outcome Indicator: KWh or TOE saved from adoption of new EE technologies
3. Promoting market approaches for renewable energy	Growth in markets for renewable power in participating program countries	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: adoption of policy frameworks, allowing renewable generators equitable access to the grid • Outcome Indicator: kWh generated from renewable sources
4. Promoting sustainable energy production from biomass	Adoption of modern and sustainable practices in biomass production, conversion and use for modern energy	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Outcome Indicator: MW installed • Outcome Indicator: kWh or W steam generated from sustainable biomass
5. Promoting sustainable innovative systems for urban transport	Innovative sustainable transport systems promoted, created, and adopted. Population in targeted urban areas make greater use of less GHG-intensive transport modes	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided and tons of CO₂ emitted per km traveled • Policy Outcome Indicator: number of sustainable transport policies adopted • Outcome Indicator: person-trips per year on sustainable mode
6. Management of LULUCF ² as a means to protect carbon stocks and reduce GHG emissions	Development and adoption of systems enabling countries to measure and reduce GHG emissions from LULUCF	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: adoption of policies designed to curb land-use emissions • Outcome Indicator: Cost-effective methodology for reporting accurately on GHG emissions from LULUCF

GEF-4 Focal Area Strategies for International Waters (IW)

Strategic Program	Expected Outcomes	Indicators
<p>SP-1: Restoring and sustaining coastal and marine fish stocks and associated biological diversity</p> <p>Initial attention to global hot spots in Sub-Saharan Africa, Southeast Asia/Pacific, and</p>	<ul style="list-style-type: none"> • Political commitments made to ecosystem-based joint action on sustainable fisheries and integrated coastal management (ICM) • Institutions and reforms introduced to catalyze implementation of policies reducing over-fishing and 	<ul style="list-style-type: none"> • National inter-ministry committees • Ministerially-agreed action programs and local ICM plans adopted • Regional, national and local policy, legal, and institutional reforms adopted; project evaluations show implementation effectiveness • Fish stock and habitat assessments

² Land-Use, Land-Use Change and Forestry

<p>Latin America/Caribbean Large Marine Ecosystems (LMEs), and accelerated entry into force of the global ship ballast water/invasive species convention</p>	<p>benefiting communities</p> <ul style="list-style-type: none"> • Multi-agency partnerships catalyze replication of innovations • Increased coverage of marine protected areas (MPAs) 	<ul style="list-style-type: none"> • Per capita incomes at demo sites • Incorporation in CAS, UN frameworks, PRSPs, One UN • Number/increase of MPAs in national PA systems
<p>SP-2: Reducing nutrient over-enrichment and oxygen depletion from land-based pollution of coastal waters in LMEs consistent with the GPA</p> <p>Initial efforts expected on nutrient land-based pollution reduction in East Asia LMEs and the Mediterranean Sea LME, and creating an enabling environment for action elsewhere</p>	<ul style="list-style-type: none"> • Political commitments made to nutrient and other pollution reduction and ICM • Institutions and reforms introduced to catalyze implementation of policies for coastal pollution reduction and ICM • Multi-agency partnerships catalyze replication of reforms and innovative investments for nutrient reduction 	<ul style="list-style-type: none"> • National inter-ministry committees • Ministerially-agreed LME and basin action programs and local ICM plans adopted • National and local policy, legal, and institutional reforms adopted; project evaluations show implementation effectiveness • Monitoring reduced levels of nutrient releases at demo sites • Joint action adopted by regional institutions on nutrient reduction • Incorporation in CAS, UN Frameworks, One UN, Bilaterals
<p>SP-3: Balancing overuse and conflicting uses of water resources in surface and groundwater basins that are transboundary in nature</p> <p>Requests expected for the great basins of South America experiencing climatic fluctuations, in African basins and the Mekong to introduce IWRM policies. Special focus on SIDS included for protecting community surface and groundwater supplies while reducing sewage releases. Groundwater protection strategies would be tested</p>	<ul style="list-style-type: none"> • Political and legal commitments made to utilize IWRM policies towards sustainable water use • Institutions and reforms introduced to catalyze implementation of policies for basin-scale IWRM and increased water use efficiency • Communities benefit from access to water-related benefits in tests of innovative demonstrations of balancing water uses • In SIDS, water-related health risks reduced through protected water supplies 	<ul style="list-style-type: none"> • National inter-ministry committees • Ministerially-agreed action programs and basin IWRM plans adopted • National water resource and IWRM reforms/policies adopted; evaluations show effectiveness • Regional agreements and institutions adopted; project evaluations show effectiveness • Monitoring improved water use efficiency in demonstrations • Access determined in evaluations • Monitoring improved sewage treatment and water supply protection measures in SIDS
<p>SP-4: Reducing persistent toxic substances and testing adaptive management of waters with melting ice</p> <p>A limited program testing strategies to reduce releases of persistent toxic substances (PTS) and to test adaptive management in areas of melting ice in polar and high-altitude basins in order to inform future GEF replenishments</p>	<ul style="list-style-type: none"> • Reduction of human and ecosystem health risks from PTS at demo sites • Incorporation of pollution prevention strategies for PTS into private sector operation • Adaptive management measures identified, agreed upon and tested in limited basins with high-altitude headwaters and one polar LME 	<ul style="list-style-type: none"> • Monitoring level of reduction of PTS releases at demonstration sites • Ministerially-agreed action programs or single-country IWRM plans for demonstration basin testing of adaptive management strategies • Industry codes of conduct, possible private sector initiatives for PTS reduction

