Global Environment Facility

GEF/C.32/7
October 25, 2007

GEF Council
November 14-16, 2007

Agenda Item 13

THE USE OF NON-GRANT INSTRUMENTS IN GEF PROJECTS: PROGRESS REPORT

Recommended Council Decision

The Council, having reviewed document GEF/C.32/7, *The Use of Non-Grant Instruments in GEF Projects: Update*, requests the Agencies to track by type of financing all projects that provide non-grant financing, and to notify the Secretariat and the Trustee about any project that may generate reflows of funds to them and/or to the GEF Trust Fund.

The Council requests the Secretariat, in collaboration with the Trustee, the World Bank and the Regional Development Banks, and in consultation with the other Agencies, to develop operational policies and guidance for the use of non-grant instruments, and to report to the next Council meeting in April 2008. Emphasis should be put in particular on (a) the use of GEF grants to provide concessional loans through blending, (b) the listing of non-grant instruments other than loans that can be used with GEF resources and (c) the list of Agencies authorized to use the different kinds of non-grant instruments.

The Council endorses the two ground rules specified in paragraphs 23 and 25 regarding the concessionality of non-grant instruments and the requirements for the approval of new projects that include such instruments.

Table of Contents

I. INTRODUCTION

1. In June 2006, in connection with ongoing work on the GEF strategy to enhance private sector engagement with the GEF, the Council requested "the Trustee and the Secretariat, in collaboration with the World Bank and the Regional Development Banks, and in consultation with the other Implementing and Executing Agencies, to consider the feasibility of, and to develop operational policies and guidance as appropriate, for the use of non-grant instruments, building upon an assessment of the GEF experience in the use of non-grant instruments."[1]

2. The assessment carried out in response to the Council's request has demonstrated through a survey that several non-grant instruments were already used by some GEF agencies. It was felt therefore that clear policies and guidelines for the overall use of non-grant instruments should be developed, not only for private recipients in the context of the Public Private Partnership initiative approved by the Council in June 2007, but also for public ones. As the GEF explores further expanding the use of concessional financing modalities beyond grant financing, overall ground rules should be firmly established.

3. The use of non-grant instruments may be appropriate where incremental costs eligible for GEF funding have the potential to generate recoverable revenues or cost savings, or where there is a global public good associated with incremental risk that private investors are unwilling to assume. These instruments could allow the GEF to better meet the evolving and differentiated needs of GEF recipient countries. Concessional loans or guarantees may sometimes be more effective than grants to help overcome financial constraints and technological risks and to better support technology transfers and the "greening" of major infrastructures, such as power plants. Financial support from the GEF could enable agencies to provide soft loans to middle-income countries, which are not eligible for the multilateral development banks' concessional windows.

4. This progress report focuses on the GEF's experience in using non-grant instruments and articulates findings to date. It then outlines work that needs to be completed to ensure that the use of non-grant instruments in the GEF is effective, monitorable and contributes to the financial strength of the GEF Trust Fund.

5. Non-grant instruments include many kinds of concessional financing modalities that may be used under the GEF, such as traditional loans, guarantees, contingent finance (grants and loans), equity participation (for instance venture capital funds) or revolving funds (which may in turn provide loans, credits, and/or guarantees).[2] An Agency may also blend its financing resources with GEF grants in order to provide appropriately priced concessional financing to clients.

6. It should be noted that a distinction needs to be maintained between projects in which the GEF Agencies provide GEF resources (a) to a country or private entity on a non-grant basis, versus (b) as a grant to a country for a project, which then establishes a non-grant mechanism. While both may be an effective use of GEF funds, the first, but not the second, fits the definition of "concessional finance" in the Instrument. This progress report deals only with the former.

---

1 Joint Summary of the Chairs, GEF Council Meeting, June 6-9, 2006.
2 See Annex 1 for a detailed definition of each of these instruments.

