



Global Environment Facility

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May 7, 2008

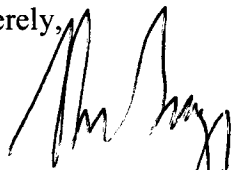

Dear Council Member:

The GEF Earth Fund project, previously named the GEF Public Private Partnership Initiative, was approved within the Council work program of June 2007, and has been circulated to you as a final project document on April 7th 2008 prior to CEO endorsement and GEF Agency approval. GEF Secretariat has not received any comments on the project before the deadline of May 5th 2008, and it can therefore be endorsed.

You will now find attached a proposal for the first platform under the Earth Fund submitted by the World Bank/IFC that would allow us to start the activities of the GEF Earth Fund project expeditiously and make progress on the first platform under the direction of IFC as platform leader and Trustee of the GEF Earth Fund. The intention was always to post the first IFC platform alongside the GEF Earth Fund project and circulate them for Council comments with a view to approve them simultaneously. However, owing to an oversight by the GEF Secretariat, the papers are now only being posted today. The GEF Secretariat has reviewed the platform and I now circulate it for your expedited review and comments by 21st May, 2008 before completing the Secretariat's assessment with a view to endorsing the proposed platform at the same time as the Earth Fund project, as it was originally intended.

Once the Earth Fund Board is set up, subsequent platforms will follow the regular Earth Fund Platform Approval Cycle, which includes a review of Platform Identification Forms by the Earth Fund Board and the GEF Secretariat before being circulated to the Council for their consideration for four weeks.

Sincerely,

Monique Barbut
Chief Executive Officer and Chairperson

Attachment: Project Document

Cc: Alternates, GEF Agencies, STAP, Trustee



EARTH FUND PLATFORM IDENTIFICATION FORM (EFPIF)

PROJECT TYPE: Full-sized Project

THE GEF TRUST FUND

Submission Date: March 26, 2008

Re-submission Date:

PART I: PLATFORM IDENTIFICATION

GEFSEC PROJECT ID³:

GEF AGENCY PROJECT ID:

COUNTRY(IES): Global

PLATFORM TITLE: IFC Earth Fund Platform

GEF AGENCY(IES): World Bank - Implementing Agency, (select),
(select)

OTHER EXECUTING PARTNER(S): IFC - Executing Agency

GEF FOCAL AREA (S): Biodiversity, Climate Change,
International Waters

GEF-4 STRATEGIC PROGRAM(S): BD SP1-SP8, CC SP1-SP6,
IW SP2-4

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: THE GEF PUBLIC-PRIVATE PARTNERSHP ("PPP"), RENAMED:
THE GEF EARTH FUND

INDICATIVE CALENDAR	
Milestones	Expected Dates
CEO Endorsement/Approval	April 2008
GEF Agency Approval	May 2008
Implementation Start	June 2008
Mid-term Review (if planned) ¹	June 2011
Implementation Completion ²	June 2013

A. PLATFORM FRAMEWORK (Expand table as necessary)

Project Objective: Consistent with the Private Sector Strategy and in recognition that private sector opportunities are not being fully captured by past GEF interventions, the GEF approved in June 2007 the creation of the GEF Public-Private Partnership, now renamed the " GEF Earth Fund" . The " GEF Earth Fund" will have several platforms, the first of which is the " IFC Earth Fund" ⁴ . The objective of the IFC Earth Fund is 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 the areas of Climate Change, Biodiversity and International Waters (Biodiversity SP 1-8, Climate Change SP 1-6, International Waters SP 2-4; GEF OPs 1-11), in a streamlined and cost effective manner.								
Project Components	Indicate whether Investment, TA, or STA**	Expected Outcomes	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total (\$)
				(\$)	%	(\$)	%	
1. Portfolio/project support/investments	Investment	see logframe in attached document		22,500,000	25	67,500,000	75	90,000,000
2. TA, capacity building and knowledge Management	TA			7,500,000	25	22,500,000	75	30,000,000
3. Project								

¹ The GEF Earth Fund is anticipated to be an ongoing initiative for the GEF to engage the private sector, however it is envisioned that a first review of progress under the GEF Earth Fund, and its Platforms (including the IFC Earth Fund Platform) will occur in the third year of operation.

² The GEF Earth Fund is anticipated to be an ongoing initiative for the GEF to engage the private sector. The IFC Earth Fund Platform within the GEF Earth Fund, will have an initial period of five years, but is anticipated to continue in line with the GEF Earth Fund.

³ Project ID number will be assigned initially by GEFSEC.

⁴ It is important to note that there will be three levels to the GEF Earth Fund. The GEF Earth Fund will be the umbrella program, Platforms within the Fund will be managed by individual GEF-eligible Agencies, and each Agency managed Platform will have a portfolio of projects

management					
Total project costs		30,000,000		90,000,000	120,000,000

* List the \$ by project components. The percentage is the share of GEF and Co-financing respectively to the total amount for the component.
 ** TA = Technical Assistance; STA = Scientific & technical analysis.

B. INDICATIVE FINANCING PLAN SUMMARY FOR THE PLATFORM (\$)

	Project Preparation*	Project	Agency Fee	Total
GEF	N/A	30,000,000	2,700,000	32,700,000
Co-financing		90,000,000		90,000,000
Total	0	120,000,000	2,700,000	122,700,000

* Please include the previously approved PDFs and planned request for new PPG, if any. Indicate the amount already approved as footnote here and if the GEF funding is from GEF-3.

C. INDICATIVE CO-FINANCING FOR THE PLATFORM (including project preparation amount) BY SOURCE and BY NAME (in parenthesis) if available, (\$)

Sources of Co-financing	Type of Co-financing	Amount
Project Government Contribution	(select)	
GEF Agency(ies)	Grant	10,000,000
Bilateral Aid Agency(ies)	(select)	
Multilateral Agency(ies)	(select)	
Private Sector	(select)	
NGO	(select)	
Others ⁵ , incl: Private Sector, NGOs	TBD	80,000,000
Total co-financing		90,000,000

D. GEF RESOURCES REQUESTED BY FOCAL AREA(S), AGENCY (IES) SHARE AND COUNTRY(IES)* TBD

GEF Agency	Focal Area	Country Name/ Global	(in \$)			
			Project Preparation	Project	Agency Fee	Total
(select)	(select)					
(select)	(select)					
(select)	(select)					
(select)	(select)					
(select)	(select)					
(select)	(select)					
Total GEF Resources						

* No need to provide information for this table if it is a single focal area, single country and single GEF Agency project.

PART II: PLATFORM JUSTIFICATION

STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED: The “ GEF Earth Fund” is the response to several years of Council support for engagement with the private sector. As recognized by the Council through its Private Sector Strategy, and further in its discussions on non-grant instruments, and the approval of the GEF Public Private Partnership, there exists a clear need to engage the private sector to enhance the impact of the GEF, and these GEF strategies and programs recognize that there have been missed opportunities that exist with regard to the GEF’ s interaction with the Private Sector. The overarching

⁵ The IFC Earth Fund Platform will ensure on a project level a minimum leverage of GEF funds of 1:3 (GEF: other sources) within the IFC Earth Fund portfolio. Co-financing may come from a variety of sources (including IFC and private companies) and will be clearly identified at the time of approval by the Investment Review Committee for the IFC Earth Fund. A GEF Secretariat representative will participate in the IRC for the IFC Earth Fund.

goal of the GEF Public Private Partnership, now renamed the "GEF Earth Fund", is to establish innovative partnerships with the private sector, and to seek to maximize private sector participation in GEF activities, to generate global environmental benefits in a sustainable and cost-effective manner. Within the GEF Earth Fund, several "platforms" will be developed, and the IFC will pilot the first platform under the GEF Earth Fund, called the IFC Earth Fund.

The IFC will pilot the first platform within the GEF Earth Fund, called the IFC Earth Fund. Partnership with the private sector will contribute to the achievement of results on a larger scale than would be obtainable by the GEF on its own or through governments, and the IFC Earth Fund will achieve this by creating a private sector focused fund with streamlined processes and procedures which are accessible to private companies. The IFC will develop a portfolio of projects within the IFC Earth Fund Platform that will deliver innovative and market based solutions to projects, specifically in the areas of Climate Change, Biodiversity and Water where IFC has a comparative advantage. IFC will further address this issue by working with private sector, IFC investment departments and others to leverage GEF funds to gain maximum benefits for the global environment but which would not otherwise happen without the intervention of the GEF Earth Fund funding. IFC's portfolio approach is in direct response to what the GEF Council has repeatedly identified through the Private Sector Strategy, the Non-grants paper and the approval of the GEF Earth Fund, and recognizes the IFC comparative advantage in this area. IFC's proposals to the GEF have evolved since its initial engagement with the GEF over a decade ago, and the portfolio approach has routinely been recognized by the Council as an appropriate way to engage the private sector (in fact, IFC's first proposal for a fund along these lines was in 1999).

