GEF/C.41/09/Rev.01
November 10, 2011

GEF Council
November 7-10, 2011
Washington, D.C

Agenda Item 14

# Revised Strategy for Enhancing Engagement with the Private Sector

**Record of Council Decision**

The Council, having reviewed document GEF/C.41/09, *GEF-5 Revised Strategy for Enhancing Engagement with the Private Sector*, adopted as amended a revised strategy for programming GEF-5 private sector funds and requested the Secretariat to present to the Council at its June 2012 meeting in consultation with the MDBs, a detailed paper outlining clear operational modalities for private sector engagement.

## Executive Summary

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.

During the first year of GEF-5, significant efforts have been conducted to re-define a strategy for enhancing public-private partnerships. Subsequent to an evaluation of the "Earth Fund" conducted by the GEF Evaluation Office and presented at the 39th Council meeting in November 2010, the Council requested the Secretariat to develop a new strategy to engage with the private sector in GEF-5. A proposed strategy was presented to the 40th Council meeting in May 2011.

This document presents a revised strategy for programming the GEF-5 private sector set-aside, taking into account comments from the 40th Council meeting, feedback from the agencies, and additional consultation and research. A top priority throughout this effort has been to prioritize efforts that go beyond "business as usual."

The objectives of this strategy are informed by an understanding of the barriers that are preventing private sector partners from more extensive engagement with the GEF, which include lack of transparency, burdensome procedures, and need for risk-sharing. The objectives are also designed to increase the contributions that private sector partners can make to the GEF mission. This strategy proposes two objectives:

(a) Supporting greater access to financing for private sector companies pursuing innovative technologies and business models that yield benefits consistent with GEF focal area objectives;

(b) Stimulating the development, dissemination and implementation of new technologies.

The GEF has substantial experience with public private partnerships and the use of innovative financial mechanisms. Based on this GEF experience, the strategy includes three modalities:

(a) Establishing Public Private Partnership Programs with multilateral development banks to promote use of non-grant instruments that generate reflows;

(b) Incentivizing use of non-grant instruments that generate reflows within STAR allocation or non-STAR focal area projects through a matching program; and

(c) Encouraging innovation in small and medium enterprises through a competition and incubation pilot.

This strategy prioritizes the expanded use of non-grant instruments as a key tool available to the GEF for building public private partnerships and attracting greater private sector financing, resulting in greater investment in projects for generation and diffusion of technologies and practices that result in increased global environmental benefits.

## TABLE OF CONTENTS

## 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. During the GEF-5 replenishment negotiations, the importance of expanded engagement with the private sector was emphasized, and Parties to the Replenishment agreed to a private sector set-aside of $80 million. At the 38th Council meeting, June 2010, the Council approved a private the set-aside as part of the GEF Business Plan $80 million for GEF-5. At the 39th Council meeting, November 2010, the GEF Evaluation Office (GEFEO) presented an evaluation of the Earth Fund. Subsequent to the presentation, the Council requested the GEF to prepare a new private sector strategy.

3. The proposed GEF-5 private sector strategy was presented at the 40th Council meeting, May 2011. The strategy proposed to emphasize partnerships with the multilateral regional development banks (MDBs) to focus on the expanded use of non-grant instruments. The strategy also included components to support technology transfer and innovation among small and medium enterprises (SMEs).

4. As noted in the published highlights of the 40th Council meeting, the Council was generally supportive of the concepts presented in the private sector strategy but requested additional detail. Excerpts from the highlights are shown below:

(a) A number of Council Members welcomed the continued efforts on the private sector strategy and identified many positive elements within this document. The Council requested the GEF Secretariat to continue private sector consultations to identify barriers and expectations.

(b) Some Council Members requested the GEF Secretariat to provide more details on the non-grant instrument platform, as well as on the SME competition and incubation modality.

(c) A Council Member requested the GEF Secretariat to clarify comparative advantages and complementarities of investing in an equity fund and encouraging SME innovations in order to avoid duplication of efforts by other agencies.

(d) The Council requested the GEF Secretariat to provide more details on the concept of a technology transfer platform and the potential for private sector partnership in technology transfer.

(e) Several Council members supported the concept of one or more energy access platforms, but requested additional details, specifically on how projects through this platform will be different from traditional GEF projects.

(f) A Council Member requested details for the administrative procedures of the platforms and one Member encouraged the GEF Secretariat and partner agencies to address private sectors needs for flexibility and expedited processes.

(g) In response to Council comments, the GEF Secretariat agreed to work diligently with the MDBs, agencies, and other potential partners to revise the strategy, including by providing detailed and concrete descriptions of platform proposals.

(h) The GEF Secretariat requested written comments from the Council, specifically on the types of activities the Council would like to support in the final private sector strategy. The GEF Secretariat will seek approval of the revised and final GEF-5 private sector strategy at the November 2011 Council meeting in order to ensure adequate time for implementation during GEF-5.

5. Since the 40$^{th}$ Council meeting, the GEF Secretariat has continued its consultations with the implementing agencies and the private sector to respond to the Council questions and update the private sector strategy. This revised strategy addresses the issues raised by the Council, including specifically:

(a) A summary of barriers to private sector engagement is presented in the section "Barriers to Expanded Private Sector Engagement."

(b) Examples of successful GEF implementation for non-grant instruments, including for technology transfer, are provided in the section "GEF Experience with Non-Grant Instruments."

(c) A description of GEF's comparative advantage and detailed reasoning for expanded use of non-grant instruments and promotion of SME are provided in the section "Modalities for Private Sector Engagement."

(d) An explanation of the proposed procedural approaches is provided in the section "Modality 1: Partnership with MDBs to Promote Public Private Partnerships)."

(e) An example of an energy access program is described in the section "Modality 1: Partnership with MDBs to Promote Public Private Partnerships."

6. This document begins with a re-statement of the objectives for GEF-5 private sector engagement. This is followed by a review of the barriers and benefits to greater private sector engagement. A detailed description of the GEF experience with several types of non-grant instruments is presented. The proposed three core modalities for implementation of the GEF-5 private sector strategy are described, followed by specific sections on each modality. The paper concludes with a short section on resource allocation, other elements of the strategy, and proposed next steps.

7. Throughout this document, private sector engagement is referred to as "Public Private Partnership" or PPP. In common usage, PPP often can mean a specific capital investment that mixes private and public funding, or a broader partnership focused on a thematic area. In GEF, the term PPP is most often used to refer to broad partnerships rather than specific capital investments, and that is the meaning within this document.

8. Several annexes are included. Annex 1 provides a short list of historical GEF documents on private sector engagement. Annex 2 provides concept papers from interested MDBs that are candidates to be upgraded into PPP programs. Annex 3 provides detailed samples of the types of elements that a GEF agency would include in a proposal for a PPP program. Annex 4 provides a listing of all GEF projects using non-grant instruments.

### OBJECTIVES FOR GEF-5 PRIVATE SECTOR PROGRAMMING

9. Acknowledging that traditional public grants are insufficient to promote climate finance in full, as well as learning from the experiences gathered from more than 15 years of GEF engagement with the private sector, the GEF-5 private sector objectives will focus on mechanisms to address market barriers restricting private sector investments for a sustainable environment. The proposed objective for GEF-5 private sector strategy is to enhance achievement of the GEF mission by:

(a) Supporting greater access to financing for private sector companies pursuing innovative technologies and business models that yield global environmental benefits consistent with GEF focal area objectives;[1] and

(b) Stimulating the development, dissemination and implementation of new technologies.

10. These objectives are informed by an understanding of the barriers that are preventing private sector partners from more extensive engagement with the GEF. The objectives are also designed to maximize the contributions that private sector partners can make to the GEF mission.

### BARRIERS TO EXPANDED PRIVATE SECTOR ENGAGEMENT

11. The barriers to expanded private sector engagement with the GEF have been well-documented in numerous papers by the GEF Secretariat and the GEFEO. Annex 1 presents a selected list of the documents developed since 1996.

12. Put simply, the private sector partners wants to be more involved at the beginning when concepts for projects are being proposed; they want quick and transparent processes for approval of projects; they want to compete on a level playing field for projects that make business sense; and they want public resources to help mitigate the risk of developing and deploying innovative technologies and business models.

13. Potential private sector partners are also sensitive to the risks presented by national and global financial conditions, which has been reflected in recent slackening of private sector investment in most clean energy related projects. GEF resources, though small in magnitude relative to global investments, can provide a catalyst to steer additional resources into clean

[1] The modalities proposed under this strategy can be applied to all GEF focal areas, but of course, this strategy does not preclude other types of private sector engagement in GEF projects or programs. Specific programmatic initiatives or projects that address adaptation would be presented to the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) Council for approval.

energy and other environmentally beneficial projects at this time when financial risk has increased.[2]

14. Specific barriers to private sector engagement differ by GEF focal area. For example:

(a) In energy related climate change mitigation projects, private sector partners increasingly want to join projects that are commercial or nearly commercial to allow replication. In these projects, risk sharing needs are lower. Certain renewable energy applications, such as geothermal and small-scale renewable energy projects, including energy access, still face many challenges and attracting private sector partners requires more shared risk.