II. GEF ESTABLISHED PREDOMINANTLY AS A GRANT-MAKING FACILITY

7. As the GEF considers a wider use of non-grant financing, it is useful to know the background of why grants have been used more widely than non-grant instruments, to date. During the pilot phase of the GEF, donors agreed that grants would constitute the predominant form of financing, in comparison with the traditional use of development loans; although non-grant instruments were used right from the beginning.[3] At that time (the early 1990s), grant financing was little used by multilateral development banks. Thus, grant financing in the GEF viewed as an innovative form of financing to cover the incremental costs of addressing negative environmental externalities. "Given the nature of the global benefit targeted by the GEF, it was accepted that grant financing would be appropriate not only for the poorest countries, but also for middle-income countries."[4]

8. During discussions on moving from the pilot phase to the restructured GEF, the founding donors discussed the merits of forms of financing other than grants. Most wanted core financing for GEF funded projects to be in the form of grants, but in the end it was agreed that concessional financing would also be authorized,[5] thus providing the GEF with the capacity to meet the varied and dynamic needs and challenges faced by the global environment and the recipient countries.

9. The Instrument for the Establishment of the Restructured Global Environment Facility ("the Instrument") accordingly provides that GEF resources may be used for "concessional financing in a form other than grants".[6] All GEF financing, whether as grants or concessional financing, will fund only the agreed incremental costs of measures that achieve global environmental benefits.

III. LONG-STANDING INTEREST IN NON-GRANT FINANCING

10. Over the life of the GEF, there has been continuing Council interest in non-grant financing. Periodically, the Council has explored the use of concessional financing to support the achievement of global environmental benefits through direct country support and by engaging the private sector,[7] consistent with the principle of incremental cost financing. At its meeting in November 1994, the Council reviewed a paper that reiterated the importance of grant financing to achieve global environmental benefits, but also discussed the use of other financing options, such as concessional and contingent finance and when their use might be appropriate.[8] The Council noted that policies would have to be developed for the use of these instruments in

[3] Examples of such projects include "India: Optimizing Small Hydro Resources in Hilly Areas"; "Pakistan: Fuel Efficiency in the Road Transport Sector"; and "Zimbabwe: Photovoltaics for Household and Community Use".
4 Stephen A Silard, 'The Global Environment Facility: A New Development in International Law and Organizations' (1995) 28 Geo Wash J of Int'l Law & Econ 607-654, p. 630.
5 Helen Sjöberg, "From Idea to Reality: The Creation of the Global Environment Facility", GEF Working Paper 10, October 1994, p. 3
[6] Instrument, para. 9(c).
[7] With regard to the private sector, the Council agreed that it was important to avoid subsidizing activities the private sector would do anyway, thereby ensuring the principle of additionality.
[8] Incremental Costs and Financing Policy Issues", GEF/C.2/6, November 1994.

order to establish an appropriate degree of concessionality, and ensure that GEF resources would not substitute for other sources of financing.

11. In its next meeting, in May 1995, the Council noted that further work would be needed before moving forward with non-grant financing of GEF activities and asked the Secretariat to develop a policy paper on non-grant financing. Two related papers resulted, in 1996.

12. First, the Council considered, for the first time, ways for the GEF to engage the private sector.[9] This paper undertook an initial exploration of the use of concessional lending, revolving loans, investment, and venture capital funds as a way to engage the private sector. A core concern was to avoid subsidizing activities the private sector would undertake anyway. The paper recommended that GEF funding for potential private sector applicants be subject to rigorous but practical requirements. It also noted the need to handle potential differences between incremental cost guidelines at the national level and at the level of individual firms.

13. Second, the Council considered a paper on financing policy that included more detail on the use of non-grant financing.[10] The paper noted that primarily the GEF had relied on grants, and that no policy had been adopted to distinguish between the appropriate use of grants and concessional financing. It considered the use of guarantees, equity investment, revolving funds and concessional loans. The paper considered cases where loans could provide an appropriate way to finance incremental costs, such as those that would later be recovered from revenues or cost savings. In particular, GEF soft loans may be used "when a market exists, or can be developed for recovering initial incremental costs," while revolving funds could be used when there are many "small incremental investments with recoverable costs." The paper suggested that World Bank lending rates would be an appropriate cost benchmark for concessional GEF loans. The paper also stated that the Secretariat would explore the use of guarantees by the World Bank to determine whether they would be appropriate to GEF activities.