The IFC Earth Fund Platform will support private sector projects with grant and non-grant instruments for the purpose of accelerating new technologies, and for the emergence and replication of projects that will generate global environmental benefits in the areas of Climate Change, Biodiversity and International Waters (Biodiversity SP 1-8, Climate Change SP 1-6, International Waters SP 2-4; GEF OPs 1-11). The portfolio approach to the IFC Earth Fund Platform will ensure that projects are supported through a variety of mechanisms to achieve the environmental benefits desired by the GEF, in thematic areas where IFC has previous significant experience with the private sector. In addition to funding a portfolio of projects in these three specific areas, the IFC Earth Fund Platform will ensure a minimum leverage of GEF funds of 1:3 on the project level, and will seek to achieve greater leverage throughout the portfolio. While the IFC will seek to develop a balanced portfolio of projects in the areas of Clean Energy, Biodiversity and Water, the distribution of projects within the portfolio will emerge in response to market forces, and as such the IFC Earth Fund will be responsive to the market in its interventions with the private sector. It is expected that the portfolio of projects will generate significant global environmental benefits, and each project within the portfolio will be required to quantify the benefits derived through a detailed M&E plan prior to IRC approval. Benefits achieved by projects in the portfolio will be tracked according to indicators such as: Tons CO₂ avoided; kWh generated from renewable sources; GHG emissions avoided; # of households served by RE; volume of investments in EE/RE/BD/Water; kWh or TOE saved from adoption of new EE/RE technologies; monitoring improved water use efficiency; and other indicators as appropriately identified for each project within the portfolio, and consistent with GEF strategic priorities. The IFC has explored a number of projects and programs that could be eligible for funding under the IFC Earth Fund Platform which are considered a good example of the potential pipeline of projects within the portfolio. Below are three current examples of projects under development which would be eligible for funding under the IFC Earth Fund. Initial project sizes are estimates and are to be greater than represented here. Below is a description of the projects which will be considered upon establishment of the IFC Earth Fund.

Biofuels Prize Initiative: The "Biofuels Prize Initiative" will employ the inducement prize tool, and will stimulate development of biofuel production technologies for diverse environmental and market conditions in rural areas of developing countries. The Biofuels Prize will offer a prize for the successful development of a biofuel production system that will, through a strict set of prize rules, overcome many technical, environmental, social and economic problems associated with today's large-scale biofuel technologies. It is envisioned that this competition will be unique for the Biofuels sector, as it will focus on the processing technology, rather than the feedstock. The competition seeks to attract dynamic entrepreneurs, inventors and scientists from developed and developing countries to win the prize.

Through setting up this prize competition, the IFC Earth Fund will engage Prize Capital and a Prize Awarding Entity (PAE) such as the X PRIZE Foundation (XPF) in order to develop and launch the Biofuels Prize Initiative in the hopes of catalyzing the market for new biofuels production technologies for developing countries. It is expected that the total cost of developing and launching the Biofuels Prize will be approximately \$14M, of which \$10M will be the prize purse. The₃

IFC Earth Fund will contribute to the overall development and launch of the Biofuels prize, in line with criteria for funding under the IFC Earth Fund to ensure a minimum leverage of GEF funds of 1:3. It is currently anticipated that the IFC Earth Fund Platform will contribute a \$3.5M (minimum required to maintain requirements for leverage of GEF funds), but may contribute more as a result of additional contributions to the IFC Earth Fund Platform, including funding from IFC. The IFC will use a portion of the IFC EF contribution to support the development of the rules for the Biofuels Prize, a critical component of the Biofuels Prize which will ensure that the winner of the prize competition is able to achieve certain pre-defined metric and milestones. Launching the Biofuels Prize Initiative will be contingent on securing a \$10M prize purse, and the IFC Earth Fund may contribute a portion of the IFC Earth Fund's contribution to the prize purse. The Biofuel Prize Initiative will be in line with all GEF 4 Strategic Program 4: "Promoting sustainable energy production from biomass". A more detailed description of the Biofuels Prize Initiative can be found in Annex D.

Sustainable Energy Facility II ("SEF II"): The Sustainable Energy Facility Fund II ("SEF II") will be a fund focused on providing finance to small and medium enterprises engaged in renewable energy projects and energy efficiency projects through a "Funds approach." Like a fund, due diligence criteria, sector specifications, size and leverage targets, as well as return and risk expectations have been established, and an external Fund Manager is employed to deliver a portfolio of projects in line with expectations and criteria that are aligned with the GEF. The predecessor to SEF II, the Sustainable Energy Facility, is a current GEF funded program which began operations in December, 2005, and has committed almost all funds (\$18M) and disbursed almost \$14M, in less than 27 months, due to a robust pipeline of eligible projects. On a portfolio basis, the Sustainable Energy Facility fund has achieved an overall leverage of 1:4 within the current portfolio and is considered extremely successful. Sustainable Energy Facility is structured as a contingent grant to an external Fund Manager that has the capacity to manage small investments in these areas. In addition to complying with GEF criteria, the fund operates on the following basis:

- a. 25% of the investment capital is for investments in "early stage" or Development Investments,
- b. 75% will be for relatively more mature later stage companies (called Growth Investments),

The average investment size within the current Sustainable Energy Facility is approximately US\$ 400,000 SEF currently focused on projects in the countries of the Caribbean Region, Brazil, and the following countries of Southeast Asia: Vietnam, Cambodia, Thailand, Indonesia, Malaysia, Philippines, and China. SEF II will be a continuation of the successes of the original Sustainable Energy Facility.

It is proposed to develop a follow-on venture capital fund in the areas of renewable energy and energy efficiency for small and medium enterprises. This fund, to be called "SEF II" will continue the mission of Sustainable Energy Facility, and will combine technical assistance (TA) with Investments, with approximately 25% of the corpus going to TA and implementation, and the balance 75% will be deployed in small investments. SEF II funds will be used to expand the currently successful SEF fund into new GEF eligible countries/geographies (e.g. Africa), and will also provide additional funds for extending Sustainable Energy Facility in existing countries. All current Sustainable Energy Facility investment capital has been committed, and is targeted for disbursement within the next 12 months (i.e. on or before March, 2009). Expansion of this successful fund approach for renewable energy and energy efficiency is required in order to continue to leverage funds which will achieve these environmental benefits. It is proposed, therefore, to develop SEF II under the IFC Earth Fund Platform, with an initial contribution of US\$6.5M for the first two years of SEF II. These funds will be deployed through the fund model with the external fund manager, and will be used in compliance with established criteria for the IFC Earth Fund Platform, including the minimum leverage requirement of 1:3. SEF II will be in line with all Strategic Program areas under the GEF 4 Focal Area Strategies for Climate Change.

Supply Chain Energy Efficiency Program: IFC has engaged with a major international retail company ("Company") to assist in its initiative aimed at reducing the energy intensity of products sold in its stores by targeting its supply chain (manufacturers, processors, etc) . The Company's economic rationale for this initiative is the need for higher competitiveness – by lowering production costs through energy efficiency the retailer will be able to pass some of the savings on to the customers. The IFC's interest in this initiative is the potential environmental impact by the increased efficiencies created throughout this Company's supply chain. The positive externalities of these actions will include climate change and environmental benefits, namely lower GHG emissions through lower energy use, and lower pollution through waste reduction. This project is in line with the GEF 4 Strategic Program for Climate Change, SP 2: "Promoting Energy Efficiency in the Industrial Sector".

This initiative will target principally the Company’s large supply chain. The IFC is interested in piloting a program with the Company to assist their suppliers in financing energy efficiency investments along the supply chain, which are identified through Company’s energy audit program. The initiative intends to provide technical audits on the basis of reimbursable grants of suppliers’ facilities and identifying opportunities for more energy efficient production and better waste management, and concessional financing in the form of grants, soft loans, guarantees and technical assistance to suppliers in implementing the audit’s findings. The majority of the Company’s suppliers are medium to small size companies (“SME”) situated in the developing world, principally in China, and many of these SME’s have difficulty accessing appropriate finance to make the improvements required to increase manufacturing and processing efficiencies in an environmental manner. Over 70% of the goods sold by the Company are made in China, and the value of these goods amounts to several hundreds of millions dollars. Improving efficiencies in the Company’s supply chain can have a major impact for manufacturing in this country. Furthermore, there are enormous potential replication possibilities of this model by the Company itself, and by other firms with large supply chains.