(b) In climate change mitigation projects related to land use, land use change and forestry, the private sector is interested in verifying projects to produce certified carbon credits, or in obtaining the carbon credits, but clear signals from governments are needed, among other things.

(c) In climate change adaptation, on the other hand, private sector partners are seeking clear signals from governments and agencies on the types of measures and technologies that will be supported over the long-term. As adaptation projects often target the most vulnerable countries, sectors and communities–markets for replication tend to be limited and the institutional barriers for private sector engagement tend to be more significant. Therefore, risk sharing needs are high and strong cooperation with governments is crucial. To this end, public-private partnerships present important opportunities for scaled up adaptation action in vulnerable countries. Finally, due to shortfalls in hydro-meteorological information and risk monitoring modeling capacity, private sector partners continue to face important barriers to investment in crucial risk-transfer mechanisms, such as weather-index based insurance.

(d) In biodiversity and international waters, private sector partners are sensitive to the potential impact of restricted government budgets in many countries that may reduce financial support for protected area management or, for example, management of transboundary ground water resources. Other barriers include lack of clarity of resource rights and/or effective governance systems for sustainable resource management. GEF has a unique role to play by offering financing and risk sharing for PPP that help protect biodiversity. Examples of these barriers and ideas for how GEF can help address them are shown in Figure 1.[3]

---

[2] Growth on global total new investment in clean energy slowed down in year 2008 and 2009 (a 19% and 4% growth respectively, in contrast to a growth of 48% and 34% in 2006 and 2007). With the world still recovering from the effects of the credit crunch, the prevailing macroeconomic conditions were not conducive for the creation of new funds and made life difficult for existing fund managers. Private equity fundraising remained difficult, public equity share prices underperformed relative to the wider stock market, and key countries cut feed-in-tariffs. Venture capital and private equity's new investment in renewable energy saw a 51% decline in 2009 (5 billion drop). Only 3 sustainable energy public equity funds were launched in 2010, compared to 45 that were launched in 2007. *Global Trends in Renewable Energy Investment, Analysis of Trends and Issues in the Financing of Renewable Energy* (UNEP/Bloomberg New Energy Finance, 2011).

[3] Additional concepts for private sector partnerships in natural resources can be found in Annex 3, GEF/C.40/13, *Strategy to Engage with the Private Sector*.

(e) Multi-focal area projects offer additional complexities for identifying private sector partners.

(f) Regardless of the focal area, any successful 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.

Figure 1: Natural Resources Examples of Barriers and Opportunities
for Public Private Partnerships

- Risk-sharing for access and utilization of genetic resources. The fair and equitable sharing of the benefits arising out of the utilization of genetic resources (ABS) is one of the three objectives of the Convention on Biological Diversity. Teams of researchers, local institutions and global private sector partners are already working closely together to assess genetic resources under the principles of Prior Inform Consent (PIC), Mutually Agreed Terms (MAT) and benefit sharing of the recently adopted Nagoya Protocol on ABS. However, the discovery and development pipeline for new products is very long, expensive and with a low probability of success. Indeed, in drug development, a success ratio of 1 product with commercial potential out of thousands of species- and compounds-tested over a 5-10 year period is not uncommon. These high risks are very difficult for private sector partners to justify. The GEF could reduce the risks associated with this highly skilled field of research and development by sponsoring a risk guarantee revolving fund that can be used to capitalize the initial efforts, including supporting technology transfer from industry to research institutions in the developing countries (i.e. hardware and know-how). Working with existing consortiums and partners, the GEF funding can shorten the time-consuming and risky project activities. As the project matures and candidate compounds and products are identified, the partners will fine-tune the terms for the final ABS agreements. One or more successful agreements will not only establish shared benefits for national constituents, but will also include an appropriate reflow to the GEF risk guarantee fund for expenses incurred. The replenished GEF fund will then be available to support additional development work and projects. If no agreements are reached, the GEF funding will be available until exhausted.

- Underwriting facility for reducing emissions from deforestation and forest degradation (REDD+). The cost of reducing deforestation in the tropics by 50% in 2020 is estimated to be as much as $33 billion annually. At present, various endemic market failures in the forestry sector keep private investment at bay. One solution to allow for faster deployment of private capital in the absence of market-derived price signal is Advance Market Commitment (AMC) which has been highlighted in the UN's Advisory Group on Climate Change Finance. AMCs are 'demand-pull' measures that can be contrasted with 'supply-push' measures (e.g. capital grants) and take the form of a PPP where the public sector provides the private sector with a guarantee for a minimum price (or amount of purchase) so that private capital can be deployed and a market start to emerge. A facility under this approach would focus on specific REDD+ activities in countries that have decided to utilize their STAR allocations to support Sustainable Forest Management/REDD+ activities. This type of AMC facility would provide a platform and a safety net for private sector investors to start injecting funds into REDD+ initiatives and strategy development in lieu of the current uncertainty. AMCs are temporary interventions by nature, focused on removing a market barrier that is impeding the development of a sector or product. It is expected that by the time the AMC period ends, a compliance market allowing utilization of REDD+ credits or at least a well structured voluntary market for REDD+ offsets will have developed. Under such a scenario, there would be price transparency and certainty, and therefore in absence of the barrier, the AMC will have fully played its role and will not be required.

### THE BENEFITS OF PRIVATE SECTOR ENGAGEMENT TO THE GEF MISSION

15. There are numerous benefits of expanded private sector engagement that will benefit the GEF mission and increase global environmental benefits. These include significant co-financing, private sector expertise, and access to new technologies. Benefits also include:

(a) Engaging the private sector generates higher degree of information flow among stakeholders and facilitates spread of innovation and best practices;

(b) Private sector partners will offer flexibility and more services at the "speed of business;"

(c) Private sector partners, who are expecting to generate profit, are likely to increase efficiency in project delivery, operation and management;

(d) The private sector's ability to provide innovative technology solutions is integral for achieving the objectives of the climate change. Transformative technology has emerged rapidly in the last few years and private sector partners can help deliver them rapidly to the marketplace. For example, businesses are ready to help scale the application of information technologies to facilitate public transportation or improve the efficiency of lighting systems through dynamic controls;

(e) Projects financed in partnership with the private sectors can allow the spreading of the project costs over a longer period of time, in line with the expected benefits. Public funds are thus freed up for investment or financing in other projects;

(f) 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, leading to the desire for partnerships;

(g) Because of the breadth of impacts from their operations and the geographical scope of their business, multinational companies and civil society organizations are well positioned to partner in biodiversity projects, international water projects, and in large-scale climate change technology projects.

### GEF EXPERIENCE WITH NON-GRANT INSTRUMENTS

16. The GEF has significant experience with the use of non-grant instruments in a variety of project types from a variety of focal areas. The types of financial mechanisms that have been utilized in GEF projects include:

(a) Contingent Grant

(b) Credit Guarantee (aka Credit Enhancement Facility or Risk Guarantee Fund)

(c) Equity Fund Investments

(d) Concessional Loans

(e) Performance Risk Guarantee

(f) Revolving Fund

(g) Risk Sharing Fund for Loan Provision

17. The use of non-grant instruments increases the attractiveness of GEF projects to private sector partners and attracts larger co-financing. GEF funding offers unique advantages, such as flexible risk positions, longer term lengths, concessional rates, etc., that makes GEF investment an attractive addition to equity funds and other financial mechanisms. Of course, some private sector partners would be pleased to accept the GEF funding as a straight grant, with no return or reflows. But for GEF, a virtue of non-grant instruments is that proceeds (i.e., reflows) from these projects are available to expand the pool of GEF resources available for future investments.

18. In a report to council GEF/C.33/12, March 26, 2008, documentation on the use of non-grant instruments was presented. An inventory of projects was presented that utilized non-grant instruments, totalling 61 projects since the GEF Pilot. This inventory has been updated, and now includes 72 projects. The full list of projects is provided in Annex 4.

19. An analysis of this inventory shows that the use of non-grant instruments has declined since the adoption of the Resource Allocation Framework (RAF) and the follow-on System for Transparent Allocation of Resources (STAR) (see Table 1). Of the 72 projects sponsored by GEF since 1991 that utilize non-grant instruments, more than 83% of these projects were approved before GEF-4.