IV. NON-GRANT INSTRUMENTS CURRENTLY IN USE

14. In order to ascertain the extent and nature of non-grant instruments that have been used in the GEF portfolio, each Agency was asked to complete a questionnaire on its experience, if any, with non-grant financing. The questionnaire is attached as Annex 2. The information gathered in this survey suggested some key findings. (Annex 3 lists surveyed projects.)

15. <u>Questionnaire responses indicate that the use of non-grant instruments others than revolving funds has been, thus far, confined largely to the IBRD and IFC portfolios</u>. This is not unexpected as Regional Development Banks (RDBs) have only recently been granted direct access to GEF funds. It is worth noting, however, that the Council approved in June 2006 a project to be jointly implemented by the IDB and UNDP that will make use of guarantees[11]

[9] GEF Strategy for Engaging the Private Sector", GEF/C.7/12, March 7, 1996.
[10] "Financing of GEF Projects", GEF/C.7/Inf.4, March 6, 1996
[11] "Market Transformation for Energy Efficiency in Buildings" was approved by the Council in June 2006 (UNDP and IDB project in Brazil).

making use of an RDB's ability to use GEF funds as a non-grant financing instruments. [12] As the portfolios of the RDBs grow, it is expected that other GEF Agencies that are authorized to use these non-grant instruments (i.e. the ADB, the AfDB, the EBRD and the IDB) will take advantage of that flexibility. As regards revolving funds, UN agencies (UNDP, UNEP, FAO) can make grants to a credible financial entity to establish a revolving fund (sinking fund, contingent fund, or guarantee fund). The UN Agencies are not able to recover investment returns, but can ensure that any repayments and returns on capital be reinvested in project objectives. Such funds would not normally result in reflows to the GEF Trust Fund.

16. Climate Change Focus. Feedback from the questionnaire indicated that the use of non-grant financing appears to be concentrated in the climate change focal area, particularly in projects geared toward renewable energy and energy efficiency. GEF funds are used through various tools such as guarantees and loans to support activities that recipients are unable to finance from other sources because the transaction costs are high and/or investors are not willing to take on the risk without adding a premium (for instance the drilling and exploration costs incurred by geothermal development). In effect, the GEF provides a form bridge financing; filling a financing gap in some countries.

17. Reflows. There are broad gaps in the GEF's operational policies and guidelines for the use of non-grant financing, especially in connection with more complex instruments, including how and when any reflows generated return to the GEF Trust Fund. Currently, on a case-by-case basis, the Secretariat and the Trustee work with the relevant Agency to coordinate the return of funds to the Trust Fund.[13] This area in particular needs to be strengthened as the GEF considers further expanding its use of non-grant financing.

18. Better tracking needed. Some Agencies lack the robust systems needed to support reporting on and monitoring of non-grant financing instruments associated with trust-funded projects and activities. This will have to be remedied to support any expansion of Agency non-grant portfolios. GEF partners, including the Secretariat and the Trustee, will need to enhance their respective systems to better monitor and administer more complex financial instruments. Better identification, tracking and recouping mechanisms will help the Secretariat, Trustee and Agencies to determine the effectiveness of using non-grant financing in GEF projects over time, and to record and monitor the projected and actual reflows.

19. Further exploration needed. To determine how best to support further use of non-grant instruments, Agencies should be encouraged to explore appropriate non-grant approaches, their experiences should be evaluated and a number of issues should be addressed to ensure financial accountability of all parties and any returns on non-grant instruments to the GEF trust Fund.

12 In November 2002, the GEF Council approved $12 m for the ADB China Wind Power Development Project, which would have used contingent financing. However, the project was subsequently cancelled prior to implementation due to one of its policy covenants not having been met.

13 There are a few recent cases where the Trust Fund received reflows from projects that made use of non-grant instruments: For instance, $1.4m were received in FY07 in relation to the World Bank Thailand Building Chiller project approved in 1998.

