



GLOBAL
ENVIRONMENT
FACILITY

Investing in the Environmental Forefront

PPP



National Renewable Energy Laboratory

Public Private Partnership

Dear Potential Partner:

Environmental degradation is increasing at an unprecedented rate. Through human action the structure of the world's ecosystems changed more rapidly in the second half of the twentieth century than at any time in history, and today, across the globe we face enormous environmental challenges.

I am committed to the proposition that together the private and public sectors can play an irreplaceable role in creating much-needed environmental solutions to these challenges. Building on that idea, the GEF has created the PPP – a Public-Private Partnership which engages the private sector in investments to generate global environmental benefits, buying in at the leading edge of financial instruments and environmental technological innovation for developing countries.

Everyone stands to benefit from this partnership. The private sector can see new market opportunities as it overcomes early stage investment risk, increases supply chain security and reduces business disruption due to environmental risk. The public sector increases the impact of its policies through the leveraging effect of private sector resources and entrepreneurial approaches.

GEF is seeding the PPP with \$50 million, and has already attracted partners and initial co-financing of \$53 million toward our goal of \$200 million with additional partners.

Please join us at the forefront of environmental investment, and help catalyze solutions to global environmental challenges for the benefit of all.

Sincerely,
Monique Barbut
GEF CEO & Chairperson

What is the PPP?

The PPP is a strategic partnership between the Global Environment Facility (GEF) as the largest financier of environmental projects in the developing world, and aid agencies, civil society and the private sector to foster innovative technological and financial solutions to the most urgent global environmental challenges developing countries face today.

Investments in the PPP, augmented by GEF seed money, will fund programs based on opportunities identified with the private sector. Programs in this pilot initiative will be implemented by UN agencies and multilateral development banks, using innovative tools to catalyze path-breaking solutions to intractable problems in climate change, biodiversity, chemicals, international waters, and land degradation.

Why a public-private partnership?

While the private sector may be interested in funding environmental solutions in developing countries, unknown and uncertain market conditions in these countries present significant risks and barriers. Through the PPP the private sector can gain support to overcome development risk and ensure technology and resources are directed where they are needed most, and serve as a key driver of change.

This innovative approach is designed to:

- generate and leverage financial resources;
- design programs based on innovation and entrepreneurship; and
- provide incentives for the private sector to enter new areas and approaches.

How will it work?

The PPP resources will be managed by a Board composed of public and private sector representatives. The PPP Board will approve thematic programs and project concepts put forward by Steering Committees which will be set up to design and guide each thematic program. The Steering Committees will include implementing agencies, private sector representatives and other experts who will direct investment to developing country projects.

The GEF has allocated \$50 million to this initiative, which has already attracted partners and initial co-financing of \$53 million from the private sector, agencies and foundations. The private sector can also provide co-funding at the program level. Funding can benefit both public & private entities. The GEF intends to grow the fund to \$200 million with additional partners from multilateral and bilateral aid organizations, the private sector, foundations, and non-governmental organizations.

PPP Launch

On June 15, 2007, the GEF Council of representatives of its 178 member countries unanimously endorsed the PPP. The partnership launches with two innovative strategic tools to generate capital and direct investment for environmental solutions, supporting a series of unique and cutting-edge programs for which yet to be found workable solutions would have an enormous global environmental impact.

Tool 1: Capital for Prizes

Inducement prizes have spurred innovation for centuries; in today's world they have successfully catalyzed investment in aerospace and genomics.

Developing countries need innovative technological solutions to their environmental problems, but these come with significant market barriers and without profitable returns. Most investors are reluctant to commit capital in the face of such high-stake risks. The PPP overcomes these barriers by offering an inducement prize and capital to diverse global competitors to solve a clearly defined environmental problem, spurring private sector investment and entrepreneurial innovation. The prize competition will result in significant public visibility, increasing awareness and investment. The competition can also produce more than one viable technology, creating new markets.

Biofuels Prize

Challenge: Catalyze technological innovation to sustainably produce biofuels. Currently, significant investment capital is being directed to large scale production plants based on food crop inputs resulting in negative unintended consequences.

Solution: Apply the Capital for Prizes tool to encourage entrepreneurs to develop small-scale local second generation production systems for liquid transport fuel, using local biomass including invasive species, and supporting production on degraded lands. GEF can support feasibility and distribution studies and implementation plans to ensure the technology is available to developing countries.