THE GEF EARTH FUND

(FORMERLY)

THE PUBLIC-PRIVATE PARTNERSHIP INITIATIVE:
FURTHERING THE GEF STRATEGY TO ENHANCE ENGAGEMENT
WITH THE PRIVATE SECTOR

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The Public Private Partnership Initiative: Furthering the GEF Strategy to Enhance Engagement with the Private Sector

The “GEF Earth Fund”

Introduction

1. This document seeks to update the GEF Council on the form and shape of the Public Private Partnership Initiative (PPP) – re-named to enhance its visibility to the public and the private sector as the “GEF Earth Fund”. In June 2006, the Council, having reviewed the *GEF Strategy to Enhance Engagement with the Private Sector*, supported the further development of its proposal to enhance financing through a public-private sector partnership, including clear information on its management and decision making and rules to avoid conflicts of interest. An operational road map for implementation of the *GEF Public Private Partnership Initiative (PPP)* was subsequently proposed to and approved by the Council in June 2007. The information contained in this Update will cover relevant implementation details and address comments raised by Council Members in response to the June 2007 PPP roadmap. All GEF-eligible Agencies will be able to submit proposals to the GEF Council for approval of a Platform under the GEF Earth Fund. In addition, NGOs and foundations with fiduciary standards that meet GEF requirements will be allowed to propose Platforms, which will then be reviewed by GEF Sec, the Earth Fund Board and then approved by the GEF Council. It is important to note that there will be three levels to the GEF Earth Fund. The GEF Earth Fund will be the umbrella program, Platforms within the Fund will be managed by individual GEF-eligible Agencies, and each Agency managed Platform will have a portfolio of projects.

Purpose of the GEF Earth Fund

2. The purpose of the GEF Earth Fund is to leverage private sector funds, creativity and energy to generate global environmental benefits in a sustainable and cost-effective manner. Its Earth Fund could be a first step for the GEF to more systematically engage with the private sector, thereby reaching beyond its own limits and fostering innovation and opening new markets that would deliver environmental benefits.

Addressing GEF Council Comments

3. In June 2007, the *GEF Public Private Partnership Initiative (PPP)* was submitted into the GEF Work Program and was approved by the GEF Council. The GEF Council at that time had a number of comments, all of which are addressed in this updated document. Specifically, Council members had questions about the governance structure, leverage of GEF funds deployed and co-financing. This document outlines more

specifically the roles of the GEF Secretariat, the GEF Council, the GEF Earth Fund Board and the IFC in relation to the GEF Earth Fund. The role of the GEF Secretariat will be to have operational responsibility over the GEF Earth Fund; the GEF Council will have responsibility to approve all Platforms under the GEF Earth Fund; the GEF Earth Fund Board will provide strategic guidance on all aspects of the GEF Earth Fund; and the IFC will manage the trust fund of the GEF Earth Fund. In addition, the GEF Earth Fund will maintain a minimum leverage requirement of 1:3 (GEF funds: other sources), an improvement of the initial suggestion of 1:1, and will require significant co-financing from participants in projects developed and funded under the Platforms. Further detailed information on the GEF Earth Fund is included herein.