V. MOVING TOWARDS BROADER USE OF CONCESSIONAL FINANCING INSTRUMENTS

20. As the GEF broadens the use of non-grant financing, several criteria, policies and guidelines will need to be further developed, including:

(a) a listing of authorized financing instruments that best support the principles of incremental cost and additionality, defined by type of project and by focal area;

(b) a listing of Agencies authorized to use non-grant instruments with GEF funding, taking into account their mandate as well as their comparative advantage and conditional on their ability to track and manage all associated financial transactions and to seek recourse in accordance with the terms of the instruments, such as where loans are not being repaid;

(c) a roster of eligible countries for each kind of non-grant instrument that takes into account *inter alia* their debt sustainability situation as defined under the IDA-IMF Debt Sustainability Framework (DSF);

(d) the financial transactional policies and reporting structure between the Secretariat, the Trustee and the Agencies for non-grant instruments and in particular reflows of funds;

(e) consideration of the implications for any allocations where non-grant financing may generate reflows to the GEF Trust Fund.

21. The impact of the use of non-grant instruments on the cash flow situation in the GEF Trust Fund and its risk exposure will also have to be carefully analyzed, taking into account that reflows may sometimes be difficult to forecast, especially in the case of contingent finance where repayments are conditioned on project terms. Compared to other non-grant instruments, the blending of resources by the Agencies has the advantage of requiring limited resources from the GEF Trust Fund, but should normally not imply any reflow to the GEF Trust Fund. Conversely, traditional concessional loans provide predictable flows that can be projected but would have an immediate and potentially significant impact on the level of available GEF resources.

22. Even before the above work has been completed, two ground rules are proposed to strengthen and support an expanded use of non-grant instruments. As a baseline for an initial framework, a shift to non-grant financing must stay within the terms of the Instrument.

23. <u>Ground Rule Number 1</u>: **Non-grant financing has to be concessional.** This ground rule is required under the Instrument – but also need to be the subject of further work. An agreed standard of concessionality, whether as a single approach or in relation to Agency policies on concessionality; will have to be developed for each instrument, taking into account the OECD DAC guidelines.

24. An advantage of concessional financing is the ability to tailor financing terms, as appropriate, to country, project or sector requirements. This can be done to maximize the use of

scarce grant funding, minimizing the grant element where limited additional flows can finance incremental costs and increasing it for operations in the poorest countries.

25. Ground Rule Number 2: For the Council to approve a project in which the GEF Agencies provide GEF resources to a country or private entity on a non-grant basis, **the corresponding PIF must clearly describe the financing package, the terms of concessionality that will be offered to the recipient and, if any, the expected reflows for the GEF Trust Fund, as well as the risk exposure for the GEF.**

VI. CONCLUSION

26. The Council should endorse the two ground rules described above and request the Secretariat, in collaboration with the Trustee, the World Bank and the Regional Development Banks, and in consultation with the other Agencies, to develop operational policies and guidance for the use of non-grant instruments, and to report to the next Council meeting in April 2008. Emphasis should be put in particular on (a) the use of GEF grants to provide concessional loans through blending, (b) the listing of non-grant instruments other than loans that can be used with GEF resources and (c) the list of Agencies authorized to use the different kinds of non-grant instruments. The expansion of the tools available to the GEF by the increased use of non-grant instruments is intended to allow for a more effective and tailored response to country and private sector needs, while ensuring adherence to GEF policies, procedures and programming agreements.

ANNEX 1

A SAMPLE OF NON-GRANT INSTRUMENTS AND THEIR DEFINITIONS

As per OECD's Development Co-operation Directorate (DCD-DAC)

GRANT

- Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT

- Reflects the financial terms of a commitment: interest rate, maturity (q.v.) and grace period (interval to first repayment of capital). It measures the concessionality of a loan, in the form of the present value of an interest rate below the market rate over the life of a loan. Conventionally, the market rate is taken as 10 per cent in DAC statistics. Thus, the grant element is nil for a loan carrying an interest rate of 10 percent; it is 100 per cent for a grant; and it lies between these two limits for a soft loan. If the face value of a loan is multiplied by its grant element, the result is referred to as the grant equivalent of that loan. (cf. CONCESSIONALITY LEVEL) (Note: the grant element concept is not applied to the market-based lending operations of the multilateral development banks.)