**Table 1. Use of Non-grant Instruments in GEF-financed Projects**

| GEF Phase | Number of Projects | Sum of GEF Project Grant($US million) | Sum of Total Co-finance($US million) |
|---|---:|---:|---:|
| Pilot Phase | 3 | 16.0 | 7.2 |
| GEF - 1 | 8 | 103.4 | 390.5 |
| GEF - 2 | 23 | 146.0 | 847.9 |
| GEF - 3 | 26 | 178.7 | 1,010.1 |
| GEF - 4 | 8 | 94.0 | 706.2 |
| GEF - 5 | 4 | 42.4 | 939.6 |
| **Grand Total** | **72** | **580.5** | **3,901.6** |

20. Three of the most common non-grant instruments are equity funds; revolving loan funds; credit enhancement facilities or risk guarantee funds. Each is described below with concrete examples of prior GEF experience.

(a) Equity Funds: These funds make targeted equity investments to support private sector innovation in the GEF focal areas. The equity approach also links to GEF's mandate as a long term investor to promote climate change investments. The funds could have a special focus reflecting the priorities of the region or country. Equity funds will take minority ownership position in private sector companies and other entities. The GEF would be a limited partner in each fund and provide overall guidance on scope and types of investments. Technical assistance and capacity building will be combined with equity. The MDB 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.

Example 1: The *Clean Tech Fund (GEF# 3005, IDB)* makes equity investments in SMEs that implement renewable energy power production projects to reduce the use of fossil fuel in the Latin American and Caribbean region. GEF financing is $1 million; co-financing is $61 million.

Example 2: *Pilot Asia-Pacific Climate Technology Network and Finance Center (GEF# 4512, ADB/UNEP).* A component of this project will provide equity investments to venture capital funds targeting early stage companies with climate change technology products. GEF financing for this component is $3.9 million; cofinancing is $63.29 million. It will also establish a complementary technical assistance facility to advise fund managers on emerging market opportunities, technological competence and growth potential of investee companies, and intellectual property rights issues. Total GEF financing for all components is $10.9 million; co-financing is $75 million.

(b) Revolving Loan Funds: These funds extend concessional loans and credit lines to private sector. Through concessional lending, the GEF resources can mobilize additional private sector financing from banks and other lenders, thereby broadening private sector's global environmental impact. Through this mechanism, financial institutions, corporations, even households share in the commercial credit risk of projects as they would otherwise not.

Example: 1: *Testing a Prototype Caribbean Regional Fund for Wastewater Management (CReW) (GEF# 3766, IDB/UNEP)* will pilot financing mechanisms that can be used to provide sustainable financing for environmentally sound and cost-effective wastewater management in the Caribbean. GEF financing is $20 million; co-financing is $251 million.

Example 2: *Inka Terra: An Innovative Partnership for Self-Financing Biodiversity* Conservation *& Community Development (GEF# 1061, World Bank/IFC)* has provided, thanks to concessional loans, a successful replicable model for engaging more private sector companies in achieving financial sustainability for protected areas in Peru. GEF financing is $ 0.75 million; co-financing is $11.4 million.

(c) Credit Enhancement Facility or Risk Guarantee Funds: These provide cost-effective financing not otherwise available to private sector because of perceived risks. Credit guarantee is the most frequently used financial tool among all GEF non-grant projects. More than 30 out of 72 projects have utilized credit enhancement structure to help projects attract funding, reduce borrowing cost and scale up projects faster than conventional business investments would support.

Example 1: *China Utility-Based Energy Efficiency Finance Program (CHUEE) (GEF# 2624, World Bank)* uses a $12.2 million credit enhancement guarantee to scale up energy efficiency investments in China. Just for FY 2010, 25 new loans with value of $100 million were approved. GEF financing is $16.5 million; co-financing is $199 million.

Example2: *Chile Industrial Energy Efficiency Partial Risk Guarantee Program (*GEF*# 4176, IDB).* This project leverages GEF resources through a partial risk guarantee program for local financial institutions who invest in industrial energy efficiency projects. GEF financing is $2.4 million; co-financing is $32.8 million.

## MODALITIES FOR PRIVATE SECTOR ENGAGEMENT

21. In the long history of engagement with the private sector, the GEF has progressed from financing deal-by-deal projects proposed through the GEF Agencies to a programmatic approach through the Earth Fund, to most recently an innovative program under GEF-5 to promote technology transfer[4]. Each of these approaches offers advantages and disadvantages.

22. For GEF-5, priorities should be placed on the modalities which balance between the widely supported need to expand partnership with the private sector, and the requirements of the GEF Council for transparency and oversight. Reflecting these various considerations, three major modalities are proposed for engaging the private sector in GEF-5:

(a) Establishing partnerships with MDBs to promote use of non-grant instruments that generate reflows;

(b) Incentivizing use of non-grant instruments that generate reflows within STAR or non STAR focal area projects through a matching program; and

(c) Encouraging innovation in SMEs through a competition and incubation pilot

23. The expanded use of non-grant instruments is a key tool available to the GEF for attracting greater private sector financing. Private sector partners are always interested in projects that generate returns, but companies in the developing world rarely have adequate financing on their own. When they seek funding from commercial financial institutions for innovative technologies or risky projects, they often are offered financing terms that are cost-prohibitive. Commercial interests often restrict the amount of funding that can be used for these types of projects. When the GEF becomes a partner through the use of a non-grant instrument, we lower the risks for commercial financial institutions and private investors to participate, thus increasing the level of funding available for projects consistent with the GEF mission. Furthermore, unlike a grant that can be used only once, an investment through a non-grant instrument can be designed to enable reinvestment in a series of successful projects.

24. The use of non-grant instruments can also be an excellent tool to ensure donor funds are supporting innovative investments that go beyond business as usual. Donors are rightly concerned that unrestricted grant funds offered to private sector partners would distort the market and create the wrong incentives and could be used to enhance profits of some private sector partners over others, rather than accelerate introduction of products and technologies with benefits for the market as a whole. The use of non-grant instruments provides protection against this risk by requiring a balanced investment and risk-sharing from all parties concerned (the private sector partners, the Banks, and the GEF.) and encouraging applications from private sector partners with an expected positive revenue stream. These businesses are more likely to put their own investments at risk and be proven managers of outside investments. The use of non-grant instruments ensures that our partners will share our desire for project success.

25. The GEF has a comparative advantage in the application of non-grant instruments for PPPs that deliver global environmental benefits. Among the GEF implementing agencies, most funding is delivered as grants or loans to governments, rather than to private sector partners. The

[4] Specifically, in GEF-5 the regional project *Pilot Asia-Pacific Climate Technology Network and Finance Center*. (GEF# 4512, ADB/UNEP)

GEF is one of the few agencies that can provide funding through non-grant instruments for private sector partnerships. The IFC, and the private sector windows of the MDBs, do have significant experience with private sector partners. Adequate funding, however, is frequently not available for companies that want to invest in innovative technologies or business models consistent with the GEF mission. In many cases, funding resources at the IFC and the MDBs are not sufficiently flexible to address the global environment. When applied flexibly and at terms that will be attractive to private sector partners, GEF funding for non-grant instruments can be instrumental in market development and transformation.

26. 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 enabling policies that promote investment. Addressing these barriers is critical and is often supported by the GEF through projects with government partners that emphasize technical assistance and capacity building using standard grant instruments towards developing supportive policy and regulatory environments. Therefore, this modality is not proposed for the private sector strategy. Another barrier often cited is the need for advisory services to allow businesses to develop proposals. The GEF funding for PPP Programs under this strategy will support technical assistance and advisory services only if they are included within the investment portion of the non-grant instrument. GEF projects under STAR allocation always have the option to include technical assistance as an additional component if justified by the project.

27. A detailed description of each proposed modality is provided in the sections below.

**Modality 1: Partnership with MDBs to Promote Public Private Partnerships**

28. 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, similar to those of a programmatic initiative, whereby the Council approved the initiative while delegating the responsibility for approving the individual projects to the GEF Agencies managing the effort.

29. In collaboration with the private sector windows of the MDBs, the GEF proposes to establish PPP programs in GEF-5. The PPP programs will deploy a set of the most widely-used financial tools drawing upon extensive GEF experience with non-grant instruments. Each PPP Program will cover on one or more sub-sectors within GEF focal areas, but could also take a regional focus that is cross-cutting across several focal areas. The selected PPP Programs will be designed to take advantage of distinct characteristics of the specific types of non-grant instruments selected by the MDB for that program.

30. Each PPP program will be proposed for Council consideration using similar administrative procedures for other GEF programmatic initiatives, adapted to private sector needs. The programmatic document will describe the scope and content of the PPP program, in particular whether the program will focus on sectors, on technologies, or on certain regions. Operational Focal Point (OFP) endorsement letters will not be required unless the proposed PPP is specific to one country. Once approved by the Council, the PPP program will be implemented by the respective MDB. As with other programs, the GEF CEO will approve specific projects or investments under each program consistent with the arrangements approved by the Council for

each PPP program. Unlike the Earth Fund platforms, which were all administered for GEF by the IFC, each MDB partner will administer its own PPP program.

