



PROJECT EXECUTIVE SUMMARY

REQUEST FOR Council Work Program Inclusion

GEFSEC PROJECT ID: 3357
IA/ExA PROJECT ID: 557085
COUNTRY: Global
PROJECT TITLE: GEF Public Private Partnership Initiative
GEF IA/ExA: World Bank/IFC (lead agency)
OTHER PROJECT EXECUTING AGENCY(IES)¹: UNEP, World Bank, World Bank/IFC, FAO, UNIDO
DURATION: 10/1/07-7/31/13
GEF FOCAL AREA: Multi-focal Area
GEF STRATEGIC OBJECTIVES: BD: 1; BD: 2; CC:1; CC:2; CC:4; CC:5; CC:6 & CC:7; IW:2; POPs:1; Chemicals:1
GEF OPERATIONAL PROGRAM: All
PIPELINE ENTRY DATE: 4/19/07
EXPECTED STARTING DATE: 10/1/07
EXPECTED CEO ENDORSEMENT: 9/4/07
IA/ExA FEE:
 - Fees to be determined at platform level.
 - Actual costs of administering the PPP will be drawn from resources made available to the Public Private Partnership Initiative.

FINANCING PLAN (\$)		
	PPG	Project*
GEF Total	190,000	50,000,000
Co-financing	(provide details in Section b: Co-financing)	
GEF IA/ExA	45,000	10,000,000
Government		tbd
Others ²	650,000	150,000,000
Co-financing Total	695,000	160,000,000
Total	885,000	210,000,000
Financing for Associated Activities If Any:		

** For multi-focal projects, indicate agreed split between focal area allocations

FOR JOINT PARTNERSHIP**		
GEF PROJECT/COMPONENT (\$)		
(Agency Name)	(Share)	(Fee)
(Agency Name)	(Share)	(Fee)
(Agency Name)	(Share)	(Fee)

*** Projects that are jointly implemented by more than one IA or ExA

CONTRIBUTION TO KEY INDICATORS IDENTIFIED IN THE FOCAL AREA STRATEGIES:

The Public Private Partnership Initiative will contribute to many key indicators over the length of the project as additional platforms are proposed and approved. Based on the initial four platforms proposed, the PPP will contribute to:

PPP PLATFORMS	STRATEGIC PROGRAM	INDICATORS
<i>Biofuels</i>	SP-3 of the Climate Change FA: Promoting market approaches for renewable energy	Tons CO2 Avoided kWh generated from renewable sources
	SP-4 of the Climate Change FA: Promoting sustainable energy production from biomass	Tons CO2 Avoided
	SP-5 of the Climate Change FA: Promoting sustainable innovative systems for urban transport	Tons CO2 Avoided

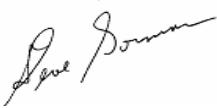
¹ Agencies which have confirmed their interest in participating in the PPP Initiative

² Initial co-financing is \$50M. A minimum 1-to-1 matching contribution from the private sector and other donors will trigger the launch of PPP activities. The PPP intends to attract a target level of funding at three times the initial GEF contribution.

<i>Coastal Water Treatment</i>	SP-2 of the International Waters FA: Reducing nutrient over-enrichment and oxygen depletion from land-based pollution of coastal waters in LMEs consistent with the GPA	Monitoring levels of nutrient releases at demo sites Joint action adopted by regional institutions on nutrient reduction
	SP-3 of the IW FA: Balancing overuse & conflicting uses of water resources in transboundary surface & groundwater basins.	Monitoring levels of sewage treatment and water supply protection measures in SIDS.
<i>Clean Energy Finance</i>	SP-2 of the Climate Change FA: Promoting energy efficiency in the industrial sector	Tons CO2 Avoided Volume of investments in energy efficient technologies kWh or TOE saved from adoption of new EE technologies
	SP3 of the CC FA: Promoting market approaches for renewable energy	Tons of CO2 Avoided kWh generated from renewable sources
<i>Payment for Ecosystem Services</i>	SP-1: Sustainable financing of PA systems at the national level	Total revenue & diversification in revenue streams
	SP-5: Fostering markets for biodiversity goods and services	Number and extent (coverage: hectares, payments generated) of new PES schemes created Published certification standards for biodiversity friendly goods
<i>Alternatives to DDT for Malaria</i>	SP-3 of the POPs FA: Generating & disseminating knowledge to address future challenges in implementing the Stockholm Convention	Number of environmentally sound alternative products, practices, or techniques demonstrated that are efficacious and cost-effective Number of targeted research products addressing critical portfolio needs supported during GEF-4

	SP-2 of the Chemicals Program: Articulating the chemicals related interventions supported by the GEF within countries' frameworks for chemicals management	Percentage of capacity development projects in the POPs, ODS, and IW focal areas that also contribute to sound chemicals management more generally.
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Approved on behalf of the *World Bank/IFC*. This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for work program inclusion.


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 Date: May 11, 2007

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**THE PUBLIC PRIVATE PARTNERSHIP INITIATIVE:
FURTHERING THE GEF STRATEGY TO ENHANCE ENGAGEMENT
WITH THE PRIVATE SECTOR**

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Introduction

1. In June 2006, the Council, having reviewed document GEF/C.28/14, *GEF Strategy to Enhance Engagement with the Private Sector* supported the further development of its proposal to enhance financing through a public/private sector partnership, including clear information on its management, decision making and rules to avoid conflicts of interest¹. Building on this recommendation and upon the changing dynamics of the private sector, an operational road map for implementation of the *GEF Public Private Partnership Initiative (PPP)* is proposed.

2. The GEF Council also requested the Trustee and the Secretariat, in collaboration with the World Bank and the Regional Development Banks, to consider the feasibility of, and develop operational policies and guidance as appropriate, for the use of non-grant instruments. The use of non-grant instruments will be addressed by the Trustee through a separate Council document in December 2007.

I. RATIONALE FOR A PUBLIC PRIVATE PARTNERSHIP INITIATIVE

3. The overarching goal of the PPP is to establish innovative partnerships with the private sector to generate global environmental benefits in a sustainable and cost-effective manner. 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. The proposed PPP will support beneficial partnerships between public and private entities that promise the *greatest global environmental benefit* for the lowest expenditure of scarce multilateral resources.

4. Essential to achieving this goal is for the GEF to contribute to the establishment of enabling conditions necessary for private sector investment in commercial activities that deliver global environmental benefits. The role of the GEF in working with the private sector will be additional to what the private sector will undertake on its own. The PPP will strive to provide assistance in opening markets and promoting technologies that would not attract investment in the absence of GEF resources. By strategically removing market barriers and creating sustainable market conditions, the GEF can pave the way for entrepreneurs to scale up and transform existing markets.

5. The GEF has been working with the private sector on individual projects over previous GEF cycles. Through these experiences, the potential for a more systemic strategic partnership customized to the opportunities with this key partner have emerged.

6. In October 2006, on the basis of the Council's comments and decisions on the June 2006 *Strategy for Enhancing the Engagement of the Private Sector*, the GEF Secretariat actively pursued an outreach and engagement program with a wide range of potential private sector partners. The outreach program began with a consultative brainstorming session, co-hosted with the IFC, involving companies engaged in financial, agriculture, energy and water businesses. During the subsequent months, GEF staff organized direct consultations with interested private companies, including trade associations, representing an ever-growing set of corporations in China, India, Central and North America and

¹ Joint Summary of the Chairs, GEF Council Meeting June 6-9, 2006

Europe exploring possible lines of direct collaboration and partnership building, in particular in the energy and financial sectors. A list of the companies and associations consulted follows.

