



GEF/C.40/13
April 25, 2011

GEF Council Meeting
May 24-26, 2011
Washington, D.C

Agenda Item 18

STRATEGY TO ENGAGE WITH THE PRIVATE SECTOR

Recommended Council Decision:

The Council, having reviewed document GEF/C.40/13, *Strategy to Engage with the Private Sector*, takes note of the past efforts to support public/private partnerships, such as the Earth Fund, and how the proposed strategy addresses the issues identified in prior evaluations.

The Council requests the Secretariat to implement the proposed strategy expeditiously and report on implementation every year at the spring meetings of the Council.

Executive Summary

1. The GEF has engaged with the private sector since the Facility was established two decades ago. Engagement with the private sector has been driven by the underlying idea that in order to have long-term and substantive impact on the global environment, private enterprises—the dominant driver of economic activity—must be encouraged to pursue commercially viable activities that also generate global environmental benefits. In this vision, engagement with the private sector is not an end in itself, but a means to a larger goal.

2. Heeding the results of the evaluation of the Earth Fund and taking into consideration the private sector milieu, as well as the experiences gathered from 15 years of GEF engagement with the private sector, the GEF-5 private sector objectives emphasize efforts that go beyond “business as usual” while remaining focused to allow GEF’s limited resources to have maximum added value—that is “biggest-bang-for-the buck.” The proposed objective for GEF-5 private sector strategy is to enhance global environmental benefits by:

- (a) Using non-grant instruments to help mitigate and share risks (e.g., partial loan guarantees, interest rate subsidies, concessional credits, contingent grants) in financial packages to investors;
- (b) Supporting greater access to investment for private sector companies pursuing innovative technologies and business models that yield global environmental benefits; and
- (c) Stimulating the development, dissemination and implementation of new technologies;

3. The use of platforms in the Earth Fund was supported in the evaluation and in Council discussions at its November 2010 meeting. Reflecting these various considerations, two major modalities are proposed for engaging the private sector in GEF-5

- (a) Establishing private sector platforms in cooperation with multilateral development banks; and
- (b) Encouraging innovation in small and medium enterprises through competition, incubation and targeted investment.

4. Implementation of the modalities embedded in the strategy should result in global environmental benefits through the following: structured engagement with the private sector at various levels of scale; expanded use of non-grant instruments; small and medium enterprises mentored towards investments; and the generation and diffusion of technologies and practices related to generation of global environmental benefits.

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INTRODUCTION

1. The GEF has engaged with the private sector since the Facility was established two decades ago. Engagement with the private sector has been driven by the underlying idea that in order to have long-term and substantive impact on the global environment, private enterprises—the dominant driver of economic activity—must be encouraged to pursue commercially viable activities that also generate global environmental benefits. In this vision, engagement with the private sector is not an end in itself, but a means to a larger goal.

2. A review of the portfolio in 2010 indicated that nearly 500 projects out of about 2500 GEF-financed projects had some element of engagement with the private sector. Private sector projects had an average co-financing ratio of 4.8 compared to 4.44 of the overall portfolio. Nearly three quarters of the portfolio was in the climate change focal area, followed by about 17 percent in biodiversity.

Private Sector Strategies

3. Private sector engagement has been guided over the years through several documents discussed by the Council:

- (a) GEF/C.6/Inf.4, *Engaging the Private Sector* (1996);
- (b) GEF/C.7/12, *GEF strategy for engaging the Private Sector* (1996);
- (c) GEF/C.13/Inf.5, *Engaging the Private Sector in GEF Activities* (1999);
- (d) GEF/C.22/Inf.10, *Enhancing GEF's Engagement with the Private Sector* (2003);
- (e) GEF/C.23/11, *Principles for Engaging the Private Sector* (2004); and
- (f) GEF/C.28/14, *GEF Strategy to Enhance Engagement with the Private Sector* (2006).