The GEF Earth Funds Operating Procedures

4. In order to create the efficiency and flexibility needed to engage with the private sector, and in order to attract the best co-sponsors and private sector partners, the GEF Earth Fund will employ a streamlined approval process for the approval of Platforms in the Earth Fund. All Platforms (ie: a request for funding for a specific program submitted by an Agency) under the GEF Earth Fund will be reviewed and screened by the GEF Secretariat for a) consistency with GEF strategic objectives and strategic programs, b) comparative advantage of the GEF Agency submitting the Platform proposal, c) estimated costs of project, including expected leverage and co-financing, and d) milestones and objectives of the Platform. With the exception of the first Platform, submitted with this document, all Platforms will require a recommendation from the Earth Fund Board that will be established to provide strategic guidance to the GEF Earth Fund. The Earth Fund Board's recommendation is to be included with submission to the GEF Council. The GEF Council will approve Platforms by circulation on a no-objection basis. Once approved by circulation, and once a full Platform document is prepared, the GEF CEO will endorse the establishment of all Platforms under the Earth Fund. Funding available for the support of private sector projects under the GEF Earth Fund will not be subject to the GEF resource allocation framework, and will not require focal point endorsement from the country where the projects will be located. The Earth Fund Platforms will seek to achieve an overall leverage ratio that will be at least as attractive as the current GEF portfolio, and therefore will strive to achieve a higher leverage ratio on projects within each platform.

Detailed Operational Arrangements

5. The GEF Earth Fund will be established with clear governance rules and operating procedures. The IBRD will act as Implementing Agency, and IFC will act as the Executing Agency. The IFC has been chosen to manage the GEF Earth Fund Trust Fund, and to implement the first Platform under the Earth Fund. The IFC has been identified due to its extensive experience with the GEF and due to its long-standing practice of systematically investing in innovative private sector led projects that increase firm value while delivering environmental or social benefits.

6. Agencies proposing Platforms for consideration under the GEF Earth Fund will coordinate with the GEF Secretariat in its role as managing the operations of the GEF Earth Fund prior to submission to the Council for approval. All Platforms proposals will be submitted to the Council for approval via a streamlined process.

7. In addition to the IFC Platform mentioned herein and detailed in the IFC Earth Fund Platform document, three additional platforms are already anticipated: A UNEP Platform for risk management, a World Bank Platform on exploring alternatives to DDT and malaria, and a UNDP Platform for the payment of ecosystem services in the context of cocoa supply chains.

8. IFC will have multiple roles in the GEF Earth Fund operational arrangements: Executing Agency, Earth Fund Management and Administration and the Piloting of the first Earth Fund Platform.

i. IFC will act as the Executing Agency of the Earth Fund.

ii. Earth Fund Trustee Management and Administration. IFC will manage the GEF Earth Fund, as directed by the Council and GEF CEO. In this role, the Trustee Management & Administration team at IFC would support the administration of the trust fund established for the Earth Fund, including executing grant agreements with Agencies approved for Platforms, managing donor agreements to the Earth Fund, and general administration of the GEF Earth Fund trust fund. Ex officio, IFC would be a member of the Earth Fund Board.

iii. Earth Fund Platform Manager. IFC will pilot the implementation of the first of several platforms/programs (“the IFC Earth Fund Platform”) and, in setting up and implementing the platform, IFC would also devise and test operational procedures and policies that could then subsequently be used by other GEF implementing agencies when they take on the implementation of their own Earth Fund Platform.

9. *IFC’s Earth Fund Management and Platform Team.* IFC will set up a team and retain staff appropriate to fulfill its obligations for implementing its Platform and for managing the GEF Earth Fund trust fund.

Guiding principles for the activities of the GEF Earth Fund

10. *GEF Earth Fund Platforms/Programs.* The Earth Fund will be managed based on the concept of “platforms” or “programs” under which a portfolio of individual projects will be managed. The portfolio of projects within each Platform will always be aligned with GEF Operational Programs, and projects within each Platform will seek to address specific environmental challenges or seek to leverage particular business models or financial instruments with the goal of producing environmental benefits. The GEF Council will take the decision on both establishing a platform and on allocating funds for its implementation to one or more interested agency/agencies, based on its/their

comparative advantage and on their own allocation of funds for a particular platform. The Council will also establish criteria for the minimum co-financing required for agencies to be eligible for allocations from the GEF Earth Fund. All Platforms will be approved by the GEF Council. The Council will also establish a GEF Earth Fund Board (the “Board”) to provide strategic guidance to the Platforms and to the GEF Council. The Board will provide an annual report to the Council on the activities of the Platforms under the GEF Earth Fund.