7. A number of important lessons to shape GEF's engagement with private sector partners have emerged from those direct engagements, and are reflected in the design of the PPP, including the following points:

- (a) Private sector partners are particularly interested in supporting development and dissemination of new technologies, notably in energy and water sectors where efficiency innovations are needed. Private partners, particularly from non-OECD countries, view the GEF and its Agencies as potentially strong partners in financing development and dissemination of technological innovation in the developing world;
- (b) The GEF is viewed as an important partner in extending investment opportunities and technology innovations from OECD to non-OECD countries and among non-OECD countries. Private partners want to explore ways through which the GEF can facilitate exchange and partnership building between OECD and non-OECD companies;
- (c) Partnerships must be built on solid business plans that will ensure reasonable financial returns from market-driven activities. Private partners will only enter into specific initiatives and investment opportunities that will allow the companies to expand and extend their business strategies; and
- (d) GEF support will be most catalytic when used to help private actors address market development barriers and develop new approaches for financing environmental projects and technologies. The goal is not to subsidize technology development or capital costs, but rather to help bring first movers up the learning curve to the point that commercial activity can continue without long-term GEF support.

8. The Secretariat considered several models of governance to enhance interaction with the private sector (see the Governance section herein for further details). Consultations indicated that governance that includes private sector representation is necessary to nurture and sustain the partnership sought. The PPP, with its own administration designed to reflect public-private realities, will offer the opportunity for the GEF to mainstream engagement of the private sector in operations through timely reaction to creative ideas for solutions.

9. It is essential to the private sector, and beneficial to the GEF, that they have a voice in the governance of the PPP. Therefore, a separate but parallel structure of governance is proposed. In this parallel structure the roles and responsibilities of the Council with respect to programs and projects under the PPP are to be delegated to a PPP Board, on which the Council, the private sector, foundations, and NGOs are to have representation. Under the guidance of the PPP Board, like the role of the Council, thematic programs (platforms) and projects will be developed and approved.

10. The GEF CEO and Chairperson heads the Secretariat, which coordinates the implementation of GEF projects and programs, as well as the formulation of policies and operational strategies. A PPP

Board, chaired by the GEF CEO and Chairperson, will have a parallel role. It will be serviced by the GEF Secretariat in the same way that the Secretariat services the Council.

11. Just as the Council approves all GEF full-size projects as well as new programs and instruments, the PPP Board will approve platforms and tools. The Board will meet regularly throughout the year and submit a report on its activities for each Council meeting. As the PPP Board can not include seats for all the private sector actors interested in partnering through the PPP, Platform Steering Committees were introduced to guide specific projects, and to allow participation of interested private sector partners on specific programs.

12. To ensure the PPP remains flexible and able to respond quickly to market developments, as well as addresses issues of interest to the private sector, activities of the PPP will be clustered around thematic platforms which will be consistent with the GEF focal area strategies and will take into account private sector interests in advancing global environmental goals. Proposals for themes for which platforms may be devised can come from the Council, countries, the private sector, the GEF agencies, the Secretariat, NGOs and other interested actors. Under each platform a number of activities (projects) will be pursued to advance the goals and objectives of the platform.

13. In the GEF's structure, Implementing and Executing Agencies (IA/EAs) are responsible for creating project proposals and for managing GEF projects. Under the PPP the IA/EAs will have the same role. The GEF agencies will work with all partners, including the private sector, to develop platforms and projects and to manage their implementation, based on their comparative advantages. GEF principles for the use of GEF resources will apply to all platforms and projects financed through the PPP. Additionally, through the PPP the GEF will be able to manage knowledge gleaned from the initiative to work more effectively to influence private sector practices for global environmental benefits.

14. The PPP is not a radical departure from past practice. Rather, it will work through the GEF network to develop and implement activities under the guidance of a proposed PPP Board, where the private sector has a voice. The main principles for the use of the GEF contribution to the proposed fund are further outlined in this paper, including application of the incremental cost principle and all GEF eligibility criteria, as well as substantial co-funding from the private sector.

II. PROPOSAL FOR A PUBLIC PRIVATE PARTNERSHIP INITIATIVE

15. The proposed PPP will support a Public/Private Sector strategic investment program in competitive environmental technological and financial solutions, and the scaling-up of the use of pilot instruments. Sectoral platforms related to GEF focal areas and priorities will be developed and implemented.

16. The objective of the PPP is to support strategic engagement of the private sector in addressing global environmental challenges in developing countries. Ancillary benefits of the PPP will include increased public awareness of the GEF and guidance from the private sector into future GEF strategies and approaches.

17. The governance of the PPP will include a PPP Board and Platform Steering Committees, consisting of GEF Council members, private sector, foundation and NGO representatives. The PPP Board will guide the development of and approve funding to several sectoral platforms in accordance with GEF strategies and relating to a specific issue or technology, as well as tools to support these platforms. The Steering Committees will allow a wide representation of the private sector and will allocate funding for the projects within the platforms under the guidance of the PPP Board. An important feature of the governance and structure of the PPP will be its flexibility and ability to respond quickly to market developments. (See details below in document and in Annex A: Governance.)

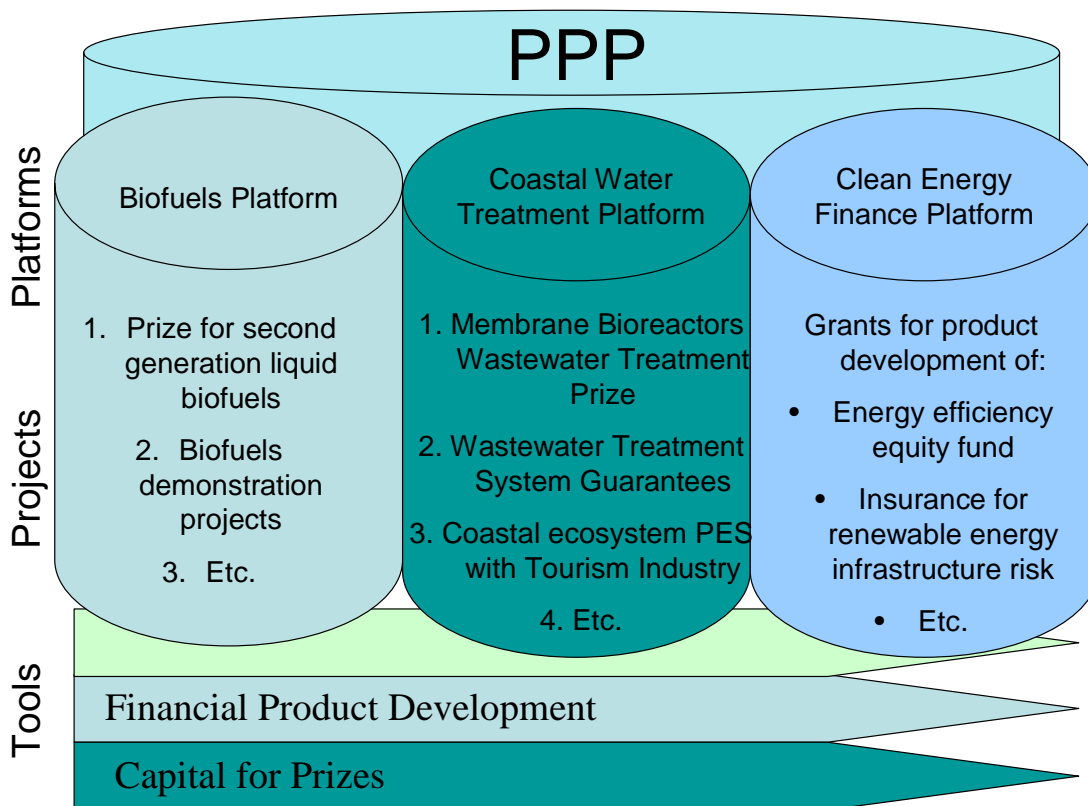
III. PLATFORMS

18. PPP platforms are to present an innovative and strategic approach to a specific global environmental challenge on which the GEF and the private sector agree to collaborate. While aligned with GEF's mandate and focal areas, the identification of platforms will be largely driven by the private sector, so that the PPP remains flexible and able to respond quickly to market developments.