GRANT LIKE FLOW

- A transaction in which the donor country retains formal title to repayment but has expressed its intention in the commitment to hold the proceeds of repayment in the borrowing country.

LOANS (ALSO CREDITS)

- Transfers for which repayment is required. Only loans with maturities of over one year are included in DAC statistics. Data on net loans include deductions for repayments of principal (but not payment of interest) on earlier LOANS. This means that when a loan has been fully repaid, its effect on total net ODA over the life of the loan is zero.

Other Definitions as per other sources:

CREDIT GUARANTEE

- Commitment by an export credit agency to reimburse a lender if the borrower fails to repay a loan. The lender pays a guarantee fee. *Source: OECD: http://stats.oecd.org/glossary/detail.asp?ID=5908*

PARTIAL CREDIT GUARANTEE

- A partial credit guarantee represents a promise of full and timely debt service payment up to a predetermined amount. Typically, the sum that IFC pays out under the guarantee covers creditors irrespective of the cause of default. The guarantee amount may vary over the life of the transaction based on the borrower's expected cash flows and creditors' concerns regarding the stability of these cash flows.

Source: International Finance Corporation:
http://www.ifc.org/ifcext/proserv.nsf/Content/PartialCreditGuarantee

CONTINGENT CAPITAL

- Funds that would be available under a pre-negotiated agreement if a specific contingency (such as a natural disaster) occurs or a threshold (such as the maximum price of a raw material or the minimum price of product) is crossed. In this off balance-sheet arrangement, a party pays a capital commitment fee to a second party which undertakes (in advance) to extend a loan or purchase a debt or equity security of a certain amount in case a stated situation occurs. Thus, the first party does not transfer its risk (as in insurance, which affects the income statement) and does not have to show a liability on its books (as for a loan, which affects the balance sheet), but receives a critical capital injection exactly when it is needed—without having to negotiate from a position of weakness. Contingent capital arrangements take several forms, such as a catastrophe equity put option, contingent surplus note, or standby loan.

GEF DEFINITIONS
Source: http://www.gefweb.org/COUNCIL/GEF_C13/pdf/c13_inf5.pdf

CONTINGENT GRANTS/CONTINGENT PERFORMANCE GRANTS

- A grant by definition does not have to be repaid by the grantee. The grant reduces net costs to the project or sponsor and brings the overall cost of the project closer to the costs of competing conventional projects. Grants of this nature have been used widely in World Bank projects and as a component to IFC-administered GEF funds.

CONTINGENT GRANT

- Unlike a conventional grant, contingent grant is that a contingent grant is repaid to the GEF if the project is successfully financed. The project proponent views the grant as a short-term, unsecured loan that is included in total project costs. If the project is unsuccessful, the GEF funds paid out become a grant.

PERFORMANCE GRANT

- This type of grant is provided on the basis of completion or satisfaction of certain milestones. A contingent grant and a performance grant could be combined so that a project sponsor receives funds upon completion of certain milestones (performance) and funds could be forgiven if the project is not successful (contingent).

CONTINGENT OR CONCESSIONAL LOAN

- A contingent loan differs from a contingent grant in that a loan is treated as debt and therefore has a higher repayment priority than the converted grant. A grant is treated as project equity or an asset unless another arrangement is negotiated. A contingent loan is repaid on a similar schedule and with similar interest to other loans. Similar to the

- contingent grant, it could be forgiven if the project fails.
- A concessional loan refers to GEF's ability to provide loans at below-market rates. The availability of the concessional loan could be contingent upon participation of other commercial lenders to achieve co-financing and leveraging of non-GEF funds. Contingent or concessional loans would likely supplement (and probably be subordinate to) other project debt.