Evaluation of GEF Engagement with the Private Sector

4. The 2006 strategy was preceded by an evaluation of GEF-financed private sector activities by the GEF Monitoring and Evaluation Unit that resulted in the following recommendations:

- (a) GEF should seek a *higher degree of risk sharing* to create better incentives; this requires a clearer understanding of the expectations of various partners in a project/program context;
- (b) GEF needs to identify and *engage financial partners* in a transparent and competitive process;
- (c) the GEF Secretariat should have on its staff experts on global environmental issues, but *also on business finance, and public sector policies* in order to influence relevant markets; and
- (d) *M&E frameworks need to be strengthened* in measuring global environmental benefits, and further baseline information should be established.

THE GEF EARTH FUND

5. The 2006 private sector strategy included an innovative proposal to establish a pilot public-private partnership (PPP) initiative to enhance GEF engagement with the private sector. A pilot PPP initiative was approved by the GEF Council in June 2007 along with funding of US\$50 million. The concept further developed as a pilot project in conjunction with IFC as a strategic partner, was renamed the GEF Earth Fund, and was approved by the Council in May 2008.
6. The Earth Fund was established with separate trust fund arrangements to promote projects, technologies, and business models that contribute to protection of the global environment. The project was designed to allow the GEF to demonstrate ways to engage more systematically with the private sector in order to reach beyond its traditional boundaries, foster innovation and open new markets, and demonstrate the potential for strategic partnerships to achieve greater scale of investment than generally achievable.
7. The GEF Earth Fund was managed based on the concept of “Platforms,” under which portfolios of projects were managed. The platforms were aligned with GEF Focal Areas or their equivalent, while projects within each Platform sought to address specific environmental challenges or to leverage particular business models or financial instruments. This is a delegated structure that allowed projects to be approved by Agencies that manage Platforms that are approved by the Council.
8. The resources allocated to the Earth Fund for management by the GEF Secretariat (\$20 million) have all been programmed through the following four platforms attracting \$60 million in co-financing. Under the IFC Earth Fund Platform of \$30 million, programming has been undertaken for \$25 million, attracting co-financing of nearly \$170 million; there is a pipeline of nearly \$60 million worth of projects under consideration.

Review of the Earth Fund

9. In 2010, a review of the Earth Fund was undertaken by the GEF Evaluation Office, as documented in GEF/ME/C.39/2, *Review of the Global Environment Facility Earth Fund*, and discussed at the November 2010 meeting of the GEF Council. The review concluded that:
 - (a) the Earth Fund *did not achieve its purpose*, engagement with the private sector relegated mostly to the project level;
 - (b) although intended and expected to be set up as a Fund, over time *the Earth Fund became a granting mechanism*, falling back on GEF business as usual;
 - (c) expectations regarding co-financing and reflows were unrealistic;
 - (d) the Earth Fund *did not clearly communicate its purpose* internally or externally, nor was there a plan for learning from its experience;
 - (e) the Earth Fund *governance and management structure* had several weaknesses, revealed during implementation
10. The review formulated one over-arching recommendation that the Council should request the GEF Secretariat to revise the Earth Fund for its second phase, with the following specific recommendations: (i) redefine Earth Fund objectives, niche and market barriers; (ii) clarify access to the redefined Earth Fund; and (iii) strengthen the management of the Earth Fund.

11. Council Members responded that the review was timely and that strengthening the GEF's engagement with the private sector was important since the public sector alone could not meet the challenge of preserving the global environment. The Council asked the GEF Secretariat to prepare a private sector strategy for presentation to Council in May 2011. Several Council Members commented that the Secretariat should consult private sector representatives, including foundations and CSOs, on the development of this strategy. Council Members agreed that the strategy will need to identify the engagement points between the GEF and the private sector and define modalities for engagement.

12. Some Council Members noted that partnership with the private sector could focus on interventions in key sectors where the GEF is engaged, perhaps through programs or platforms. The GEF could seek to attract concrete proposals for such programs/platforms through an international call for proposals. One Council Member suggested that the GEF invest in activities inside the GEF's focal areas that could contribute to a green economy. Several Council Members recommended that platforms should seek to incentivize greater use of non-grant mechanisms, as is currently being done in the IFC platform.

