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**REVIEW OF GEF ENGAGEMENT WITH THE  
PRIVATE SECTOR: INTERIM REPORT**

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## INTRODUCTION

1. Since the GEF's inception as a pilot facility in 1991, it has tried to engage with the private sector as a key actor to achieve global environmental benefits. The Second Overall Performance Study (OPS2) of the GEF, assessed private sector involvement in GEF activities, and concluded, "the GEF needs to engage the private sector more extensively." The report suggested that, "Council endorsement of expanded participation of the private sector and explicit acceptance of the risks involved would help remove uncertainties within the GEF. Clear guidelines from the GEF Secretariat on new modalities should have high priority, as should the acquisition of substantially increased and global environment-related private sector expertise for the GEF Secretariat."<sup>1</sup>

2. Council has requested the Secretariat to prepare, in consultation with the Implementing Agencies, a *Private Sector Strategy* for review and approval by the Council. As a prelude to the preparation of the strategy, the Monitoring and Evaluation Unit, in collaboration with the Implementing Agencies, initiated in September 2002, a *Review of GEF Engagement with the Private Sector*, as one of the inputs that will be used.<sup>2</sup> Refer to **Annex 1** for detailed Terms of Reference of the review.

3. The review is still underway and this document is an interim report, which describes: (i) the objectives of the review; (ii) the methodology of the review; (iii) key issues identified so far; and (iv) further steps. The final report for the review will be prepared by July 15, 2003.

### Objective of Review

4. The overall objective of the review is to assess the results of engagement between the GEF and the private sector since the inception of the GEF. The private sector is not a homogenous entity, but consists of vastly different types of businesses. While it is difficult to characterize a "typical" private sector player, what all the players do have in common is their goal to earn profits, or to yield benefits to their members (e.g., cooperatives). For the purposes of this review, "private sector enterprises" are broadly defined as those that are run as businesses with the goal of being commercially viable.<sup>3</sup>

5. When the review began with the desk review, it was agreed that the definition of private sector in the TOR – "...those that are *privately incorporated or publicly traded enterprises*" – was limiting, and a broader definition, as described in the paragraph above, was applied in the assessment. The GEF has engaged the private sector as defined, during its first decade of operation by: (i) directly executing projects through, or in partnership with, private sector actors;

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<sup>1</sup> Second Overall Performance Study, pp.108

<sup>2</sup> The scope of the strategy itself will be broader as it will cover not only what the GEF has done, but also what the GEF could do in addition to its present efforts to engage the private sector as well as to reflect the views of private sector entities on the GEF.

<sup>3</sup> A definition found in some financial glossaries defines the private sector as the part of a nation's economy that is not controlled by government. It is made up of members of the general public and firms owned by the general public. These firms include sole traders, partnerships, limited companies (owned by private shareholders) and Public Limited Companies (Plcs) (also owned by private shareholders). It should be noted that there are many private sector entities that have minority (<50%) ownership by government entities.

and (ii) developing partnerships outside the portfolio of projects. In addition, the GEF portfolio has a large number of projects executed by public and private sector intermediaries that: (i) aim to develop capacity, markets, and other enabling conditions for the private sector; or (ii) has a significant, but unintended impact, positive or negative, on markets and the private sector.

6. The primary focus of the review is on “private sector projects” as defined above. The impact of public sector projects on “market creation” will be reviewed within a couple of thematic areas in the portfolio –energy efficiency projects<sup>4</sup> in the climate change focal area, and environmental services, in the biodiversity focal area.

7. Specific objectives of the review are to: (i) identify the use of instruments in engaging the private sector; (ii) assess the results and impacts of projects on the private sector; (iii) document lessons learned; and (iv) recommend future directions.

## **Methodology**

8. Review team. A review team was established comprised of staff of the Monitoring and Evaluation Unit, the private sector specialist and a program manager at the GEF Secretariat, and staff from the three Implementing Agencies (IAs); an external expert<sup>5</sup> was recruited as a consultant to work with the team. As a first task, the team clarified the Terms of Reference (TOR) before developing the methodology.

9. The review was carried out in two phases, commencing with a desk review and consultation with the Implementing Agencies to identify the major issues emerging from the portfolio, followed by visits to selected projects to assess the issues in depth. After a review of all projects approved by the Council as of June 30, 2002, (or the CEO in the case of medium-sized projects), 26 projects were chosen for field visits<sup>6</sup> and 50 projects were subjected to a desk review. For details of the methodology of project selection, refer to **Annex 2**.

10. Country Visits. Members of the review team, comprised of sub-teams of at least two members, visited the selected projects during November 2002 – February 2003. The team met with a large number of project stakeholders – government officials, private sector proponents, NGOs and community groups, banks and other financial sector players, cooperatives, etc. Discussions during these visits were structured to follow the outline of the TOR. Project review reports were written after these visits and shared with all members of the review team.

11. Workshop. All members of the review team, plus some observers from the Implementing Agencies, participated in a workshop in Washington, D.C during February 24-26, to discuss the findings from the individual country visits, the desk review, and to identify cross-cutting themes emerging from the review. The workshop participants agreed that these emerging findings require more analysis and refinement before the final report is prepared in July 2003.

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<sup>4</sup> Including ESCOs.

<sup>5</sup> Bernard Jamet, former Director of Energy Efficiency, EBRD.

<sup>6</sup> This includes 16 projects plus a number of selected subprojects under the IFC’s Photovoltaic Market Transformation Initiative (India, Kenya), Efficient Lighting Initiative (Czech Republic, Hungary), Small and Medium Enterprises Program (Bangladesh, Costa Rica, Guatemala, Honduras - 2 projects, and Poland).

## **EMERGING FINDINGS FROM THE REVIEW**

12. Within the historical context of this review, it is important to note that private sector engagement has been a process of evolution and learning for both the GEF and the Implementing Agencies. Catalyzing global environmental benefits in emerging markets is very difficult and risky; hence the rationale for GEF support. Several GEF-supported projects were intended to be pilots to pioneer new approaches; thus, the success or lack thereof of some projects should be viewed in this light. Learning from these experiences, sharing them openly, encouraging further innovation and changing tactics, where necessary, based on the lessons learned, is of prime importance.

13. The review team agreed that it would be useful to assess private sector engagement within the scope of the different focal areas of the GEF. Given that private sector engagement until now has been largely in the biodiversity and climate change focal areas, with a much larger number of projects in the climate change area, the discussion of identified issues is restricted to these focal areas. They are presented in this document with a somewhat broad brush, reflecting emerging findings according to the status of work completed. Few references are made to particular projects since empirical underpinning requires further analysis that needs to be undertaken in the next few months. Detailed project-specific evidence supporting identified issues and portfolio development trends will be provided in the final report. However, it is important to note that the review is an examination of GEF's engagement with the private sector through various projects, and not full-fledged evaluations of individual projects. The final report will also contain an assessment of projects executed by public sector intermediaries that aim to influence market development.<sup>7</sup>

### **Climate Change**

14. The GEF climate change portfolio has offered the most varied opportunities for private sector engagement, in both energy efficiency and renewable energy. The renewable energy projects are geared towards energy production (for substitution of fossil fuels), while the energy efficiency projects primarily target end-users for reduction of their energy consumption. In terms of GEF objectives, energy efficiency projects seem to provide more impacts in the short-run when compared to renewable energy projects. The market for most renewable energy technologies is still in its infancy due to lack of competitiveness of these technologies, including high up-front costs, energy policy issues, and in part, investment climate. Although the energy efficiency market already exists in a nascent stage, it needs to develop more market depth and liquidity. Identifying approaches that have worked towards facilitation of these markets is one of the purposes of this review.