31. Each PPP program document will specify the arrangements between the GEF and the MDB on topics such as risk-sharing, rate of return, review requirements, scope, and timing. For Modality 1, all reflows return to the GEF Trust Fund. Building on the lessons learned from Earth Fund, the GEF Secretariat will develop a consistent financial mechanism to monitor and track reflows. To provide an example of the contents of a program document, a template with examples of the types of elements to be included in a PPP program document is provided in Annex 2.

32. GEF Implementing Agencies have been invited to prepare concept papers illustrating the type of PPP Programs that could be submitted under a GEF private sector strategy. These concept papers, shown in Annex 3, are examples of the types of efforts that could be pursued with the MDBs to establish catalytic efforts and attract significant co-financing.

33. PPP programs to enhance energy access will be encouraged for consideration by the MDBs. An example for this type of PPP program might be a revolving loan fund that helps small businesses ramp up sales of energy efficient cook-stoves, biomass generators, or home solar systems. The GEF, MDBs, and potentially other investment partners could support a variety of small businesses that otherwise would have difficulty obtaining commercial financing.

34. Projects with traditional GEF grants are also encouraged to support energy access. A PPP program on energy access with an MDB will be different from a traditional GEF project in that funding would be targeted to private sector partners/small businesses as an investment with expected reflows.

**Modality 2: Incentivizing use of non-grant instruments within traditional projects**

35. The introduction of the resource allocation framework in 2006 has been somewhat detrimental to private sector activity in the GEF as country OFPs have not been facilitated or encouraged to program country allocations for private sector activities. The opportunities for private sector engagement in GEF projects are robust, but more efforts need to be made to enlist private sector partners in planning and implementing of country portfolios.

36. An approach to continue to support private sector activities, while encouraging countries to program a share of their respective country allocations towards private sector activities would be to employ a share of the private sector set-aside as an incentive mechanism. For example, for every three dollars allocated from a country's STAR allocation or from a non-STAR focal area for private sector activities using non-grant instruments, an additional dollar could be provided as matching allocation from the private sector set-aside.

37. Under this modality, agencies would work with countries to design a project with strong private sector participation and use of non-grant instruments. When submitted at the PIF stage, the project would be eligible to request matching funding from the private sector set-aside in a ratio of 1:3. That is, for every 3 dollars of traditional allocation, 1 dollar from the private sector set-aside can be requested.

38. Countries and GEF Implementing Agencies would be encouraged to enlist national financial institutions as partners and co-financiers for the project. As an incentive, countries that utilize non-grant instruments for private sector engagement would retain all proceeds/reflows from the project which can then be used for additional programming consistent with the original project design with concurrence of the GEF Secretariat.

39. This approach complements Modality 1 but encourages participation of more agencies and institutions. This approach creates unique opportunities for countries to take a leadership position in promoting PPPs.

**Modality 3: SME Competition Pilot: Encouraging Entrepreneurs and Innovators**

40. The use of non-grant instruments in Modalities 1 and 2 will provide incentives for business that are close to commercial viability. Modality 3 will provide support for entrepreneurs and innovators seeking to establish a commercial venture. This supports the goals of many GEF countries who are seeking to grow their domestic private sector by specifically encouraging SMEs to expand in "green" and "clean" technologies to secure national competitiveness in a global 21$^{st}$ century economy.

41. Many countries are already pursuing efforts to promote SMEs. This effort will provide additional resources, guidance on best practices, and access to experts on incubation and competition. The GEF SME Competition Pilot will encourage up to five countries to launch medium-size projects, using STAR allocations, to establish competitions for entrepreneurs and innovators of technologies and business models that can deliver global environmental benefits.

42. To encourage country participation, the private sector set-aside will be available for matching funding. For example, for every two dollars allocated from a country's STAR allocation for the SME Competition, an additional dollar could be provided as matching allocation from the private sector set-aside. Under this approach, agencies would work with countries to design an MSP to establish and operate the SME Competition. When submitted for approval, the MSP would be eligible to request matching funding from the private sector set-aside in a ratio of 1:2.

43. Under these country led competitions, innovators and entrepreneurs participating in the competition would receive extensive training and mentoring on business plan development, product development, and funding strategies, as part of the initiative. Competitors would participate in series of evaluations and "judging" that would culminate in the selection and recognition of several winners.

44. The GEF has had excellent experience working with the Government of South Africa and UNIDO to test this concept. Under the medium sized project on *Greening the COP17* started in May 2011, the South Africa National Cleaner Production Centre (SA-NCPC) and the Council for Scientific and Industrial Research (CSIR) under the leadership of the Department of Environmental Affairs, the Department of Trade and Industry and the Department of Energy, and with support of other potential national partners will organize and conduct a clean technology innovation competition for SMEs. This competition will raise awareness and change the mindset around innovative clean technology in South Africa, while enhancing opportunities for entrepreneurs and small businesses.

45. Private sector partners will be presented with opportunities to contribute to business plans for sustainable development and expand investment in clean energy technology in South Africa. This would provide scale-up and replication opportunities. Under this project, over a six month period, innovators and entrepreneurs are being trained, mentored, and participating in a selection process to find those with the best ideas and business plans.

46. The project aims to announce two winners–one each for the two competition tracks: breakthrough technologies and adaptive technologies[5]–at COP17 and award the winners with grants or free legal services provided by private sector partners. This project will create tangible incentives for aspiring entrepreneurs in all fields to contribute to sustainable development. This process will be anchored in one of the local institutions, the Cleaner Production Center of South Africa, to ensure the continuity of this project beyond COP17. In particular, the project will establish linkages between the competition and the private sector at local and international level.

47. For the GEF-5 SME Competition Pilot, the Secretariat will aim for approximately 5 projects with a reasonable geographic distribution across all the projects. The number of projects could be expanded as the Pilot progresses. Participating countries and agencies will define criteria for the selection of businesses to participate in their competition, such as technology focus, business acumen, experience, financial resources.

48. This SME Competition Pilot will allow many countries and many agencies the opportunity to participate and showcase their efforts to promote innovation and entrepreneurship. MSPs are eligible for one-step approval so it will be relatively fast for agencies and countries to establish the competition. The GEF will work with its agency partners to offer best practices, lessons learned, and resources from global experts on incubation and innovation. This SME Competition Pilot complements existing efforts, such as the World Bank Development Marketplace and incubation efforts supported by IFC, by providing access to more countries and providing additional resources and tools.

### Resource allocation for the Modalities

49. 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 three modalities outlined above:

(a) $75 million is reserved for MDB programs to promote PPPs and as a matching fund for use of non-grant instruments within traditional projects.

(b) $5 million is reserved for matching grants and coordination of countries establishing competitions to encourage innovation in SMEs

50. 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.

[5] In this competition, the term “adaptive technologies” is used to mean innovatively adapting technologies to conditions in South Africa to speed penetration in the marketplace.

## OTHER ELEMENTS TO SUPPORT PRIVATE SECTOR ENGAGEMENT

51. An important element of the 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.

52. Such networking should also be accompanied by a 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.

## NEXT STEPS

53. 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) Work with GEF Agency partners to develop full proposals for PPP Programs;

(c) Identify countries and agencies wishing to participate in the SME Competition Pilot;

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

## ANNEX 1: LIST OF GEF DOCUMENTS ON PRIVATE SECTOR ENGAGEMENT

1996

- GEF/C.6/Inf.4, Engaging the Private Sector
- GEF/C.7/12, GEF strategy for engaging the Private Sector

1999

- GEF/C.13/Inf.5, Engaging the Private Sector in GEF Activities

2003

- GEF/C.22/Inf.10, Enhancing GEF's Engagement with the Private Sector

2004

- GEF/C.23/11, Principles for Engaging the Private Sector

2006

- GEF/C.28/Inf. 4, Additional Information to Support the GEF Strategy to Enhance Engagement with the Private Sector
- GEF/C.28/14, GEF Strategy to Enhance Engagement with the Private Sector

2007

- GEF/C.32/7, The Use of Non-grant Instruments in GEF Projects: Progress Report

2008

- GEF/C.33/12, Operational Policies and Guidance for the use of Non-grant Instruments

2010

- GEF/ME/C.39/2, Review of the Global Environment Facility Earth Fund
- GEF/ME/C.39/3, Management Response to GEF Earth Fund Review

2011

- GEF/C.40/13, Strategy to Engage with the Private Sector
- GEFEO, Review of GEF Engagement with the Private Sector

## ANNEX 2: EXAMPLE ELEMENTS OF PUBLIC PRIVATE PARTNERSHIP PROGRAM PROPOSAL

1. The GEF Secretariat will work with each interested MDB to develop a PPP program. The PPP program is expected to support private sector projects with non-grant instruments for the purpose of supporting greater access to financing for private sector companies pursuing innovative technologies and business models that yield benefits consistent with GEF focal area objectives and stimulating the development, dissemination and implementation of new technologies.