PARTIAL CREDIT GUARANTEES

- Partial credit guarantees are used to extend the maturity of commercial loans for projects and provide sponsors with improved cash flow during project life. They do not address risks that jeopardize cash flow, but rather provide an overall enhancement to the project's economics by covering general credit risk during a particular phase of the project. Partial guarantees have been used in the WB/IFC's Hungary Energy Efficient Cofinancing Program and can be tailored to project needs similar to existing World Bank guarantees.

INVESTMENT FUNDS

- Investment funds are for-profit, private sector, environmental funds that receive grant and/or non-grant funding from GEF. The objective is to provide commercial or quasi-commercial financing to subprojects through a fund manager, with a possible financial return on capital. Investment funds leverage GEF financing to establish a larger pool of commercial capital to invest in eligible projects, utilizing debt or equity instruments as appropriate.

RESERVE FUNDS

- The concept of a reserve fund is a method of leveraging GEF capital by allowing lending institutions access to a pool of reserves (or bank capital). For example, a GEF grant to a bank for $8 million could increase lending for renewable energy or energy efficiency to $100 million. Depending upon their capital adequacy ratios, these lenders can provide additional credit at some multiple of GEF support (U.S. commercial banks usually have ratios of 8 percent, which means for every $100 lent, they must maintain $8 in capital coverage).

ANNEX 2

PROJECT QUESTIONNAIRE: NON-GRANT INSTRUMENTS
Overview – Part I

Definition: "non-grant instruments are those where GEF resources are provided to the project in forms other than grants."

1. Are there instances where such instruments have been used by your Agency in respect of GEF financed projects?

2. Does your institution have processes and policies in place for the deployment of non-grant instruments? If yes, please attach supporting documentation, explaining related policy and procedures.

3. Do you categorize and separately capture GEF projects utilizing non-grant instruments in your business information system and record them accordingly? Is your management information system able to provide a complete list of all of its non-grant instruments that have been issued to date?

4. Do you apply the same processes and controls to projects with non-grant instruments through out the project cycle, e.g. from project design, review, approval, cancellation to evaluation?

5. How does your Agency report non-grant funds:
(i) internally, e.g. to your own management and board?
(ii) GEFSEC and
(iii) the Trustee?

6. How are non-grant funds presented and disclosed in your financial statements? Do you follow acceptable international standards such as GAAP or IFRS in accounting and reporting for non-grant funds?

7. How are reflows - if any - being managed and how are they valued?

8. Please complete the attached questionnaire for each project[14] that uses GEF funds in the form of a non-grant instrument. Possible such instruments include[15]:
(a) Concessional Credit
(b) Contingent Grant
(c) Contingent Loan
(d) Loans
(e) Debt-for-Nature Swap
(f) Equity Investment Fund
(g) Insurance Scheme
(h) Partial Credit Guarantee
(i) Partial Risk Guarantee
(j) Reserve Fund (line of credit)
(k) Other

[14] This includes projects in the pipeline, under implementation and those which have been completed.
[15] This is not an exhaustive list. Other instruments may have been used in GEF funded projects

PROJECT QUESTIONNAIRE: NON-GRANT INSTRUMENTS
Part II

General Information

Project Name: ……….
GEF Project ID Number: ……….
Amount Committed
Project Status[16]: …………

1. Which non-grant instrument(s) are being employed using GEF funds?
   Example Answer: A contingent grant

2. Provide a few sentences describing how the instrument is utilized in the project (i.e. the financial product as defined in the particular context of this project).
   Example Answer: The instrument was used to facilitate investment projects in renewable energy equipment and supply. Projects able to successfully secure financing are required to repay the grant.

3. Check the appropriate level in the chain of GEF project fund recipients in which the funds are being managed and implemented as a non-grant instrument.