#### *Energy Efficiency*

15. Due to increasing difficulties in meeting growing energy demands, rising energy costs, environmental demands for lowered emissions, and increasing industrial competitiveness, energy efficiency improvement and conservation is an economically appealing approach, especially for developing countries or countries with economies in transition. The majority of GEF recipient

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<sup>7</sup> As mentioned in the TOR, the focus will be on energy efficiency and ecotourism projects.

countries has limited capacities to invest in additional energy infrastructure and is dependent on fossil fuel imports. Several innovative projects in the portfolio employed non-grant instruments, including partial risk-sharing guarantees, to promote a market for energy efficiency. Twenty projects (8 under field visits + 12 under desk review) focusing on energy conservation and efficiency have been assessed under this review. Some of the issues emerging from a review of projects visited under the review are:

- (a) Relevance of GEF assistance. Due to the relatively more advanced stage of the energy efficiency market, sourcing projects for the pipeline seems to be somewhat easier. However, in some markets where the energy-efficiency business is fairly well developed, it raises the question of the relevance of GEF assistance.<sup>8</sup> The value-added of direct GEF support for investments in energy efficiency projects needs to be further examined, especially in countries that have fairly well-developed financial markets. However, there are some examples in the portfolio where the provision of investment incentives seems to have aided buy-in by manufacturers into a program of energy efficiency improvements.<sup>9</sup>
- (b) Nature of GEF assistance. GEF assistance has taken the form of grants, subsidized loans, and partial risk guarantees to banks that provided lending for energy efficiency investments. The effectiveness of each financial instrument or approach needs to be examined and areas for improvement identified. For example, in economies in transition, such as in Eastern Europe, the granting of guarantees directly to energy service companies (ESCOs), as illustrated in a recently approved project, could allow them to bundle small projects and get better financing conditions. Nevertheless, this approach raises questions regarding other competitive issues such as the selection of ESCOs on behalf of the market.<sup>10</sup>
- (c) Certification. Certification, standardization, and labeling activities supported under projects offer evidence that such measures can be critical for creation and sustainability of markets for energy-efficient products where uninformed consumers are unable to differentiate quality for new technologies. While cooperation between manufactures and public authorities has been essential for the success of these activities, it appears that some manufacturers have contributed little to the expenses for certification, labeling and marketing of “energy-efficiency” labels, raising the question of private sector ownership and sustainability of such labels once GEF funding comes to an end.<sup>11</sup>

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<sup>8</sup> For example, many Eastern European governments already had donor-supported subsidized financing programs in place for energy efficiency projects. However, it can be argued that government-provided financing programs are not a substitute for a market-focused intervention intended to build a market-driven capacity to deliver commercial financing on a sustainable basis.

<sup>9</sup> Such as the energy efficiency projects in China.

<sup>10</sup> Some of these issues can perhaps be addressed through employment of a transparent selection process based on clearly-understood criteria.

<sup>11</sup> The countervailing view expressed regarding the green logo and the need for the GEF support was that the market was not at a sufficient level of development to support such activities commercially. Under the Efficient Lighting Initiative, legacy activities are being designed to test the sustainability, following completion of that global program.

## Renewable Energy

16. Twelve of twenty renewable energy projects covered by this review by and large focused on photovoltaic energy (PV), with limited attention to wind energy, biomass, use of household wastes, or methane recovery from landfills. This cluster of the portfolio demonstrates some approaches employing private equity funds (with more of a leaning towards venture capital), partial risk-sharing guarantees, concessional loans, etc.

17. The renewable energy projects are challenging given that the technologies promoted under these projects are hobbled by lack of market competitiveness, and function in a market environment that is often distorted with a positive bias towards fossil-fuel technologies. Some of the emerging issues are:

- (a) Technology focus. Ten of the twenty projects reviewed for private sector engagement primarily employed PV;<sup>12</sup> two additional project focused on mini-hydro in addition to PV. There was relatively little engagement with the private sector on mini-hydro, geothermal energy, use of biomass or household wastes, or methane recovery from landfills.<sup>13</sup> The technology selection in PV projects appears to be primarily driven by focus on the technology itself, instead of being based on a comparison of available choices (including prospective size of market, effort required to address specific market penetration constraints, etc.) with regard to achievement of GHG abatement and emissions reductions.
- (b) Assessment and Management of Country Risk. Inadequate assessment of country/sovereign risk sometimes led to support for projects in countries with unfavorable economic, political, or business conditions.<sup>14</sup> An important issue arising out of the review is the role the GEF should play in supporting the private sector efforts to address such risks, e.g., through development of risk mitigation products, dialogue and collaboration with relevant government entities in mitigating market distortions and developing a policy framework not biased against cleaner investment choices.
- (c) Market analysis. The review confirms that market analysis undertaken during project design and preparation<sup>15</sup> needs to pay close attention to product placement, market size, and influence of policy.<sup>16</sup> Insufficient efforts at some of these levels have resulted in instances where: (i) private sector actors are attempting to develop close-to-commercial transactions in market environments driven by subsidies and other distortions, which are specifically counterproductive

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<sup>12</sup> The greenhouse gas reduction potential of PV, particularly in off-grid applications, is emerging as a moot point. PV is a zero emission technology that can sometimes displace small amounts of direct fossil fuel use such as kerosene; it is often argued, not very convincingly, that PV indirectly displaces the need for greater conventional power generation, which often relies on fossil fuel combustion.

<sup>13</sup> For instance, the classic mistake of finding the product first and then the market, instead of the reverse, was made by PV.

<sup>14</sup> Fully assessing sovereign/country risk and deciding whether to proceed in spite of it for development reasons are two different issues. Prior to making a decision regarding the risks, they must be properly analyzed.

<sup>15</sup> This is strongly exhibited by several PV projects. [What is strongly exhibited? Reference not clear.]

<sup>16</sup> Market analysis, often was conducted in terms of market potential – number of people

for these transactions<sup>17</sup> and (ii) demand for services does not materialize or services are not affordable. As a result, it is questionable whether some of these projects are sustainable, can offer models for replication, and provide the impetus for market transformation.