19. On the basis of intensive consultations and on-going work carried out over the past six months, five initial platforms have so far emerged for which the GEF is confident matching financial commitments will be made by private sector partners and others: a) a Biofuels Platform to provide incentives to develop innovative technology and open developing country markets for second generation biofuels production systems; b) a Coastal Waters Platform to adapt costly membrane bioreactor industrial and desalination wastewater treatment technology for coastal developing countries, needs and means; c) a Clean Energy Finance Platform to spur investment in the energy efficiency and renewable energy sectors of developing countries; d) a Payments for Ecosystem Services (PES) Platform to support the scaling-up of PES arrangements, including reduction of transactions costs, and to encourage innovation and experimentation with the private sector in order to meet emerging environmental challenges; and e) Development of Alternatives to DDT to Control Malaria.

20. Each proposed platform will support technology and capital transfer from the private sector in the North to the South. Additional platforms will be developed, taking into account the GEF-4 strategic priorities, e.g.: promoting efficient lighting; promoting energy efficiency in buildings; coastal zone management; developing sustainable financial arrangements of protected areas; improving POPs management and alternatives; and scrubbing mercury from coal generation. (Additional details of example platforms are provided in Annex B.)

FIGURE 1: PPP ORGANIZATIONAL CHART



This chart illustrates the relationship between the PPP's main elements: platforms, projects and tools.

IV. TOOLS

21. In concert with the private sector, tools have been identified to support the platforms (see Annex C for details). It is expected that additional tools will be adapted and included in the PPP as the GEF's collaboration with private sector partners evolves and deepens.

22. A **Financial Product Development** tool will be used to provide grants to support development in GEF priority areas of (a) financing vehicles to provide needed capital to projects, e.g. private equity funds or consumer lending products² targeting clean energy; or (b) insurance vehicles to manage project risks, e.g. specialized products to mitigate commercial development risks of renewable energy infrastructure in developing countries.

² Consumer lending products include a range of retail credit structures offered by local banks for helping households finance small scale technologies such as solar water heaters or high efficiency appliances.

23. The financial product developments tool will use PPP and private sector resources to leverage financial product development processes to meet existing market needs, and playing a catalytic role in helping a stream of innovative environmental finance instruments launch in developing country markets. The basic features of this tool will be:

- (a) the private sector will have to demonstrate the capacity to develop, capitalize and manage such instruments and be willing to shoulder much of the development costs;
- (b) participation from the PPP will come in the form of grants for cost-sharing incremental aspects of financial product development;
- (c) PPP support will cover up to 50% of development costs, dispersed in milestone based tranches, with the remaining expenses covered by the requesting financial institution; and
- (d) each financial product successfully capitalized will have to repay the support received from GEF back into the facility.

24. By targeting the product development process, the PPP can play an important role in helping new financial instruments launched in developing countries. Each instrument successfully capitalized will mobilize multiple times the GEF contribution and reflows will be channeled back through the facility into new developments. Over time this tool may evolve to include further financial sector engagement tools.

25. The tool *Capital for Prizes* will provide incentives and mobilize investment capital to generate breakthrough technical solutions to global environmental challenges facing developing countries. The prize competition would be accessible to all and would stimulate the creation and penetration of innovative environmental technologies that can be disseminated to developing country markets. To date, this tool has been successful in stimulating the development of technology of interest primarily to developed countries (private space exploration, high-end medical breakthroughs), but has yet to be used to find solutions for developing country challenges and foster technology transfers to the South.

26. The prize competition format will attract private sector investment capital by providing unique risk mitigation strategies and outreach opportunities. GEF, World Bank/IFC and possibly regional development banks, will provide financing to (a) develop rules for the prize competition; (b) attract other donors as prize sponsors; (c) enable competitors from developing country actors (including inventors, research centers, universities and students, SMEs and corporations) to participate in the competition; and (d) support implementation through demonstration projects.

V. OPERATIONAL FEATURES

27. The operational characteristics of the PPP are as follows:

Funding

28. **GEF Funding:** The June 2006 Council document (C.28/14) envisioned a request for \$50 million in GEF and donor support for the PPP. The Secretariat requests that the Council allocate \$50 million for the PPP, drawing upon resources that have been identified through the Trustee's project data reconciliation and savings in the corporate budget resulting from the termination of the corporate budget for the Implementing Agencies.

29. A minimum 1-to-1 matching contribution from the private sector and other donors will trigger the launch of PPP activities. The use of GEF resources for the PPP will only be approved once a 1-to-1 match from the private sector and other donors is guaranteed. The PPP intends to attract a target level of funding at three times the initial GEF contribution.

30. **Co-Funding:** The IFC is providing an initial commitment of \$10 million from its grant resources to supplement the requested \$50 million in GEF and other donor support. The PPP will seek undesignated (PPP-level) and designated (platform-level) co-funding from the private sector, foundations, and international organizations and bilateral donors.

31. The GEF Secretariat conducted consultations with interested private companies, including trade associations, as well as foundations and NGOs in China, India, Central and North America, and Europe to explore potential collaboration. (A list of the companies and associations consulted follows in Annex D.) Several companies, foundations and NGOs are ready to fund the proposed platforms, pending Council's decision to establish the PPP. It is expected that private sector investment through PPP projects will far exceed GEF investment.

32. The administrative costs of the global PPP Initiative will be financed from the resources of all partners committed to the initiative, based on an administrative budget to be approved by the PPP Board. The same principle will apply to each of the platforms.

Governance

33. Consultations with the private sector, NGOs and foundations indicated that they will partner with the GEF to substantially finance global environmental projects if oversight and governance is vested in a board on which they have a voice. They requested a governance structure with clear functions in which they have a role in proposing, developing, reviewing and approving projects and investments of the PPP.

34. The proposed PPP Governance was derived following exploration of many models, including GEF operations³, the World Bank/IFC Environmental Opportunities Facility, and the Global Fund for AIDS, Tuberculosis and Malaria. The governance consists of a PPP Board, to oversee the strategic direction and allocations of the PPP, and Platform Steering Committees, to guide and oversee each of the platforms. This structure will allow good governance, transparency, accountability and responsiveness. The membership of the PPP Board and Steering Committees includes representatives from the Council, private sector, foundations, and NGOs.