13. The Evaluation Office offered to synthesize the many evaluations that have looked at how the private sector is involved in GEF operations so that this information can be taken into account when preparing the new strategy.

OBJECTIVES FOR PRIVATE SECTOR ENGAGEMENT

14. In order to be successful, any strategy aiming at private sector involvement must have clear objectives and must take into consideration the sector(s) culture, mode of operation and vision of issues related to the environment in relation to its ultimate '*raison d'être*': profitability and long term sustainability. Critical considerations were already documented through consultations with private sector entities in 2006 (GEF/C.28/14), which indicated that:

- (a) Leading corporations do see the link between environmental investments and enhanced shareholder value;
- (b) Multinationals operating in, or sourcing supplies from, developing countries are increasingly attuned to the environmental sustainability of their resource base as well as offsetting adverse environmental impacts;
- (c) GEF's promotion of policies conducive to environmentally-friendly business activities can be valuable to many companies;
- (d) Most companies are unfamiliar with the GEF;
- (e) Companies view environmental issues within economic or industrial sectors, and **not** according to GEF focal areas;
- (f) GEF and the private sector use very different vocabularies and the language common to the GEF partnership has no meaning or resonance with private companies;
- (g) Administrative procedures are cumbersome and too lengthy;
- (h) GEF projects must be relevant to business goals; a credible business case is needed for many companies to become involved in GEF projects; and

- (i) Interested companies do not see GEF purely as a channel for corporate charitable activities; in order for them to participate, other important entities must be involved.

15. Heeding the results of the evaluation of the Earth Fund and taking into consideration the private sector milieu, as well as the experiences gathered from 15 years of GEF engagement with the private sector, the GEF-5 private sector objectives emphasize efforts that go beyond “business as usual” while remaining focused to allow GEF’s limited resources to have maximum added value—that is “biggest-bang-for-the buck.” The proposed objective for GEF-5 private sector strategy is to:

Enhance global environmental benefits by:

- (a) Using non-grant instruments to help mitigate and share risks (e.g., partial loan guarantees, interest rate subsidies, concessional credits, contingent grants)¹ in financial packages to investors;
- (b) Supporting greater access to investment for private sector companies pursuing innovative technologies and business models that yield global environmental benefits; and
- (c) Stimulating the development, dissemination and implementation of new technologies;

Activities under the GEF-5 private sector strategy will be completely consistent with existing efforts by the GEF and its partners to encourage appropriate legal reforms to stimulate investment in the environment.

MODALITIES FOR PRIVATE SECTOR ENGAGEMENT

16. In the long history of engagement with the private sector, the GEF had progressed from financing deal-by-deal projects proposed through the GEF Agencies to a focused approach through the Earth Fund. While the Evaluation of the Earth Fund was critical of the structure of the governance and administrative arrangements for Fund, and the use of pure grant instruments, it was supportive of the modalities of “platforms.” A similar view was reflected in Council discussions at its November 2010 meeting. Further, the Council discussions suggest the need for a number of focused approaches. The modalities should carefully balance between the widely supported need to expand partnership with the private sector, and the requirements of the GEF Council for transparency and management controls. Reflecting these various considerations, two major modalities are proposed for engaging the private sector in GEF-5

- (a) Establishing private sector platforms in cooperation with multilateral development banks; and
- (b) Encouraging innovation in small and medium enterprises through competition, incubation and targeted investment.

¹ GEF resources are used to help mitigate or share the risk often faced by private sector partners who wish to invest in efforts that provide global benefits, thereby providing incentives to accelerate and expand private sector investments.

17. In addition to these two modalities, the strategy will support those countries that wish to use STAR allocations to support non-grant instruments to expand engagement with the private sector. Countries will be provided with guidance, support, and may be eligible to seek supplementary funds from the resources earmarked for private sector engagement. Projects proposed under this modality, which would need to be full-sized projects with substantial co-financing, will follow standard GEF project cycle procedures.

18. Other modalities were considered but not included in the strategy. For example, one critical barrier to expanded private sector investment in the environment is the lack of an enabling policy environment and other barriers to investment. Since these barriers can be and often are addressed through technical assistance and capacity building included in standard GEF projects using grant instruments, this modality is not proposed for the private sector strategy.