11. *Commercially Viable Business Models.* The Earth Fund is a new mechanism set up by the GEF to better leverage private sector funds to deliver on its mandate. Examples for market barriers, in terms of regulatory or knowledge limitations, exist that currently prevent the private sector from implementing otherwise commercially viable business models to achieve such objectives. Agencies implementing a GEF Earth Fund Platform, while addressing such barriers, would be expected to carefully screen their activities and adjust their financial instruments to ensure a focus on fostering the emergence of eventually commercially viable business models. Earth Fund investments should encourage – and not crowd out - private sector investment. The goal is not to subsidize technology development or capital costs, but rather to have Earth Fund funds play a catalytic role. All GEF principles including the incremental reasoning and eligibility criteria will be applied.

12. *Principles for financing individual projects.* Agencies managing GEF Earth Fund Platforms may use the resources allocated to their platform/program to finance individual projects that fit with the platform’s thematic or operational focus and requirements. Operational procedures about how projects within an Agency’s Platform will be approved will be detailed in the Platform document submitted to the GEF Council for approval. For the IFC Platform, the GEF Secretariat will assist in reviewing projects by attending in the Investment Review Committee established by the IFC for this purpose. The GEF Earth Fund will be in conformance with the GEF strategy for non-grant instruments, and will include for example: convertible grants, loans, guarantees, equity, and incentive prizes. The GEF Earth Fund will also employ grant funding for technical assistance, capacity building, implementation costs and knowledge management. In addition, the Earth Fund may include the development of a venture capital investment fund with a focus that is in line with GEF strategic and operational priorities. The development of a venture capital fund can be in the form of a project within a Platform, or as a Platform itself. Venture capital funds developed under the Earth Fund should be carefully implemented and managed by professionals in the field. Project costs may include capital expenditure, working capital requirements, costs for implementation of projects, and expenses related to procurement of goods and services. Individual projects under Platforms will achieve a minimum leverage for GEF funds of 1:3 (GEF: other funding). All Earth Fund Platform managers will be encouraged to achieve higher leverage ratios for individual projects, and on the portfolio of projects under each Platform as a whole.

13. *Reflows:* Financial reflows that may incur from any individual Platforms or projects would flow back to the GEF Earth Fund program be re-invested for the benefit of existing Platform or new Platforms to be developed.

14. *GEF Earth Fund Prizes.* Incentive/inducement prizes were suggested in the June 2007 Council document as a means to catalyze the development of transformative and breakthrough technologies and solutions to global environmental challenges facing developing countries. This may be one of the tools used by the GEF Earth Fund to catalyze private sector engagement in these issues. More specifically, Earth Fund resources may be utilized to provide financing to (a) develop rules for prize competitions accessible to all, (b) attract other donors as prize sponsors, (c) enable competitors from developing country actors (including inventors, research centers, universities, SMEs and corporations) to participate in the competition (d) funding prize purses, and (e) work through GEF Earth Fund Platforms/Programs to support future demonstration projects and potentially advanced market commitments for successful entrants into the competitions. The Earth Fund will seek to minimize any direct support for research-only oriented activities associated with prize competitions, but recognizes that the outcome of any of these competitions may be a technology(ies) with little experience. Follow-on support of these technologies will be determined at the conclusion of a prize competition, and there will be no guarantee of support prior to a competition's conclusion. Any prize competition format developed should be designed so as to attract private sector investment capital by providing specific risk mitigation strategies and outreach opportunities. Prizes will be developed and associated with Platforms/Programs as a distinct project within that Platform.

15. *Monitoring and Evaluation.* M&E plans will be established as an integral component of each platform, prior to approval, and will be incorporated in documents prepared for Council approval. Agencies will be responsible for conducting M&E activities for their specific Platforms, and may draw on IFC experience in tracking complex private sector project performance and outcomes. Key indicators will include: measurable environmental benefits (e.g. reduction in GHG, area of land brought under restricted use); the financial performance of projects; instances of project replication by the private sector.