³ e.g. Critical Ecosystem Partnership Fund, Biodiversity Agricultural Commodities Program

35. **PPP Board:** A PPP Board will be established to identify, approve and ensure the evaluation of the platforms and activities to be financed by the PPP.

36. The proposed membership of the PPP Board includes: (a) GEF CEO as Chair; (b) 8 Council Members: 4 from recipient countries and 4 others from non-recipient countries, to be proposed by and approved by the GEF Council; (c) 8 contributors from the private sector and (d) 1 NGO and 1 foundation. The non-Council members will be approved by the Council, on the basis of nominations to be made by the CEO, taking into account: (a) level of contribution; (b) amount of non-designated contributions; (c) geographical diversity; and (d) environmental expertise (for non-contributors).

37. The PPP Board will report to the Council for its bi-annual meeting and upon request will advise the GEF on topics and tools of interest. The Council may request information on or review of issues and approaches from the PPP Board to gain a private sector perspective.

38. **Platform Steering Committees:** For each platform the steering committees will steer the development and implementation of projects under each platform under the general guidance of the PPP Board. The steering committees will consist of a representative of the GEF Secretariat and representatives of contributing private sector partners. (See additional details in Annex A: Governance.)

Implementation

39. **Agencies:** The PPP will be a corporate program. It will be administered by the GEF Secretariat, while the platforms will be managed by GEF Implementing and Executing agencies based on their respective comparative advantages. In concert with the private sector, GEF agencies may develop and propose tools, platforms and projects for consideration by the PPP Board.

40. **Criteria for Project Selection:** All activities financed by the PPP will be required to meet the GEF eligibility criteria. The PPP Board will seek projects that do not duplicate the existing GEF portfolio and can serve to pilot business models, open new market opportunities, and promote promising new technologies. The main principles for the use of the GEF contribution to the Fund, as identified in the June 2006 strategy paper⁴, include:

- (a) funds will be used to cover incremental costs associated with generating global environmental benefits beyond the costs to enterprises of doing regular business and meeting legal environmental requirements, and funds will be additional to what the private sector is conducting on its on;
- (b) funds will be used to create and catalyze sustainable solutions that help bring first movers up the learning curve to the point that commercial activity can continue without long-term GEF support;
- (c) developing countries will be beneficiaries of all projects; and strong preference will be given to projects which include developing country sponsors;

⁴ GEF/C.28/14, para.109

- (d) projects will be private sector or public-private partnership driven and the private sector will provide substantial co-funding for each project; and
- (e) projects will be open to a broad range of private sector actors, including: public-private partnerships; small, highly innovative companies; financial intermediaries; and SMEs and large corporations.

41. **Conflict of Interest:** In addition to the criteria outlined above, private sector participants on the PPP Board will refrain from taking part in the decision making process involving platforms from which they may directly benefit. Conflict of interest modalities will be further detailed in the development of the PPP Board.

Knowledge Management and Information Dissemination

42. Broadening the impact of the PPP platforms and promoting replication of the benefits they demonstrate will require targeted communication, outreach and knowledge management. The PPP will build on the GEF systems for knowledge management and outreach.

43. A private sector knowledge management component will be incorporated into the broader GEF-wide knowledge management (KM) system in its initial stages of development. Elaboration of the proposed structure and function of the private sector component of the GEF KM system is presented below.

44. The private sector component 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.

Information Database

45. Within the GEF knowledge management system, a database will house strategically-collected information regarding partnerships with the private sector. The database will help identify opportunities for a given private sector partner to work with multiple IA/EAs, and thus leverage partnerships throughout the GEF partnership. This database tool will serve multiple functions, including to:

- (a) facilitate communication channels regarding the GEF process and provide guidance as to eligibility criteria for GEF projects;
- (b) disclose identified private sector priorities and project interests in order to match them with GEF's IA/EAs country and focal area priorities;
- (c) flag potential barriers to project implementation throughout the IA/EA community;
- (d) centralize and share lessons learned from countries' private sector partnerships across focal areas and IA/EAs;

- (e) supply project information in an effort to avoid replication of existing projects; and
- (f) provide a centralized location for guidance documents, such as case studies.

46. The database could also build upon and highlight pertinent knowledge gained and lessons learned—relevant to the private sector—that are extracted from the KM systems and products of the IA/EAs (e.g., UNDP Knowledge Services, UNEP/GEF Sustainable Alternatives Network), as well as the following focal area specific KM initiatives:

- (a) Biodiversity: the Biodiversity Planning Support Programme; Strengthening Capacity to Generate, Disseminate and Adopt Good Practices for Biodiversity Conservation Project; Megadiverse Knowledge and Policy Network for Biodiversity and Sustainable Development Project;
- (b) Climate Change: Solar PV in Africa; Financial Risk Mitigation MSP; Productive Uses KM; various portfolio studies and toolkits (e.g., Standards and Labels Practitioner Guide; GEF/ESMAP grid-connected policy project; solar thermal and energy efficiency financing studies); etc.;
- (c) International Waters: IW:LEARN – International Waters Portfolio KM and learning projects; global water policy events; and
- (d) Land Degradation: Knowledge from the Land: Building a Community of Practice for the Land Degradation Focal Area.

47. Existing public-private partnership sites could also provide useful models as knowledge management tools (e.g., U.S.- Climate Technology Cooperation (CTC) Gateway).⁵

48. The feasibility of accessing the information database through two portals—one for the public sector and one for the private sector—will be explored. These portals would allow the GEF partnership and the private sector respectively to access the database and cross-reference priorities with those of potential partners, and obtain other information as detailed above. Similarly, the public sector portal would allow the GEF family to view the database of private sector priorities and other relevant information.⁶ Each portal will be designed to direct and facilitate straightforward navigation through the database to the information most relevant to the target sector’s specific needs and interests. In other words, the portals provide a lens through which to view the information in the database.

49. A step-wise approach to the database’s development could be initiated by collating contacts, private sector priorities and potential projects. Once the database is more fully developed, it will contain the following key components:

<i>Components</i>	<i>Description</i>
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⁵ <http://www.usctcgateway.net/>

⁶ A mechanism to protect business proprietary information would be included.

Barriers to Implementation	Barrier removal activities to foster an enabling environment for private sector engagement
Financial and Performance Data on GEF	Projects/dollars leveraged, projects/dollars generated, replication, environmental impacts/benefits etc.
Lessons Learned	Previous projects; methodology for determining future projects
Project Summary Information	Information to maximize replication while avoiding duplication of efforts
Private Sector Portal (open access)	Information relevant to private sector needs; private sector can upload information of benefit to the GEF family
Monitoring and Evaluation	Baselines for performance indicators; measurements of project accomplishments

Marketing

50. A website to market the PPP, its activities and partners will be developed. The website will outline relevant updates of the PPP platforms, including platform ideas in development, to attract private sector participation. It will also contain broader information on global environmental issues of interest to the private sector, such as developments achieved in the global environmental agreements.

51. The GEF partnership could develop a marketing tool that recognizes the private sector for certain environmental leadership achievements—as an incentive for large companies and multinational corporations to partner with the GEF. Such a tool would recognize that the private sector’s involvement in a project is in accordance with, and/or exceeds GEF standards, and is aligned with major global environmental conventions. The tool could take the shape of an award, certification/label, endorsement, or other similar symbol of recognition. This tool could help magnify GEF’s profile and credibility among private sector entities whose activities are affecting the global environment and potentially catalyze new partnerships to take form. An alternative approach would be for the GEF to help and/or promote other IA/EAs – or other entities⁷ – in developing and/or standardizing marketing tools and symbols of recognition for environmental stewardship.