Establishing Platforms in Collaboration with Multilateral Development Banks

19. One of the constraints in engaging with the private sector has been the project cycle of the GEF. While the project cycle has been streamlined over the last several years, it is still not expedited enough to respond to the needs of private sector investors. The thematic platforms established under the Earth Fund provided an expedited approach, whereby the Council approved the platforms while the responsibilities for approving the individual projects were with the GEF Agencies managing the platforms.

20. In collaboration with the private sector windows of the multilateral development banks, the GEF proposes to establish platforms in GEF-5. The platforms could take several approaches, such as:

- (a) Thematic platforms focusing on one or more sub-sectors within GEF focal areas, but also cutting across the focal areas, following from the examples in GEF-4, but deploying GEF resources through a variety of non-grant instruments;
- (b) Tech Transfer Partnership Platforms, as a special variation of the thematic platforms to encourage innovators and clean technology firms to create “North-South” and “South-South” business partnerships to jointly commercialize environmentally sound technologies. The advantage of this approach is that it encourages “technology transfer” through business partnerships where everyone benefits, thereby increasing potential financial leverage. These partnerships could expand the pool of companies eligible for GEF funding through a non-grant instrument. The local partner may be better positioned to provide access to local markets and create production and distribution networks. Through the partnership the local business gains a strategic partner with an innovative technology and support from its investors.
- (c) Equity Funds that would make targeted equity investments to support private sector innovation in the GEF focal areas – both within focal areas and crosscutting responding to the needs of the private sector. The Funds could have a special focus reflecting the priorities of the region or country. The GEF would be a limited partner in each fund, and provide overall guidance on scope and types of investments. The multilateral development bank would hire a fund manager and be expected to provide significant leverage to the GEF investment, in addition to attracting private sector resources to the funds.

Encouraging Innovation in Small and Medium Enterprises

21. This approach would create a global program to incubate and recognize small and medium enterprises (SMEs) through a series of national or regional competitions for clean and innovative technologies and approaches in GEF focal areas. Starting with 2-5 countries or regions in the first phase, innovators and entrepreneurs participating in the competition would receive extensive training and mentoring on business plan development, product development, funding strategies, etc., as part of the initiative. Competitors would participate in series of evaluations and “judging” that would culminate in the selection of several winners. The winners would then be in line to receive support from national public and private sector organizations, and would be eligible for a global recognition program. Truly outstanding SMEs would be considered for targeted GEF financial investments to help commercialize the innovative technology. These investments could be facilitated through the platforms outlined in the first modality, but only if the SMEs met all the specific requirements of the specific platform.

22. During GEF-5 this modality would be run as a pilot, and focused on a few selected priority technologies and with selected partners likely to make the effort successful, such as the multilateral development banks/IFC. The partner agency will sponsor specific countries on regional competitions by providing co-financing, organizational support, and enlisting private sector co-sponsors. Countries would be selected based on their willingness to provide volunteer support and robust private sector involvement. The competition and recognition effort provides opportunities for multinational firms to become co-sponsors at the regional level. Programs may also include universities, national institutes, and business associations.

23. The GEF Secretariat would retain overall management responsibility for the competition activities, but could enhance capacity by contracting with key organizations to provide specialized training, mentoring, and logistical support for the effort. By maintaining overall management responsibility and control, but encouraging regional and national leadership for each competition, the GEFSEC can facilitate more decisive management decisions while still providing transparency and regular reports to the GEF Council. The GEF can also attract partners to be global sponsors (e.g., Kauffman Foundation, World Business Council for Sustainable Development, etc.). Please refer to Annex 1 for more details regarding this approach.

RESOURCES FOR THE ENGAGEMENT MODALITIES

24. During the GEF-5 replenishment negotiations, \$80 million was earmarked to facilitate engagement with the private sector. The following tentative allocations are proposed between the two modalities outlined above:

- (a) Platforms with Agency partners - \$70 million; and
- (b) Innovation in SMEs - \$10 million.