16. *GEF Earth Fund Platform Implementing Partners.* GEF Agencies as well as NGOs and foundations with fiduciary standards that meet GEF requirements will be allowed to propose Platforms, which will then be reviewed by the GEF Sec, the Earth Fund Board and then approved by the GEF Council. Implementing partners will screen, decide on, manage, supervise, and evaluate projects based on common operational policies and principles identified in the Platform proposals and approved by the Council. All other implementing arrangements (e.g. staffing, oversight etc.) will be up to the GEF agencies' own discretion and in-house policies and guidelines. As a general principle, the operational integrity of the Implementing Partners should be maintained, limiting the involvement of the Earth Fund Management Team and Board to strategy, policies and procedures, beyond individual projects. GEF agencies may expand their Earth Fund Platform activities based on their own resources or resources sought from elsewhere as they see fit. On an annual basis, Platform Implementing Partners will provide to the Earth Fund Board an annual report on their activities and the performance of their projects. The Earth Fund Management Team will assist the Implementing Partners, as appropriate, by discussing ideas for new activities, supporting resource mobilization, and

promoting linkages and learning between projects that may be financed by other platforms within the Earth Fund structure.

Funding

17. *Funding at the GEF Earth Fund Level:*

- i. *GEF Allocation.* The Council agreed in June 2007 to allocate \$50 million for the Public Private Partnership, now renamed the Earth Fund.
- ii. *Other Contributions:* All contributions to the Earth Fund at this level will be required to contribute 3% in fees to the Earth Fund Trust Fund Management.

18. *Funding at the Platform Level:*

- i. *Contributions from Agencies:* All agencies applying for managing an Earth Fund Platform would be required to commit to a contribution at the Platform level. The co-financing ratio that will be required will vary depending on market conditions for a particular platform's thematic area, or GEF Operational Program, and will be approved by Council when it approves the Platform.
- ii. *Other Contributions:* All Agencies managing a Platform under the GEF Earth Fund will be able to attract additional contributions at the Platform level for support of projects within the Platform.
- iii. *IFC Allocation.* With the submission of the GEF Earth Fund, the IFC will seek GEF approval to allocate an initial US\$30M to the IFC Earth Fund Platform, and the IFC will contribute \$10M at the IFC Earth Fund Platform level. All contributions to the IFC Earth Fund Platform that are managed by the IFC in its capacity as Trustee will be subject to a 3% fee to contribute to the costs incurred by IFC in its capacity as Trustee.

19. *Fees:* Fees associated with administering the Earth Fund are described later in this document in paragraph 35.

20. *Initial Funding Period:* Fees associated with the program have been budgeted to cover an initial funding period of five years.