Monitoring & Evaluation

52. A monitoring and evaluation tool is recommended to determine the value-added of GEF funding for private sector activities. This tool would be developed in coordination with the activities of the Evaluation Office and the overall GEF KM system.

Linkages to Communications & Outreach Strategy

⁷ e.g., the World Environment Center (WEC) Gold Medal for International Corporate Achievement and Sustainable Development (<http://www.wec.org>)

53. More expansive communication and outreach will be particularly relevant to ensuring broader awareness of the GEF partnership and its mission, and subsequently the effectiveness of any marketing tools developed. The KM system will help facilitate these broader communications and outreach efforts, including through potential private sector forums. A complete set of options for encouraging private sector associations to communicate with the GEF—such as providing input at GEF Council meetings—still requires further exploration.⁸

VI. RECOMMENDED DECISION

54. The Council is invited to:

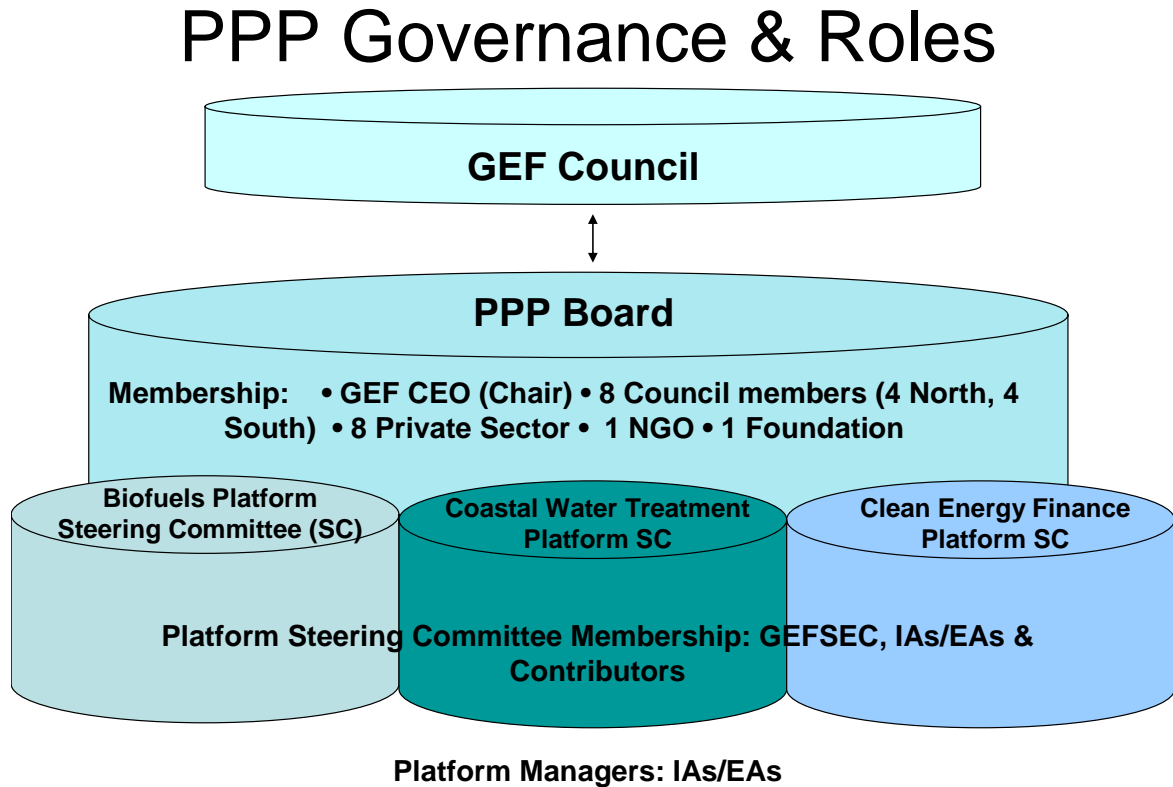
- (a) request the GEF Secretariat to collaborate with the Trustee in establishing the PPP Trust Fund;
- (b) allocate \$50 million for the PPP, drawing upon resources that have been identified through the Trustee’s project data reconciliation and savings in the corporate budget resulting from the termination of the corporate budget for the Implementing Agencies; and
- (c) request the CEO, in the coming months, to consult with the Council, in constituting the PPP Board.

⁸ The challenge will be to find private sector representatives who can adequately organize and represent the broad perspectives and issues of the all of the private sector’s diverse industry sub-sectors relevant to the GEF in a fair and non-competitive manner.

ANNEXES

ANNEX A: GOVERNANCE

FIGURE 2: PPP GOVERNANCE & ROLES



PPP BOARD

1. The PPP Board will be comprised of:
 - (a) CEO and Chairperson, GEF;
 - (b) 4 Council Members from recipient countries (one from each of the regions in Annex E of the Instrument⁹, selected by the Council Members from the region concerned); and

⁹ Africa, Asia and Pacific, Latin America and Caribbean, and Central, Eastern Europe and Former Soviet Union.

- (c) 4 Council Members or Alternates from non-recipient countries (two from Europe¹⁰, one from North America¹¹, one from Asia and Pacific¹² selected by Council Members from the region concerned).
- (d) 8 representatives of the private sector to be proposed by the GEF CEO and approved by the Council, and taking into account the following criteria:
 - (i) representation of private sector actors from both recipient and non-recipient countries;
 - (ii) contributions to the PPP;
 - (iii) contributions to platforms; and
 - (iv) environmental expertise and corporate policies, efforts and commitment to support sustainable development.
- (e) 1 representative of a foundation and 1 representative of a NGO to be proposed by the CEO and approved by the Council, taking into account the following criteria:
 - (i) contributions to the PPP;
 - (ii) contributions to platforms; and
 - (iii) environmental expertise and corporate policies, efforts and commitment to support sustainable development.

2. It is recommended that Board members serve for two year terms. In order to stagger the Board rotation, half of initial Board Members will be appointed for a one year terms and half will be appointed for two year terms. Thereafter, all Board Members will be appointed for two year terms.

3. The Board will be chaired by the GEF CEO/Chairperson. The GEF Secretariat will service the PPP Board.

Responsibilities of the PPP Board

- 4. The Board will meet at least once a year and will:
 - (a) advise the CEO and Council regarding private sector activities that may apply to development of the PPP;
 - (b) seek out, propose, screen and approve promising innovative opportunities for creative public-private partnership;

¹⁰ 10 constituencies

¹¹ Canada and USA (2 constituencies)

¹² Japan, Australia, New Zealand, South Korea (2 constituencies)

- (c) ensure the PPP operates in accordance with respect to its purposes, scope and objectives;
- (d) review and approve platforms to be financed under the PPP;
- (e) direct the allocation of PPP funds to the platforms;
- (f) advocate for the PPP;
- (g) review the availability of resources and seek to mobilize financial resources;
- (h) ensure that the activities of the platforms are monitored and evaluated on a regular basis in accordance with GEF's monitoring and evaluation policy;
- (i) monitor progress in the implementation of the platforms and provide related guidance to each platform steering committee, recognizing that the platform steering committee will be responsible for the further preparation of individual activities approved under each platform;
- (j) approve an annual report to the Council and other partners on the activities of the PPP; and
- (k) exercise such other functions as may be appropriate to fulfill the purposes of the PPP.

