



**GLOBAL ENVIRONMENT FACILITY**  
INVESTING IN OUR PLANET

GEF/C.57/06  
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57<sup>th</sup> GEF Council Meeting  
December 17 - 19, 2019  
Washington, D.C.

Agenda Item 07

## **GEF'S PRIVATE SECTOR ENGAGEMENT STRATEGY**

**Recommended Council Decision**

The Council, having considered Document GEF/C.57/06, *GEF's Private Sector Engagement Strategy*, endorses the Private Sector Engagement Strategy. The Council requests the GEF Secretariat to report periodically on its implementation. The Council extends its appreciation to the Private Sector Advisory Group (PSAG) and invites it to continue dispensing its duties, as approved by the Council in Document GEF/C.54/13/Rev.01, until the end of the GEF-7 replenishment cycle.

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## SECTION 1: INTRODUCTION

1. Participants to the GEF-7 replenishment requested that the GEF Secretariat present for Council consideration a proposal for a strategy on private sector engagement (GEF/R.7/18, GEF-7 Replenishment Policy Recommendations). To support the GEF Secretariat in the development of the Private Sector Engagement Strategy (PSES), the Council, at its 54<sup>th</sup> meeting, recommended the formation of a Private Sector Advisory Group (PSAG), which was empaneled and convened during 2019 according to the Terms of Reference approved by Council in Da Nang, Viet Nam, 26 June 2018.

2. The call for a PSES for GEF-7 originated with the GEF-7 Programming Directions that identified two pillars for private sector engagement with the aim to:

- (a) Expand the use of blended finance (non-grant instruments);
- (b) Mobilize the private sector as an agent for market transformation.

3. This PSES focuses on pillar two, addressing the transformative shifts needed across the major economic systems documented in the GEF-7 Programming Directions and identifies actions that support the delivery of GEF's overall mission and operational efficiencies when dealing with the private sector.

4. The PSES aims to develop the rationale for a more productive approach to private sector engagement, underpinned by GEF Secretariat coordination support. The GEF PSES seeks to capture private sector leadership to support the GEF Partnership and its networks, so that the private sector becomes mainstreamed in to the GEF's work. The PSES has three core elements:

- (a) Working strategically with multi-stakeholder platforms to achieve scale and impact;

Multi-stakeholder platforms for sustainability offer multiple benefits to the GEF to scale private sector partnerships and work comprehensively through value chains and private sector actors at all scales, rather than with individual companies or sectors.

- (b) Supporting multiple private sector entry points, throughout the GEF Partnership;  
The PSES supports a widened engagement approach, recognizing that the GEF Secretariat, agencies and countries all have a role in fostering private public partnerships and providing multiple entry points for private sector engagement.

- (c) A systematic approach to crowding-in the private sector;

Integrating the private sector throughout GEF Partnership to create a more collaborative working space in which the private sector is engaged beyond a transactional level and can benefit from the suite of benefits that the GEF Partnership provides.

5. The GEF Secretariat will work to support the elements of private sector engagement through enhanced coordination and knowledge management in partnership with the GEF Agencies and countries.

6. The private sector is a broad and all-encompassing term, used to describe commercial activities outside of the direct control of governments. For the purposes of the GEF PSES, we seek to engage as broad a base as possible of private sector actors and to be inclusive and responsive to the range of private sector actors represented, and the specific contributions they offer to the GEF Partnership.

7. The PSES will help to facilitate ways to enhance value chain connectivity, to generate efficiencies and collaborative models that connect market demand signals of sustainable consumption with sustainable models of supply. This enhanced collaboration in the value chain will bring the most resources possible to project implementation and create the necessary linkage to the major global markets and address more directly the drivers of environmental degradation. The GEF Planet GOLD initiative, featured in case study 1, is an example of such an approach.

### **Case Study 1: The Value Chain Approach: GEF Planet GOLD**

The Global Environment Facility Programme: *Global Opportunities for Long-term Development of ASGM Sector* (“GEF Planet GOLD”) aims to eliminate mercury from the supply chain of gold produced from the artisanal and small-scale mining sector by:

- Supporting formalization, including the regulatory and policy environment,
- Piloting models for access to finance and investment for artisanal and small-scale miners and their communities,
- Facilitating access to formal gold supply chains, in partnership with gold buyers and industrial users
- Introducing and facilitating access to mercury-free technologies and best practices, emphasizing the benefits of more efficient, cleaner, non-mercury techniques.

Improving access to finance and investment for artisanal and small-scale gold miners (ASGM) is key to enabling their transition to mercury-free, sustainable practices. However, financial institutions and private investors are either unfamiliar with the sector or perceive it as very high risk, and thus formal finance is not typically available to miners. The planet GOLD program is engaging these private sector finance actors in each planet GOLD country where project teams are working with national sources of commercial finance (e.g. local private banks, national development banks, etc.) to educate them about ASGM, and to develop/modify financial products that could be tailored to fit the needs of miners. At the global level, the team is working to educate and attract private investors to the sector, since significant levels of investment will be needed to help some miners become fully sustainable.