GEF Earth Fund Partners

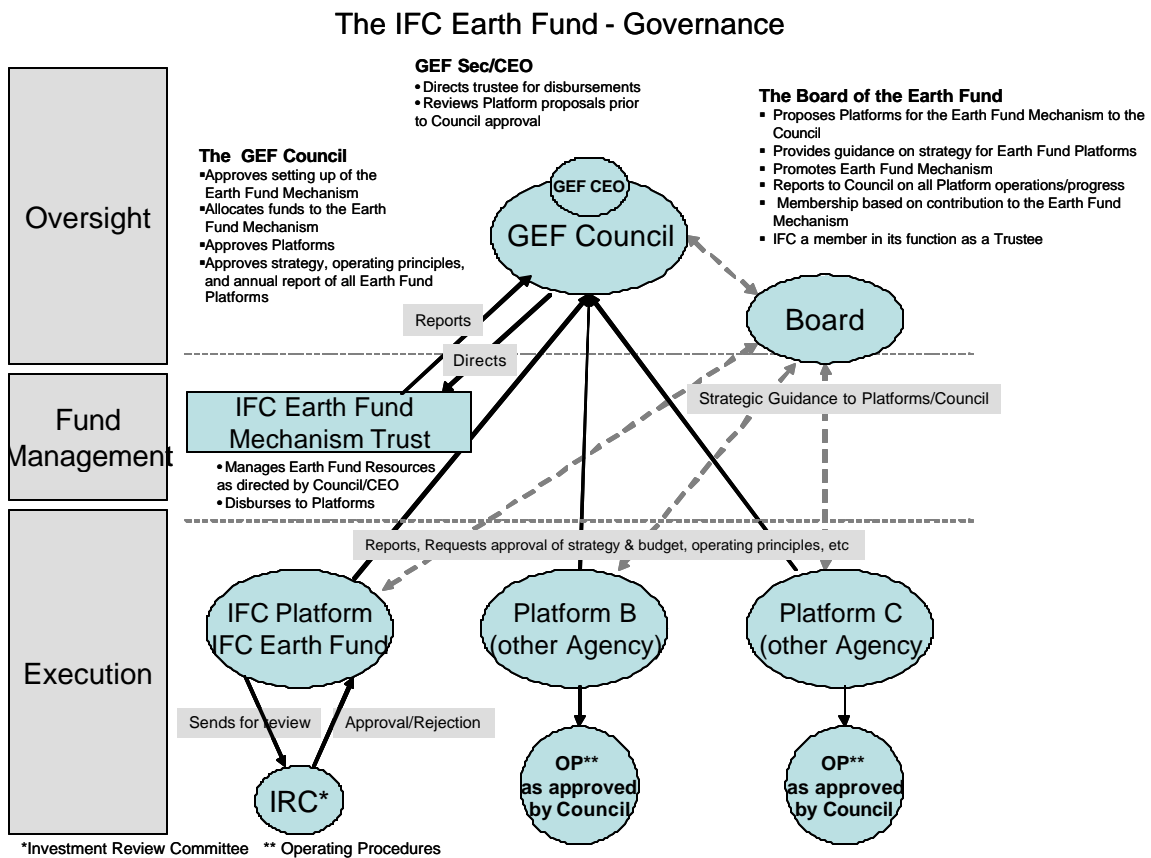
21. *GEF Earth Fund Sponsors.* The GEF Earth Fund will seek contributions, at the Earth Fund Level, from interested agencies and organizations that wish to avail themselves of the Earth Fund's ability to allocate, manage and evaluate activities designed to leverage private sector initiative for the delivery of environmental benefits. While contributions of all sizes will be accepted. Individuals, Agencies and other interested parties bringing the most significant contribution will be invited to become a member of the GEF Earth Fund's Board, shaping strategy and directions going forward.

22. *GEF Earth Fund Platform Agencies.* GEF Earth Fund Platforms will be implemented by GEF agencies approved by the Council, based on their comparative advantages, thematic connection to the platform topic, and their willingness to contribute financing to the platform. It is expected that the Council would require, at the platform level, implementing agencies to contribute their own resources in a ratio to be determined for each platform (Agency and other resources: GEF resources).

23. *Other Partners.* The GEF Earth Fund Board may include other partners throughout the evolution of the Fund. The GEF Council will be asked to approve the purpose of such partnerships and the general principles for establishing them.

Governance

24. The governance structure proposed seeks to clearly separate roles for oversight, fund management and administration, and execution/implementation.



25. *The GEF Council.* The role of the GEF Council would be to:
- i. approve the establishment of the Earth Fund, its financial allocations, its governance structure and operating procedures;
 - ii. approve of Earth Fund Platforms and their corresponding funding allocations;

- iii. approve the annual report on the GEF Earth Fund activities;
- iv. ensure that the activities of the platforms and projects are monitored and evaluated on a regular basis in accordance with the GEF's monitoring and evaluation policy; request as appropriate external audits and financial reviews of Earth Fund accounts

26. *The GEF Earth Fund Board.* The Board will meet at least once a year and will:

- i. provide guidance on strategy, reports, and operational and financial processes and policies for all platforms;
- ii. make recommendations to the Council for all new Platforms developed under the Earth Fund;
- iii. receive suggestions from NGOs, private sector and other interested parties with regard to strategy, platform/program suggestions or other matters, provide guidance on platforms/programs submitted by GEF eligible agencies;
- iv. provide guidance on reporting requirements for all platforms funded by the Earth Fund, and approve an annual report to the GEF Council and other partners on the Earth Fund activities prepared by the GEF Earth Fund Management & Administration Team;
- v. advocate the Earth Fund partnership, review the availability of resources and seek to mobilize financial resources;

27. *Membership of the Board.* The GEF Earth Fund Board will be comprised of (a) the GEF CEO as Chairperson, (b) individuals representing organizations who have made a significant contribution to the Earth Fund; (c) individuals with a particular reputation for thematic excellence or influence on topics relevant to the Fund's purpose, and (d) IFC as an ex officio member. It is anticipated that the Board will comprise between 8-16 members over time. Nominations to the Board will be proposed by one of the existing Board members and will have to be approved by all others. GEF Council members and representatives of GEF Agencies will be invited to observe in Board meetings. Earth Fund Board members may serve for two year terms. By default, the Board will take decisions by consensus. The IFC representative will sit on the Board as an ex officio member, due to its specific responsibility as trustee of the Earth Fund, and without the capacity to affect the recommendation of another agencies' platform.