2. Each PPP Program should also have specific thematic area focuses. Below are samples for the types of elements to be covered in each PPP Program proposal. The GEF Secretariat will work with the agencies to develop full program proposals. These will be reviewed by the Secretariat as programmatic initiatives, and once cleared by the CEO, PPP Programs will be submitted to Council for Work Program Inclusion at the May or November Council meetings.

3. Sample PPP Program Elements

(a) PPP Program Overview and Summary

(i) Describe how the agency will use the PPP Program to enable the private sector to access GEF funding for the purpose of accelerating the emergence and replication of projects that will generate global environmental benefits, in a streamlined and cost effective manner.

(ii) Describe the objective of this PPP Program, including an explanation of how the PPP Program and the planned projects under the PPP Program are in line with the GEF-5 strategic objectives.

(iii) Describe how the PPP Program will employ one or more of the following financial mechanisms: loans, guarantees, equity, mezzanine investments, revolving fund, or others. We expect the PPP Program to have a focus, but there is flexibility to use more than one mechanism within the PPP Program.

(iv) Describe how the projects and financial mechanisms will be managed, either internally or externally.

(v) Describe the amount of GEF funding that will be requested, the commitments for implementing agency co-financing, and indicative levels of private sector co-financing.

(vi) Describe the amount, timing, and schedule for financial reflows that will be returned to the GEF Trust Fund. The PPP Program design should document arrangements for the reflows to the GEF consistent with GEF policies. For GEF-5, the reflows under Modality 1 are to be reinvested for the benefit of existing or future PPP Programs under the GEF Private Sector Set-aside as approved by the CEO.

(b) Description of PPP Program Focus and Alignment with GEF Strategic Programming

(i) Thematic Areas**.** A PPP Program may take a portfolio approach to achieve the benefits desired by GEF. Describe the PPP Program approach to specific thematic areas (i.e., focal areas, regions, sectors, technology supported, etc.)

(ii) Alignments with GEF-5 Strategic Objectives. Describe with specifics the alignment with the GEF 5 Focal Area Strategies and Strategic Objectives in the areas of Biodiversity, Climate Change Mitigation and Adaptation, Land Degradation, International Waters, Chemicals, Sustainable Forest Management/REDD+.

(iii) Barriers Addressed. Describe what market and non-market barriers that the PPP Program addresses. Also, describe the agency's previous experience with the private sector that is applicable to addressing these barriers. Provide a justification for the proposed PPP and financial mechanisms.

(c) PPP Program Operations

This section forms the core of the PPP Program proposal. This section is where the agency explains the operations of the PPP Program; describes in some detail the financial mechanisms of the PPP Program; and describes the PPP Program arrangements for reflows to the GEF. The description should explain how specific project reflows will be handled within a structure established by the PPP Program. This section should be summarized and included in the overview.

(d) GEF and Agency Responsibilities

(i) Describe in this section the decision making process and organizational structure to process and approve projects/investments under the PPP Program. A structure of an investment review committee should be specified. It is expected that review committees, established within an implementing agency, will receive and review proposals for investments for funding under the PPP Program.

(ii) Describe the role for the GEF Secretariat for specific project/investment approvals. For GEF-5, the GEF Secretariat intends to delegate authority to the agency on a no-objection basis, typical of limited partnerships. In other words, projects/investments approved by the agency will be eligible for GEF funding unless there is objection from the GEF Secretariat. GEF Secretariat representation on the investment review committee can also be proposed.

(iii) Each project approved under the PPP Program will include a Monitoring and Evaluation ("M&E") component. An annual report which outlines activities undertaken in the previous year will be complied by the Agency. External reviews and financial audits of PPP Program accounts will be performed as required by the Agency in accordance with normal procedures and the Financial Procedures Agreement (FPA) with the GEF.

(e) Financial Mechanisms

(i) Describe how the PPP Program will employ one or more of the following financial mechanisms: loans, guarantees, equity, mezzanine investments, revolving fund, or others. We expect the PPP Program to have a focus, but there is flexibility to use more than one mechanism within the PPP Program.

(ii) Describe which one or a small set of concessional financing tools are used to support project activities, the financing conditions that will be offered to the ultimate beneficiary and the risk exposure for the GEF.

(iii) Describe the role for directly managed consultancies, technical assistance, capacity building and knowledge management within the PPP Program. For GEF-5 PPP Programs, these type of activities may be included only as part of the investment package, not as separate grants.

(f) Transactional Structure for Reflows

(i) Document the mechanisms to monitor financial reflows. Funding repayments should reflect the specific PPP Program portfolio.

(ii) Also describe the schedule and procedures for reflows to the GEF Trust Fund. Reflows to GEF may be negotiated beforehand, in accordance with PPP Program's focus and characteristics.

(iii) The schedule should anticipate that investment income on reflows will be due from the Agency commencing from the date the beneficiary returns the funds to the Agency until it is credited to the account of GEF Trust Fund.

(g) Project Review Criteria

Please describe project selection and review criteria corresponding to the specific PPP Program. Examples of selection criteria include, but are not limited to:

(i) Private sector co-financing or leverage ratios

(ii) Financial criteria

(iii) Tons $CO_{2eq}$ avoided

(iv) kWh generated from renewable sources or saved through energy efficiency

(v) GHG emissions avoided

(vi) Number of households served

(vii) Improved water use efficiency

(viii) Other indicators as appropriately identified for each project within the portfolio, and consistent with GEF strategic priorities.

(h) Potential Initial Pipeline

(i) Knowledge Management, Lessons Learned & Dissemination

(j) Description of Agency Experience with Private Sector

## ANNEX 3: AGENCY CONCEPT PAPERS FOR PUBLIC PRIVATE PARTNERSHIP PROGRAMS

The following concept papers are included:

Annex 3-1. Asian Development Bank (ADB) - Clean Energy Private Equity Seed Capital

Annex 3-2. Asian Development Bank (ADB) - Private Sector RE and EE Program

**Annex 3-1: Asian Development Bank (ADB) - Clean Energy Private Equity Seed Capital**

PPP Program Overview and Summary

The objective of the fund is to hasten deployment and utilization of green technologies in the region by providing seed capital to private equity, angel and venture capital, and other similar equity funds focused on climate change mitigation and clean energy investments. Reflows will be through repayment of equity investments. Estimated amount of GEF funding requested will be an aggregate US$10 million. ADB targets to provide co-financing of US$25 million. This is expected to leverage private sector partners co-financing of another US$100 million.

Thematic Focus and Alignment with GEF Focal Area

The proposal will cover climate change mitigation as the focal area. Firms working on climate change mitigation and clean energy technologies often have difficulty in accessing sufficient private capital. This fund will help ensure that private sector financing is available at early stages of developing low carbon technologies for diffusion in developing countries in the region.

Financial Mechanisms and Reflows

The proposal will implement equity participation in companies involved in the identified focal area. Standard ADB due diligence procedures will be implemented to assess and mitigate risks to both ADB and GEF funds. Reflows to the GEF Trust Fund will be according to exit profiles negotiated between ADB and the fund managers.

Potential Initial Pipeline

The fund will be used to provide equity investments to small and medium-sized firms targeting diffusion of climate change mitigation and clean energy technologies across ADB's Developing Member Countries. GEF's $10 million in aggregate will be co-financed with $25 million of ADB's and will be leveraged with private sector partners' funding of $100 million.

Agency Experience with PPP

Since 2008, ADB has committed to over $1 billion of lending and investment support for clean energy annually and has increased its target to $2 billion per year starting in 2013. It has established regional clean energy private equity funds to entice interest from fund managers in setting up new clean energy funds and invested funds for clean energy in "frontier" markets. ADB also has investments in businesses along the clean energy value chain and in renewable energy projects. These and other programs provide a sound basis by which ADB can facilitate investments through this program.

**Annex 3-2: Asian Development Bank (ADB) - Private Sector RE and EE Program**

PPP Program Overview and Summary

The objective of the program is to facilitate mainstreaming of renewable energy (RE) and energy efficiency (EE) investments by crowding-in private sector financing for RE and EE subprojects. The GEF cofinancing will be utilized to cover part of the additional costs and risks of RE/EE projects by developing innovative financing mechanisms, including guarantees, risk-sharing arrangements, and contingent financing. Reflows will be dependent on the type of financing requirement of the individual projects. Estimated amount of GEF funding requested will be US$20 million. ADB targets to provide direct financing of US$50 million. This is expected to leverage private sector partners co-financing of another US$200-400 million.

