

SUMMARY OF CHAIR

The GEF Earth Fund Board

Wednesday April 8th, 2009

The meeting convened at 10.15 am in the GEF Secretariat offices. Three of the Board members (Mme Barbut, Claude Jouven and Zhang Yue) were physically in attendance, and Hassan Lamrani attended by videolink.

Agenda Item 1. Welcome and Introduction of the Participants

The meeting was opened by Ms. Monique Barbut, the CEO of the GEF Secretariat (GEF Sec) and the Chair of the GEF Earth Fund Board. Board members and observers were invited to introduce themselves and indicate their roles in their respective organizations.

The Chair observed that the GEF Earth Fund is currently at the pilot stage, and that there is a prospect of substantially increasing the size of the Fund as part of the GEF-5 replenishment.

Agenda Item 2. Adoption of Agenda

The contents of the Preliminary Agenda were noted. Board members were requested by the Chair to adopt the Preliminary Agenda, and did so.

The Board members were then asked to declare any financial interest which may relate to any item on the Preliminary Agenda, and indicated that there were no such interests to declare.

Agenda Item 3. Introduction to the GEF, its Governance and Key Stakeholders

The Chair provided a verbal description of the overall structure of the GEF, its governance and key stakeholders, and the GEF Sec.

The Chair directed that the last GEF activity report and the GEF Instrument be provided to the other Board members to assist in their familiarization with the GEF.

In response to a question on how to make sure that stakeholders do not compete with each other, the Chair noted that the GEF is a network organization and works in an inclusive way, however it operates in the real world and it is therefore naïve not to recognize competitive interests. In the case of agencies implementing GEF projects, there is a concept of “comparative advantage” which allows GEF Sec to better assess which agencies might be most suitable for certain GEF projects.

Agenda Item 4. Introductory Presentation on the GEF Earth Fund

A brief “Power point” presentation on the structure and operation of the GEF Earth Fund was made by GEF Sec staff.

The floor was then opened for discussion, and further explanation was provided on the Platform concept as an “envelope” for specific projects. A specific example was provided of a possible Platform for energy efficiency in buildings for illustration purposes.

The role of the Board in recommending the best Platforms for approval was discussed. The Chair noted that GEF Sec would expect to see comments from the Board within the 30 day period. She further noted that this of course does not mean that the Board has to wait the full 30 days, adding “the quicker we go the better”.

Agenda Item 5. The IFC Earth Fund Platform - Concept and Operation

A manager at the International Finance Corporation (IFC), a member of the World Bank Group (WBG), provided a brief verbal description of the role of her department within the IFC, and followed this with a brief verbal description of the IFC Earth Fund Platform, which is currently the only operational Platform of the GEF Earth Fund. \$30 million of core funding has already been approved by the Council from the GEF Earth Fund for the IFC Platform.

Regarding the Platform concept, the IFC representative indicated that the two main features on the conceptual side are (i) leveraging IFC’s existing advisory and investment activities, and (ii) a portfolio approach to managing the work. The importance of financial structuring was also stressed.

She indicated that in the first 100 days of operation, 5 projects were presented to the IFC Investment Review Committee (IRC) of which 3 were approved:

- Cleantech equity in China
- Energy efficiency in Indonesia
- Carbon tracking program

She also noted that there is typically a 4-8 week turnaround for review and approval, and that IRC meetings can be mobilized at short notice and comprise senior staff who have been screened for conflict of interest in relation to the projects being reviewed.

In response to requests for clarification on specific projects within the IFC Platform, she agreed to provide brief written descriptions (possibly 2 pages each) on the 3 approved projects so far.

Agenda Item 7. Other Proposed Platforms

The Chair determined that this agenda item was the logical follow-on to the previous item, and that Agenda item 6 should follow it.

A representative of the United Nations Environment Programme (UNEP) made a verbal presentation on a Platform proposal (summarized format for Board review)¹ titled “*Global Market Transformation for Efficient Lighting*”. \$5 million of core funding is being sought from the GEF Earth Fund for the UNEP Platform. She noted that the Platform would be managed by the Energy Branch of the UNEP Division of Technology, Industry and Economics based in Paris. She indicated how the criteria to assess suitability for Council approval (per Article 16 of the draft “charter” document referenced in Agenda Item 6) are

¹ A 7-page document was prepared by UNEP for the Board meeting, which was summarized from a document with the same title previously prepared by UNEP for GEF that exceeded 70 pages. A Platform document going for Council approval will be more detailed than the summary document prepared for the Board.

met, including reference to the fact that UNEP is one of the three original “Implementing Agencies” involved in establishing the GEF (along with the World Bank and the United Nations Development Programme) and is appropriately structured and managed to implement the Platform from a fiduciary standards perspective. She noted that signed letters evidencing co-financing commitments from Osram and Philips are already in place. No questions were asked by the Board members and no objection was raised by the Board members with regard to the proposed Platform. The Chair noted that phasing out incandescent lighting has been an important focus of GEF-4 and that this Platform proposal is very welcome.