The planet GOLD program is also working to improve access to formal markets for miners. The length of the value chain of the ASGM gold influences the price paid to the miners and increases the risks of illicit flows. The planet GOLD programme is working directly with gold refiners to shorten this value chain and improving direct access to international markets for the ASGM miners. Refiners have an appetite for ASGM gold; however, before the development of the planet GOLD programme, many considered the due diligence necessary an insurmountable barrier. Planet GOLD is contributing to removing this barrier through the development of programme-specific operational criteria that our beneficiaries will need to meet. Many refiners have expressed interest to work directly with the GEF and have even committed to buying the gold produced at the programme sites. The market for responsible ASGM gold exists but currently the demand often exceeds the amount of gold available, planet GOLD will contribute to increasing the sustainably produced volumes available.

8. In addition, the wider reach provided by working through value chains supports the engagement of a broader suite of enabling companies such as financial institutions, technology providers and research organizations. This wider engagement is essential to geographically scale out the learnings and benefits of GEF projects beyond project boundaries and catalyze action globally in regions where companies operate. Such value chain actors will be crucial to scalable replication and the proliferation of global environmental benefits well beyond the frontiers of funded projects.

9. The GEF PSES includes the provision to engage private foundations, dedicated funds and philanthropic entities which are working to support multi-stakeholder platforms where their goals and objectives are complementary to those of the GEF.

## **SECTION 2: HISTORY OF WORKING WITH THE PRIVATE SECTOR**

### **Findings from Reviews of GEF Private Sector Engagement**

10. As noted by the IEO, *“The GEF engages with a wide variety of private sector entities that vary in their industry focus, size, and approach to environmental issues using a mix of intervention models. The range extends from multinational corporations; through large domestic firms and financial institutions; to micro, small, and medium enterprises and smallholders/individuals.<sup>1</sup> GEF investments involving the private sector have delivered higher co-financing, have balanced regional distribution, and address drivers of environmental degradation.”* OPS6 noted that one successful GEF intervention is the use of non-grant instruments to foster greater private sector engagement and attract private sector co-financing and noted GEF’s success in broadening those investments to include natural resources management. OPS6 also documented many of GEF’s experiences in creating or strengthening multi-stakeholder platforms and public private partnerships, including the Integrated Approach Pilots, Payments for Ecosystem Services, and GloBallast.

11. Despite these achievements, only 43% of respondents to the IEO’s survey agree that the GEF’s ability to engage the private sector is a comparative advantage, and also indicated a lack of awareness of GEF’s existing and past engagement in private sector partnerships and platforms, focusing instead only on accessing the private sector for financing.<sup>2</sup>

12. OPS6 provides substantiation of the structural challenges for private sector engagement in working with the GEF. Evidence from the report suggests that the STAR country allocation system has not proven amenable to fostering private sector involvement. Private sector investments only account for 16% of co-financing across the portfolio, making the STAR one constraint to greater private sector engagement.<sup>3</sup> Countries rarely choose to program their STAR allocations towards projects with private sector engagement. Hence, private sector engagement is sporadic and often not included in the processes that countries employ to establish priorities for GEF financing. A lack of knowledge and awareness on both sides is another contributing factor for unsatisfactory participation by the private sector in GEF operations. These factors, combined with a lack of entry points for private sector stakeholders at the global or national level has diminished private sector interest in the GEF over time.

13. The GEF has undertaken a series of reviews into its engagement with the private sector, these are listed in Annex 2. The reviews conclude that under STAR country allocations there is

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<sup>1</sup> GEF IEO (GEF Independent Evaluation Office) 2017, *Sixth Comprehensive Evaluation of the GEF (OPS6): The GEF in the Changing Environmental Finance Landscape*; and GEF/ME/C.52/Inf.04, *Evaluation of GEF’s Engagement with the Private Sector*

<sup>2</sup> Ibid

<sup>3</sup> Ibid.

great difficulty in building formative partnerships and investment with the private sector from the stages of project design and conception, therefore making subsequent engagement more challenging and reducing the scope of opportunity for the private sector. A key limitation is that the normal point of engagement with a GEF recipient country resides in the environment-related ministry, with other sectors (finance, agriculture, industry and transport, etc.) not being well represented in terms of priorities and funding ideas.

14. PSAG member consultation responses show that, while STAR country allocations have the potential to create opportunities for public-private partnerships, the awareness among the private sector of GEF investments is low and the engagement at the country, city or regional level, is far removed from where the strategic private sector decision-making and resourcing allocations are made. In the case of SMEs and small businesses, they are often overlooked and not consulted.

15. The results of consultations further reveal that support for the coordination of private sector engagement is essential to better enable the flow of information through companies at all levels of their operations, linking the need for resourcing in-country with strategic decision making and private sector planning. The GEF Secretariat will work throughout the GEF Partnership to support the coordination function.

16. The PSAG considered that the nature of the STAR country allocations was another barrier to meeting the overall objective of systemic transformation. The PSAG recommends that additional GEF resources be directed towards collaborative private sector activities where global environmental benefits can be further realized and which are beyond the reach of STAR country allocations in isolation.

### **The GEF Track Record of Working with the Private Sector**

17. It is noted that where GEF has engaged the private sector it has been primarily through Focal Area Set-asides, IW and CW financing (outside of STAR), and Programmatic Approaches which allow for easier program and project design with the private sector. Such examples are shown below in case study 2.