25. The resources would be largely deployed through non-grant mechanisms, and grant mechanisms would be employed in a limited manner, restricted to critical advisory functions or feasibility studies. After 18 months of implementation, a stock-taking would be undertaken to assess the use of resources in the different modalities in order to make any re-allocation, if required.

OTHER ELEMENTS TO SUPPORT PRIVATE SECTOR ENGAGEMENT

26. An important element of private sector strategy is for the GEF to be engaged more systematically with private sector networks such as business and industry associations and leaders at the global, regional and local levels, and with foundations engaged in private sector work in a bid to build alliances towards promoting sustainable business practices and investments.

27. Such networking should also be accompanied by strengthening of GEF branding/communication, both for the purpose of stimulating knowledge/experience sharing, as well as to make public associations/projects with the GEF more attractive to the private sector through a greater impact on its corporate image.

EXPECTED OUTPUTS OF THE STRATEGY

28. Implementation of the modalities embedded in the strategy should result in global environmental benefits through the following:

- (a) Structured engagement with the private sector at various levels of scale;
- (b) Expanded use of non-grant instruments;
- (c) Small and medium enterprises mentored towards investments; and
- (d) The generation and diffusion of technologies and practices related to generation of global environmental benefits.

NEXT STEPS

29. Subject to Council approval of the various modalities of the strategy, the GEF Secretariat will:

- (a) Communicate to recipient countries the option of utilizing their respective STAR allocations through the proposed incentivizing mechanism to attract additional resources for private sector activities;
- (b) Identify GEF Agency partners to develop platforms for funding during GEF-5; and
- (c) Identify GEF Agency partners and other organizations to partner with the GEF Secretariat to develop the program for small and medium enterprises.

30. The Secretariat will also define and establish a communication platform designed to increase the private sector awareness about the GEF, and to share innovation, knowledge and lessons learned between partners.

Annex 1: Incubation, Competition, Knowledge Transfer and Investment

1. Incubation is supported by GEF in several projects, often in partnership with IFC and the banks, and through the World Bank Institute Development Marketplace. This area is ripe for expansion as many GEF recipient countries are now giving priority to the SME clean tech sector.
2. There is a significant gap to be filled in providing targeted training/knowledge transfer initiatives for entrepreneurs and innovators. In several countries such as Finland¹ the use of competitions, recognition, and prizes is used to better focus and deliver training while expanding publicity and opportunities for SME.
3. The combination of incubation, competitions, and targeted investment stimulates support and visibility for SMEs, leveraging resources for innovative technologies in the GEF focal areas.
4. As the GEF continues to lead the Poznan Technology Transfer Program and participates in related UNFCCC discussions, its private sector strategy should clearly demonstrate support for innovation and technology transfer. From China, India and Brazil, to Egypt, Vietnam and Turkey, GEF countries are seeking to dramatically grow their domestic private sector by specifically encouraging SMEs to expand in “green” and “clean” technologies to secure national competitiveness in a global 21st century economy

This proposed component of the GEF private sector strategy shall not be one-off demonstration of ‘technology transfer options’ but instead, will be a comprehensive set of activities designed to help SMEs create sustainable business plans for development and delivery of innovative ‘clean’ technologies. This effort will be aligned with other global initiatives such as the new Global Federation of Competitiveness Councils (GFCC)², whose membership includes 17 GEF donor and 20 recipient countries with a share of the STAR allocation of over \$800 million

Examples and Added Value of a GEF Led Effort:

5. Several models and similar efforts by other institutions can be compared with the GEF approach to support incubation. (See Annex 2). The key GEF added-value is considered to be:
 - combination of mentoring and training through competition
 - focus on innovation in the focal areas of the GEF mission
 - special opportunities in adaptation and biodiversity where GEF provides unique experience
 - regional focus in partnership with the MDBs
 - participation options for GEF council members, operational focal points, and other government agencies, such as participation in awareness raising events, mentoring, and attracting private sponsorship.