- (d) Useful role of micro-finance. A few projects<sup>18</sup> have demonstrated the potential for employing the micro-finance model towards developing rural markets for renewable energy technologies. The key issue going forward is to identify countries and market conditions where this model could be replicated.
- (e) Involvement of equipment manufacturers. Given the market transformation rationale of the projects, the review finds that manufacturers need to play significant roles along with projects to influence market behavior – e.g., by identifying and tapping sales potentials and establishing service networks for after sales service.<sup>19</sup>

## **Biodiversity**

18. The biodiversity projects that engage the private sector are focused on demonstrating opportunities for conservation support measures that yield revenues and profit. The biodiversity projects that engage the private sector, and are subject to the review, can be classified into three broad categories: (i) projects that involve commodity based agro-forestry products, many of which obtain certification; (ii) projects with ecotourism elements; and (iii) projects that involve payments for environmental services delivered by ecosystems.

### *Agro-forestry*

19. Most of these projects encourage private farmers to cultivate commodities (e.g., cacao, coffee, and timber), especially within conservation landscapes, to obtain certification for these products and earn associated premiums in the market. These premiums act as incentives for farmers to adopt sustainable production practices that provide multiple environmental benefits.<sup>20</sup> The long-term goal for certified products is to achieve market transformation by shifting the supply and demand from non-certified products to certified products, and increase the market size of certified products. Certified agroforestry products currently play a relatively minor role in agriculture and timber markets - they constitute a minority percentage of total production and are limited to niche markets. Under these conditions, the overriding issue is the role to be played by the GEF in maximizing impacts. GEF support is needed to overcome barriers towards encouraging the support of biodiversity conservation; such barriers may exist at any level of the supply chain. For example, the GEF can help in gaining access to markets and/or earning

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<sup>17</sup> Some private sector actors have adapted by serving niche markets, raising questions regarding the market transformation impact of the project. There are some instances where the presence of market distortions or subsidies alone is not reason enough to reject engaging with private market actors seeking financing. However, when these subsidies negatively affect the ability to develop close-to-commercial transactions, these subsidies may become cause not to enter a particular market.

<sup>18</sup> Sri Lanka, Bangladesh PV projects

<sup>19</sup> One good example is the role of Astropower, a PV manufacturer, as an investor in the GEF-supported Solar Development Corporation

<sup>20</sup> Biodiversity conservation, reduced land degradation, watershed protection, improved carbon sequestration, etc.



premiums for niche markets, and support identification of certification criteria as first steps. Some of the emerging issues are:

- (a) Certification. There is the issue of which existing certification standards should be supported, and whether new standards ought to be proposed to assure that specific global environmental benefits will be achieved. Further, certification is expensive for small farmers, and a small number of projects attempted to tackle this by: (i) forming cooperatives and obtaining certification as a group; and (ii) providing access to micro-credit.
- (b) Marketing. Access to markets and marketing capacity is key for certification schemes to succeed. The success of certified production is dependent upon the right eco-label and the ability to sell in differentiated premium markets. This is particularly critical in a commodity market experiencing a global downturn (e.g. coffee), where certification may be the only path to profitability when the right market niche is chosen – domestic or international.<sup>21</sup> However, certification systems do not always depend on premiums. Market access and realizing efficiencies in the supply chain can be equally important as well.<sup>22</sup>
- (c) Funding non-local activities for sector reform. A related issue is the extent to which projects should focus on national-level, provincial-level, or international activities to facilitate adoption of widely recognized labels, auditing procedures that meet international standards, marketing campaigns in the importing country, and other measures to integrate certification into sector policies and reform efforts.
- (d) Value from supply chain. It is critical to analyze the supply chain to find the right niches for the value, including the decision whether to process the product or not.<sup>23</sup> In the portfolio, projects have provided support at the growers' level, but not necessarily for activities required to capture a higher value along the supply chain. Some of the producers are beginning to consider this and make decisions regarding the extent of processing of the raw commodity. This is relevant for GEF-supported operations because this type of transformation requires specialized technical assistance and specific types of credit arrangements to help facilitate financing of equipment required for processing.
- (e) Biodiversity impact. Given that agro-forestry activities are usually embedded in integrated ecosystem management projects engaged in a broader landscape perspective towards conservation, appropriate evaluation methods still need to be

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<sup>21</sup> Picking the right certification label to combine is critical – often fair trade can be one way to get a premium for biodiversity certified coffee where the market might not exist for biodiversity-certified coffee.

<sup>22</sup> For example, outside of the GEF portfolio of projects, the business driver for Forest Stewardship Council (FSC) certification hinges on market access more so than it does on premiums. Marine Aquarium Council (MAC) certification appears to be viable because it will generate efficiencies in the supply chain, not because it will yield price premiums, although it may yield premiums.

<sup>23</sup> For example, the Cacao Agroforestry project in Costa Rica is considering processing cacao into liqueur and is moving up the value chain from bananas for Gerber to producing baby food “gruel” themselves to obtain a higher price up the value chain.

developed to capture the overall benefits of sustainable use. Monoculture, fragmentation, and percentage of corridor coverage are all very important issues to consider while weighing the biodiversity impacts of agro-forestry activities.<sup>24</sup>

### *Ecotourism*

20. There are a few projects in the portfolio that employ ecotourism as a means to support conservation. Generally, ecotourism provides opportunities to generate income without subjecting conservation areas to uses that degrade the ecosystem in the long run. Also, ecotourism infrastructure such as hotels, can provide a source of additional revenue (i.e. through surcharges on tourist hotel occupancy) for dedicated conservation funds that benefit protected areas, in addition to the general economic benefits that ecotourism provides, besides hard currency for the government.<sup>25</sup> Some of the emerging issues are:

- (a) Demonstration Effect and Replication Risks. Ecotourism projects seem to have a strong demonstration effect at the local level -- while international operators often set up the initial ecotourism project, when shown to be feasible, it is local entrepreneurs who may seek to replicate the idea on a small scale. However, investment capital is often only available to international investors. Potential local investors often do not have the credit history and measures of creditworthiness required by traditional bank lending.<sup>26</sup>
- (b) Policy environment. Governments can play important roles in promoting ecotourism through creation and proper management of parks and protected areas, provision and management of concessions, creation of laws and enforcement against illegal harvesting of natural resources, provision of tax incentives and development of infrastructure, etc. <sup>27</sup> However, the private sector can help to conserve and protect habitat/species where government policy is weak. It creates pressure for the appropriate policy environment through its support of conservation NGOs and foundations.
- (c) Country perception. A major issue for developing ecotourism is international perception, safety, and the appeal of the country. In addition, general tourism traffic is also influenced by the status and trends of the global economy. Recessionary global markets can result in fewer tourists, thus negatively impacting on the profitability and conservation efforts.

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<sup>24</sup> At a minimum, a literature search needs to be done towards developing GEF policy on these issues. More research needs to be done on the biodiversity benefits of corridors and consideration of comparative benefits to biodiversity between protected areas, production forests, and alternative land uses.