Thematic Focus and Alignment with GEF Focal Area

The proposal will cover climate change mitigation as the focal area. Pioneer stage RE subprojects face additional costs and risks which cannot be covered by conventional project financing. Creative financing approaches such as the use of concessional funds for partial credit guarantees and contingent financing are needed to develop confidence in the financial markets and mainstream RE project financing. EE investments are perceived as not attractive to commercial financiers as the investments generate savings rather than additional revenue. The program will help private financiers gain confidence on RE and EE investments.

Financial Mechanisms and Reflows

The program will develop innovative financing mechanisms through loans and guarantees in identified RE and EE projects. Standard ADB due diligence procedure will be implemented to assess and mitigate risks to both ADB and GEF funds. Reflows to the GEF Trust Fund will be in parallel to the tenors provided by ADB depending in the type of financing provided to the subproject.

Potential Initial Pipeline

The program will fund RE subprojects (targeting solar, wind and waste-to-energy) that face first-mover implementation risks. It will also support EE projects that require up-front capital costs and investments across ADB's developing member countries (targeting India, Thailand, Bangladesh, Sri Lanka and Philippines). GEF's $20 million will be co-financed with $50 million of ADB's and leveraged with private sector partners' funding of $200-400 million.

Agency Experience with PPP

ADB will build on recent experience pilot testing these new approaches, including partial credit guarantees for solar power development in India, first loss guarantees for energy efficiency in the PRC, and use of grants for partial funding of project contingencies in Thailand. These and other programs provide a sound basis on which ADB can facilitate investments through this program.

## ANNEX 4: GEF PROJECTS USING A NON-GRANT INSTRUMENT

| Index* | GEF_ID | Agency | Country | Stage | Name | GEF Phase | CEO Approval/ Endorsement | GEF Project Grant ($US million) | Total Cofinance($US million) | Total Project Cost ($US million) | Non-Grant Element ($US million) | Cofinancing Ratio | Type of Non-grant Instrument | Technology Supported |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 540 | World Bank | Thailand | Closure | Building Chiller Replacement Program | GEF - 2 | 23-Apr-01 | 2.5 | 2.7 | 5.2 | 2.5 | 1.1 | Loan | Energy Efficiency |
| 2 | 786 | World Bank | Poland | Under Implementation | Krakow Energy Efficiency Project | GEF - 2 | 21-Sep-04 | 11.0 | 88.0 | 99.0 | 5.7 | 8.0 | Guarantee Facility | Energy Efficiency |
| 3 | 883 | World Bank | Romania | Closure | Energy Efficiency Project | GEF - 2 | 20-Aug-02 | 10.0 | 24.0 | 34.0 | 8.0 | 2.4 | Contingent Grant with Revolving Funds | Energy Efficiency |
| 4 | 944 | World Bank/IFC | Regional (Czech Republic, Slovak Republic, Estonia, Latvia, Lithuania) | Completion | Energy Efficiency Project | GEF - 2 | 6-Oct-02 | 7.0 | 32.8 | 39.8 | 9.0 | 4.7 | Credit Guarantee | Energy Efficiency |
| 5 | 1237 | World Bank | China | Completion | Energy Conservation Project, Phase II | GEF - 2 | 30-Sep-02 | 26.0 | 255.2 | 281.2 | 16.6 | 9.8 | Credit Guarantee | Energy Efficiency |
| 6 | 1291 | World Bank | Croatia | Completion | Renewable Energy Resources Project | GEF - 2 | 17-May-02 | 5.5 | 3.0 | 8.5 | 2.0 | 0.5 | Contingent Grant and Guarantee Facility | Renewable energy |
| 7 & 8 | 1615 | World Bank | Regional (Armenia, Bulgaria, Hungary, Poland, Romania, Russian Federation, | Cancelled | Geothermal Energy Development Program , GeoFund | GEF - 3 | 16-May-03 | 9.0 | 175.0 | 184.0 | 3.6 | 19.5 | Credit Guarantee | Renewable Energy |
| 9 | 2117 | World Bank | Bulgaria | Completion | Energy Efficiency Project | GEF - 3 | 21-May-04 | 10.0 | 39.5 | 49.5 | 8.5 | 4.0 | Loan and Partial Credit Guarantee | Energy Efficiency |
| 10 | 2531 | World Bank | Macedonia | Under Implementation | Sustainable Energy Program | GEF - 3 | 13-Sep-05 | 5.5 | 26.7 | 32.2 | 3.7 | 4.9 | Partial Credit Guarantee and Revolving Fund, Loan | Renewable Energy & Energy Efficiency |
| 11 | 667 | World Bank/IFC | Global | Cancelled | Renewable Energy and Energy Efficiency Fund (IFC) | GEF - 1 | 15-Oct-97 | 30.0 | 210.0 | 240.0 | 24-26m | 7.0 | Guarantee Facility, Debt or Lease Finance Facilities, Capital Cost Buy-Downs | Renewable Energy & Energy Efficiency |
| 12 | 112 | World Bank/IFC | Global (Kenya, India, Morocco) | Completion | Photovoltaic Market Transformation Initiative (IFC) | GEF - 1 | 17-Jun-98 | 30.0 | 90.0 | 120.0 | Investments from | 3.0 | Loan, Equity and Guarantees | Renewable Energy |
| 13 | 135 | World Bank/IFC | Global | Approved by Implementing Agency | Small and Medium Scale Enterprise Program (IFC, first replenishment) | GEF - 1 | 10-Feb-97 | 16.5 | 36.0 | 52.5 | TBD | 2.2 | Loan and Equity | Energy Efficiency |
| 14 | 1571 | World Bank/IFC | Regional (Bolivia, Costa Rica, Mexico, Peru, Belize, Ecuador, El Salvador, Panama, Paraguay) | Completion | EcoEnterprises Fund | GEF - 2 | 19-Apr-02 | 1.0 | 9.0 | 10.0 | 0.0 | 9.0 | Loan | Conservation & Sustainable Biological Diversity |
| 15 | 1541 | World Bank/IFC | Regional (Czech Republic, Slovak Republic, Estonia, Latvia, Lithuania) | Completion | Commercializing Energy Efficiency Finance (CEEF) - Tranche I | GEF - 2 | 11-May-01 | 11.3 | 20.9 | 32.1 | 5.6 | 1.9 | Contingent Grant and Guarantee Facility | Energy Efficiency |