Given the suppliers’ close relationship with the Company, and the possibility of making their products more competitive, the suppliers have a clear incentive to make an effort towards implementing the audit’s findings. However, the size of these suppliers and the nature and size of necessary investments may pose an impediment to implementing the findings of the audits.

The initial amount requested to start the pilot program will be US\$ 5 million, which will leverage at least \$15M of additional funding from the Company and other sources involved in the pilot program.

Cleaner Technologies Venture Capital Pilot Expansion: IFC’s pilot Cleantech Venture Capital group uses donor money to invest in early stage environmental and cleaner technology companies using a venture capital-style approach. Typically, these companies are piloting a new technology or innovative business model with a focus on emerging markets, and which results in environmental benefits and sustainable business practices. Typical investment size is small and in mostly equity or quasi equity form given the early stage of many companies in the portfolio. The Cleantech group seeks to incubate small companies to evolve them to companies that can be bankable by major investment banks. The Cleantech Fund uses IFC’s lessons learned, environmental expertise and industry experience of IFC to evaluate potential projects for the portfolio.

The Earth Fund presents an opportunity to continue with the approach piloted over the last 5 years and to grow the portfolio. In addition to expanding direct investment in early stage companies as described above, the Cleantech group is already identifying fund managers whose entry into early-stage Cleantech private equity (venture or seed capital) can be catalyzed by providing patient capital to match private sector capital commitments. IFC is also exploring the catalytic role it could play in developing university offices of technology licensing and by supporting the provision of incubation services to cleantech SMEs, and these activities would be part of the expansion of the Cleantech fund. The goal of this expansion will be:

- to demonstrate the financial viability of early stage cleantech investment in developing countries to the wider private sector by making direct investments;
- to catalyze the entrance of fund managers into an underserved seed/VC capital segment vital to optimize the transition of laboratory research into commercial reality by investing in new funds; and
- to strengthen the nexus between university research and technology commercialization by working to develop technology licensing expertise in universities and by supporting incubation services for cleantech companies.

The Cleaner Technologies Venture Capital Pilot expansion will seek to obtain at least \$15M, to leverage a portfolio of projects with a minimum size of \$60M. All projects deploying funding from the IFC Earth Fund Platform will be consistent with the GEF 4 Strategic Programs that are targeted by the IFC Earth Fund Platform.

Below is a table outlining the above potential projects in the IFC Earth Fund Platform portfolio:

IFC Earth Fund Pipeline (potential initial projects)	Initial Project Size (in millions)	Contribution of GEF Funds from IFC Earth Fund
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		(in millions)
Biofuels Prize Initiative	14	3.5
Sustainable Energy Fund (SEF II)	40	6.5
Supply Chain Energy Efficiency Program	20	5
Cleaner Technologies VC Pilot Fund	60	15
Total	134	30

Further details of the IFC Earth Fund Platform are contained in the document attached.

- A. DESCRIBE THE CONSISTENCY OF THE PLATFORM WITH NATIONAL PRIORITIES/PLANS:** The GEF Earth Fund is being established to support the GEF's engagement with the private sector. This is a global initiative of the GEF, and as such is not linked to a particular geography. IFC, in all its investments, required an analysis of development impact, which encompasses the contributions to the national/country priorities in terms of development, and the IFC would ensure that all projects within its IFC Earth Fund portfolio will address the development impact at the national level.
- B. DESCRIBE THE CONSISTENCY OF THE PLATFORM WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:** The IFC Earth Fund is being established to directly address the GEF Strategic Priorities in the areas of Climate Change, Biodiversity and International Waters. Further, the IFC Earth Fund directly addresses the GEF's ongoing strategies for engaging the private sector, as exemplified in the Private Sector Strategy, and for the use of non-grant instruments.
- C. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:** The IFC Earth Fund Platform is the first Platform established under the GEF Earth Fund, and as such is a part of the overall GEF Earth Fund (previously, the GEF Public Private Partnership)
- D. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PLATFORM DEMONSTRATED THROUGH INCREMENTAL REASONING:** Given the impact of the Resource Allocation Framework on the pipeline of projects seeking GEF support from the private sector, the "GEF Earth Fund", and the "IFC Earth Fund Platform" are crucial in maintaining an engagement with the private sector by the GEF. It is reasonable to anticipate that *without this intervention*, certain projects would not be funded due to the inability to access GEF financing. The GEF Earth Fund will provide a mechanism through which the private sector and the public sector can jointly work together to address the underlying causes of environmental degradation. Without this fund, or the IFC Earth Fund Platform, it is unclear if there would be a mechanism to address the challenges identified by the GEF Council in the areas of Climate Change, Biodiversity and Water.
- E. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PLATFORM OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MEASURES THAT WILL BE TAKEN:** The IFC Earth Fund Platform is a portfolio of projects in the areas of Climate Change, Biodiversity and International Waters, and as such each project within the portfolio will be required to address specific risks relating to that project. However, risks are present in the execution of the IFC Earth Fund Platform, and include: inability of the IFC Earth Fund to efficiently support innovative and market based solutions/projects within the portfolio; failure to launch, or slow implementation as a result of a lack of eligible projects for approval.
- F. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PLATFORM:** The IFC, in all its investments seeks to clearly define appropriate commercial risk in a cost effective manner and accordingly would only use donor funds to address non-commercial risks in a cost effective manner. In addition, the IFC Earth Fund Platform will seek to incorporate all lessons learned through past programming experience to achieve the greatest cost-effectiveness within the IFC Earth Fund portfolio of projects. Each project approved within the IFC Earth Fund Platform will address the expected cost-effectiveness of that project.
- G. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:** As recognized by GEF's review of comparative advantage, the World Bank, as the Implementing Agency of the GEF Earth Fund, and the IFC as the Executing Agency have a comparative advantage for the GEF as a leading financial institution at the global scale in a number of sectors. More specifically, the IFC has strong experience in investment lending to the private sector across all focal areas of the GEF, and specifically in the areas of Climate Change, Biodiversity and Water, and as such is best suited to manage the first platform under the GEF Earth Fund.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF RECOMMENDATION FROM THE EARTH FUND BOARD (Please attach the recommendation letter with this template).

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
<i>Name & Signature</i> GEF Agency Coordinator	Project Contact Person
Date: <i>(Month, Day, Year)</i>	Tel. and Email:
<i>Name & Signature</i> GEF Agency Coordinator	Project Contact Person
Date: <i>(Month, Day, Year)</i>	Tel. and Email:

IFC EARTH FUND

A PLATFORM OF THE GEF EARTH FUND

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GEF Earth Fund and IFC Earth Fund Overview

1. The GEF Earth Fund, previously named the GEF Public Private Partnership Initiative was approved by the GEF Council via the work program in June 2007. The rationale for the GEF Earth Fund is outlined in detail in the work program document entitled, “The Public Private Partnership Initiative: Furthering the GEF Strategy to Enhance Engagement with the Private Sector”, which the GEF Council reviewed and approved in June 2007, and which was subsequently re-named the “GEF Earth Fund”. The overall objective of the GEF Earth Fund is to establish an innovative partnership between the public and private sectors that help accelerate the emergence and replication of projects that will generate global environmental benefits in a sustainable and cost-effective manner in the developing world.
2. The GEF Earth Fund will have within it a series of platforms/programs which will be managed by GEF eligible agencies. In keeping with the GEF’s objective to be responsive to the private sector, platforms will be approved through a streamlined process with the Council. Platforms will be comprised of a portfolio of projects, or a specific program, developed in line with the GEF 4 Strategic Programming goals, and with a clear recognition of the comparative advantage of the Agency managing the platforms. While platforms will be aligned with the GEF’s mandate and focal areas, the identification of projects within the platforms will be largely driven by the private sector.
3. The IFC Earth Fund Platform is the first Platform under the GEF Earth Fund. The IFC and the GEF announced the creation of the first Platform under the GEF Earth Fund on December 10, 2007. The IFC Earth Fund Platform is being established with the creation of the GEF Earth Fund, as the first operational platform, capturing opportunities with the private sector by leveraging the IFC’s comparative advantage specifically in the areas of Climate Change, Biodiversity and Water.
4. The IFC Earth Fund Platform will have an initial capitalization of \$40M: \$30M from the GEF Earth Fund, and \$10M from the IFC. This initial capitalization will be leveraged to seek financing from other parties for amounts greater than this initial capitalization. The IFC may attract additional contributions for the Platform from interested donors and the private sector.