<sup>25</sup> Like all investments, the decision to fund an ecotourism project should be based on rigorous analysis of its business plan, which should contain: (a) realistic market assessment; (b) viable marketing plan; (c) realistic revenue forecasts considering the full range of risks; (d) realistic, manageable construction & operating costs, (e) capable managers; and (f) appropriate capital structure.

<sup>26</sup> Microfinance and technical assistance for SMEs are a way of extending credit to entrepreneurs who might not otherwise qualify for it.

<sup>27</sup> Targeting foreign tourists who are able to pay is preferred by governments because it generates hard currency. This in turn can create dollars for conservation.

- (d) Access to location and marketing. Ease and affordability of access influences demand for ecotourism. Overcoming the difficulty and cost of access requires intensive marketing, and development of affordable and easy transportation options. In addition, appropriate marketing strategy and management are important variables for defining customer niche and boosting occupancy rates.<sup>28</sup>
- (e) Impact. The extent to which eco-tourism can support conservation efforts depends on: (i) whether eco-tourism is indeed associated with sustainable tourism practice – identifying monitoring and evaluation criteria that help meet GEF objectives is key; (ii) the profitability of ecotourism ventures; (iii) the extent to which ecotourism operators are willing to ensure that some of their revenues go towards conservation; and (iv) the degree to which economic benefits derived from these activities actually accrue to the local communities and entities managing the parks.

### *Environmental Services Payments (ESPs)*

21. Under schemes for payment for environmental services (ESPs), private landowners are paid for environmental services generated by appropriate management of that land. In practice, payments are currently made for: (i) mitigation of GHG emissions; (ii) hydrological services, including provision of industrial uses and hydroelectric energy production; (iii) biodiversity conservation; and (iv) provision of scenic beauty for recreation and ecotourism. Although bioprospecting was not included in the ESPs, there are projects (outside the scope of field visits) where some companies have contracted to pay for bioprospecting value. This is another form of value generated by the ecosystem. Paying for forest services helps to create market signals that send a message to landowners and the public that forests have economic value to the country and are therefore worth preserving.

- (a) Enabling environment. ESPs can only work with supportive government policies that create a positive enabling environment. Fundamental factors for a national system of ESPs to work appear to be: (i) the government’s commitment to have a dedicated tax or revenue source to raise finance for a fund that will pay for these services; (ii) land tenure systems sufficiently established so it is evident who owns the land and therefore who should be paid for services generated by the land; and (iii) a comprehensive legal basis for the functioning of environmental markets.<sup>29</sup>
- (b) Land tenure. Current ESP schemes are currently biased towards larger landowners, given that they are the ones who own the forested land that produces conservation benefits. Large parts of rural populations lack land tenure and are therefore unable to participate and benefit from conservation activities. This issue

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<sup>28</sup> For example, the combination of “eco” and “luxury” has proven to attract tourists with the ability to pay.

<sup>29</sup> Due to a supportive policy environment that describes the conditions described above for ESPs, Costa Rica is the only country actively implementing them. However, El Salvador is in the middle of establishing an ESP system that is appropriate for its policy conditions. El Salvador is providing an enabling environment through trading of compensation rights, which provide compensation paid by businesses for constructing buildings on land. (The World Bank is also exploring possible ESP schemes with other governments in Latin America.)

may be further complicated for indigenous lands due to a variety of reasons that are not necessarily inherent to indigenous reserves per se.

- (c) Carbon finance. Though the GEF is currently not involved in CDM related projects, even the smallest of farmers in Central America seems to be preparing for the carbon market.<sup>30</sup> It will create potential for tradeoffs between compensating forest owners for carbon sequestration and biodiversity benefits. Carbon finance also promises to create risk mitigation approaches that are applicable to projects in general, not just the ones promoted by the Clean Development Mechanism. This in turn has the potential to lower certain barriers to investment for some GEF-supported projects and create more environmental benefits.
- (d) Quality of Benefits and Pricing.<sup>31</sup> ESPs are currently paid for on a first come first served basis regardless of quality of biodiversity in the habitat or volume/quality of water preserved/provided by the watershed.<sup>32</sup> Appropriate criteria need to be developed to ensure that projects supported through the GEF generate appropriate global benefits. Also, while pricing, considering potential income available from alternative use vis-à-vis ESP income available from more biodiversity friendly land use is important.<sup>33</sup> Further market development could involve differentiation of prices based on quality factors.
- (e) Impact. The ability of conserved or reforested forests to provide habitat for globally important species seemed questionable in some circumstances given that tree species, undergrowth, connectivity, etc. are not selection criteria in the provision of ESPs. In addition, monoculture and “sustainable” timber harvesting further complicate biodiversity impact. There is a tradeoff between incomes under mixed cropping versus monoculture.<sup>34</sup> Biodiversity benefits are different for different land uses: conserved secondary forest, commercially logged forests, and reforested wood plantations.
- (f) Availability of capital. Funds for ESPs currently come from mostly public sources. Some pioneering efforts are being made<sup>35</sup> to mobilize additional capital

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<sup>30</sup> Costa Rica has already made an inventory of all projects that qualify for the Clean Development Mechanism under the UNFCCC.

<sup>31</sup> The concept of opportunity cost is important to understand for this section. It is defined as “the highest valued alternative that must be sacrificed to attain something or to satisfy a want” by The Economics of Public Issues.

<sup>32</sup> The Costa Rica ESP program started on this basis, but to a certain extent GEF assistance seems to have helped direct the program to lands that fall within the regional Meso-American biological corridor, which inherently has relatively higher biodiversity protection value.

<sup>33</sup> An added complexity is that farmers seem to be using their most marginal and degraded land for ESPs. While pricing ESPs a little above opportunity cost of the marginal land is important for sending the right price signal, it raises the question of actual ecosystem benefits being delivered.

<sup>34</sup> Popular opinion weighs heavily against the practice of monoculture, which has been defined as an environment with no genetic differentiation between members of its population. Monoculture is almost universally agreed to be unsustainable because of the susceptibility to disease and insects, acceleration in loss of biodiversity, and promotion of desertification.

<sup>35</sup> Largely in Costa Rica.

directly from private companies (i.e. owners of hydroelectric dams, water bottling companies, hotel owners, etc.). Such additional private resources extend the available government funds and also link more directly the private beneficiaries of ecosystem services to payments to support the continuing availability of such services. There is opportunity for greater effort to directly engage the private sector in providing revenues for ESPs, although some government regulatory role is likely to be needed.

## **Cross Cutting Issues**

22. Host Country Priorities. In general, the projects seem to have been consistent with host country priorities. In addition to focal area specific issues identified above, several crosscutting issues, relevant to GEF-wide engagement with the private sector are emerging from the review. These issues will be further explored and fully explained in the final report.