Decision making

- 5. The Board will take decisions by consensus.

Platform Steering Committees

- 6. Each platform will have a steering committee that will meet at a minimum once a year and more frequently if it deems it necessary.
- 7. Steering committees will:
 - (a) approve project proposals;
 - (b) oversee platform activities; and
 - (c) provide an annual report to the PPP Board on the work undertaken by the platform.
- 8. Construction and composition of each platform steering committee will be determined based on the needs of the parties in the platform.
- 9. Platform steering committee membership is expected to include:
 - (a) a representative of the GEF Secretariat;
 - (b) a representative of each GEF agency participating in the platform;

- (c) representatives of private sector partners (the number of representatives will be determined on the basis of the private sector participation in the platform and will ensure a majority of private sector participants); and
- (d) other donors.

ANNEX B: PLATFORM EXAMPLES

1. The following provides examples of potential platforms that may be developed and proposed to the PPP Board. The first four are more developed, and come with letters of intent and funding from the private sector, NGOs, foundations and bilateral donors. Additional ideas proposed by the GEF partnership follow.

Biofuels platform

2. There is growing interest in the widescale development of biofuels as an environmentally-friendly alternative energy source. However, many approaches to produce biofuels have considerable negative environmental impacts. Those impacts range from stimulating conversion of forested areas to produce biomass used in biofuels to employing production systems that actually use more energy in the production cycle than is generated in liquid fuels to creating a skyrocketing price for basic food staples when that staple is used for subsidy-based biofuel feedstock.

3. To address these and associated issues, the biofuels platform will stimulate and accelerate the development of breakthrough technologies for sustainable, small-scale second generation biofuel production systems¹³; and assist in the demonstration and dissemination of those systems in rural communities in developing countries, creating new jobs, new cash crops for marginal lands, new markets for smallholders, and respond to the energy needs of the world's poorest countries.

4. Using an innovative 'capital tool for prizes' investment approach, the project will stimulate development of biofuel production technologies to be adapted to diverse environmental and market conditions in rural areas of developing countries. The 'capital for prizes' investment approach will offer a public prize to encourage development of biofuel production systems that will, through a strict set of prize rules, overcome many environmental, social and economic problems currently associated with large-scale biofuel technologies. The prize competition will attract dynamic entrepreneurs and academics from developed and developing countries seeking to meet prize rules. The capital investment approach will attract investors seeking to accelerate and bring to market new biofuels technologies.

5. The GEF STAP and IFC (Implementing Agency) will be involved in setting the prize rules to include specific requisites that will produce second generation biofuels production systems that:

- (a) are small-scale, decentralized production plants tailored to local conditions in developing countries;
- (b) are adaptable to a wide range of biomass inputs;
- (c) have high energy production standards;
- (d) generate year-round employment in rural areas of developing countries;

¹³ The term "second generation" refers primarily to direct cellulosic conversion of biomass feedstock, as distinct from the "first generation" which makes use of food products, especially grain, to produce biofuels.

- (e) stimulate local market development for rural producers; and
- (f) encourage energy self-sufficiency.

6. Following development of the technology and accompanying market, traditional GEF instruments, including feasibility studies and demonstration projects, will be used to disseminate the technology. This will ensure a systemic approach from designing the technology and applying the technology in the field in developing countries.

Coastal Water Treatment Platform

7. Wastewater treatment technology for coastal areas can reduce pollution from human sewage in coastal areas. Wastewater is released into waterways when it could be reused productively, particularly given water scarcity and energy costs to transport water where it is needed. In addition, as sea-level rise linked to climate change continues, small-island developing states and coastal areas in poor developing countries will face severe challenges in the water supply and sanitation area.

8. Improving the availability and affordability of these technologies will have positive impacts in the international waters, biodiversity and climate change focal areas. Sophisticated membrane bioreactors have been produced for industrial use and for desalination of water for drinking water supply. However, their cost is prohibitive for wide-scale application in developing countries. The potential exists to use these membrane systems as simple treatment systems for poor communities, either in series with primary treatment or alone.

9. A prize will be developed for the adaptation of membrane bioreactor technology to developing countries needs so as to match community needs, infrastructure and affordability.

10. The capital for prizes approach proposed in this platform would be complemented by guarantees to share risks with the private sector for investments in sewage collection/treatment in low income areas and coastal communities to implement improvements in coastal water quality. Where necessary foundational market conditions exist, the GEF may also explore using PES arrangements with the local tourism industry for improving water quality.

Clean Energy Finance Platform

11. The potential of the clean energy sector is now recognized in the financial markets. In 2006, \$71 billion is projected to have been invested in clean energy globally. While the largest share of this has been invested in OECD countries, increasing competition is leading investors to look abroad at new markets in development. Lack of experience in these markets and the absence of an enabling environment create a more challenging investment climate. This is further compounded by regulation of the energy sector which caps returns to investors, offering little incentive to first movers to recoup investments in innovation.

12. These markets require specialized financial instruments for which the product development and initial transaction costs can be prohibitive even for multi-national financial institutions. These higher

than average costs have prevented investment and development of investment portfolios for these markets.

13. Achieving critical mass in developing country clean energy sectors will require a new generation of private sector led financial instruments that create the liquidity necessary for vibrant primary and secondary markets in these emerging technologies. Financing under the platform will be provided for activities necessary to “pave the way” for clean energy investments, such as market assessments, business modeling, financial engineering, regulatory reviews, initial deal origination and legal reviews.

14. This Clean Energy Finance Platform proposes to support incremental costs using a financial product development tool to help a stream of partner financial institutions develop new financial products for developing countries in the energy efficiency and renewable energy sectors. Private equity funds and other alternative investment vehicles are expected to make up the largest proportion of instruments supported by this platform; however a much broader range of financial structures could be supported over time, including initiatives in the public equities, public and private debt and insurance markets.

15. The PPP and the private sector will collaborate to leverage financial product development processes, playing a catalytic role in helping a stream of innovative environmental finance instruments launch in developing country markets. The financial product development tool will be accessible to actors in the financial sector proposing to develop and launch new financial products to meet existing market needs.

16. Examples of financial product developments that may receive support to help launch their investments in developing countries through a Clean Energy Finance platform include:

- (a) The global insurance broker Marsh Ltd. is interested in the creation of a dedicated Asian facility for underwriting renewable energy projects. The facility will offer comprehensive cover for projects, increase competition between insurers and decrease the costs of risk management for developers. During the first 10 years of operations, this insurance facility aims to underwrite \$3 billion in clean energy projects, realizing about 3GW of new renewable energy capacity.
- (b) The global banking group ABN AMRO is considering starting an EcoMarket related financial and investment business in the developing world. An ABN/GEF joint venture is being proposed to identify instruments that ABN might develop in areas such as energy efficiency, renewable energy, water and waste management, initiating with 3 or 4 countries and product lines, then building out. The goal is to develop this into a \$3 to \$4 billion business area.
- (c) The asset manager FE Clean Energy Group Inc. is proposing to create a \$200 million private equity fund for investing in companies and projects that deliver clean energy services in emerging markets. During its operating life this equity fund will help finance \$600mm in fully leveraged clean energy infrastructure, which will realize 200-400MW in greenfield capacity, and 40-75 million tons CO₂.