Implementing/Executing Agency	
Recipient Government	
Local implementing organization (e.g. NGO) Specify:	
Other partner (e.g. commercial bank) Specify:	

4. Indicate the dollar amount of GEF components approved as a non-grant, the amount disbursed to date by the Implementing/Executing Agency to the GEF project recipient, and the amount used by the GEF project recipient to date:
   Example Answer: Guarantee facility: $1Million approved; $500,000 disbursed from the Implementing/Executing Agency to the Recipient Government $400,000 in guarantees called (3 project transactions)

5. Are there any reflows associated with this project? How are these being managed and reported in the quarterly/annual financial statements?
   Example Answer: $200,000 returned from the Recipient Government/NGO, etc. to the Implementing/Executing Agency, and the amount was subsequently returned/credited by the Implementing/Executing Agency to the Trustee on ……….

6. Indicate the secondary use for any unused portion or reflows of non-grant funds:

[16] Indicate implementation start date/midterm review date/date of completion as applicable.

Example Answer: $200,000 of the unused funds reallocated to providing technical assistance to financial institutions reviewing renewable energy projects

7. If monies were collected in the form of fees and interest, how much revenue will be/was collected; and how is/was the revenue; and if it was returned to the Trust Fund.
   Example Answer: Fees generated in the amount of $..... and used to cover Agency transaction costs and operational expenses. No funds were returned to the Trustee.

8. Does the non-grant component of the project function as a revolving fund? If so, indicate the following:
   (a) Number of initial disbursements made and total dollar amount:
   (b) Percentage of disbursements or dollar amount repaid:
   (c) Number of secondary disbursements made and total dollar amount:

9. Other information you consider as being relevant to this review:

<u>Specific Information</u>

Please answer any of the following questions which correspond to the specific non-grant instrument(s) employed in the project.

Concessional Credit
1. Total size ($) of the concessional credit component:
2. Actual dollar amount disbursed
3. Terms and conditions of the concessional credit
4. Dollar amount converted to grant (if any)

Contingent Grant
1. Total size ($) of the contingent grant
2. Number of subprojects to receive contingent grants and the percentage of projects that have repaid
3. Total dollar amount repaid under the grant
4. Dollar amount converted to grant (if any)

Contingent Loan
1. Total size ($) of the contingent loan component
2. Number of subprojects to receive contingent loans and total amount of funds disbursed to date
3. Terms and conditions of the contingent loan
4. Dollar amount of interest collected under the loan
5. Dollar amount repaid under the loan
6. Dollar amount converted to grant (if any)

Loan
1. Total size ($) of the loan component
2. Number of subprojects to receive loans and total amount of funds disbursed to date

3. Dollar amount of interest collected under the loan
4. Dollar amount repaid under the loan
5. Dollar amount converted to grant (if any)

Debt for Nature Swap
1. What was the purpose of the swap (i.e. what was to be achieved by the project)?
2. Describe how GEF Funds were managed under this transaction
3. Dollar amount converted to grant

Equity Investment Fund
1. Total size ($) of investment fund
2. Number of investments and total dollar amount disbursed under the investment fund
3. Return on Investment (ROI) for each investment

Insurance schemes
1. Dollar amount underwritten for project insurance contracts
2. Dollar amount, if any, disbursed in the form of settlements of risk payments
3. Dollar amount, if any, collected in the form of premiums from project participants

Partial credit guarantee
1. Total size ($) of the credit guarantee facility
2. Dollar amount used in X amount of subprojects (to cover cash flow shortfalls)

Partial risk guarantee
1. Total size ($) of the guarantee facility
2. Number of investments and total dollar amount disbursed (i.e. $ amount of guarantees called) under the guarantee

Reserve Fund
1. Total size ($) of the reserve fund
2. Dollar amount, if any, paid out of the reserve fund