## Case Study 2: Examples of GEF Partnerships with the Private Sector

**The Commodities IAP Good Growth Partnership.** The GEF enlisted the support of major palm oil producers who have committed to “zero-deforestation” palm oil production, facilitating training and capacity building for smallholders that form the foundation of the supply chain. In Paraguay, McDonald’s has joined this initiative to support zero-deforestation beef production and in Brazil the soy traders are working to support verifiable sourcing initiatives.

**Leapfrogging Markets for Efficiency.** Major appliance and equipment manufacturers such as Philips, Osram, ABB, MABE are supporting the Sustainable Energy for All effort to accelerate energy efficiency and leapfrog developing markets to more efficient equipment. The GEF \$2 million investment facilitated co-financing of \$8.3M.

**The GloBallast Partnership.** The Maritime Trading Organization and major shippers committed voluntarily to an international regulatory framework which reduces the spread of invasive species through the Globallast Program, leading to formal adoption of the approach in the Ballast Water Management Convention (BWM) in 2017.

**Latin American Water Funds Partnership.** The GEF Latin American Water Funds Partnership is investing in nature-based solutions that supply water to 50 million people in Latin America and the Caribbean. The GEF \$5 million investment has facilitated co-financing of \$50.8 million.

18. The 2017 IEO review of private sector engagement across the GEF portfolio found that for every \$1 allocated from a GEF grant, there was \$8 leveraged in co-financing and that the trend through GEF-5 to GEF-6 showed strong growth in the total amount of co-financing and increasing leveraging ratios. This finding supports the case that further emphasis should be placed on building flexibility within GEF funding so that the GEF is able to respond to global challenges at the systemic level and leverage resources that would not otherwise be available.

19. Throughout GEF replenishment cycles, there has been varying degrees of engagement with the private sector. Typically, the engagement has been most noticeable on private sector finance through the use of blended finance (or non-grant instruments), meaning the use of GEF funding to leverage private capital that would otherwise not be available for GEF projects and programs. The GEF outreach to the private sector has mostly manifested itself through this narrow window, while broader collaboration and engagement with private sector players in projects seeking systemic transformation remained more challenging.

### Recognizing the Role of the Private Sector

20. There is an inherent tension in public-private partnerships, often with a view that the role of the private sector is to displace or substitute public funding with private funding. Such a view fails to recognize the unique role that the private sector plays as ‘doing what the public sector cannot and the opportunities presented through innovation, trade, finance and investment. The GEF PSES seeks to articulate the various roles that the private sector can play

in support of GEF objectives, particularly through the Impact Programs, in driving systemic changes.

21. There needs to be greater understanding of the roles of the private and the public sectors in the actions of delivery and the GEF Secretariat will work to support approaches that define where the public sectors and private sectors can best work collaboratively. Consultations with the PSAG show the capacities of the private sector above and beyond financial resources, include:

- (a) Innovation, expertise, and capabilities which businesses can bring through innovation and technologies; entrepreneurship; industry expertise; market-based solutions; distribution networks;
- (b) Investment capacity; and managerial and operational expertise, including risk-management;
- (c) The private sector's extensive networks and operations provide distribution channels to reach all value chain actors from SMEs to retailers and consumers;
- (d) The private sector's vast financial resources and expertise in market-based solutions that have the potential for achieving scale and sustainability in tackling systemic environmental challenges;
- (e) Extended investment horizons based on asset lifespans, typically in excess of 20 years, that can provide the foundation for durable partnerships beyond short-term GEF funding cycles;
- (f) Policy influence and the capability to deliver what in-country governments seek to achieve, such as improved service-delivery, resilience to climate change and human health gives businesses a strong, knowledgeable voice to inform policy that supports transparent, inclusive sustainable development.

### **SECTION 3: OPERATIONALIZING THE PRIVATE SECTOR ENGAGEMENT STRATEGY**

22. The GEF PSES is based on three core elements which seek to address the findings from the reviews (Annex 2) and the recommendations from the PSAG and IA consultations.

- (a) Working strategically with multi-stakeholder platforms to achieve scale and impact  
New multi-stakeholder platforms for sustainability offer multiple benefits to the GEF to scale private sector partnerships and work comprehensively through value chains rather than with individual companies or sectors.
- (b) Supporting multiple private sector entry points throughout the GEF Partnership  
The PSES supports a widened engagement approach, recognizing that the GEF Secretariat, Agencies and countries all have a role in fostering private public partnerships and providing multiple entry points for private sector engagement.

(c) A systematic approach to crowding-in the private sector

Integrating the private sector throughout GEF Partnership to create a more collaborative working space in which the private sector is engaged beyond a transactional level and can benefit from the suite of benefits that the GEF Partnership provides.