- (d) The Emerging Asia Clean Energy Fund is looking to raise €60 million for investing in clean energy projects in South Asia. This fund will take both early and late stage investments, 35% in renewable energy projects, 35% in renewable energy companies and 30% in energy efficiency.
- (e) The First African Clean Tech Fund is looking to raise €50 million in small and medium sized PV solar, hydro, geothermal and wind energy projects and enterprises, with an initial focus on West and North Africa.

Payment for Ecosystem Services Platform

Reversing Ecosystem Degradation - Aligning economic and financial incentives with ecosystem stewardship

17. The Millennium Ecosystem Assessment found that alterations to ecosystems to increase the flow of ecosystem services (the benefits nature provides to people) that have a value in the market place, such as crops, livestock and timber, have inadvertently caused the degradation of other ecosystem services. Of particular concern is the category of ecosystem services known as “regulating services”, the benefits obtained from the regulation of natural processes by ecosystems. Regulating services include the regulation of water flows, erosion, air quality, and disease as well as water purification, carbon sequestration, pollination, and protection from natural hazards. Regulating services are mostly public goods that have no value in the market place until they are lost.

18. The loss of regulating services, unless addressed, will substantially diminish the capacity of ecosystems to provide benefits to future generations. The Millennium Ecosystem Assessment found, for example, that the net economic value of intact wetlands and forests is higher than the value of these lands after they have been converted to intensive agriculture.

19. In order to reverse the degradation of ecosystems and corresponding loss of biodiversity, economic and financial incentives must be aligned with sustainable management of ecosystems. Payments for ecosystem services (PES) offer one promising approach for achieving this objective. PES include a variety of arrangements through which payments are made for maintaining, restoring, or enhancing a flow of a specified ecosystem service or set of services.

20. The number and variety of PES arrangements have increased over recent years and the GEF, through its agencies, has played an active role in promoting their development. To date, however, those arrangements have tended to be localized, small-scale ventures and they have often relied on continued donor support rather than on sustainable financing models. In order to scale up PES it is necessary to learn from existing schemes and distill their key success factors. Experience with existing and emerging PES schemes highlight the need for the following three elements to be in place to ensure the scheme’s long term success:

- *Demand:* There must be a sustained demand for the ecosystem service by an identified buyer or set of buyers
- *Supply:* There must be entities capable of supplying the desired ecosystem service

- *Market infrastructure:* Sufficient market infrastructure must be in place, e.g., quantification and verification standards, monitoring systems, supportive legal/regulatory context.

21. Creating a robust and sustained demand for ecosystem services by individuals, businesses, or governments is the most critical need going forward in terms of scaling up PES and making such schemes sustainably financed. "Demand" is an often overlooked design element in many prototype PES schemes and lack of demand is a common reason why PES fail after the conclusion of external financing. Strategies for stimulating willingness to pay for ecosystem services include:

- (a) Increasing the awareness of business, governments and others about the dependence of their operations or goals on threatened ecosystem services: Most businesses, for example, are unaware that many of the ecosystem services they depend upon are degraded and their supply no longer guaranteed. Such recognition is critical for building a "business case" for action, as was the case for the most commonly cited business PES schemes, Energia Global (Costa Rica) and Perrier-Vittel (France).
- (b) Organizing and mobilizing ecosystem service user/buyer groups: Companies often prefer to try new approaches along with peers ("safety in numbers") and aggregations lower transaction costs.
- (c) Creating the legal and regulatory frameworks that promote such market-based initiatives: In many cases, businesses will need to engage with governments and others to design and establish the enabling conditions for PES markets including legal/regulatory frameworks and other rules to ensure the schemes are not hampered by factors such as free riders. The fear of "free riders", for instance, has prevented several PES schemes from becoming a reality.

22. Sellers of ecosystem services can be individuals, local communities, businesses, and groups of businesses or other forms of organized groups. Existing PES schemes point to the need for addressing several barriers in relation to the supply of ecosystem services. These include:

- (a) Establishing property rights in relation to the ecosystem service being supplied;
- (b) Designing programs that ensure that the poor are not adversely affected by programs and have opportunities to participate as sellers;
- (c) Building capacity among sellers on project management and contact negotiation, especially since sellers are often disorganized and poorly informed rural suppliers; and
- (d) At a regional level, capacity building through training programs and network development would be essential. This could include mobilizing private sector sellers and others, developing "how-to" guides, and supporting aggregation of services for small providers.

23. Market infrastructure includes the various mechanisms, quantification methodologies, verification standards, certification programs, accreditation, registries and monitoring systems that

ensure the scheme's efficiency and credibility. Such infrastructure may also include legal and regulatory mechanisms that support markets, address free rider problems, and guard against unintended outcomes that an unregulated market might produce. At the national level, the PPP could support the development of market infrastructure such as key baseline information (e.g. reference emissions scenarios for avoided deforestation), mapping of services, other efforts to reduce transaction costs, and effective monitoring systems. At the global level, supporting efforts to develop PES standards and certification schemes for PES (that are lean but guarantee the needs of the buyers and sellers) would help ensure that low-income people could participate.

24. The PPP will support the scaling-up of payment for ecosystem services (PES) arrangements and encourage innovation and experimentation with the private sector in order to meet emerging environmental challenges. Recognizing that markets for ecosystem services are at an emergent phase, PPP will support projects that address the three elements of well functioning PES—demand, supply, and market infrastructure—in order to realize the positive contributions PES can make toward reversing the degradation of regulating ecosystem services, protecting biodiversity, and supporting rural livelihoods in developing countries.

Alternatives to DDT to Control Malaria Platform

25. Perhaps the best known of the POPs, DDT was widely used during World War II to protect soldiers and civilians from malaria, typhus, and other diseases spread by insects. It continues to be applied against mosquitoes in a number of countries to control malaria. Over the last few years the use of DDT in African countries has increased significantly.

26. At the recent meeting of the Stockholm Convention there was a lengthy discussion on the use of DDT and a call for the development of alternatives. To address this UNEP, WHO and the World Bank would work with other partners to look at ways to accelerate the development of alternatives.

27. Through the possibility of using an innovative 'capital tool for prizes' investment approach, the project will stimulate development of alternatives to DDT to be adapted to diverse developing country conditions. The 'capital for prizes' investment approach will offer a public prize to encourage development of alternatives that will, through a strict set of prize rules, overcome many health, environmental, social and economic problems currently associated with the use of DDT. The prize competition will attract dynamic entrepreneurs and academics from developed and developing countries seeking to meet prize rules. The capital investment approach will attract investors seeking to accelerate and bring to market new alternatives.

28. Additional GEF projects under the DDT platform will support feasibility studies, distribution plan development, dissemination of alternatives and capacity building.