| Index* | GEF_ID | Agency | Country | Stage | Name | GEF Phase | CEO Approval/ Endorsement | GEF Project Grant ($US million) | Total Cofinance($US million) | Total Project Cost ($US million) | Non-Grant Element ($US million) | Cofinancing Ratio | Type of Non-grant Instrument | Technology Supported |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 16 | 1485 | World Bank/IFC | Peru | Cancelled | Poison Dart Frog Ranching to Protect Rainforest and Alleviate Poverty | GEF - 3 | 11-Apr-03 | 0.8 | 1.0 | 1.8 | TBD | 1.3 | Equity | Sustainable Cultivation |
| 17 | 2000 | World Bank/IFC | Global | UnderImplementationementation | Environmental Business Finance Program (EBFP) | GEF - 3 | 21-Nov-03 | 20.0 | 80.0 | 100.0 | 14.0 | 4.0 | Loan and Guarantee | Sustainable Markets in POPs, LD, CC, BD |
| 18 | 1061 | World Bank/IFC | Peru | Approved by Implementing Agency | Inka Terra: An Innovative Partnership for Self-Financing Biodiversity Conservation & Community Development | GEF - 3 | 19-Dec-03 | 0.7 | 11.4 | 12.1 | 0.4 | 15.7 | Grant and Concessional Loan | Forest Management & Eco-Tourism |
| 19 | 2111 | World Bank/IFC | Russian Federation | Under Implementation | Russian Sustainable Energy Finance Program | GEF - 3 | 27-Sep-04 | 7.0 | 23.3 | 30.3 | 2.0 | 3.3 | Guarantee and Credit Lines | Energy Efficiency |
| 20 | 2624 | World Bank/IFC | China | Under Implementation | China Utility-Based Energy Efficiency Finance Program (CHUEE) | GEF - 3 | 10-Mar-06 | 16.5 | 199.0 | 215.5 | 12.2 | 12.1 | Credit Guarantee and Loan | Energy Efficiency |
| 21 | 2944 | World Bank/IFC | Regional (Fiji, Marshall Islands, Papua New Guinea, Solomon Islands, Vanuatu) | Under Implementation | Sustainable Energy Financing | GEF - 3 | 18-May-07 | 9.5 | 49.0 | 58.5 | 5.2 | 5.2 | Risk Sharing Fund (RSF) for Loan Provision | Renewable Energy & Energy Efficiency |
| 22 | 595 | World Bank/IFC | Global | Cancelled | Solar Development Group (SDG) | GEF - 2 | 20-Sep-00 | 10.0 | 40.0 | 50.0 | TBD | 4.0 | Private Equity Fund | Renewable Energy |
| 23 | 91 | World Bank/IFC | Global | Closure | Small and Medium Scale Enterprise Program (IFC) | GEF - 1 | 1-Jul-94 | 4.3 | 15.2 | 19.5 | 3.0 | 3.5 | Loan and Equity Fund | Energy Efficiency & Biological Diversity Sustainability |
| 24 | 111 | World Bank/IFC | Hungary | Completion | Energy Efficiency Co-Financing Program | GEF - 1 | 11-May-97 | 5.0 | 20.0 | 25.0 | 4.3 | 4.0 | Partial Credit Guarantee, Contingent Grants and | Energy Efficiency |
| 25 | 2119 | UNEP/World Bank | Regional (Djibouti, Eritrea, Ethiopia, Kenya, Tanzania, Uganda) | CEO Endorsed | African Rift Geothermal Development Facility (ARGeo) | GEF - 3 | 9-Jun-06 | 17.8 | 69.5 | 87.3 | 9.5 | 3.9 | Contingent Grant with Revolving Fund | Renewable Energy |
| 26 | 314 | UNDP | Bolivia | Approved by Implementing Agency | A Program for Rural Electrification with Renewable Energy Using the Popular Participation Law | GEF - 1 | 28-May-99 | 4.0 | 4.1 | 8.0 | 1.6 | 1.0 | Revolving Fund | Renewable Energy |
| 27 | 448 | UNDP | Malaysia | Completion | Industrial Energy Efficiency Improvement Project | GEF - 1 | 8-Jun-99 | 7.3 | 13.5 | 20.8 | 0.1 | 1.8 | Revolving Fund | Energy Efficiency |
| 28 | 660 | UNDP | Sudan | Approved by Implementing Agency | Barrier Removal to Secure PV Market Penetration in Semi-Urban Sudan | GEF - 2 | 5-Mar-99 | 0.7 | 1.0 | 1.7 | 0.2 | 1.3 | Guarantee | Renewable Energy |
| 29 | 622 | UNDP | China | Completion | Energy Conservation and GHG Emission Reduction in Chinese Township and Village Enterprises (TVE), Phase II | GEF - 2 | 11-Oct-00 | 8.0 | 10.6 | 18.5 | 1.0 | 1.3 | Loan and Revolving Fund | TVE Energy Conservation |
| 30 | 658 | UNDP | Slovenia | Completion | Removing Barriers to the Increased Use of Biomass as an Energy Source | GEF - 2 | 5-Feb-01 | 4.3 | 7.9 | 12.2 | 2.5 | 1.8 | Revolving Fund | Renewable Energy |

| Index* | GEF_ID | Agency | Country | Stage | Name | GEF Phase | CEO Approval/ Endorsement | GEF Project Grant ($US million) | Total Cofinance($US million) | Total Project Cost ($US million) | Non-Grant Element ($US million) | Cofinancing Ratio | Type of Non-grant Instrument | Technology Supported |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 31 | 641 | UNDP | Malawi | Completion | Barrier Removal to Renewable Energy Programme | GEF - 2 | 15-Oct-00 | 3.4 | 7.3 | 10.7 | 0.5 | 2.2 | Partial Credit Guarantee | Renewable Energy & Energy Efficiency |
| 32 | 646 | UNDP | Morocco | Approved by Implementing Agency | Market Development for Solar Water Heaters | GEF - 2 | 24-Apr-00 | 3.0 | 1.7 | 4.7 | 0.2 | 0.6 | Partial Credit Guarantee | Renewable Energy |
| 33 | 13 | UNDP | Thailand | Approved by Implementing Agency | Removal of Barriers to Biomass Power Generation and Co-generation | GEF - 2 | 22-Jan-01 | 6.8 | 101.6 | 108.4 | 3.0 | 14.9 | Partial Credit Guarantee | Renewable Energy |
| 34 | 843 | UNDP | Chile | Under Implementation | Removal of Barriers to Rural Electrification with Renewable Energy | GEF - 2 | 28-Jun-01 | 6.0 | 26.3 | 32.3 | 2.0 | 4.4 | Guarantee | Renewable Energy |
| 35 | 882 | UNDP | Croatia | Under Implementation | Removing Barriers to Improving Energy Efficiency of the Residential and Service Sectors | GEF - 2 | 9-Aug-04 | 4.4 | 8.7 | 13.1 | 2.5 | 2.0 | Partial Credit Risk Guarantee | Energy Efficiency |
| 36 | 935 | World Bank/IFC | Peru | Approved by Implementing Agency | Poison Dart Frog Ranching to Protect Rainforest and Alleviate Poverty | GEF - 2 | 13-Jan-03 | 2.6 | 3.1 | 5.7 | 1.8 | 1.2 | Partial Credit Guarantee | Renewable Energy |
| 37 | 1264 | UNDP | Philippines | Completion | Capacity Building to Remove Barriers to Renewable Energy Development | GEF - 2 | 24-Sep-02 | 5.1 | 18.3 | 23.5 | 2.7 | 3.6 | Loan, Guarantees & Micro finance | Renewable Energy |
| 38 | 1265 | UNDP | Poland | Approved by Implementing Agency | Polish Energy Efficiency Motors Programme | GEF - 2 | 5-Nov-03 | 4.3 | 17.7 | 22.0 | 0.4 | 4.1 | Revolving Fund | Energy Efficiency |
| 39 | 1646 | UNDP | Russian Federation | Closure | Cost Effective Energy Efficiency Measures in the Russian Educational Sector | GEF - 2 | 10-Jun-02 | 1.0 | 1.7 | 2.7 | 0.1 | 1.8 | Revolving Fund | Energy Efficiency |
| 40 | 1198 | UNDP | Belarus | Approved by Implementing Agency | Biomass Energy for Heating and Hot Water Supply | GEF - 3 | 26-Jun-03 | 3.1 | 5.6 | 8.7 | 1.5 | 1.8 | Revolving Fund | Renewable Energy |
| 41 | 1137 | UNDP | Georgia | Under Implementation | Promoting the Use of Renewable Energy Resources for Local Energy Supply | GEF - 3 | 11-Feb-04 | 4.3 | 9.3 | 13.6 | 2.0 | 2.2 | Revolving Fund | Renewable Energy |
| 42 | 1199 | UNDP | India | Under Implementation | Removal of Barriers to Biomass Power Generation, Part I | GEF - 3 | 13-Jan-05 | 5.7 | 33.5 | 39.2 | 2.1 | 5.9 | Subordinate Credits/ Guarantee/Contingent Financing | Renewable Energy |
| 43 | 1413 | UNDP | Honduras | Approved by Implementing Agency | Energy Efficiency Measures in the Honduran Commercial and Industry Sectors | GEF - 3 | 16-Jan-04 | 1.0 | 1.6 | 2.6 | 0.7 | 1.7 | Partial Credit Risk Guarantee | Energy Efficiency |
| 44 | 1245 | UNDP | Lesotho | Under Implementation | Renewable Energy-based Rural Electrification | GEF - 3 | 22-Sep-06 | 2.5 | 4.3 | 6.8 | 0.8 | 1.7 | Partial Credit Risk Guarantee | Renewable Energy |
| 45 | 2670 | UNDP | Regional (Costa Rica, Guatemala, Honduras, Nicaragua, El Salvador) | Under Implementation | Central American Markets for Biodiversity (CAMBio): Mainstreaming Biodiversity Conservation and Sustainable use within Micro, Small and Medium-sized Enterprise Development and Financing | GEF - 3 | 20-Mar-06 | 10.2 | 27.3 | 37.5 | 2.8 | 2.7 | Partial Credit Risk Guarantee | Biodiversity Conservation |