Benefits

- Enables south to south appropriate technology transfer by inviting leading companies and business leaders to be mentors and judges during competitions.
- Raises visibility and celebrates the best of the best, drawing additional attention and creating opportunities for these SMEs to attract needed investment.
- Builds on existing efforts by notable university or business development centers, which strengthens country driven leadership.

- Allows competitions to be tailored to local conditions.
- Allows competitions to be expanded as local experience and support grow, and as local private sector donors are identified.
- Engages government leaders in innovation and support for SMEs beyond typical government programs.
- Uses volunteers, partnerships with other relevant entities and private sector contributions for mentors and judges to keep costs low.
- Creates opportunities for GEF Council Members to engage, if desired, by participating in national competitions and helping involve private sector stakeholders.
- Focuses GEF investments and speeds decision making by creating a competition that naturally selects the best innovators.
- Becomes self-sustaining over time, allowing GEF resources to be focused in new areas, even as support for SME innovation continues in the host countries.
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¹IFC is selecting its Top 50 technology SMEs to receive full assistance to attend the 2011 Global Forum on Innovation and Entrepreneurship in Helsinki, Finland in May 2011. Finland is sponsoring the effort.

²The GFCC launched in 2009 and held its first annual meeting on December 10, 2010. www.compete.org/gcc

Annex 2: Examples of Private Sector Competitive Engagement Initiatives

Activity	Training & Mentoring	Recognition & Awards	Global or Regional	Technology Focus	Financing Per SME	Use of Non-Grant Instruments	Donors & Supporters
Proposed Modality: GEF Incubation Through Competition	Yes	Yes	Regional with Global add-on	Select innovative technologies in GEF focal areas	TBD	Yes	GEF Council
GEEREF (EU)	No	Yes	Global	Renewable energy and energy efficiency, plus energy storage and smart grids.	\$1M - \$10M	Yes	EU Germany Norway
Clean Tech Open	Yes	Yes	Both	Select clean energy/clean water topics	VC Investment has averaged \$1M per winner	Yes	US Denmark Finland
Seed Capital Assistance Facility (SCAR)	No	Yes	Global	Clean energy and enterprise development	TBD	Yes	GEF, ADB, AfDB, UNEP,
InEnCy	Yes	Yes	India	Energy efficiency	TBD	TBD	GEF, EU, ADB, UNEP, IndiaCo Ventures
Development marketplace (WBI)	No	Yes	Global	Social entrepreneurship All development	<\$50,000 initial grant	No	WB, GEF
InfoDev Incubation (housed at IFC)	Yes		Global	IT focused	No	N/A	Finland
Kauffman FastTrack (US)	Yes	No	Selected regions	All businesses	No	N/A	US Foundation
Latin American Clean Tech Fund I (GEF grant)	No	No	Regional	RE, clean energy, waste energy	\$1M - \$3M	Yes	GEF, IDB

Annex 3: Examples of Promising Private Sector Partnerships and Initiatives

The GEF-5 private sector strategy is focused on activities that have potential: for transformational impact and scaling-up of results beyond those achieved through regular GEF operations; and to generate multiple global environment benefits in BD conservation, clean water, and CC mitigation (avoided emissions and carbon sequestration) and adaptation. It also follows the guidance of the CBD, IW agreements, STAP, and lessons learned from GEF-4.

Here are some examples of successful ventures and promising initiatives, from which experience and lessons learned will be relied upon in the development of new models under GEF-5:

- ***Bio-prospecting and genetic resources.*** The implementation of the recently approved ABS Protocol affords an interesting opportunity to partner with the private sector through GEF provision of trigger catalytic funding. The GEF supports a number of projects around the globe (Latin America, Africa and Asia) that allow users and providers to engage in negotiations for the fair and equitable utilization of genetic resources, allowing countries to establish appropriate legal and administrative mechanisms to oversee these arrangements. Investors come from various sectors such as pharmaceuticals, agriculture, horticulture, cosmetics and biotechnology. In addition to creating a business friendly environment to promote actual agreements, GEF investments support the transfer of appropriate technology and training in state-of-the art research and development programs. GEF catalytic support to this field allows for the introduction of innovative technology and services associated with bio-prospecting and the use of the biodiversity and its genetic make.
- ***Clean Water: "Save Our Source"*** The objective of the "Save Our Source" is to demonstrate a replicable approach to improving the environmental sustainability of a major water-using industry, breweries, through cleaner production and water and energy use efficiency pilots, community engagement, government capacity building, and codification and dissemination of good practices. It will deliver MDG benefits through increasing local access to clean water, basic sanitation, and maintaining aquatic ecosystem services via: (i) promoting partnership with the private sector and fostering leading edge projects, technologies and business models that will contribute to the protection of the global environment and promote environmentally sound and sustainable economic development; and (ii) leveraging private sector and other funding as well as management, technological and environmental expertise from the private sector, GEF agencies, foundations and NGOs.
- ***Danone "Livelihood Venture" (LV)*** - is an investment fund involving different private sector companies, targeting communities-based projects in agro-forestry and mangrove restoration to enhance livelihood of communities and offset carbon emissions through restoration of ecosystems. Already the Danone Fund for Nature (Danone, IUCN, RAMSAR) showed tangible results, whereby in 2009 alone, 35million trees were replanted with 320 villages covering 2000 ha, and sequestering 140,000 TC02. GEF and Danone are currently looking at identifying potential sites with potential for agro-forestry investment and mangrove restoration through the LV fund. The rationale for engaging in this partnership is that it is expected to deliver the following higher impacts while scaling-up investments in agro-forestry and mangrove restoration at an unprecedented rate. The investors in the fund (Danone and

other major companies) then receive certified carbon credits that help them offset their corporate emissions.

- **The Vale Fund for Sustainable Development.** Vale has recently set up a fund to invest in projects including sustainable forest management, preservation and biodiversity in the Amazon biome and the Mozambique water resources management program. It has capitalized it with about \$30 million of its own resources and also has attracted other private sector partners. Like the Danone approach, Vale looks at creating jobs and conserving essential biomes, water resources, etc. using practical business methods. It has transformational, replicability, and scaling-up potential through targeting solutions and incentives, involving 21M people and millions of hectares, to find sustainable activities and landscape approaches towards the conservation of Brazilian Amazon biome.
- **Building Biodiversity Banking.** Banking of biodiversity mitigation measures – through aggregation of biodiversity offset credits and other forms of compensation – has the potential to be a successful framework for engaging government, resource dependent communities and the private sector, particularly in transition and/or rapidly emerging economies in Africa, Asia and Latin America. Properly structured, biodiversity banking can reduce investment risk, improve environmental and social performance, increase private sector efficiencies and therefore investment in biodiversity conservation, create livelihood opportunities for local communities and align with emerging global protocols on carbon, climate, water and biodiversity. The Business and Biodiversity Offsets Program (BBOP), is a public-private partnership that is uniquely positioned to work with the wide array of partners necessary, including the private sector, to evaluate, design and implement biodiversity banking models in developing countries. BBOP was established by Forest Trends, which provides the BBOP Secretariat, together with the Wildlife Conservation Society. Over the last six years BBOP, now a global network of more than 50 leading companies, financial institutions, conservation organizations and government agencies, has developed a set of principles and methodologies for best practice biodiversity offsets through on-the-ground experience. Over the past two years, through in-country consultations and workshops as well as desk research, BBOP has identified a handful of countries that meet established criteria where we will work with government agencies and motivated industries and companies to develop market-based mechanisms such as biodiversity banking, working with government to develop and introduce biodiversity offset policy where necessary to stimulate the market. These countries include Ghana, Mongolia, Namibia, Malaysia (the State of Sabah), Uganda and Vietnam. All of these governments have submitted formal letters of request seeking BBOP's assistance, and workplans have been drafted and are being refined. In addition, we have received similar requests from the governments of Peru, Ecuador, and Brazil, many of which have arisen as a result of contacts the Wildlife Conservation Society (WCS), but where development has been hampered by a lack of resources. GEF support can enable BBOP and its partners to explore and develop biodiversity banking systems in these countries that could deliver capital for ongoing investment in biodiversity conservation and sustainable livelihood activities.