ANNEX 3

GEF PROJECTS USING NON-GRANT FINANCING

Country	Project Name	Size of GEF project (US$M)	Date of Council Approval	Non-Grant Element (US$M)	Type of Non-grant Instrument	Focal Area	Implementing Agency
Global (#91)	Small and Medium Scale Enterprise Program (IFC)	4.30	01-Jul-94	na	loan and equity	Multi-focal Areas	IBRD/IFC
Hungary (#111)	Energy Efficiency Co-Financing Program	5.00	01-Apr-96	4.25	Partial risk guarantee, contingent grants and low-cost loans	Climate Change	IBRD/IFC
Global (#667)	Renewable Energy and Energy Efficiency Fund (IFC)	30.00	01-Apr-96	24-26m	Guarantee facility, debt or lease finance facilities, capital cost buy-downs	Climate Change	IBRD/IFC
Global (Kenya, India, Morocco) (#112)	Photovoltaic Market Transformation Initiative (IFC)	30.00	01-Oct-96	Multiple investments from $1m to $5m	Guarantee facility, revolving credit facilities and other innovative financing modalities	Climate Change	IBRD/IFC
Global (#135)	Small and Medium Scale Enterprise Program (IFC, first replenishment)	15.50	01-Oct-96	na	loan and equity	Multi-focal Areas	IBRD/IFC
Global (#595)	Solar Development Group (SDG)	10.00	01-Oct-98	na	private equity fund	Climate Change	IBRD/IFC
Thailand (#540)	Building Chiller Replacement Program	2.50	01-Nov-98	2.50	Non-grant	Climate Change	IBRD
Poland (#786)	Krakow Energy Efficiency Project	11.00	01-May-00	8.00	Guarantee Facility	Climate Change	IBRD
Romania (#883)	Energy Efficiency Project	10.00	01-Nov-00	8.00	Contingent grant with revolving funds	Climate Change	IBRD
Croatia (#944)	Energy Efficiency Project	7.00	11-May-01	5.60	Contingent grant and Guarantee Facility	Climate Change	IBRD
China (#1237)	Energy Conservation Project, Phase II	26.00	07-Dec-01	16.60	Guarantee Facility	Climate Change	IBRD
Regional (Bolivia, Costa Rica, Mexico, Peru, Belize, Ecuador, El Salvador, Panama, Paraguay) (#1571)	EcoEnterprises Fund	1.00	19-Apr-02	na	loan	Biodiversity	IBRD/IFC
Croatia (#1291)	Renewable Energy Resources Project	6.00	17-May-02	2.00	Contingent loan	Climate Change	IBRD
Peru (#1485)	Poison Dart Frog Ranching to Protect Rainforest and Alleviate Poverty	0.79	11-Apr-03	na	loan	Biodiversity	IBRD/IFC
Hungary (#1615)	Geothermal Energy Development Program , GeoFund (SubProject)	5.00	16-May-03	3.60	Partial credit guarantee, contingent grants	Climate Change	IBRD
Regional (Hungary, Bulgaria, Poland, Russian Federation, Romania, Ukraine, Tajikistan, Turkey, Armenia) (#1615)	Geothermal Energy Development Program , GeoFund	25.00	16-May-03	na	guarantee	Climate Change	IBRD
Global (#2000)	Environmental Business Finance Program (EBFP)	20.00	21-Nov-03	na	loan and guarantee	Multi-focal Areas	IBRD/IFC
Bulgaria (#2117)	Energy Efficiency Project	10.00	21-May-04	8.50	Loan and partial credit guarantee	Climate Change	IBRD
Russian Federation (#2111)	Financing Energy Efficiency in the Russian Federation (FEER)	7.00	27-Sep-04	na	guarantee	Climate Change	IBRD/IFC
China (#2624)	China Utility-Based Energy Efficiency Finance Program (CHUEE)	16.50	08-Jun-05	na	guarantee	Climate Change	IBRD/IFC
Macedonia (#2531)	Sustainable Energy Program	5.50	13-Sep-05	3.70	Partial risk guarantee and loan	Climate Change	IBRD
Regional (Kenya, Ethiopia, Djibouti, Tanzania, Uganda, Eritrea) (#2119)	African Rift Geothermal Development Facility (ARGeo)	17.75	09-Jun-06	9.50	Contingent grant with revolving fund covering drilling insurance	Climate Change	IBRD/UNEP
Regional (Fiji, Papua New Guinea, Solomon Islands, Marshall Islands, Vanuatu) (#2944)	Sustainable Energy Financing	9.48	01-Aug-06	5.20	Risk sharing Fund (RSF)	Climate Change	IBRD/IFC