28. *Role of the GEF Secretariat.* The GEF Secretariat will establish the overall procedures for the GEF Earth Fund. In its responsibilities for managing the GEF Earth Fund, the GEF Secretariat will service the Council and the Earth Fund Board. In addition to its role reviewing Platforms on behalf of the GEF, the GEF Secretariat, will (a) prepare the annual report of the Earth Fund, including compiling the consolidated report on the Fund's activities, performance, and lessons, including details of the Platforms' activities, status of implementation, funding allocations for the previous period and costs incurred to administer the Earth Fund (with assistance from IFC), pipeline of new

Platforms/projects and any other pertinent information (b) manage a comprehensive database of the Earth Fund activities, knowledge management system, results measurement system and learning program, (c) liaise with GEF-eligible Agencies for Platform development, (d) promote the Fund's availability and attractiveness to its partners and sponsors, (e) manage external relations and collaborate with the IFC to ensure the latter receives all information necessary to carry out its responsibilities managing the Earth Fund Trust Fund, and (f) perform any other functions which arise as required by the Council in relation to the GEF Earth Fund.

Fund Management and Administration

29. The IFC, in its capacity as executing agency of the Earth Fund, will act as the manager of the Trust Fund for the Earth Fund Program. In this capacity it will perform a number of functions related to the management of the GEF Earth Fund, including (a) administering funds to Platforms developed and implemented by GEF eligible agencies, (b) having fiduciary responsibility to the GEF Council and the GEF Trustee (via IBRD) for the use of funds including providing an annual report on the use of funds under the Earth Fund, (c) create and maintain separate trust funds as required to manage external contributions to the Earth Fund¹.

30. In its role managing the Earth Fund Trust Fund, the IFC will be responsible for all assets in the Earth Fund Trust Fund as directed by the GEF Council and will perform the following services and functions each of which will incur costs

- i. Financial Management: collecting, holding and managing GEF and other donor contributions to the Earth Fund, managing commitments and cash transfers to Agencies approved by the GEF Council for Platform management, keeping track of reflows from the various Platforms, cash flow management, financial risk management, and provision of financial and operational controls. Further, it will be responsible for managing any additional income earned from interest on the trust fund accounts for the Earth Fund will be credited to the fund.
- ii. Accounting and financial reporting: maintenance of accounting records and financial data, preparation of annual reports.
- iii. Legal services: the provision of legal services related to trust fund administration, including preparation, negotiation and revision of legal documents for each donor to the Earth Fund; preparation, negotiation and revision of grant agreements for each approved Agency approved by the GEF Council to manage an Earth Fund Platform; advice of the policies that affect the operation of the Trust Fund to ensure compliance with governing documents and other agreements; participation in meetings with the GEF Earth Fund Board and GEF Council as required.

¹ While the IFC will manage the Earth Fund Trust Fund, its fiduciary responsibilities will be subject to and limited by the IBRD memo, "The World Bank's Accountability to the Global Environment Facility (GEF) Council under the GEF "Expanded Opportunities for Executing Agencies" Policy", dated October 27, 2000.

- iv. Systems and infrastructure: provision of infrastructure and general operations costs, including system maintenance, officer overhead, equipment, supplies and communications.

31. *Accounting and Financial Reporting:* Due to the unique nature of this structure, the IFC will facilitate its responsibilities for financial reporting through IBRD and the World Bank GEF Coordinating Unit. The IFC will submit annual reports to the World Bank GEF Coordinating Unit, the Earth Fund Board and the GEF Trustee on the financial status of the Earth Fund.

Execution

32. All Platforms developed under the Earth Fund will be approved by the Council by circulation, on a “no-objection” basis². Proposals for Platforms will include an outline of operational procedures to be employed, including procedures that the Agency will use to screen, review, appraise and approve projects within a Platform. Once approved and established Platforms will be managed by the sponsoring Agency. That Agency will be responsible for managing all investments within its Platform in accordance with the Operational Procedures (including approval procedures for projects, implementation of projects and supervision) included with its application to Council for a Platform, and approved by the Council.