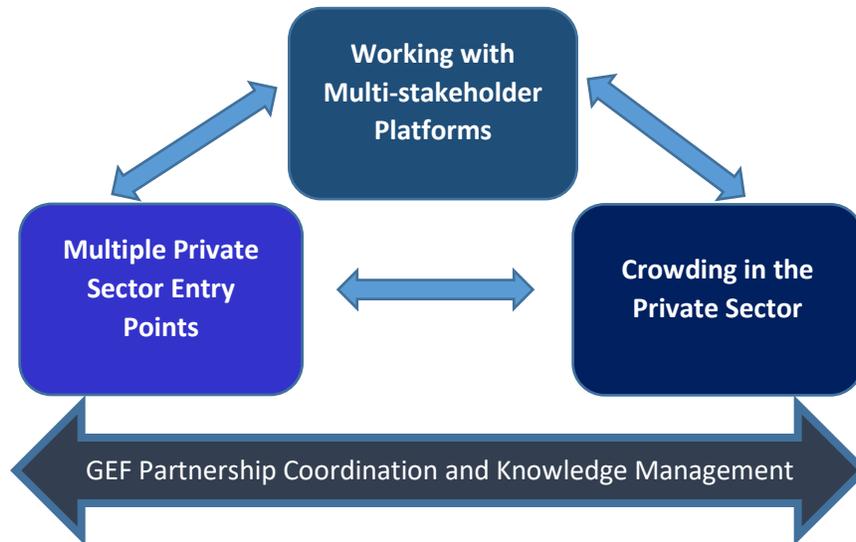


Diagram 1: A schematic of the PSES core elements.

23. The GEF Secretariat will work to support the elements of private sector engagement through enhanced coordination and knowledge management in partnership with GEF Agencies and countries. The elements of private sector engagement are mutually supportive as shown in diagram 1.

24. The GEF Secretariat will seek engagements with the private sector that build on the existing strengths of the GEF Partnership. From the perspective of the private sector, the PSAG noted that the strengths and advantages of working with the GEF are:

- (a) Strong in-country networks and relationships are a hallmark of the GEF and set the organization apart from other partners seeking to work with the private sector. GEF projects have evolved from multi-decade relationships with national and local governments, businesses, local community, and civil society that are useful to the private sector in making locally informed plans for market entry, collaboration, and co-investment;
- (b) The GEF offers a level of specificity that is extremely useful for private sector partners. Geographies are well-planned, the goals and performance metrics are well understood, and the funds targeted to meet them are transparently assigned;

- (c) Project funding is at a level with which the private sector can work effectively and lies within the investment parameters and timelines that are attractive to private sector partners;
- (d) GEF is recognized for its expertise and knowledge with diverse of capabilities across wide-ranging technical expertise across development and humanitarian sectors. GEF offers deep insight into the major and gender-sensitive understanding of developing markets and has market intelligence that can inform and shape private-sector investment;
- (e) Excellent reporting, high levels of transparency and robust monitoring and evaluation;
- (f) GEF supports policy and regulatory reform to support a conducive enabling environment that encourages fair and open competition, institutional reforms and the adoption of standards or jurisdictional approaches;
- (g) The GEF has credible convening power and strong capabilities in convening actors around business opportunities that address environmental challenges at the global to local level. GEF offers a neutral platform for actors to collaborate in addressing larger challenges that is sensitive to gender, human rights and indigenous peoples and communities.

25. The constraints and weaknesses of working with the GEF, and which will be addressed in the PSES, are summarized below:

- (a) Administrative processes are slow and complex;
- (b) Information is difficult to obtain, and there is little knowledge within the private sector of “where to start” when working with the GEF, especially through operational focal points;
- (c) A lack of private sector mindset exists within the GEF that does not account for the requirements of the private sector, notably multinationals who do not require finance but seek channels to investments and partnerships;
- (d) STAR country allocations do not create an environment from which private sector partnerships can be built from the ground-up with little or previously low levels of private sector participation.

**Element (a): Working with Multi-stakeholder Platforms to Drive Systemic Transformation**

26. Achieving the scale needed for systemic change is a challenge greater than that which can be achieved by any one company, sector or industry group. The markets for sustainably produced commodities, products and services, and the full suite of specific solutions from value chain actors engaged upstream to the level of their production must work under a shared and coordinated vision if meaningful and durable changes to economic systems can be achieved.

27. As noted in the GEF-7 Programming Directions *“Platforms are vitally needed to bring key actors, including businesses, together to encourage them to transition to sustainable business practices.”*

28. The governance structures and formats that multi-stakeholder platforms can take are quite diverse and their typology includes:

- (a) Majority private sector participation with rules governing membership and with the aim to align or harmonize policies, standards and practices of the private sector on complex issues in the pre-competitive environment. An example is the Soft Commodities Forum, established in 2017 to bring the largest global commodities traders together to address zero deforestation commodities sourcing and to develop harmonized methodologies for assessments. Further examples include commodity-based platforms such as the Round Table on Responsible Soy (RTRS) and the Roundtable on Sustainable Palm Oil (RSPO).
- (b) Initiatives that take the form of a ‘coordinated campaign.’ The RE 100<sup>4</sup> is a commitment from 100 companies to source 100 percent renewable energy and to formally disclose and communicate their progress through Carbon Disclosure Project (CDP). Now with over 247 members committed to renewable energy sourcing the focus is shifting to supporting the members with technical knowledge and support. The New York Declaration on Forests is another example of such a platform with over 200 endorsers: national governments, sub-national governments, multi-national companies, groups representing indigenous communities and non-government organizations.
- (c) Alliances or Coalitions. These platforms exhibit the traits of non-government organizations, are formally incorporated, have strong governance, are well funded through a diversity of sources and employ global staff teams. For example, the Platform for Accelerating the Circular Economy (PACE) was launched during the 2018 World Economic Forum annual meeting to drive public-private action and collaboration on the circular economy. PACE is co-chaired by Royal Philips and the GEF, with board representation from leading companies and champion countries. From 2019, the World Resources Institute will support the scale-up of PACE and establish an Action Hub in The Hague.