IFC Earth Fund Platform

5. The strategy for the IFC Earth Fund Platform is to engage with the private sector to access GEF funding for the purpose of accelerating the emergence and replication of innovative business models, technologies or technology applications that will generate global environmental benefits in the areas of Biodiversity SP 1-4, Climate Change SP 1-8, International Waters SP 1-2; GEF OPs 1-11. The IFC Earth Fund Platform will look to promote a variety of projects in these strategic areas, including support of investments in

early stage technology ventures and the development or participation in venture capital funds with a specific mandate that is in line with the GEF strategic priorities and the areas of focus under the IFC Platform. The IFC Earth Fund will employ a variety of financial mechanisms; these may include but will not be limited to: grants, convertible grants, loans, guarantees, equity, mezzanine investments, directly managed consultancies, technical assistance, capacity building and knowledge management. Venture capital funds would be designed in the form of a project within the IFC Earth Fund and may be managed by external managers or professionals in the field. Financial reflows that may incur from any individual projects would be returned to the GEF Earth Fund to be re-invested for the benefit of existing for future Platforms under the GEF Earth Fund. Project costs may include capital expenditure, working capital requirements, costs for implementation of projects, and expenses related to procurement of goods and services. Individual projects under Platforms will achieve a minimum leverage for GEF funds of 1:3 (GEF: other funding). The IFC Earth Fund will seek to achieve higher leverage ratios for individual projects as well as on the portfolio of projects within the IFC Earth Fund Platform as a whole.

6. The GEF Council has recognized the need to be more responsive to the private sector, and as a result, projects approved within the IFC Earth Fund portfolio will be approved through a streamlined mechanism and through the Investment Review Committee of the IFC Earth Fund. The GEF Secretariat will participate in the review of all projects within the IFC Earth Fund portfolio by attending the IFC's Investment Review Committee.

IFC Comparative Advantage

7. As recognized by GEFs review of comparative advantage, the World Bank, as the Implementing Agency of the GEF Earth Fund, and the IFC as the Executing Agency have a comparative advantage for the GEF as a leading financial institution at the global scale in a number of sectors. More specifically, the IFC has been the only agency to deploy GEF funds on a consistent basis with the private sector, utilizing non-grant mechanisms. The IFC is the only GEF eligible agency that has a specific mandate to make investments and lend to the private sector, and the IFC Earth Fund will continue to pursue the objectives of the GEF by specifically focusing its Platform on the areas of Climate Change, Biodiversity and Water.

Portfolio Approach

8. The IFC Earth Fund Platform will employ a portfolio approach to ensure that projects are supported through a variety of mechanisms to achieve the environmental benefits desired by the GEF. The portfolio of projects under the IFC Earth Fund Platform will be aligned with thematic areas where IFC has previous significant experience with the private sector.

Grant and Non-Grant Instruments

9. Since the inception of the GEF, there has been continuing Council interest in non-grant financing. Periodically, the Council has explored the use of concessional financing to support the achievement of global environmental benefits through direct country support and by engaging the private sector,¹ consistent with the principle of incremental cost financing. At its meeting in November 1994, the Council reviewed a paper that reiterated the importance of grant financing to achieve global environmental benefits, but also discussed the use of other financing options, such as concessional and contingent finance and when their use might be appropriate.² The Council noted that policies would have to be developed for the use of these instruments in order to establish an appropriate degree of concessionality, and ensure that GEF resources would not substitute for other sources of financing. Feedback from GEF clients indicates that the use of non-grant financing appears to be concentrated in the climate change focal area, particularly in projects geared toward renewable energy and energy efficiency. However, there are also examples of such support in the areas of Biodiversity and Water. GEF funds are used through various tools such as guarantees and loans to support activities that recipients are unable to finance from other sources because the transaction costs are high and/or investors are not willing to take on the risk without adding a premium (for instance the drilling and exploration costs incurred by geothermal development). In effect, the GEF provides a form of bridge financing; filling a financing gap in some countries.

10. Funds managed under the IFC Earth Fund Platform will be deployed in line with the GEF's view on the use of non-grant instruments. The IFC Earth Fund Platform will use a variety of financial products to support the private sector including, but not limited to: loans, soft loans, equity/quasi equity, guarantee and insurance products, grants, technical assistances and inducement prizes, as per normal IFC business. The GEF Council may provide additional guidance to the IFC on the potential uses of funds, as applicable, including the application of GEF requirements on concessional financing. Financial reflows from successfully implemented projects would be returned to the GEF Earth Fund to be re-invested for the benefit of existing for future Platforms under the GEF Earth Fund.

Inducement Prizes

11. The GEF Council, in June 2007 agreed that one innovative new financial tool which would be deployed under the Earth Fund was the Inducement Prizes tool. Inducement prizes have been used for over a century, leading to transformative events in the evolution of particular technologies³. This mechanism can be utilized to foster innovation and developing new technologies to address global climate change and

¹ With regard to the private sector, the Council agreed that it was important to avoid subsidizing activities the private sector would do anyway, thereby ensuring the principle of additionality.

² Incremental Costs and Financing Policy Issues", GEF/C.2/6, November 1994.

³ For example in 1919 Raymond Orteig offered \$25,000 for the first nonstop flight between New York City and Paris, which resulted in the Charles Lindberg's trans-Atlantic flight in the Spirit of St. Louis, which was a transformative event for aviation, and global travel.

environmental challenges, particularly those facing the developing world. Generally, inducement prizes achieve three primary goals:

- They attract “mavericks” from outside the sector that take new approaches and think creatively about difficult problems, resulting in truly innovative breakthroughs.
- The breakthrough results are real and meaningful. Competitions have measurable finish lines, and are designed to promote widespread adoption of the innovation. The awarding of a prize is oftentimes just the beginning of widespread political, economic, social and technological change.
- Prizes create significant/extraordinary of leverage. They reach across national and disciplinary boundaries and compel global audiences to invest the intellectual and financial capital required to solve the seemingly intractable challenges of our time.

12. By definition only one team can win each prize. But society ultimately benefits from *all* the efforts, many of which may prove to have commercially viable applications even if they are not the first to reach the finish line. There are relatively few risks in launching an inducement prize, as the prize purse is not awarded unless there is a clear winner, and the only expenses are those related to the launch of the prize competition. In addition to the competition itself, Prize Capital⁴ has developed a model which recognizes that in addition to the inducement prizes, support for innovation (which is not always present either in corporations because of a focus on more immediate economic pursuits, or for individual entrepreneurs) is necessary to attract the right entrants and achieve the overall results of the inducement prize itself, which is the development of a real world solution to a global environmental challenge.

13. Prize Capital’s prize mechanisms are designed to provide investors with the opportunity to support “every horse in the race.” Under this model, a parallel investment fund is developed that permits investors to share in the success of the competition winners, as well as in the success of those that may not win the competition but may win market share in the commercial market. The diversification within the class of direct competitors is designed to mitigate the firm-specific risk that would occur if only the winner attracted an investment. Moreover, the fund may also generate attractive returns even if none of the contestants actually wins the stated prize.

14. Funds available under the IFC Earth Fund Platform may be used to support the development and implementation of such prizes and potentially as contribution to prize purses and/or participation in the parallel investment vehicles that are developed to support innovative entrants into the competition.

⁴ For inducement prizes that are developed with a parallel investment vehicle, the IFC will work with Prize Capital, as they have a patent application on the financial mechanism described above.

The IFC EF Alignment with GEF Strategic Programming

15. The IFC Earth Fund will develop a portfolio of projects in areas that are consistent with the IFCs traditional engagement with the private sector in the areas of Climate Change, Biodiversity and Water. The IFC Earth Fund Platform will support private sector projects with grant and non-grant instruments for the purpose of accelerating new technologies in these areas, and for the emergence and replication of projects that will generate global environmental benefits aligned with the GEF 4 Focal Area Strategies and Strategic Programming in these areas. A list of the GEF Strategic Programs that the IFC Earth Fund will be aligned with, their expected outcomes and impacts can be found in Annex C

Criteria for Funding under the IFC EF Platform

16. All projects within the IFC Earth Fund Platform portfolio will comply with established criteria for GEF funding and will be in line with the identified areas of concentration for projects the IFC Earth Fund portfolio. Additional GEF criteria are outlined in Annex A.