23. Leveraging. Assessing leverage in private sector projects is a complex issue. The first layer of potential leverage are the Implementing Agencies, where their direct co-financing may form the project baseline, which is augmented by incremental GEF funds to address additional risks, or to address other investment barriers; sometimes additional co-financing is often provided by other donors such as bilateral agencies. Financial intermediaries in countries often then administer the total financial package – where the second level of leveraging occurs -- that blend these resources with their own sources of financing. The third level of leveraging occurs when investing enterprises that receive loans, equity, or partial guarantees from the financial intermediary, provide assets and equity towards the final investment. Finally, the fourth level of leveraging occurs when related or similar business transactions are inspired by the commercial success of pioneering GEF-supported investments; such leveraging can also occur beyond the influence of individual transactions, as for instance there is policy reform favoring environmentally-sound investments, and/or capacity building that helps local financial institutions better assess the commercial potential of such investments.

24. Financial Instruments. Projects have demonstrated a range of financial instruments – grants, subsidized loans, risk guarantees, quasi-equity, equity funds, etc. However, grants are by far the most common instrument in GEF projects. Further analysis needs to be done regarding the appropriateness of the various instruments in managing emerging market and environmental market risks, and influence on issues such as sustainability and replication.

25. Private Sector as Change Agent for Policy Reform. Typically a supportive enabling environment is key in terms of political stability, regulatory environment, legal recourse, enforcement of laws, property rights, tax incentives, etc. Markets cannot develop in the absence of country stability and country drivenness. However, as some projects demonstrate, even in the face of unfavorable policy environments, “market development” can be initiated by the private sector,<sup>36</sup> leading to pressure for policy reform.

26. Range of Private Sector Actors and Communication. Private sector actors involved in GEF projects are a heterogeneous group, ranging from international firms to small cooperatives.

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<sup>36</sup> For example, the private sector can conserve habitat that would otherwise not be preserved through an eco-tourism project.

They represent different interests and present varied challenges for engagement. Often the private sector faces difficulty in understanding how their commercial objectives can be dovetailed with GEF objectives and vice-versa. In some cases, especially in developing countries, there is opportunity for a more systematic engagement of private sector communication networks such as industry, trade, and professional associations at the local, national, and even at the international levels. While such entities have been engaged, with varying degrees of success, at the project-level, there has been relatively little attention to their roles in broader market facilitation. Also, forming partnerships with the appropriate partners, who are also seen as reliable and independent, is important to achieve the desired market transformation impact, because various relevant players in both supply and demand chains may be required to achieve the desired market transformation impact.

27. Providing Incentives to Share Risk and Mobilize Capital. GEF-supported projects involve novel approaches and technologies in emerging markets, which require investments that are often characterized by high risks and low financial returns from a private sector perspective. Especially under the present difficult global market conditions, most private sector players are wary of investing in such projects. As a result, if the GEF wants to engage the private sector, it must help mitigate risks that constitute barriers to investment. It needs to create incentives for investment, take on a risk-sharing approach, and facilitate bundling of small projects to help absorb their higher proportional level of transaction costs.

28. Complexity of GEF Rules and Procedures. One of the main constraints for engaging the private sector appears to be the complexity of both GEF and Implementing Agency rules and procedures. They are perceived as too cumbersome, lengthy, and costly with uncertainty of outcome for the private sector to endure. The duration of project development and implementation, including the time frames for implementation, needs to be analyzed. While the GEF conceptually encourages flexible project implementation with “course correction” during the life of a project, the rules for such changes are not clear.

29. Implementing Agency Roles and Skills. The portfolio contains instances where the type of private sector engagement has not been appropriately matched with the comparative advantage and capacities of the Implementing Agencies. Even in cases where Implementing Agencies targeted specific niches of private sector engagement based on comparative advantage and skills, the Agencies have seldom cooperated and exchanged knowledge on best ways to work together in individual markets.

30. Implementation Supervision. A general finding across the portfolio is that there is room for improvement in supervision. Consultants were frequently hired to write status reports, and in some cases, the program manager from the IAs had not visited the site and had a limited understanding of on the ground realities.

31. Non-Investment Approaches are as important as Innovative Financing Modalities. Non-financial grant based approaches to support activities such as capacity building and advisory services, help in securing land tenure, technical assistance, legal advice, public recognition for adopting environmentally-sound business practices, certification, strengthening due diligence, support for trade and marketing, etc., seem to have proved useful to influence markets.

However, the sustainability of these measures need to be further examined given that these were mostly undertaken with the assistance of external consultants.

32. Monitoring and Evaluation. The majority of projects, particularly the older projects in the portfolio, were lacking in terms of M&E to measure both market and environmental impact. Exploring how businesses can be provided incentives, not only for financial performance, but also for documenting the global environmental benefits that are generated, is important. There are tradeoffs to be made between cost-effectiveness of M&E (including start-up costs) and the approaches and/or strategies adopted for documenting global environmental benefit.

33. Sustainability. Initial indications are that financial and business sustainability of most projects is yet to be proven. Business sustainability does not necessarily imply market transformation or environmental sustainability.

34. Replication. Given the sustainability issue, it is too early to evaluate replication.<sup>37</sup>

#### **FURTHER STEPS**

35. The review team is still assessing information gathered from country visits, documents, and other sources. During April-June 2003, the team proposes to conduct further analysis, including some targeted interviews with project implementers, to develop the issues further, and prepare findings and recommendations. A draft report will be prepared for the team to discuss at a workshop scheduled for early June 2003. A final report, including recommendations, will be prepared by July 15, 2003.

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<sup>37</sup> The exception is ecotourism, and Honduras in particular, where locals are beginning to invest in smaller, lower end ecolodges without GEF funds. These are inspired by the larger GEF funded efforts.

# REVIEW OF GEF ENGAGEMENT WITH THE PRIVATE SECTOR

## TERMS OF REFERENCE

### Background

1. Since GEF's inception as a pilot facility in 1991, it has engaged with the private sector as a key actor to achieve global environmental benefits. During the pilot phase, implementing agencies and project executing agencies gained experience with a variety of approaches to private sector participation in the GEF. The importance of engaging the private sector in a substantial way was reaffirmed during the process of restructuring the GEF. The *Instrument for the Establishment of the Restructured GEF* (the Instrument) lists the private sector among the various partners that the GEF is expected to engage.<sup>1</sup> The Council reviewed document GEF/C.7/12, *GEF Strategy for Engaging the Private Sector*, at its April 1996 meeting and agreed that the paper should be revised to reflect a more strategic approach.<sup>2</sup>

2. The First Overall Performance Study (OPS1) of the GEF, completed in 1998, noted that the private sector has had little opportunity to directly execute GEF projects, and that their role has been mostly limited to providing procured equipment and services or, in some cases, to acting in an advisory capacity. It concluded that: (i) the GEF has been able to mobilize a small but growing level of financing for projects, but comparatively little by mainstream private financial institutions; (ii) GEF assistance can be provided to address commercial risks without subsidizing private profits through measures such as low interest loans, contingent payment features and partial guarantees; (iii) GEF is urged to engage private financiers to mobilize additional resources from banks, insurance companies, and pension funds.