A further example is the Food and Land Use Coalition, whose core partners include the Alliance for a Green Revolution in Africa, The EAT Foundations, Global Alliance for Improved Nutrition, International Institute for Applied Systems Analysis, Sustainable Development Solutions Network, SYSTEMIQ, the World Business Council for Sustainable Development and the World Resources Institute.

- (d) Broad engagement platforms. These typically concentrate on knowledge-sharing and learnings on specific issues through large stakeholder networks. Such entities are often donor funding reliant and not membership fee based so that barriers to

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<sup>4</sup> <http://there100.org/> lists the partners and objectives of the Renewable Energy 100% sourcing commitment

participation are low. Examples include the Tropical Forest Alliance and the Global Landscapes Forum.

29. Multi-stakeholder platforms for sustainability provide the GEF with the opportunity to scale private sector partnerships vertically, comprehensively through value chains and horizontally, through landscapes, cities, countries and regions. This horizontal and vertical interconnectivity offered through platforms can extend the reach and influence of GEF funding well beyond specific geographies and bring a wider range of resources and solutions from all levels of the private sector.

30. The GEF can adopt various roles in working with platforms:

(a) As an initiator

Creating new projects and initiatives that have real commercial potential for upscaling and for transformation at a global scale. The GEF interventions could involve technical assistance, granting or blended finance. The GEF-6 Global Platform on Sustainable Cities demonstrates the GEF role as an initiator.

(b) As a catalyzer

Fostering existing projects and initiatives (platforms) that have demonstrated potential to scale up, out and deep. As a catalyst, the GEF could assist in providing additional resources and crowding-in additional private sector partners and to support larger scale project development as demonstrated through the Good Growth Partnership IAP.

(c) As a facilitator

GEF acts to support the conditions that can foster the creation of a forum, to bring together key parties, to reach into the public sector domain, build institutional capacity and leverage the GEF networks. Policy and regulatory support, provision of seed capital and capacity building would be examples of facilitator roles. The GEF's role in working with the Food and Land Use Coalition shows how the GEF can work in such a facilitatory capacity.

31. During the consultative process, the broad features and benefits of working with multi-stakeholder platforms were discussed and documented:

(a) Clear strategies and plans where platform members have a pre-defined set of commitments in support of MEAs, with science-based targets, budget allocations and objectives creating clear pathways for collaboration;

(b) Resourcing advantages where platforms employ or second staff which relieves the workload burden from participating company staff, from GEF Agencies and GEF Secretariat, whose ability to resource complex partnerships is limited, and therefore improves accountability, responsiveness and execution for GEF and partners;

- (c) Large-scale and geographic reach relevant to multiple GEF countries through one single entity, thus providing GEF with efficiencies and synergies;
- (d) Leadership through CEO endorsement and strong public commitments which brings shareholder, investor and public accountability;
- (e) Established governance structures and a pre-competitive environment to support collaboration within competition laws for companies that compete in the same market on price and for market share;
- (f) Platforms can de-risk reputational issues from GEF partnerships since any actions from a single company won't damage the reputation of a large multi-stakeholder platform, and the platform can often audit and disclose member performance and take sanctions for non-compliance;
- (g) Communications opportunities that can enhance the awareness of the GEF and its work into key audiences;
- (h) The opportunity to explore priorities at the systems level, understand trade-offs and develop harmonized industry approaches;
- (i) Enhances the opportunities for transformative leadership at the systemic level.

32. The GEF can assist multi-stakeholder platforms overcome the developmental challenge of moving from a shared vision to platform environmental goals and subsequently to actions on-the-ground in country. The GEF Partnership may support platform environmental target setting aligned with global, regional and jurisdictional plans and investment to complement the GEF STAR allocations.

33. The private sector's ability to influence policy and deliver what in-country governments seek to achieve, such as improved service-delivery, resilience to climate change and human health gives businesses a strong, knowledgeable voice to inform policy which is greatly enhanced when delivered in a uniform 'single voice of business' through platforms and not through individual companies or lobbying activities.

34. Drawing on PSAG advice and with stakeholder inputs, the GEF Secretariat will continue to identify platforms for key GEF sectors and focal areas in land-use, commodities production, biodiversity, conservation, cities, renewable and circular economy. Platforms will be mapped for their targets and goals, geographies and timeframes to determine best-fit partnerships and alliances for GEF investments.

#### **Element (b): Multiple Private Sector Entry Points Across the GEF Partnership**

35. The PSES underscores the roles of GEF Partnership and countries all have in collaboratively fostering private-public partnerships and providing multiple entry points for private sector engagement at all scales.