17. In addition to a project meeting GEF criteria, all projects within the IFC Earth Fund portfolio will achieve a minimum leverage of for the of 1:3 (GEF: others) for GEF funds deployed for investments in the IFC Earth Fund. Initially, it is envisioned that approximately 25% of the initial IFC Earth Fund Platform capitalization will be deployed as grant funding for technical assistance, capacity building and knowledge management associated with investments in the general portfolio. The balance of funding available in the portfolio will be deployed in the form of non-grant instruments.

Potential Initial Pipeline

18. The IFC has explored a number of projects and programs that could be eligible for the IFC Earth Fund Platform. Below are four current examples of projects under development which would be eligible for funding. Initial project sizes are estimates and are subject to be greater than represented here. Below is a description of the projects which will be considered upon establishment of the IFC Earth Fund.

19. ***Biofuels Prize Initiative:*** The “Biofuels Prize Initiative” will employ the inducement prize tool, and will stimulate development of biofuel production technologies for diverse environmental and market conditions in rural areas of developing countries. The Biofuels Prize will offer a prize for the successful development of a biofuel production system that will, through a strict set of prize rules, overcome many technical, environmental, social and economic problems associated with today's large-scale biofuel technologies. It is envisioned that this competition will be unique for the Biofuels sector, as it will focus on the processing technology, rather than the feedstock. The competition

will attract dynamic entrepreneurs, inventors and scientists from developed and developing countries seeking to win the prize.

20. Through setting up this prize competition, the IFC Earth Fund will engage Prize Capital and a Prize Awarding Entity (PAE) such as the X PRIZE Foundation (XPF) in order to develop and launch the Biofuels Prize Initiative in the hopes of catalyzing the market for new biofuels production technologies for developing countries. It is expected that the total cost of developing and launching the Biofuels Prize will be approximately \$14M, of which \$10M will be the prize purse. The IFC Earth Fund will contribute to the overall development and launch of the Biofuels prize, in line with criteria for funding under the IFC Earth Fund to ensure a minimum leverage of GEF funds of 1:3. It is currently anticipated that the IFC Earth Fund Platform will contribute a \$3.5M (minimum required to maintain requirements for leverage of GEF funds), but may contribute more as a result of additional contributions to the IFC Earth Fund Platform, including funding from IFC. The IFC will use a portion of the IFC EF contribution to support the development of the rules for the Biofuels Prize, a critical component of the Biofuels Prize which will ensure that the winner of the prize competition is able to achieve certain pre-defined metric and milestones. Launching the Biofuels Prize Initiative will be contingent on securing a \$10M prize purse, and the IFC Earth Fund may contribute a portion of the IFC Earth Fund's contribution to the prize purse. The Biofuel Prize Initiative will be in line with all GEF 4 Strategic Program 4: "Promoting sustainable energy production from biomass". A more detailed description of the Biofuels Prize Initiative was presented to the GEF Council in June 2007 in the Public-Private Partnership Initiative: Furthering the GEF Strategy to Enhance Engagement with the Private Sector.

21. ***Sustainable Energy Facility II ("SEF II")***: The Sustainable Energy Facility Fund II ("SEF II") will be a fund focused on providing finance to small and medium enterprises engaged in renewable energy projects and energy efficiency projects through a "Funds approach." Like a fund, due diligence criteria, sector specifications, size and leverage targets, as well as return and risk expectations have been established, and an external Fund Manager is employed to deliver a portfolio of projects in line with expectations and criteria that are aligned with the GEF. The predecessor to SEF II, the Sustainable Energy Facility, is a current GEF funded program which began operations in December, 2005, and has committed almost all funds (\$18M), in less than 27 months, due to a robust pipeline of eligible projects. On a portfolio basis, the Sustainable Energy Facility fund has achieved an overall leverage of 1:4 within the current portfolio. Sustainable Energy Facility is structured as a contingent grant to an external Fund Manager that has the capacity to manage small investments in these areas. In addition to complying with GEF criteria, the fund operates on the following basis:

- a. 25% of the investment capital is for investments in "early stage" or Development Investments,
- b. 75% will be for relatively more mature later stage companies (called Growth Investments),

The average investment size within the current Sustainable Energy Facility is approximately US\$ 400,000 SEF currently focused on projects in the countries of the Caribbean Region, Brazil, and the following countries of Southeast Asia: Vietnam,

Cambodia, Thailand, Indonesia, Malaysia, Philippines, and China. SEF II will be a continuation of the successes of the original Sustainable Energy Facility.

22. It is proposed to develop a follow-on venture capital fund in the areas of renewable energy and energy efficiency for small and medium enterprises. This fund, to be called “SEF II” will continue the mission of Sustainable Energy Facility, and will combine technical assistance (TA) with Investments, with approximately 25% of the corpus going to TA and implementation, and the balance 75% will be deployed in small investments. SEF II funds will be used to expand the currently successful SEF fund into new GEF eligible countries/geographies (e.g. Africa), and will also provide additional funds for extending Sustainable Energy Facility in existing countries. All current Sustainable Energy Facility investment capital has been committed, and is targeted for disbursement within the next 12 months (i.e. on or before March, 2009). Expansion of this successful fund approach for renewable energy and energy efficiency is required in order to continue to leverage funds which will achieve these environmental benefits. It is proposed, therefore, to develop SEF II under the IFC Earth Fund Platform, with an initial contribution of US\$6.5M for the first two years of SEF II. These funds will be deployed through the fund model with the external fund manager, and will be used in compliance with established criteria for the IFC Earth Fund Platform, including the minimum leverage requirement of 1:3. SEF II will be in line with all Strategic Program areas under the GEF 4 Focal Area Strategies for Climate Change.

23. ***Supply Chain Energy Efficiency Program:*** IFC has engaged with a major international retail company (“Company”) to assist in its initiative aimed at reducing the energy intensity of products sold in its stores by targeting its supply chain (manufacturers, processors, etc)⁵. The Company’s economic rationale for this initiative is the need for higher competitiveness – by lowering production costs through energy efficiency the retailer will be able to pass some of the savings on to the customers. The IFC’s interest in this initiative is the potential environmental impact by the increased efficiencies created throughout this Company’s supply chain. The positive externalities of these actions will include climate change and environmental benefits, namely lower GHG emissions through lower energy use, and lower pollution through waste reduction. This project is in line with the GEF 4 Strategic Program for Climate Change, SP 2: “Promoting Energy Efficiency in the Industrial Sector”.

24. This initiative will target principally the Company’s large supply chain. The IFC is interested in piloting a program with the Company to assist their suppliers in financing energy efficiency investments along the supply chain, which are identified through Company’s energy audit program. The initiative intends to provide technical audits on the basis of reimbursable grants of suppliers’ facilities and identifying opportunities for more energy efficient production and better waste management, and concessional financing in the form of grants, soft loans, guarantees and technical assistance to suppliers in implementing the audit’s findings. The majority of the Company’s suppliers are medium to small size companies (“SME”) situated in the developing world, principally in China, and many of these SME’s have difficulty accessing appropriate

⁵ IFC is unable to disclose the name of the Company at this point due to confidentiality concerns.

finance to make the improvements required to increase manufacturing and processing efficiencies in an environmental manner. Over 70% of the goods sold by the Company are made in China, and the value of these goods amounts to several hundreds of millions dollars. Improving efficiencies in the Company's supply chain can have a major impact for manufacturing in this country. Furthermore, there are enormous potential replication possibilities of this model by the Company itself, and by other firms with large supply chains.

25. Given the suppliers' close relationship with the Company, and the possibility of making their products more competitive, the suppliers have a clear incentive to make an effort towards implementing the audit's findings. However, the size of these suppliers and the nature and size of necessary investments may pose an impediment to implementing the findings of the audits.

26. The initial amount requested to start the pilot program will be US\$ 5 million, which will leverage at least \$15M of additional funding from the Company and other sources involved in the pilot program.

27. ***Cleaner Technologies Venture Capital Pilot Expansion:*** IFC's pilot Cleantech Venture Capital group uses donor money to invest in early stage environmental and cleaner technology companies using a venture capital-style approach. Typically, these companies are piloting a new technology or innovative business model with a focus on emerging markets, and which results in environmental benefits and sustainable business practices. Typical investment size is small and in mostly equity or quasi equity form given the early stage of many companies in the portfolio. The Cleantech group seeks to incubate small companies to evolve them to companies that can be bankable by major investment banks. The Cleantech Fund uses IFC's lessons learned, environmental expertise and industry experience of IFC to evaluate potential projects for the portfolio.