3. At the October 1998 meeting, the Council requested that the "Secretariat prepare a paper for Council review on the private sector and the GEF. The paper should address modalities to facilitate private sector involvement in GEF-financed activities, including partnerships with the private sector to promote the transfer of technology." The Council discussed document GEF/C.13/Inf.5, *Engaging the Private Sector in GEF Activities*, at its May 1999 meeting. The Council welcomed the document and "requested the Secretariat and the Implementing Agencies to proceed in preparing projects that incorporate approaches described in the document."<sup>3</sup> The Council also requested the Secretariat to keep the Council informed of progress made in collaborating with the private sector.

4. The Second Overall Performance Study (OPS2) of the GEF, assessed private sector involvement in GEF activities, and concluded, "the GEF needs to engage the private sector more

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<sup>1</sup> Para 28 of the Instrument: "... The implementing agencies may make arrangements for GEF project preparation and execution by multilateral development banks, specialized agencies and programs of the United Nations, other international institutions, bilateral development agencies, national institutions, non-governmental organizations, private sector entities, and academic institutions, taking into account their comparative advantages in efficient and cost-effective project execution."

<sup>2</sup> The Council recommended that "issues related to the involvement of the private sector together with financing modalities should be addressed in the revised paper", and a revised paper submitted for Council consideration.

<sup>3</sup> Joint Summary of the Chairs, GEF Council Meeting, May 1999.



extensively.” The report suggested that, “Council endorsement of expanded participation of the private sector and explicit acceptance of the risks involved would help remove uncertainties within the GEF. Clear guidelines from the GEF Secretariat on new modalities should have high priority, as should the acquisition of substantially increased and global environment-related private sector expertise for the GEF Secretariat.”<sup>4</sup>

5. The GEF has engaged the private sector by (i) directly executing projects through, or in partnership with, private sector actors; and (ii) developing partnerships outside the portfolio of projects.

6. In addition, the GEF portfolio has a large number of projects executed through public sector agencies that (i) aim to develop capacity, markets and other enabling conditions for the private sector; or (ii) has a significant, but unintended impact, positive or negative, on markets and the private sector.

### **Objective of Review**

7. The overall objective of the proposed review is to assess the results of engagement between the GEF and the private sector since the inception of the GEF. For the purposes of this review, “private sector enterprises” are defined as those that are privately incorporated or publicly traded entities. The primary focus of the review will be on “private sector projects” referred to in para. 5; the impact of public sector projects, referred in para. 6, will be reviewed within a couple of thematic areas in the portfolio – energy efficiency projects<sup>5</sup> in the climate change focal area, and ecotourism in the biodiversity focal area.

8. Specific objectives of the review are to:

- (a) Identify the instruments employed by the GEF and its implementing agencies in engaging the private sector;
- (b) Assess the results and impacts of projects on the private sector;
- (c) Document lessons learned; and
- (d) Recommend future directions.

### **Scope of Review**

9. Specific activities to be conducted with reference to the portfolio of projects referred to in paras 5 (i), 6 (i) and 6(ii):

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<sup>4</sup> Second Overall Performance Study, pp.108

<sup>5</sup> Including ESCOs.

### Portfolio Overview

- (a) Identify those projects, both full-sized and medium-sized, with significant private sector engagement;<sup>6</sup>
- (b) Identify the types of private sector actors involved – large multinational firms, national firms, small and medium enterprises, cooperatives, industry associations, types of partnerships between different private sector actors;
- (c) For the selected set of projects identify the risk or barrier to be tackled and the different modalities or instruments employed. Inter-alia, this may include private equity, venture capital, credit instruments, guarantees, contingent finance, grants, training, promotion, information, technology transfer and capacity building. Describe the evolution, if any, in the types of risks or barriers addressed and the choice of these instruments in the portfolio;<sup>7</sup> assess whether there was a framework within which projects and types of projects were developed by the GEF and the implementing/executing agencies.
- (d) Document the financing structure of the projects, identifying GEF and non-GEF resources committed to project design. Compute the leverage ratio – non-GEF resources/GEF resources – for the projects at key stages of the entire project cycle; Identify the global environmental benefits proposed to be delivered by projects.
- (e) Prepare a summary of portfolio overview by implementing/executing agency, type of private sector actor, geographical region, focal area, etc;

### Project Design and Implementation

- (f) Identify and assess the roles played by the countries, government agencies, the private sector proponents, the implementing agencies/executing agencies, and the GEF Secretariat in developing the projects.
- (g) Assess whether projects are designed to meet the priorities of the participating countries.
- (h) Assess whether the projects are designed and implemented to help develop sustainable local businesses or markets.
- (i) Identify the sources, and assess the quality of technical assistance available to design and implement the projects.

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<sup>6</sup> Projects in which the private sector is involved only in procurement of goods and/or consulting services will be not be included in this review.

<sup>7</sup> Identify if there are any specific tendencies in instruments employed among the different GEF focal areas.

- (j) Assess the roles, level, and mode of participation of different stakeholders (governments, NGOs, private sector, academic/research institutions, etc) in project design and implementation.
- (k) Assess the reporting and management procedures, including monitoring and evaluation systems, during implementation of projects.

### Results and Impacts

- (l) Assess the results and impacts of projects, both positive and negative, if any, taking into account the conditions of the market, institutional actors, perceived risk by investors, and the status of the project in the implementation cycle, and employing the following parameters:
  - (i) Achievement of outputs and objectives, with particular focus on achievement of global environmental benefits and their relationship to incremental costs financed by the GEF.
  - (ii) Sustainability of benefits – removal of barriers to commercial investment; other steps undertaken to ensure continuation of project benefits;
  - (iii) Replication – impacts on the larger market by the project(s); indications of other private sector actors/resources entering the market without GEF assistance.
  - (iv) Leverage – the actual leveraging (non-GEF resources/GEF resources) at completion of project implementation.
  - (v) Transfer of technology along with supporting skills and training to adapt technology to local needs and circumstances.
  - (vi) Capacity building for managing funds and/or other related activities in the private sector (in the participating countries) for environmental management.
  - (vii) Type of the firm(s) engaged in the project – national and international small, medium, and large.
  - (viii) Relationships<sup>8</sup> and division of benefits<sup>9</sup> between local and international private sector partners.
- (m) Assess the appropriateness and effectiveness of the financing/investment instruments employed in terms of their:

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<sup>8</sup> For example, as buyers, suppliers, creation of future business opportunities, etc.

<sup>9</sup> including earnings, capacity building, employment generation.