Tool 2: Financial Product Development

Developing countries also need funding and insurance for environmental projects, but developing these financial instruments for developing markets is risky and costly. Most commercial financiers are reluctant to be first movers and take on such investment risk. The PPP offers a tool to mitigate these risks by providing grants for a portion of the development costs, reimbursed upon successful product launch. The Financial Product Tool will result in strategically directed and leveraged funding for crucial environmental solutions.

Clean Energy Finance

Challenge: Reduce barriers for financial institutions to develop new funds and insurance vehicles for investing in renewable energy and energy efficiency in developing countries.

Solution: Provide grants to financial institutions for a portion of these product development costs. Grants will be matched by the institutions' in-kind resources and reimbursed upon successful product launch, providing funds to seed additional products.

Programs

Example programs proposed include:

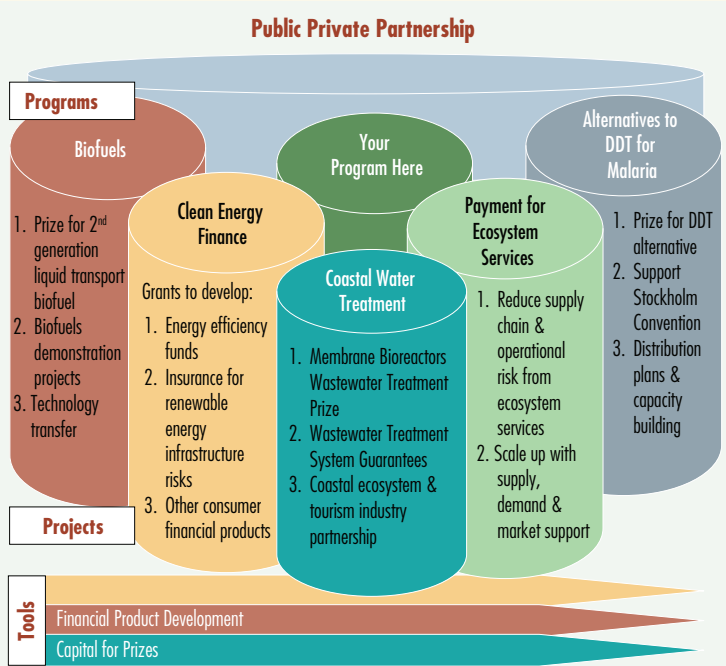
- ☞ *Biofuels*: to provide incentives to develop innovative technology and open developing country markets for second generation biofuels production systems
- ☞ *Coastal Waters*: to adapt costly membrane bioreactor industrial and desalination wastewater treatment technology for coastal developing countries' needs
- ☞ *Clean Energy Finance*: to spur investment in the energy efficiency and renewable energy sectors of developing countries
- ☞ *Payments for Ecosystem Services (PES)*: to support scaling-up of PES arrangements, including transactions cost reduction
- ☞ *Development of Alternatives to DDT to Control Malaria*: to respond to the resurgence in DDT use, linking health and environmental goals

Proposals for themes on which programs may be devised can come from the Council, countries, private sector, GEF agencies, GEF Secretariat, NGOs and other interested actors.

We welcome proposals and financing for additional programs.

Today's environmental solutions call for concerted and collaborative action among policy makers and the public and private sectors to protect our planet's environmental goods and services. All sectors must work together – no one can do it on their own.

Organizational Structure of the PPP



Why should I join the PPP?

- Mitigate environmental risks for your business
- Identify opportunities for innovation and development
- Participate on the PPP Board with leading companies and global environmental experts
- Gain public recognition as a partner and financier for environmental solutions

Join Us

PPP partners will:

- contribute to the PPP and serve on the Board, and/or
- contribute to programs and projects.

The private sector investor is invited to propose issues for the PPP to address, be a donor, and serve on the PPP Board and Program Steering Committees, as appropriate.

We invite you to join us at the forefront of environmental innovation and investment.

Contact

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About the GEF

The Global Environment Facility (GEF) is the largest financier of environmental projects in the developing world with nearly \$7 billion disbursed and over \$24 billion leveraged since its inception in 1991. As the financial mechanism for several international environmental conventions, the GEF provides grants for projects in developing countries and economies in transition on biodiversity, climate change, international waters, land degradation, the ozone layer and persistent organic pollutants that are implemented by UN Agencies and multilateral development banks. The GEF was last replenished in August 2006 by its 178 member countries and will commit more than \$1 billion of grants each year over the period from 2007–2010.

www.TheGEF.org



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INVESTING IN OUR PLANET

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