36. The IEO concluded that because of the complex nature of GEF projects, an *“assortment of intervention models is needed to address the various barriers to environmental protection.”* The different types of actors represented by the private sector, and the range of issues covered in the GEF programming, requires a range of interventions to address the challenges and opportunities.
37. The PSES is designed to be as inclusive as possible in enabling a range of collaborations with the private sector, taking into account the diversity of positive contributions that could be made from the level of strategy and policy to on-the-ground project implementation.
38. Currently, the GEF engagement with the private sector occurs in an ad hoc manner, without the support of coordination within the GEF Partnership or between the GEF Secretariat and the private sector. This aggravates the existing disconnect between private sector country project implementation, company regional leadership, engagements with SMEs, all the way to the corporate head offices, where major resource allocation and strategic engagement decisions are made.
39. Effective private sector engagement is amplified when the private sector functions of strategy and implementation within a company are aligned with their engagements throughout the GEF Partnership and communicated among the partners.
40. Coordination between the private sector entry points will be promoted through the PSES to facilitate the tracking of engagements over time, serving multiple functions including:
- (a) facilitate communication channels regarding the GEF processes and provide guidance as to private sector roles and support for GEF projects;
  - (b) disclose identified private sector priorities, results of platform mapping and project interests in order to match them with GEF country and focal area priorities;
  - (c) flag potential barriers to project implementation throughout the GEF Partnership community;
  - (d) centralize and share lessons learned from countries’ private sector partnerships across focal areas and GEF Partnership;
  - (e) supply more accurate project information in an effort to avoid replication or overlap of projects;
  - (f) allow for the private sector to research and support proposed projects or elements thereof that have not been approved or that are additional to GEF funding; and
  - (g) provide accurate and timely information for guidance documents, such as case studies.
41. The principle methods to strengthen coordination will be through:
- (a) Upstream Country Consultations which provide strategic guidance on GEF Programming for recipient countries and GEF partner agencies to gain a better and

more in-depth understanding of the Focal Area strategies and Impact Programs and their entry points for the private sector;

- (b) Country Support Program where a suite of activities and services promote the learning and dialogue among different GEF stakeholder groups, such as the GEF Focal Points, Convention Focal Points, Civil Society and GEF Agencies with the private sector;
- (c) Tailored private sector workshops aligned to the delivery of Focal Area strategies and Impact Programs, in partnership with GEF Agencies and linked to key fora such as Conferences of Parties;
- (d) Targeted strategic dialogues with broad regional relevance that can be delivered as part of the Extended Constituency Workshops either within the agenda or as a side event;
- (e) High level meetings and co-hosted events with senior private sector leadership and between the private sector and the GEF Agency senior leadership at fora such as the World Economic Forum, World Business Council for Sustainable Development, Consumer Goods Forum and the non-state actor events at each Rio Convention Conference of Parties.

#### **Element (c): Crowding-in the Private Sector**

42. Under the PSES, the GEF Secretariat will work to support the GEF Partnership to create a more collaborative working space in which the private sector is more deeply engaged beyond a transactional level and can benefit from the suite of benefits that the GEF Partnership provides.

43. A commonly cited barrier for private sector engagement is the lack of connectivity with the business community and low levels of knowledge about the GEF, its work and operational modalities. Crowding-in the private sector will therefore necessarily require concerted communications activities to raise awareness and interest in GEF partnership benefits.

44. Private and public sector engagement workshops will be strategically developed to support private sector engagement at the regional and country level. Regional and country private sector engagement will be supported through the National Dialogues (NDs) and Upstream Country Consultations which are ideally placed to serve this requirement and foster greater collaboration at the public sector institutional levels. In certain cases, Expanded Constituency Workshops (ECW) could also facilitate engagements through side events for the private sector.

45. Private sector supported projects and initiatives emerge from dialogues with companies, industry associations, expert groups, CSOs and policy institutions. Dialogues undertaken with the assistance of PSAG, help identify GEF's role in setting standards for industry, foster innovation and bring onboard key value chain stakeholders.

46. To foster such dialogue and create operational environments in which business can clearly see their role, and the benefits that can accrue to the private sector in achieving their non-economic goals, the GEF Partnership, with the help of PSAG members and supporting private sector organizations will:

- (a) Work together to identify companies and platforms that demonstrate alignment with GEF goals;
- (b) Direct private sector engagement through the coordination of efforts with the GEF partnership;
- (c) Undertake country and regional planning seminars aligned with the National Dialogues and Expanded Constituency Workshops of the Country Support Program;
- (d) Participate in the major business fora, showcasing examples of GEF work including at the World Economic Forum, World Business Council for Sustainable Development, Consumer Goods Forum and the non-state actor events at each Rio Convention Conference of Parties<sup>5</sup>.

47. As a part of the GEF Agency and GEF Secretariat joint activities, a series of expert training sessions would cover the issues related to establishing a pre-competitive environment in which business can effectively engage in dialogues, such as antitrust advice.

### **Continuous Development of the PSES**

48. The GEF Secretariat will report periodically on the PSES implementation, noting the key achievements and the range of activities undertaken.

49. The effectiveness of the PSES will be enhanced through the sustained support of the PSAG throughout the GEF-7 cycle, providing continuity to the GEF private sector engagement process and potential support for reviews and recommendations for the ongoing development of private sector engagement.

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<sup>5</sup> At the UNCCD CoP 14 in Delhi, the GEF co-hosted the business day with the Indian Chamber of Commerce and Industry, the World Business Council and the UNCCD Secretariat.

## **APPENDIX 1. THE PRIVATE SECTOR ADVISORY GROUP**

The Council approved on April 21, 2019 a decision to constitute a Private Sector Advisory Group.