- (i) Ability to employ GEF resources strategically in dealing with incremental costs and/or incremental risks.
  - (ii) Ability to mitigate specific classes of risks or barriers;
  - (iii) Safeguards to prevent moral hazard and/or adverse selection; management incentives; risk coverage vs incentive for success;
  - (iv) Role in attainment of results in terms of I(i), (ii), (iii), (iv), (v), (vi), (vii), and(viii).
- (n) Evaluate the appropriateness of the project partners involved in terms of their:
- (i) Size and stability of commitment of own or other resources to the project(s);
  - (ii) Role and reputation in the domestic market environment and ability to influence it;
- (o) Assess the appropriateness of the implementing/executing agency involved in terms of:
- (i) Comparative advantage – institutional structure and culture to engage the private sector; skills in technology transfer/provision; knowledge of markets, expertise in developing country and economies in transition finance, technologies and business; and
  - (ii) Staff skills, incentives, and training.

Outside the portfolio of projects, referred to in para 5 (ii), the review will:

- (p) Identify GEF activities, including inter-alia, country dialogue workshops, that have been targeted towards enhancing private sector participation in the GEF.
- (q) Assess the effectiveness of these activities; (i) on the portfolio, in terms of projects proposed for GEF support; (ii) other discernable impacts in terms of encouraging private sector activity geared towards obtaining global environmental benefits.

#### Best Practices

- (r) Describe remedial actions taken by implementing agencies/executing agencies to early problems identified with the design and implementation of projects and non-project activities.
- (s) Identify the best practices and lessons learned in the design and implementation of project and non-project activities involving the private sector.

### Recommendations.

- (t) Recommend broadly what improvements are required in the approach, both project and non-project, undertaken by the GEF in engaging the private sector.

### **Methodology**

10. The review will be carried out in two phases, commencing with a desk review and consultation with the implementing and executing agencies to identify the major issues emerging from the portfolio, followed by visits to selected projects to assess the issues in depth. The criteria for selecting projects for field visits are expected to emerge from the desk review, and will be discussed and agreed by the team. The proposed methodology for the study will cover the following broad areas:

- (a) Review of relevant documentation at the GEF Secretariat, United Nations Development Programme, United Nations Environment Programme, the World Bank/International Finance Corporation, and the relevant Executing Agencies under Expanded Opportunities;
- (b) Visits to the Implementing Agencies and Executing Agencies and discussions with GEF regional coordinators and task managers of enabling activities.
- (c) Consultations with relevant stakeholders such as private sector project proponents, business associations, relevant bilateral and multilateral agencies, international, regional and local NGOs, including academic institutions. Consultations with relevant private sector associations – national and international – who are not directly associated with the project.
- (d) Preparation of project case studies on selected projects by local consultants.
- (e) Visits to projects and project management units by study team members.

### **Study team**

11. A team comprised of members from the implementing agencies, the GEF Secretariat, the GEF Monitoring and Evaluation Unit, an international consultant, and local in-country consultants will carry out the study. The members of the study team are as follows:

- Ramesh Ramankutty, GEF Monitoring and Evaluation team, task manager
- Saima Qadir, Private Sector specialist, GEF Secretariat
- Bernard Jamet, Technical Expert (international consultant)
- Daniel Young, researcher (consultant)
- Dana Younger/Sam Wedderburn, World Bank/IFC
- Andrew Bovarnick/Geordie Colville, UNDP
- Tom Hamlin/Mark Radka, UNEP.
- Local consultants (to be identified depending on projects for case studies and field visits.\*

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\* Consultants should have transactional private sector experience and/or knowledge.

12. The team will participate in all stages of the review, including developing detailed plan and methodology for the review and participate in initial synthesis discussions on finding and conclusions following project visits. Local consultants will participate in the team visits to projects and preparation of selected project case studies.

13. The task manager (with inputs from the team) will prepare an Inception Report 1 to launch the desk review, which will contain an overview of the data sources. Following the desk review, the task manager (with team inputs) will prepare Inception Report II with plans on how to address the various issues, outlines of questionnaires or structured interview guides, a list of projects proposed for case studies and visits, as well as a schedule for the execution of the review.

### Output

14. The task manager will be responsible for preparing the first draft of the report, based on project visit reports and on inputs provided by the team members.<sup>10</sup> Based on feedback received, a second draft will be prepared for management review at the GEF Secretariat and the Implementing Agencies. Following management review, a third draft will be prepared and forwarded to project managers/countries covered under visits and case studies for their comments. Based on feedback, the final report will be prepared for submission to the GEF Council. The final report will consist of 30-50 pages plus appendices, including, inter-alia, a list of all interviewees and data sources.

### Proposed Schedule

1. First Team meeting to review TOR and approach	July 24, 2002
2. Finalization of Terms of Reference for review	July 31, 2002
3. Identification and appointment of international consultant	Aug 15, 2002
4. Second team Meeting	Sept10, 2002
5. Inception Report I – Desk Review	Sept 13, 2002
6. Desk Review, including consultation with IAs, GEFSec	Sept/Oct 2002
7. Third team Meeting	Oct 8, 2002
8. Inception Report II – Project Visits	Oct 9, 2002
9. Project Visits	Dec 2002 – Feb 2003
10. First Team Workshop	Feb 2003
11. Interim Report	April 2003
12. Draft Report	May 2003
13. Second Team Workshop	June 2003
14. Final Report	July 2003

<sup>10</sup> Team members will be requested to provide specific inputs.

## **METHODOLOGY OF PROJECT SELECTION FOR FIELD VISITS AND DESK REVIEWS**

1. All projects<sup>1</sup> in the portfolio approved by the Council (or the CEO in the case of medium-sized projects) as of June 30, 2002, were reviewed to identify the following sets of projects: (i) those that involve private sector actors and (ii) those belonging to the cluster of ecotourism and energy efficiency. In both the lists projects were classified as follows based on their status in the project cycle:

- (a) Category A: projects completed or close to completion;
- (b) Category B: projects well-advanced in implementation;
- (c) Category C: projects recently approved by the Council; and
- (d) Category D: Projects that had been terminated or postponed.

2. It was agreed that the review would focus on projects in categories A&B; projects in category C would be subjected to a desk-review to assess whether these newly approved projects reflect the lessons from projects that were complete or well-advanced in implementation.

3. In addition to the above criteria, projects were classified according to the level of private sector involvement, based on risk-sharing by the private sector actor, as follows:

- (a) Category 1: more than 50 percent of the financial burden or financial risk borne by one or several private entities;
- (b) Category 2: less than 50 percent (but more than 0 percent) of the financial burden or financial risk borne by one or several private entities;
- (c) Category 3: no financial risk or burden assumed by the private sector; actor plays a non-remunerated role (e.g., advisory services, consulting, procurement, participation in steering committees, etc).

Priority was given to those projects which illustrated experience with non-grant instruments (subsidized loans, partial risk guarantees, contingent instruments, equity funds, etc.).

4. An initial review yielded a list of 119 projects. The list was ultimately narrowed to 60 projects, which were subjected to a desk review. These projects were subjected to an in-depth analysis as outlined in paras 9 and 10, and 26 projects were consequently designated for field-based reviews – priority was given to projects in Categories A&B for status of implementation and Categories 1&2 for financial risk borne by the private sector actor. The sample projects were also chosen for representation of geographic regions and Implementing Agencies. For a list of these projects, refer to Table 1.