28. The Earth Fund presents an opportunity to continue with the approach piloted over the last 5 years and to grow the portfolio. In addition to expanding direct investment in early stage companies as described above, the Cleantech group is already identifying fund managers whose entry into early-stage Cleantech private equity (venture or seed capital) can be catalyzed by providing patient capital to match private sector capital commitments. IFC is also exploring the catalytic role it could play in developing university offices of technology licensing and by supporting the provision of incubation services to cleantech SMEs, and these activities would be part of the expansion of the Cleantech fund. The goal of this expansion will be:

- to demonstrate the financial viability of early stage cleantech investment in developing countries to the wider private sector by making direct investments;
- to catalyze the entrance of fund managers into an underserved seed/VC capital segment vital to optimize the transition of laboratory research into commercial reality by investing in new funds; and

- to strengthen the nexus between university research and technology commercialization by working to develop technology licensing expertise in universities and by supporting incubation services for cleantech companies.

29. The Cleaner Technologies Venture Capital Pilot expansion will seek to obtain at least \$15M, to leverage a portfolio of projects with a minimum size of \$60M. All projects deploying funding from the IFC Earth Fund Platform will be consistent with the GEF 4 Strategic Programs that are targeted by the IFC Earth Fund Platform.

30. The following table outlines the projects identified in this document as potential projects for the IFC Earth Fund Platform portfolio:

IFC Earth Fund Pipeline (potential initial projects)	Initial Project Size (in millions)	Contribution of GEF Funds from IFC Earth Fund (in millions)
Biofuels Prize Initiative	14	3.5
Sustainable Energy Fund (SEF II)	40	6.5
Supply Chain Energy Efficiency Program	20	5
Cleaner Technologies VC Pilot Fund	60	15
Total	134	30

Operational Details

Operations of the IFC Earth Fund

31. The IFC Earth Fund Platform will be established upon Council approval and CEO endorsement of the GEF Earth Fund. The World Bank will be the Implementing Agency of the GEF Earth Fund, and the IFC will be the Executing Agency of the GEF Earth Fund and the IFC Earth Fund Platform.⁶

32. Once established, the IFC Earth Fund Platform will employ IFCs standard rigorous policies and procedures with regard to project review, project appraisal, and project approval and supervision. .

33. The IFC will appoint an IFC Earth Fund Platform Program Manager and relevant staff to coordinate and manage the activities under the IFC Earth Fund Platform. The IFC will institute an Investment Review Committee (“IRC”) for the purpose of reviewing, advising on, and approving projects under the IFC Earth Fund Platform. The IRC acts as the entity which has accountability to process and approve projects under the IFC Earth Fund Platform and all investments under the IFC Earth Fund Platform will be approved by an IRC. In keeping with the GEF Council’s desire to be more responsive to

⁶ The IFC is also acting as Trust Fund manager for the GEF Earth Fund, and as such will be the Executing Agency of the GEF Earth Fund. The IFC’s role at the GEF Earth Fund level is limited to managing the trust fund related to the GEF Earth Fund. The GEF Secretariat will be responsible for the operations of the GEF Earth Fund. For further details, please see the GEF Earth Fund document: “The GEF Earth Fund, formerly the Public Private Sector Initiative: Furthering the GEF Strategy to Enhance Engagement with the Private Sector”].

the private sector, the IFC Earth Fund Platform IRC will have full authority on all projects funded under the IFC Earth Fund Platform. Each IRC will have a minimum of five (5) participants covering areas essential to the risk and opportunity profile of a particular project and each IRC will be chaired by an IFC representative at the Manager or Director level. A representative from the GEF Secretariat will also attend IRC meetings. All projects approved by the IRC of the IFC Earth Fund will also require IFC Management approval.

34. IRCs will receive and review proposals for projects for funding under the IFC Earth Fund Platform as cleared for such review by the IFC Earth Fund Platform's manager and team. Projects proposed by the IFC Earth Fund Platform manager and team to the IRC for review and decision making will have been screened for the criteria established by the GEF Council and Secretariat, including the minimum 1-to-3 GEF funds leverage criteria, concessional funding criteria and the incremental cost criteria associated with most GEF funded projects.

35. The IRC will be responsible for assessing whether all technical and financial due diligence has been performed on a project prior to its approval in line with established IFC standards. The IRC will be responsible for approving projects for funding under the IFC Earth Fund consistent with IFC policies and procedures for project appraisal and approval. IRCs will approve projects by majority. Each IRC will be responsible for developing a written report of the minutes related to a project's approval to the IFC Earth Fund team which can be incorporated into the IFC's reporting requirements to the GEF Council.

36. Each project approved under the IFC Earth Fund Platform will include a Monitoring and Evaluation ("M&E") component. The execution of this component is to be supervised by a team within the Sustainability Business Innovator that is tasked with managing the M&E requirements. M&E plans will be established as an integral component of each project within the IFC Earth Fund Platform portfolio prior to approval, and will be incorporated in documents prepared for IRC approval. The IFC will be responsible for conducting M&E activities for its IFC Earth Fund Platform, and may draw on previous IFC and GEF experience in tracking complex private sector project performance and outcomes. Key indicators to be tracked have been identified by the GEF 4 Strategic Programming guidelines for areas in Climate Change, Biodiversity and Water. However, the IFC may choose to include additional indicators on a project by project basis in response to the unique nature of a project under consideration by the IFC Earth Fund. Unique indicators will have to be developed in particular if IFC Earth Fund Platform were to support any inducement prizes within its portfolio since indicators for those activities have yet to be developed.

37. The IFC Earth Fund Platform will develop an annual report of activities; the report will be included in the annual report of the GEF Earth Fund compiled by the GEF Secretariat. The GEF Council will be responsible for reviewing the Earth Fund's annual reports, which will include the annual report for the IFC Earth Fund Platform, also jointly

with the GEF Earth Fund Board; the GEF Council will provide strategic oversight and guidance as necessary to the IFC Earth Fund Platform.

Administration

38. The IFC will manage the IFC Earth Fund Platform with a team ensuring that all GEF and IFC criteria are met prior to approval of projects within the IFC Earth Fund portfolio. Disbursements to projects under the IFC Earth Fund Platform will not be made without approval of the Investment Review Committee, and will not be done unless the criteria for funding (including minimum GEF leverage (1:3) are met. All procurement for the administration of the IFC Earth Fund Platform will be in accordance with the World Bank's Guidelines on the "Use of Consultants by World Bank Borrowers and The World Bank as Executing Agency".

39. The IFC Earth Fund Platform's provisional budget will be prepared and implemented in compliance with IFC accounting principals and forms part of the annual report submitted to the GEF Secretariat and the Earth Fund Board. The IFC Earth Fund will operate as one of many Platforms under the GEF Earth Fund, and as such its fiscal year will run from July 1 to June 30 to coincide with the GEF Earth Fund and the World Bank's fiscal year.

40. IFC, through the IFC Earth Fund Platform's Program Manager, will provide the GEF Council and the Earth Fund Board with an annual report which outlines activities undertaken in the previous year. External reviews and financial audits of IFC Earth Fund Platform accounts will be performed as required by the GEF Council. Other donors to the IFC Earth Fund Platform can also perform reviews and financial audits as required with respect to the funds which they contribute at the Platform level. IFC and the World Bank may also perform internal reviews and audits of the IFC Earth Fund Platform as required.

Knowledge Management, Lessons Learned & Dissemination

41. The GEF Public Private Partnership Initiative that was approved by the GEF Council via the work program in June 2007 explained that the GEF Secretariat will develop a private sector knowledge management component which will be incorporated into the broader GEF-wide knowledge management system. The GEF knowledge management system will be used to broaden the impact of the GEF Earth Fund and its platforms, and for promoting replication of successful models and the benefits they demonstrate. This knowledge management system will require targeted communication, outreach and knowledge management. The private sector component of the GEF knowledge management system will be designed in a way that highlights priorities and opportunities for forging mutually beneficial partnerships and facilitates the creation of a greater number of more effective partnerships. Proposed tools will include: (a) an information database; (b) marketing tools; and (c) a monitoring and evaluation tool. The IFC will

work with the GEF Secretariat to incorporate the lessons learned and knowledge gained through its portfolio into the knowledge management system created and maintained by the GEF Secretariat.