| Index* | GEF_ID | Agency | Country | Stage | Name | GEF Phase | CEO Approval/ Endorsement | GEF Project Grant ($US million) | Total Cofinance($US million) | Total Project Cost ($US million) | Non-Grant Element ($US million) | Cofinancing Ratio | Type of Non-grant Instrument | Technology Supported |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 46 | 2105 | UNDP | Croatia | Approved by Implementing Agency | Conservation and Sustainable Use of Biodiversity in the Dalmatian Coast through Greening Coastal | GEF - 3 | 10-Nov-05 | 7.0 | 24.3 | 31.3 | 0.5 | 3.5 | Partial Credit Risk Guarantee | Biodiversity Conservation |
| 47 | 2256 | UNDP | Namibia | Under Implementation | Barrier Removal to Namibian Renewable Energy Programme (NAMREP), Phase II | GEF - 3 | 1-Aug-06 | 2.6 | 7.6 | 10.2 | 1.2 | 2.9 | Partial Credit Guarantee | Renewable Energy |
| 48 | 267 | UNDP | Regional (Egypt, Palestinian Authority) | Closure | Energy Efficiency Improvements and Greenhouse Gas Reductions | GEF - 1 | 16-Jun-98 | 6.4 | 1.8 | 8.1 | 0.3 | 0.3 | Partial Credit Guarantee | Energy Efficiency |
| 49 | 386 | UNDP | India | Approved by Implementing Agency | Optimizing Development of Small Hydel Resources in Hilly Areas | Pilot Phas | 1-Dec-91 | 7.5 | 7.1 | 14.6 | 0.0 | 1.0 | Revolving Fund | Renewable Energy |
| 50 | 377 | UNDP | Sudan | Closure | Community Based Rangeland Rehabilitation for Carbon | Pilot Phas | 1-Dec-92 | 1.5 | 0.1 | 1.6 | 0.0 | 0.1 | Revolving Fund | Rangeland Rehabilitation |
| 51 | 1335 | UNDP | Egypt | Under Implementation | Bioenergy for Sustainable Rural Development | GEF - 3 | 28-Aug-06 | 3.0 | 12.4 | 15.4 | 2.2 | 4.1 | Revolving Fund | Renewable Energy |
| 52 | 782 | UNDP | Cuba | Cancelled | Co-generation of Electricity and Steam Using Sugarcane Bagasse and Trash | GEF - 2 | 1-May-00 | 11.5 | 73.2 | 84.7 | 0.6 | 6.4 | Partial Credit Guarantee | Renewable Energy |
| 53 | 391 | UNDP | Pakistan | Closure | Fuel Efficiency in the Road Transport Sector | Pilot Phas | 1-May-92 | 7.0 | 0.0 | 7.0 | 3.0 | 0.0 | Revolving Fund | Energy Efficiency |
| 54 | 2681 | UNDP | Tajikistan | Dropped | Promotion of Renewable Energy Use for Development of Rural Communities | GEF - 3 | NA | 1.0 | 4.0 | 5.0 | 0.4 | 4.1 | Revolving Fund | Renewable Energy |
| 55 | 2941 | UNDP/IADB | Brazil | Approved by Implementing Agency | Market Transformation for Energy Efficiency in Buildings | GEF - 4 | 29-Jul-09 | 13.5 | 122.8 | 136.3 | 10.5 | 9.1 | Performance Risk Guarantee | Energy Efficiency |
| 56 | 3626 | UNEP | Regional (Micronesia, Marshall Islands, Palau) | CEO Endorsed | PAS The Micronesia Challenge : Sustainable Finance Systems for Island Protected Area Management - under the GEF Pacific Alliance for Sustainability | GEF - 4 | 28-May-10 | 5.5 | 13.9 | 19.4 | 5.2 | 2.6 | Revolving Fund | Sustainable Financing for Protected Area Systems |
| 57 | 1609 | UNEP/ADB/AfDB | Regional (Africa and Asia) | Under Implementation | Renewable Energy Enterprise Development - Seed Capital Assistance Facility | GEF - 3 | 1-Jun-06 | 8.4 | 54.6 | 63.0 | 0.0 | 6.5 | Grant | Renewable energy |
| 58 | 1361 | UNEP | Cuba | Under Implementation | Generation and Delivery of Renewable Energy Based Modern Energy Services in Cuba; the case of Isla de la Juventud | GEF - 3 | 21-Nov-03 | 5.3 | 10.7 | 16.0 | 2.0 | 2.0 | Grant to Initial Investments with Repayment to Revolving Fund | Renewable Energy |
| 59 | 2619 | UNEP/EBRD | Eastern Europe | Under Implementation | Financing EE & RE In Eastern Europe | GEF - 4 | 6-Jun-08 | 3.0 | 9.1 | 12.1 | 0.0 | 3.0 | Grant | Renewable energy and energy efficiency |
| 60 | 2939 | UNDP/UNEP | Global | Under Implementation | Solar Water Heating Market Transformation and Strengthening Initiative, Phase 1 | GEF - 3 | 29-Jul-08 | 12.0 | 24.2 | 36.2 | 0.0 | 2.0 | Credit Risk Guarantee | Renewable Energy |

| Index* | GEF_ID | Agency | Country | Stage | Name | GEF Phase | CEO Approval/ Endorsement | GEF Project Grant ($US million) | Total Cofinance ($US million) | Total Project Cost ($US million) | Non-Grant Element ($US million) | Cofinancing Ratio | Type of Non-grant Instrument | Technology Supported |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 61 | 1358 | UNEP | Zambia | Under Implementation | Renewable Energy-based Electricity Generation for Isolated Mini-grids | GEF - 3 | 21-May-04 | 3.0 | 4.6 | 7.5 | 1.0 | 1.5 | Grant to Initial Investments | Renewable Energy |
| 62 | 1316 | World Bank/IFC | Hungary | Approved by Implementing Agency | Energy Efficiency Co-Financing Program 2 (HEECP2) | GEF - 2 | 3-Oct-01 | 0.7 | 93.2 | 93.9 | 4.3 | 133.1 | Partial Credit Risk Guarante | Energy Efficiency |
| 63 | 1532 | World Bank | Philippines | Under Implementation | Electric Cooperative System Loss Reduction Project | GEF - 3 | 16-May-03 | 12.0 | 50.5 | 62.5 | 10.0 | 4.2 | Partial Credit Risk Guarante | Energy Efficiency |
| 64 | 3005 | IADB | Regional (Brazil, Nicaragua, Panama, Mexico) | Under Implementation | CleanTech Fund | GEF - 3 | 7-Feb-06 | 1.0 | 61.2 | 62.2 | TBD | 61.5 | Grant | Renewable Energy |
| 65 | 3558 | World Bank | Regional (Cape Verde, Liberia, Sierra Leone, Senegal) | CEO Endorsed | West Africa Regional Fisheries Program (WARFP) | GEF - 4 | 1-Sep-09 | 10.0 | 46.0 | 56.0 | TBD | 4.6 | GEF Grant is Blended with a | Sustainable Fishing |
| 66 | 3597 | EBRD/ World Bank | Russian Federation | CEO Endorsed | RUS Improving Urban Housing Efficiency in the Russian Federation | GEF - 4 | 19-Nov-10 | 9.7 | 140.0 | 149.7 | 7.9 | 14.5 | Credit Line | Energy Efficiency |
| 67 | 3766 | IADB/ UNEP | Regional (Antigua And Barbuda, Barbados, Costa Rica, Guatemala, Guyana, Honduras, St. Lucia, Panama, Suriname) | CEO Endorsed | Testing a Prototype Caribbean Regional Fund for Wastewater Management (CReW) | GEF - 4 | 2-Dec-10 | 20.0 | 251.7 | 271.7 | 15.0 | 12.6 | Revolving Fund | International Waters |
| 68 | 4176 | IADB | Chile | CEO Endorsed | Encouraging the Establishment and Consolidation of an Energy Service Market in Chile | GEF - 4 | 8-Dec-10 | 2.4 | 32.8 | 35.2 | 2.2 | 13.9 | Partial Credit Guarantee | Energy Efficiency |
| 69 | 4257 | World Bank/IFC | Global | Pending | IFC Earth Fund | GEF - 4 | 4/30/2008 | 30.0 | 90.0 | 120.0 | TBD | 3.0 | Mixed | Mixed |
| 70 | 4348 | EBRD | Kazakhstan | Council Approved | Reducing GHG Emissions through a Resource Efficiency Transformation Programme (ResET) for Industries in Kazakhstan | GEF - 5 | 17-Nov-10 | 7.1 | 38.5 | 45.6 | 6.0 | 5.4 | Loan | Energy Efficiency |
| 71 | 4427 | World Bank | Russian Federation | Council Approved | Russia Energy Efficiency Financing (REEF) Project | GEF - 5 | 29-Mar-11 | 22.7 | 824.5 | 847.2 | 12.0 | 36.3 | Loan | Energy Efficiency |
| 72 | 4431 | UNDP | Maldives | CEO Approved | Increasing Climate Change Resilience of Maldives through Adaptation in the Tourism Sector | GEF - 5 | 3-Jun-11 | 1.7 | 1.7 | 3.3 | TBD | 1.0 | Grants or Equity Investmen | Adaptation in Tourism Sector |
| 73 | 4512 | ADB/ UNEP | Regional | Council Approved | Pilot Asia-Pacific Climate Technology Network and Finance Center | GEF - 5 | 26-May-11 | 10.9 | 75.0 | 85.9 | 3.9 | 6.9 | Equity Investments | Renewable Energy & Energy Efficiency |

*

The first 61 entries are from the Annex of C.33.12/2008 Operational Policies and Guidance for the Use of Non-grant Instruments where they were first presented. Additional projects have been identified and added to the list. Project 1615 was listed twice in the original Annex, therefore the total count of all projects using non-grant instruments is 72.