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<sup>1</sup> Not including enabling activities approved under expedited procedures.

5. A desk review was conducted for about 50 projects belonging to Category C – refer to Table 2 for a list of these projects.

6. The desk reviews concentrated on a sample of about 50 private sector oriented projects, which are mainly still in early stages of implementation. Based on the review criteria in the ToR, 16 UNDP, 27 World Bank, and 7 IFC projects were selected. The Biodiversity and the Climate Change focal areas were equally covered. A standard review format helped to gather comparable data from the project files. Primary sources of information concerning specific private sector experiences consisted of more than 40 telephone interviews with project managers at Implementing Agencies and in the field. Based on the feedback received in the interview process, a series of talks were also scheduled with private sector actors that are currently not directly involved in GEF projects, but are considered important players in emerging markets for sustainable products & services which meet the GEF's objectives. The outcomes of these dialogues augment the desk review findings.



## REVIEW OF GEF ENGAGEMENT WITH THE PRIVATE SECTOR

Table 1. Projects visited under the Review

No	Country	Project	Implementing Agency
1	Bangladesh	Grameen Shakti (SME sub-project)	IFC
2	China	Efficient Boilers	World Bank
3	China	Efficient Lighting	UNDP
4	China	Efficient Refrigerators	UNDP
5	China	Energy Conservation	World Bank
6	China	Town and Village Enterprises Energy Efficiency	UNDP
7	Costa Rica	Cocoa Agro Forestry	World Bank
8	Costa Rica	Ecomarkets	World Bank
9	Costa Rica	FUNDECOR (SME Project)	IFC
10	Costa Rica	Tejona Wind Power	World Bank
11	Czech Republic	Efficient Lighting Initiative	IFC
12	El Salvador	Shade Coffee	World Bank
13	Global	Solar Development Group	IFC
14	Guatemala	FCG (SME Project)	IFC
15	Honduras	Soluz (SME Project)	IFC
16	Honduras	Wilderness Gate (SME Project)	IFC
17	Hungary	Efficient Lighting Initiative	IFC
18	Hungary	Energy Efficiency Co-financing Program	IFC
19	Hungary	Public Sector Energy Efficiency Program	UNDP
20	India	Energy Efficiency Project	World Bank
21	India	Photovoltaic Market Transformation Initiative	IFC
22	Kenya	Photovoltaic Market Transformation Initiative	IFC
23	Kenya	Small and Medium Enterprises	UNDP
24	Poland	Caresbac (SME sub-project)	IFC
25	Uganda	Kibale Forest Wild Coffee	World Bank
26	Uganda	PV Project	UNDP

**Table 2. Projects under Desk Review**

No	Country	Project Title	Implementing Agency
1	Brazil	Biomass Power Generation: Sugarcane Bagasse & Trash	UNDP
2	Bhutan	Integrated Management of Jigme Dorji National Park	
3	Caribbean	Renewable Energy Development Program	UNDP
4	Chile	Removal of Barriers to Rural Electrification with Renewable Energy	UNDP
5	Chile	Conservation and Sustainable Use of Chiloe Globally Significant Biodiversity	UNDP
	Egypt	Fuel Cell Bus Demonstration	UNDP
6	Philippines	Palawan New and Renewable Energy and Livelihood Support	UNDP
7	Thailand	Removal of Barriers to Biomass Power Generation and Cogeneration	UNDP
8	Tunisia	Barrier Removal to Encourage and Secure Market Transformation and Labeling of Refrigerators	UNDP
9	Brazil	Fuel Cell Busses for Urban Transport	UNDP
10	Brazil	Establishment of Private Natural Heritage Reserves in the Brazilian Cerrado	UNDP
11	Bulgaria	Energy Efficiency Strategy to Mitigate Greenhouse Gas Emissions	UNDP
12	Malaysia	Industrial Energy Efficiency Improvement Project	UNDP
13	Philippines	Conservation of the Tubbahata Reffes National Marine Park and World Heritage Site	UNDP
14	Croatia	Removing Barriers to Improving Energy Efficiency of the Residential and Service Sectors	UNDP
15	Lebanon	Barrier Removal for Cross-sectoral Energy Efficiency	UNDP
16	Venezuela	Conservation of Biodiversity in the Orinoco Delta Biosphere Reserve	UNDP
1	Argentina	Renewable Energy in Rural Markets	World Bank
2	Bangladesh	Rural Electrification and RE Development	
3	Brazil	Brazilian Biodiversity Fund	World Bank
4	Brazil	Energy Efficiency Project	World Bank
5	Brazil	Biomass Power Commercialization Demonstration	World Bank
6	Cambodia	Promotion of Renewable Energy Businesses to Enhance Access to Energy Services in Rural Areas	World Bank
7	Colombia	Conservation and Sustainable Use of Biodiversity in the Andean Region	World Bank
8	Costa Rica	Ecomarkets	World Bank
9	Costa Rica	Biodiversity Resources Development (INBIO Bio-prospecting)	World Bank
10	Ecuador	Power and Communications Sectors Modernization and Rural Services	World Bank
11	India	Solar Thermal Power	World Bank
12	Mauritius	Sugar Energy Bio-Energy Technology	World Bank
13	Mexico	El Triunfo Biosphere Reserve: Habitat Enhancement in Productive Landscapes	World Bank
14	Mexico	Private Land Conservation Mechanisms	World Bank
15	Mexico	Indigenous & Community Biodiversity Conservation	World Bank
16	Morocco	Solar Based Thermal Power Plant	World Bank
17	Philippines	CEPALCO Distributed Generation PV Power Plant	World Bank
18	Romania	Energy Efficiency Project	World Bank
19	Sri Lanka	Energy Services Delivery	World Bank
20	Sri Lanka	Renewable Energy for Rural Economic Development	World Bank
21	Slovak Republic	Chemosvit Cogeneration	World Bank
22	Indonesia	Maluku Conservation and Natural Resources Management	World Bank
23	Syria	Supply Side Efficiency and Energy Conservation and Planning	World Bank
24	Croatia	Karst Ecosystem Conservation Project	World Bank
25	Georgia	Protected Areas Development	World Bank

<b>No</b>	<b>Country</b>	<b>Project Title</b>	<b>Implementing Agency</b>
26	Lithuania	Vilnius District Heating	World Bank
27	Thailand	Building Chiller Replacement Program	World Bank
1	Global	Renewable Energy and Energy Efficiency Fund	IFC
2	Indonesia	Komodo National Park Collaborative Management Initiative	IFC
3	Philippines	Asia Conservation Foundation	IFC
4	Poland	Efficient Lighting	IFC
5	Regional	Commercializing Energy Efficiency Finance (CEEF)	IFC
6	Regional	EcoEnterprises Fund	IFC
7	Regional	Terra Capital Biodiversity Enterprise Fund	IFC

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