42. The IFC Earth Fund Platform will also deploy its own resources as required to capture lessons learned and to share knowledge gained through its portfolio of projects. In addition, the IFC Earth Fund Platform managers and the IFC will work closely with the GEF Secretariat to ensure that all learning from the IFC Earth Fund Platform is incorporated into the overall GEF knowledge management system.

Annex A: GEF Criteria for Funding

All projects must comply with the following GEF eligibility criteria:

- consistency with convention guidance;
- incremental reasoning;
- cost-effectiveness;
- transparency;
- country drivenness;
- catalytic role and leveraging financial resources and/or appropriate technology;
- sustainability and replicability;
- monitoring and evaluation of inputs and outcomes; and
- projects must be consistent with at least one of the focal areas strategic priorities.

The following guidelines apply specifically to GEF projects that engage the private sector as a recipient:

- ***Additionality***: the GEF's role is clearly additional to what the private sector is carrying out on its own;
- ***Beyond regular business***: the costs of an enterprise's regular business will not be subsidized consistent with the incremental cost principle;
- ***Equity and transparency***: Proper reporting throughout the investment on indicators and outputs of the project;
- ***Flexibility***: appropriate types and levels of engagement will be accommodated;
- ***Co-financing***: companies will provide substantial co-financing; and
- ***Local involvement***: local private sector entities involved in the development of the project.

The following criteria apply specifically to the IFC GEF Earth Fund :

- ***Leverage***: Minimum leverage of 1:3 (GEF: other funding) on each project approved under the IFC Earth Fund Platform
- ***Monitoring and Evaluation***: All projects approved under the IFC Earth Fund will be required to develop a sound monitoring and evaluation plan, and will be required to outline the expected outputs, outcomes and impacts of the project consistent with the GEF operational and strategic priority that the project is attempting to address.

Annex B: IFC Earth Fund Log Frame

Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
1. IFC Earth Fund Goal	1A	1B	1C (from Goal to GEF Mission)
<p>The GEF Earth Fund is to leverage private sector funds to generate global environmental benefits</p> <p>The IFC Earth Fund, the first Platform under the GEF Earth Fund will leverage private sector funds to generate global environmental benefits in the areas of climate change, biodiversity and water (Biodiversity SP 1-8, Climate Change SP 1-6, International Waters SP 2-4; GEF OPs 1-11)</p>	<ul style="list-style-type: none"> • The proportion of projects funded under the IFC Earth Fund while generating environmental benefits in relevant areas of GEF strategic and operational priorities <p><i>Indicators for GEF 4 Strategic Programs areas of concentration within the IFC EF such as:</i></p> <ul style="list-style-type: none"> • GHG emissions reductions/offsets • Tons CO2 avoided • kWh generated from renewable sources • Efficiency of generation • Market penetration of RE (#/% households) • Volume of investments • Hectares conserved/protected • # of point of detection mechanisms in place • Improved water use efficiency • Improved sewage treatment 	<ul style="list-style-type: none"> • Collation/collection of data from individual projects • Collation of data relating to the assessment of project success from individual project M&E plan. • Portfolio reviews every 2 ½ - 3 years. • 5 year and 10 year evaluations 	<ul style="list-style-type: none"> • Assumes that the IFC Earth Fund Platform is able to efficiently support innovative and market based solutions to environmental problems • Assumes that projects supported by the IFC Earth Fund will have a positive environmental impact.

Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
2. IFC Earth Fund Objective	2A: Project Level Outcome/Impact Indicators	2B: Project Reports/Process Involved	2C: (from Objective to Goal)
<p>The Earth Fund Objective is to mobilize funding to support innovative and market based solutions to the most pressing environmental problems in the areas of climate change, biodiversity and water (Biodiversity SP 1-8, Climate Change SP 1-6, International Waters SP 2-4; GEF OPs 1-11)</p>	<ul style="list-style-type: none"> • Minimum of \$30M of projects funded (both EF and private sector) within three years of IFC Earth Fund operations, or minimum of 30% of funds deployed. • Growth of the IFC Earth Fund Platform beyond initial capitalization of US\$40M • Replication effect of projects supported under the EF (measured by market assessment) • Adequately addressed environmental problems associated with the GEF SPs and Ops that the IFC EF supports 	<ul style="list-style-type: none"> • Investment Review Committee reports including, where appropriate: market assessments, feasibility studies, business plans, and baseline assessments of environmental indicators • Quarterly reporting on pipeline, investments approved/committed and investments under supervision • Project reports by the clients on environmental impact • assessment of market (for replication effect) and environmental impact at the 5 year and 10 year evaluations 	<ul style="list-style-type: none"> • Adequate pipeline of eligible projects available either through internal (IFC) generation (mainstream, SBI) or through business development • Assumes that a streamlined processing and approval procedure is implemented. • Assumes that projects funded have business models that are successful enough to be replicated • Assumes that projects funded adequately address the environmental issue they attempted to address.
3. IFC Earth Fund Activities	3A: Inputs	3B: Information Sources	3C: (from Components to Outputs)
1. The IFC Earth Fund will provide concessional financing, in line with GEF criteria, in the	1. Total budget for investments, technical assistance/capacity building,	<ul style="list-style-type: none"> • Annual/bi-annual reporting by Earth Fund team and SBI management to donors 	<ul style="list-style-type: none"> • Assumes a demonstrated need to support projects that meet criteria, and will

Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
<p>form of grant and non-grant instruments (including: debt, equity, quasi equity/debt, grants, incentive prizes and technical assistance/capacity) to projects that meet IFC EF criteria.</p> <p>2. Capacity Building 3. Knowledge Management</p>	<p>knowledge management and overhead over the first five year life of IFC EF (FY09-FY14)</p> <p><u>Total Initial Budget: US\$40M for TA and Investments, \$2.7M for implementation. Total funding: \$42.7M</u></p>	<ul style="list-style-type: none"> • Quarterly reporting by RMT on use of funds • Progress and financial reports by recipients and project sponsors • Review of IFC EF Program every 3 years • Review of capacity building projects, or projects with capacity building components, and an assessment of client satisfaction on training and/or other methodologies employed to deliver capacity building • Review of knowledge management products developed during the first five years of the IFC EF 	<p>provide environmental benefits</p> <ul style="list-style-type: none"> • Assumes methods employed to engage in capacity building are adequate and/or successful • Assumes that there are enough experiences within the portfolio to develop lessons learned/knowledge management products within the initial timeframe of the IFC EF platform.

Annex C: IFC Earth Fund GEF Strategic Program Areas of Concentration

IFC Earth Fund Platform: GEF Strategic Program Areas of Concentration

GEF-4 Focal Area Strategies for Biodiversity

Strategic Programs for GEF-4	Expected Outcomes	Indicators
1. Sustainable Financing of PA Systems at the National Level	<ul style="list-style-type: none"> • Protected area systems secure increased revenue and diversification of revenue streams to meet total expenditures required to meet management objectives • Reduction in financing gap to meet protected area management objectives 	<ul style="list-style-type: none"> • Total revenue and diversification in revenue streams
2. Increasing Representation of Effectively Managed Marine PA Areas in PA Systems	<ul style="list-style-type: none"> • Increased coverage of marine ecosystems globally and in national protected area systems • Improved management of marine protected areas 	<ul style="list-style-type: none"> • Number and extent (coverage) of national marine protected areas compared to 2006 global baseline for GEF eligible countries • Protected area management effectiveness as measured by individual protected area scorecards
3. Strengthening Terrestrial PA Networks	<ul style="list-style-type: none"> • Improved ecosystem coverage of under-represented terrestrial ecosystems areas as part of national protected area systems • Improved management of terrestrial protected areas 	<ul style="list-style-type: none"> • Terrestrial ecosystem coverage in national protected area systems • Protected area management effectiveness as measured by individual protected area scorecards
4. Strengthening the Policy & Regulatory Framework for Mainstreaming Biodiversity	<ul style="list-style-type: none"> • Policy and regulatory frameworks governing sectors outside the environment sector incorporate measures to conserve and sustainably use biodiversity 	<ul style="list-style-type: none"> • The degree to which policies and regulations governing sectoral activities include measures to conserve and sustainably use biodiversity as measured through GEF tracking tool
5. Fostering Markets for Biodiversity Goods and Services	<ul style="list-style-type: none"> • Markets created for environmental services • Global certification systems for goods produced in agriculture, fisheries, forestry, and other sectors include technically rigorous biodiversity standards 	<ul style="list-style-type: none"> • Number and extent (coverage: hectares, payments generated) of new payment for environmental service schemes created • Published certification systems that include technically rigorous biodiversity standards