The Council, at its 55<sup>th</sup> meeting in December 2019, and having reviewed document GEF/C.55/12, GEF-7 Non-Grant Instrument, requested that a new Private Sector Advisory Group (PSAG) be established to provide input and advice for GEF's Private Sector Engagement Strategy.

During 2019, the PSAG was convened with the broadest representation possible, and is comprised of twelve corporate leaders and their respective advisors, including from SMEs and the global South with experience in sectors most relevant to the delivery of the GEF-7 strategy.

The PSAG representatives span key sectors along the value chain, such as commodities production, trade, finance, retailers of the food and agriculture sector, infrastructure, energy and chemicals; natural resources management, consumer goods and tourism.

Under the TORs the PSAG will operate at least until the Private Sector Engagement Strategy is approved and the Council will assess whether the term of the Advisory Group should be extended.

Accordingly, the composition of the Private Sector Advisory Group is as follows:

- Ms. Andrea Alvares, Vice President of Marketing, Innovation and Sustainability, Natura; On behalf of Mr. Guilherme Leal, Co-Founder and Co-Chairman of the Board of Natura Cosmetics, Brazil. Sector: Natural resources, non-timber forest products other consumer goods.
- Mr. Yoshihiro Ikegawa, Managing Corporate Executive Officer of Mitsubishi Chemical Holdings Corporation, Japan; On behalf of the Chairperson, Mr. Yoshimitsu Kobayashi. Sector: Chemicals.
- Ms. Darian McBain, Global Director of Corporate Affairs and Sustainability, Thai Union Group, Thailand; On behalf of the CEO, Mr. Thiraphong Chansiri. Sector: Fisheries.
- Mr. Robert Metzke, Global Head of Sustainability of Royal Philips, Netherlands; On behalf of the CEO, Mr. Frans van Houten. Sector: Technology, Electronics and other consumer goods.
- Mr. Jeff Turner, Vice President for Corporate Sustainability of Royal DSM, Netherlands; on behalf of the CEO and Chairperson, Mr. Feike Sijbesma. Sector: Food and Nutrition.
- Ms. Helen Crowley, Head of Sustainable Sourcing and Innovation, Kering, France; On behalf of the CEO, Mr. François-Henri Pinault. Sector: Consumer goods, Jewelry, Natural resources.
- Mr. Kevin Rabinovitch, Global VP Sustainability, Mars Incorporated, USA; On behalf of the CEO, Mr. Grant Reid. Sector: Agriculture, Food, Natural Resources

- Mr. Christopher Stewart, Head of Corporate Responsibility and Sustainability of Olam International, Singapore; On behalf of the CEO, Mr. Sunny Verghese. Sector: Agriculture, Food, Natural Resources.
- Mr. Serge Rajaobelina, CEO of the Livelihoods Fund at Fanamby, Madagascar. Sector: Ecotourism, non-timber forest products, agriculture, natural resources – SME.
- Mr. Ajay Vir Jakhar, Chairman of Bharat Krishak Samaj, India. Sector: Agriculture, Food and nutrition – SME.
- Mr. Bey Soo Khiang, Vice-Chairman of Royal Golden Eagle (RGE), Indonesia; On behalf of the Chairman, Mr. Anderson Tanoto. Sector: Agriculture, Food and Nutrition.
- Mr. Ademola Adesina, CEO of Rensource Energy, Nigeria. Sector: Energy and cities.

## **APPENDIX 2. REFERENCE LIST OF PREVIOUS PRIVATE SECTOR STRATEGIES, REVIEWS AND REPORTS**

### REFERENCES

- GEF/C.6/Inf.4, Engaging the Private Sector (1996)
- GEF/C.7/12, GEF strategy for engaging the Private Sector (1996)
- GEF/C.13/Inf.5, Engaging the Private Sector in GEF Activities (1999)
- GEF/C.22/Inf.10, Enhancing GEF's Engagement with the Private Sector (2003)
- GEF/C.23/11, Principles for Engaging the Private Sector (2004)
- GEF/C.28/Inf. 4, Additional Information to Support the GEF Strategy to Enhance Engagement with the Private Sector (2006)
- GEF/C.28/14, GEF Strategy to Enhance Engagement with the Private Sector (2006)
- GEF/C.32/7, The Use of Non-grant Instruments in GEF Projects: Progress Report (2007)
- GEF/C.33/12, Operational Policies and Guidance for the use of Non-grant Instruments (2008)
- GEF/ME/C.39/2, Review of the Global Environment Facility Earth Fund (2010)
- GEF/ME/C.39/3, Management Response to GEF Earth Fund Review (2010)
- GEF/C.40/13, Strategy to Engage with the Private Sector (2011)
- GEFEO, Review of GEF Engagement with the Private Sector (2011)
- GEF/C.41/09/Rev.01, Revised Strategy for Enhancing Engagement with the Private Sector (2011)
- GEF/C.42/Inf.08, Operational Modalities for Public Private Partnership Programs (2012)
- GEF Evaluation Office OPS 5, Technical Document 13, Review of GEF Engagement with the Private Sector (2013)
- GCF/B.04/07, Business Model Framework: Private Sector Facility
- GEF/R.6/20/Rev.01, GEF-6 Programming Directions (2014)
- GEF/R.6/21, GEF-6 Policy Recommendations (2014)
- GEF/C.46/09, Co-financing Policy (2014)
- GEF/C.46/07/Rev.01, Summary of the Negotiations of the Sixth Replenishment of the GEF Trust Fund (2014)
- GEF/C.46/10, GEF 2020 – Strategy for the GEF (2014)
- IEO OPS6