A representative of Conservation International (CI) then made a verbal presentation on a Platform proposal (summarized format for Board review) titled "Conservation Agreement Private Partnership Platform." \$5 million of core funding is being sought from the GEF Earth Fund for the CI Platform. She indicated that the Platform would be implemented through two existing CI initiatives in complementary fashion, the Conservation Stewards Program providing incentives to local communities and landowners for biodiversity conservation, along with investments in small and medium sized enterprises for sourcing natural ingredients through Verde Ventures. The Platform proposes to develop an investment portfolio that benefits people, biodiversity, and business by reducing barriers and making conservation with local communities an attractive and sustainable investment for private sector. She indicated that benefits to private sector partners include proven social and environmental results that can be promoted as part of corporate commitments and traceable sustainable supply chains of natural products sourced from unique origins and the areas protected. No objection was raised by the Board members with regard to the proposed Platform. One question was asked by a Board member in relation to the way social impacts of projects will be measured in the proposed Platform, and a clarification was provided by the CI representative describing the socio-economic monitoring process they apply.

The Board members were then asked to begin a process of review of the two proposed Platforms with a view to providing a recommendation within 30 days on each of the new Platform proposals.

Agenda Item 6. Strategic Priorities, Governance and Operational Procedures of the GEF Earth Fund.

GEF Sec staff introduced the draft “charter” document “The GEF Earth Fund – Strategic Priorities, Governance and Operational Procedures”, noting that the descriptive text in relation to the role of the Trustee is currently being fine-tuned and will shortly be circulated to the Board for comment and inserted as “Annex B” to the document.

In response to a question which had been raised earlier by a Board member, the Chair described in her own words the role of the Board members. Their day to day work would be expected to include reading the project proposals sent to them, and bringing to bear their knowledge of private sector management at a senior level. They would not necessarily be expected to have detailed knowledge of the relevance of energy efficiency, for example, but would be expected to bring their business experience and knowledge of the private sector. Expertise is the key attribute. The Board provides strategic guidance. Although it is not really in a position to stop a proposal, comments from the Board (written in a more general way) will be attached to the submission by GEF Sec to the Council for approval of Platforms. Another important role of the Board will be to advise on the prioritization of suitable Platform proposals, since there will be more proposals than money, and there will be a need to organize the priorities and identify the best business cases.

A Board member raised a question regarding the purpose of the GEF Earth Fund as indicated in Article 3 of the document (specifically the language “*contribute to the achievement of global environmental benefits in a sustainable and cost-effective manner*”) and asked if social considerations are also relevant. After discussion, it was agreed that Article 3 would be amended to reflect the somewhat broader interpretation of the GEF mandate (“*assist in the promotion of the global environment and promote thereby environmentally sound and sustainable economic development*”) found in paragraph (a) of the Preamble to the GEF Instrument, and that a new draft of the “charter” document would then be prepared and circulated subsequent to the meeting.

Upon incorporation of the views of the Board, the “charter” document will be deemed to be adopted by the Board and can then be sent to the Council for approval.

An issue was raised by a Board member that they will be faced with different investors, some will be donors, some will want a partial return on their investment, and some will want full recovery with profit, and that it was not indicated in the papers how these different cases would be dealt with. The Chair responded that the co-financing requirement of three times the GEF contribution assumes no recovery. She cited an example of an energy efficiency project in Indonesia where IFC may provide financing to a bank to further support that bank’s energy efficiency lending program. In that example, the IFC would put together a financing package which could include a loan to the bank and a guarantee facility. The loan would have reflows associated with it, which could provide reflows back to the GEF Earth Fund. Reflows will come back to IFC in accordance with the agreement between it and the bank, and there will then be reflows back to the GEF Earth Fund via the fund administration of the GEF Earth Fund.

Agenda Item 8. Other Matters

The Chair indicated that GEF Sec is embarking on writing an update to the GEF Private Sector Strategy in conjunction with IFC, and that a draft of the strategy document will be provided to the Board members for their review and input based on their business expertise.

In closing, the Chair indicated that a report of the meeting will be provided to the Board members in short order, and then adjourned the meeting at 1 pm.