Strategic Programs for GEF-4	Expected Outcomes	Indicators
6. Building Capacity for the Implementation of the Cartagena Protocol on Biosafety	<ul style="list-style-type: none"> • Operational national biosafety decision-making systems that contribute to the safe use of biotechnology in conformity with the provisions and decisions of the Cartagena Protocol on Biosafety 	<ul style="list-style-type: none"> • Percentage of participating countries with regulatory and policy framework in place • Percentage of participating countries that have established a National Coordination Mechanism • Percentage of participating countries with administrative frameworks in place • Percentage of participating countries with risk assessment and risk management strategies for the safe transfer, handling and use of LMOs, specifically focused on transboundary movements • Percentage of participating countries that have carried out risk assessments • Percentage of participating countries that fully participate and share information on the BCH
7. Prevention, Control and Management of Invasive Alien Species	<ul style="list-style-type: none"> • Operational invasive alien species (IAS) management frameworks that mitigate impact of invasive alien species on biodiversity and ecosystem services 	<ul style="list-style-type: none"> • National coordination mechanisms to assist with the design and implementation of national strategies for invasive alien species • National strategies that inform policies, legislation, regulations and management • Regulatory and policy frameworks for invasive alien species in place • Point of detection mechanisms in place • Incorporation of environmental considerations with regards to invasive alien species into existing risk assessment procedures • Identification and management of priority pathways for invasions
8. Building Capacity on Access and Benefit Sharing	<ul style="list-style-type: none"> • Access to genetic resources within supported projects is in line with the Convention on Biological Diversity and its relevant provisions • Benefits arising from the commercial and other utilization of genetic resources shared in a fair and equitable way with the countries providing such resources in line with the Convention on Biological Diversity and its relevant provisions 	<ul style="list-style-type: none"> • Number of mutually agreed terms on access and benefit sharing signed (biodiversity contracts, material transfer agreements, etc.) • Implementation of domestic systems governing access to genetic resources and the fair and equitable sharing of benefits arising from their utilisation, consistent with the Bonn Guidelines

GEF-4 Focal Area Strategies for Climate Change

Strategic Program	Expected Direct Outcome (targets)	Indicators
1. Promoting energy efficiency in residential and commercial buildings	Increased market penetration of energy-efficient technologies, practices, products, and materials in the residential and commercial building markets	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: adoption of standards and codes • Outcome Indicator: KWh or TOE of energy saved in new construction and renovation per sq meter
2. Promoting energy efficiency in the industrial sector	Increased deployment of energy-efficient technologies and adoption of energy-saving practices in the industrial sector	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: policy and regulatory framework adopted • Outcome Indicator: volume of energy efficient investments (\$) • Outcome Indicator: KWh or TOE saved from adoption of new EE technologies
3. Promoting market approaches for renewable energy	Growth in markets for renewable power in participating program countries	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: adoption of policy frameworks, allowing renewable generators equitable access to the grid • Outcome Indicator: kWh generated from renewable sources
4. Promoting sustainable energy production from biomass	Adoption of modern and sustainable practices in biomass production, conversion and use for modern energy	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Outcome Indicator: MW installed • Outcome Indicator: kWh or W steam generated from sustainable biomass
5. Promoting sustainable innovative systems for urban transport	Innovative sustainable transport systems promoted, created, and adopted. Population in targeted urban areas make greater use of less GHG-intensive transport modes	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided and tons of CO₂ emitted per km traveled • Policy Outcome Indicator: number of sustainable transport policies adopted • Outcome Indicator: person-trips per year on sustainable mode
6. Management of LULUCF ⁷ as a means to protect carbon stocks and reduce GHG emissions	Development and adoption of systems enabling countries to measure and reduce GHG emissions from LULUCF	<ul style="list-style-type: none"> • Outcome Indicator: tons CO_{2eq} avoided • Policy Outcome Indicator: adoption of policies designed to curb land-use emissions • Outcome Indicator: Cost-effective methodology for reporting accurately on GHG emissions from LULUCF

GEF-4 Focal Area Strategies for International Waters (IW)

Strategic Program	Expected Outcomes	Indicators
SP-1: Restoring and sustaining coastal and marine fish stocks and associated	<ul style="list-style-type: none"> • Political commitments made to ecosystem-based joint action on sustainable fisheries and 	<ul style="list-style-type: none"> • National inter-ministry committees • Ministerially-agreed action programs and local ICM plans

⁷ Land-Use, Land-Use Change and Forestry

<p>biological diversity</p> <p>Initial attention to global hot spots in Sub-Saharan Africa, Southeast Asia/Pacific, and Latin America/Caribbean Large Marine Ecosystems (LMEs), and accelerated entry into force of the global ship ballast water/ invasive species convention</p>	<p>integrated coastal management (ICM)</p> <ul style="list-style-type: none"> • Institutions and reforms introduced to catalyze implementation of policies reducing over-fishing and benefiting communities • Multi-agency partnerships catalyze replication of innovations • Increased coverage of marine protected areas (MPAs) 	<p>adopted</p> <ul style="list-style-type: none"> • Regional, national and local policy, legal, and institutional reforms adopted; project evaluations show implementation effectiveness • Fish stock and habitat assessments • Per capita incomes at demo sites • Incorporation in CAS, UN frameworks, PRSPs, One UN • Number/increase of MPAs in national PA systems
<p>SP-2: Reducing nutrient over-enrichment and oxygen depletion from land-based pollution of coastal waters in LMEs consistent with the GPA</p> <p>Initial efforts expected on nutrient land-based pollution reduction in East Asia LMEs and the Mediterranean Sea LME, and creating an enabling environment for action elsewhere</p>	<ul style="list-style-type: none"> • Political commitments made to nutrient and other pollution reduction and ICM • Institutions and reforms introduced to catalyze implementation of policies for coastal pollution reduction and ICM • Multi-agency partnerships catalyze replication of reforms and innovative investments for nutrient reduction 	<ul style="list-style-type: none"> • National inter-ministry committees • Ministerially-agreed LME and basin action programs and local ICM plans adopted • National and local policy, legal, and institutional reforms adopted; project evaluations show implementation effectiveness • Monitoring reduced levels of nutrient releases at demo sites • Joint action adopted by regional institutions on nutrient reduction • Incorporation in CAS, UN Frameworks, One UN, Bilaterals
<p>SP-3: Balancing overuse and conflicting uses of water resources in surface and groundwater basins that are transboundary in nature</p> <p>Requests expected for the great basins of South America experiencing climatic fluctuations, in African basins and the Mekong to introduce IWRM policies. Special focus on SIDS included for protecting community surface and groundwater supplies while reducing sewage releases. Groundwater protection strategies would be tested</p>	<ul style="list-style-type: none"> • Political and legal commitments made to utilize IWRM policies towards sustainable water use • Institutions and reforms introduced to catalyze implementation of policies for basin-scale IWRM and increased water use efficiency • Communities benefit from access to water-related benefits in tests of innovative demonstrations of balancing water uses • In SIDS, water-related health risks reduced through protected water supplies 	<ul style="list-style-type: none"> • National inter-ministry committees • Ministerially-agreed action programs and basin IWRM plans adopted • National water resource and IWRM reforms/policies adopted; evaluations show effectiveness • Regional agreements and institutions adopted; project evaluations show effectiveness • Monitoring improved water use efficiency in demonstrations • Access determined in evaluations • Monitoring improved sewage treatment and water supply protection measures in SIDS

<p>SP-4: Reducing persistent toxic substances and testing adaptive management of waters with melting ice</p> <p>A limited program testing strategies to reduce releases of persistent toxic substances (PTS) and to test adaptive management in areas of melting ice in polar and high-altitude basins in order to inform future GEF replenishments</p>	<ul style="list-style-type: none"> • Reduction of human and ecosystem health risks from PTS at demo sites • Incorporation of pollution prevention strategies for PTS into private sector operation • Adaptive management measures identified, agreed upon and tested in limited basins with high-altitude headwaters and one polar LME 	<ul style="list-style-type: none"> • Monitoring level of reduction of PTS releases at demonstration sites • Ministerially-agreed action programs or single-country IWRM plans for demonstration basin testing of adaptive management strategies • Industry codes of conduct, possible private sector initiatives for PTS reduction
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