### **APPENDIX 3. THE CREATION OF A PRE-COMPETITIVE ENVIRONMENT**

There are numerous corporate, legal and governance structures that are commonly represented within private sector value chains. They include:

- (a) Privately owned companies
- (b) Cooperatives
- (c) Publicly listed companies
- (d) Joint-ventures and partnerships
- (e) Sole traders, primary producers and artisans
- (f) Government owned business enterprises and state-owned companies

The PSES is intended to be relevant and inclusive across all business models and notes the individual circumstances, advantages and limitations that corporate structures may play in engaging companies and developing active partnerships.

A core concept in the support of crowding-in the private sector to enhance collaboration is the operational safe space for business provided through a pre-competitive environment.

Under the IPs, we expect that collaboration will engage competitors, buyers and suppliers in any given value chain and this gives rise to the consideration of anti-competitive behavior and appropriate mitigation measures. For effective collaboration, business must feel confident that the GEF understands and can manage throughout the GEF partnership, the importance and requirements of maintaining a pre-competitive space.

The private sector is governed in multiple jurisdictions under legislation and regulation designed to prevent controlling trusts or other monopolies, with the intention of promoting healthy competition in business for the benefit of consumers.

The GEF PSES will help to facilitate an operating environment for the private sector that is unequivocally in the pre-competitive space working across topics that are deemed to be in the general interest of non-financial goals and of global environmental benefit.

Through such facilitation, the GEF Secretariat and Agencies will work to ensure GEF partnerships and investments create a genuine public asset and not just a private one, do not distort market incentives, and do not unfairly favor selected firms<sup>6</sup>.

As part of the GEF private sector outreach and in the implementation of GEF supported projects, the GEF Secretariat and IAs need to be mindful of antitrust and competition law and avoid interventions may give rise to negative market distortions such as:

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<sup>6</sup> GEF/C.23/11, April 16, 2004 Principles for Engaging the Private Sector

- (a) Reinforcing the market power of some targeted companies at the expense of other firms;
- (b) Raising barriers to market entry, and reinforcing information asymmetries (For example, capacity building for companies to conduct activities with positive impacts on productivity can strengthen their market power in an environment that excludes local or smaller players);
- (c) Information asymmetries that can be reinforced if some companies gain access to information through project support, but others don't.

Working collaboratively with the GEF Agencies, the GEF Secretariat will mitigate against the potential negative private sector interventions through the following methods:

- (a) Be cognizant in project development and design against market distortions;
- (b) Crowd-in other commercial actors and use open, multi-stakeholder platforms;
- (c) Involve experts from legal firms and trade associations where issues may arise and to be informed in the developments of relevant competition laws;
- (d) Publish relevant information to the private sector openly and in a timely manner.

At the basic level, taking measures to ensure that as many eligible companies as possible are aware of engagement opportunities helps to prevent repeated benefits accruing to companies with a pre-existing relationship with donors and implementing agencies.

Ensuring transparency to at least partially offset the creation of a private asset such as a “first mover” advantage, e.g., by making the opportunity for direct engagement available to all firms even if ultimately only one is qualified; by providing publicly available information of best practices learned that would benefit all companies in future rather than remain the property of only one company.

Eligibility criteria in projects and initiatives may also be defined to allow for as wide a participation as possible, where a wider range of participation will minimize the distortions that may be created by long-term engagement with a single private sector partner.<sup>7</sup>

As such, the GEF Secretariat and IAs will maintain equal, open and collaborative relationships with the private sector and refrain from, and actively prevent the discussion of, antitrust related points such as:

- (a) Pricing
- (b) Changes to future capacity and supply

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<sup>7</sup> [https://cdn.enterprise-development.org/wp-content/uploads/DCED\\_Minimising-the-Risk-of-Market-Distortions-in-PSE\\_Practical-Framework.pdf](https://cdn.enterprise-development.org/wp-content/uploads/DCED_Minimising-the-Risk-of-Market-Distortions-in-PSE_Practical-Framework.pdf)

- (c) Intentions to enter or exit markets
- (d) Forecasts and future output

Specific guidance on antitrust and supporting a safe operating space for business can be provided through workshops and written reference documents such as templates to use for meetings with the private sector and strategies to stay in the pre-competitive space.

One of the many advantages of working with private sector platforms and multi-stakeholder initiatives is that they operate under agreements and constitutions with pre-determined governance and organize their work within a defined pre-competitive space which is well understood by the participants and often has direct legal oversight and specific guidance on topics.

As a subset of private sector engagement, project partnerships are characterized by more formal relationships (memorandum of understanding etc.) between parties and generally include higher levels of structure and obligation, including funding components<sup>8</sup>. It is the role of the implementing agencies to structure such project partnerships in accordance with their own policies and governance arrangements.

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<sup>8</sup> Commonwealth of Australia (2015), *“Creating shared value through partnership: Ministerial statement on engaging the private sector in aid and development”*, Department of Foreign Affairs and Trade, Canberra, <http://dfat.gov.au/about-us/publications/aid/Pages/creating-shared-value-through-partnership.aspx>