33. The IFC will pilot the first Platform under the Earth Fund, and will employ its rigorous policies and procedures for project screening, review, appraisal and approval. The GEF Council may suggest that other Agencies utilize the IFC’s framework for project review and approval for other Platforms if necessary, taking into account the Agencies’ own procedures for approving investments.

34. *Conflict of Interest:* The Board will recommend a conflict of interest policy that is consistent with current IFC and IBRD policies on conflicts of interest. All conflict of interest issues will be dealt with in accordance with the Board’s policies and procedures on the matter, and in the case of uncertainty, IFC, as Earth Fund Trust Fund Manager will receive legal advice from in-house counsel on the matter. All agencies tasked with managing a Platform under the Earth Fund will be bound by the policies adopted by the Board.

Operational Road Map

35. *Establishing the Earth Fund Management Team and the Earth Fund IFC Platform (Pilot) in IFC.* IFC will establish, within its Environmental and Social Development Department (CES) a team tasked with managing the GEF Earth Fund Trust Fund, and with the implementation of the IFC Earth Fund Platform. This team will include a Earth Fund Trust Fund manager, an Earth Fund Platform manager, support

² Circulation to Council will be for 30 days.

from M&E and Knowledge Management group within the department, and support from the resource management team.

36. The GEF Earth Fund Officer: The GEF Earth Fund Officer will be part of the GEF Secretariat as part of its administrative staff, and will assist the GEF CEO in his/her duties related to accountability to the GEF Council, including screening projects and screening Platforms for GEF Council approval. S/he will also represent the GEF Secretariat/GEF CEO on the Investment Review Committee under the IFC Platform. In addition, the GEF Earth Fund Officer will, (a) preparing the annual report with assistance from IFC for the Board and the Council, (b) consolidating reports from the Platforms, (c) assist IFC with the knowledge management function, (d) liaise with GEF-eligible Agencies for Platform development, (e) assist in the coordination with GEF Council for approval of Platforms (f) coordinate monitoring and evaluation (M&E) requirements for Platforms developed under the Earth Fund, (g) perform outreach and other activities for the purpose of securing additional contributions to the Earth Fund, and (h) any other functions which arise as required.

37. Use of Resources: The disbursement of Earth Fund funds under the IFC piloted Earth Fund will be made in accordance with the policies, procedures and accounting principals of the IFC. All procurement for the administration of these funds will be in accordance with the IFC Guidelines on the matter.

Fees

38. *Allocation for Fees:* The GEF will allocate 12% in addition to the \$50M to cover fees required to administer the Earth Fund Trust Fund, and for Platform management. These fees shall be used as followed, and may be reviewed periodically by the Council:

- i. *Administrative and Management Fees.* A fee of 3% will be levied on all contributions to the Earth Fund, including the GEF Contribution, to cover the administration and management of the Earth Fund Trust Fund. These fees will be used to fund activities performed by the IFC identified in paragraph 27 of this document.
- ii. *Agency Fees:* All Agencies managing a Platform under the Earth Fund will receive 9% for implementation of the portfolio of projects within its Platform. Funds allocated for Platform management will be distributed pro-rata as the Council approves funding allocations for each new Platform.

Project Cycle

39. Each Agency, NGO or foundation wishing to make proposals for Platforms under the GEF Earth Fund can do so through a streamlined project cycle that has been established to be more responsive to the needs of the private sector. The GEF Secretariat will facilitate the approval of proposed platforms, and the GEF Council will approve Platforms by circulation on a 30-day, no objection basis.

40. Each Agency, NGO or foundation wishing to make proposals for Platforms under the GEF Earth Fund will be required to submit an Earth Fund Platform Identification Form (“EF PIF”) and program/project document which will include at least the following information:

- i. rationale, nature, characteristics of the platform and expected activities;
- ii. amount of GEF Earth Fund resources being approved for the platform;
- iii. utilization period, with a clear end date;
- iv. agency/ agencies in charge of the platforms and other agencies involved;
- v. eligibility criteria for subprojects or subcomponents;
- vi. expected outputs and outcomes;
- vii. co-financing arrangements;
- viii. fiduciary oversight arrangements and safeguard procedures and frameworks;
- ix. disbursement and implementation plans; and
- x. general monitoring and evaluation arrangements.

Below is the proposed Platform Approval Cycle under the GEF Earth Fund:

41.

GEF Earth Fund Platform Approval Cycle