Future Platforms

29. Development of additional platforms will be encouraged during GEF-4. Among possible areas for future exploration are:

- (a) Promoting efficient lighting: a major campaign can be launched to phase-out the incandescent bulb, building upon past work by the World Bank/IFC, and UNDP. Part of this work will involve working through UNEP and UNDP to help countries develop performance-based binding standards for lighting devices. But part of this will also involve expanded consultation with the private sector, and possibly increased use of contingent finance tools or the Capital for Prizes tool to stimulating new, more efficient, specialty lighting devices;
- (b) Promoting energy efficiency in buildings: one of the GEF-4 energy efficiency strategic programs in the climate change focal area is to promote energy efficient buildings. While increasing the efficiency of energy use in buildings will require the development and adoption of codes and standards, it will also require close collaboration with the private sector to develop and share out the new, more efficient and creative design and building approaches;
- (c) Financial sustainability of protected areas of priority areas as identified through GEF programs and projects;
- (d) Coastal zone management: a comprehensive platform to address the needs of particularly fragile coastal ecosystems could include the following: coral reef regeneration prize; insurance for adaptation; system for hotels/ tourism industry operators and coral reefs; capacity building on climate change issues for coastal island resorts; potentially increasing tourism industry standards including operators and large private sector partners; and a sustainable tourism chain resort demonstration project;
- (e) POPs alternatives: the use of the prize tool combined with demonstration and dissemination of private sector approaches in developing countries may be explored for generating alternatives to existing industrial substances; potentially mirroring the proposal for alternatives to DDT in Africa as outlined above;
- (f) Extracting mercury in coal: the largest source of environmental mercury pollution comes from the combustion of coal. However, to date, only a few countries require the treatment of coal-plant emissions as it is a relatively high-cost activity with limited effectiveness. Finding a way to reduce mercury emissions at reasonable financial and energy costs will require private sector partnership;
- (g) Phasing out obsolete and polluting technologies in Africa: efforts by governments to shift to cleaner technologies are often hampered by lack of readiness on the part of the private sector to invest in new technology and service infrastructure. This platform would offer to share some of the initial costs and risks of technology phase-outs, in return for enabling policy support from governments and commercial phase-out commitments from private sector first movers.

ANNEX C: SUPPORTING TOOLS

1. Three initial tools, developed in concert with three GEF agencies (FAO, UNEP, and World Bank/IFC) and World Resources Institute and World Wildlife Fund are highlighted below. In addition to complying with the guidelines articulated in the 2006 GEF Strategy to Enhance Engagement with the Private Sector, these tools are grounded in the lessons and operational requirements summarized therein. These tools, once launched under the PPP, will continue to mature as they respond to market dynamics and opportunities.

2. The tools will be used to meet the objectives of each of the platforms. Additional tools that meet the operational requirements of the PPP may be developed and proposed for inclusion in the PPP.

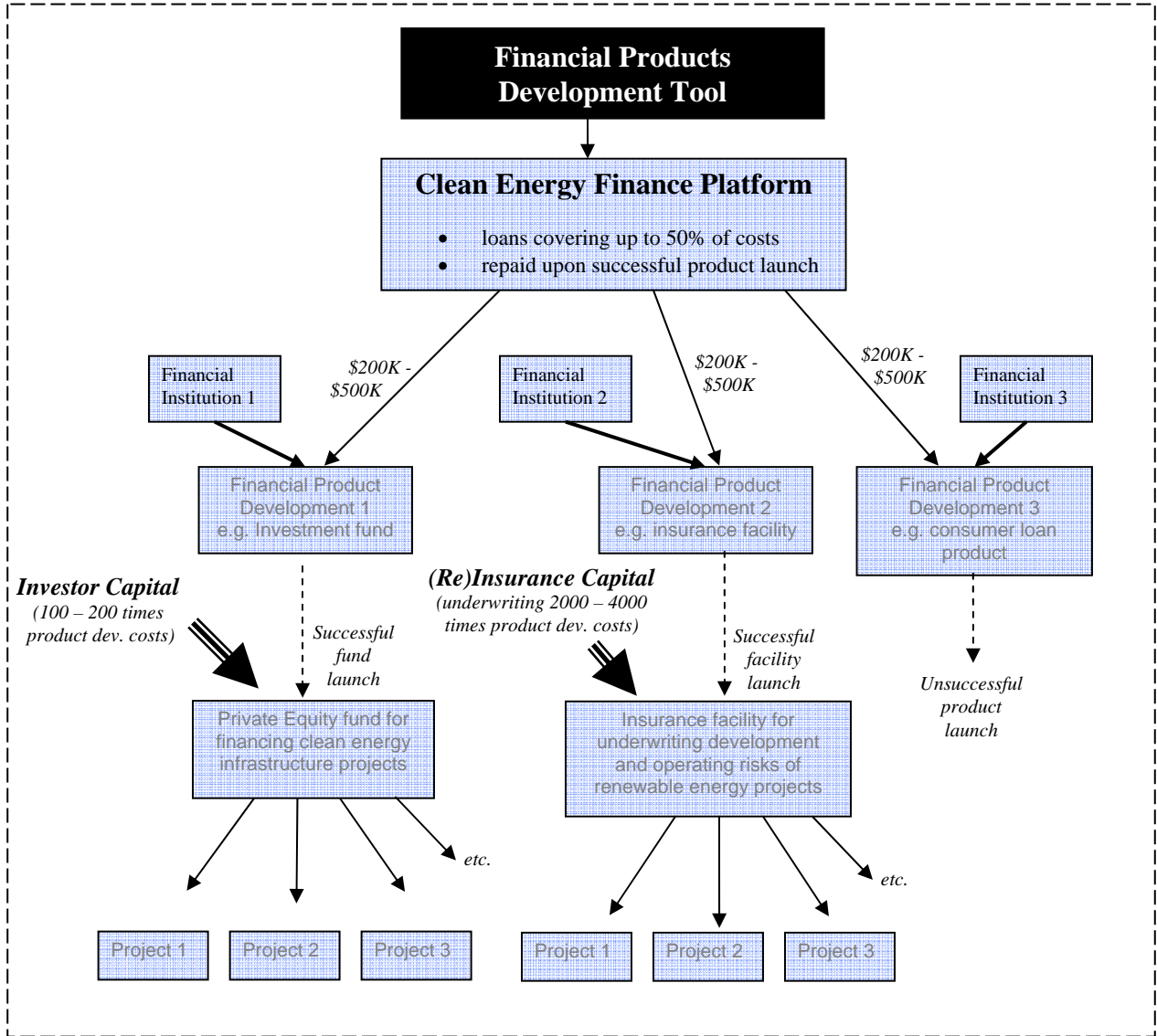
Financial Product Developments Tool

3. The financial product developments tool will use PPP and private sector resources to leverage financial product development processes, playing a catalytic role in helping a stream of innovative environmental finance instruments launch in developing country markets. The financial product developments tool will be accessible to actors in the financial sector proposing to develop and launch financial products to meet existing market needs. The basic features of this tool will be:

- (a) the private sector will have to demonstrate the capacity to develop, capitalize and manage such instruments and be willing to shoulder much of the development costs;
- (b) participation from PPP will come in the form of contingent loans for cost-sharing incremental aspects of financial product development;
- (c) PPP support will cover up to 50% of development costs, dispersed in milestone based tranches, with the remaining out of pocket expenses covered by the requesting financial institution; and
- (d) each financial product successfully capitalized will have to repay the support received from GEF back into the facility.

4. By targeting the product development process, the PPP can play an important role in helping new financial instruments launched in developing countries. Each instrument successfully capitalized will mobilize multiple times the GEF contribution and reflows will be channeled back through the facility into new developments. Over time this tool may evolve to include further financial sector engagement tools. A diagram to demonstrate financial flows of this tool for the proposed Clean Energy platform follows.

FIGURE 3: FINANCE PRODUCTS DEVELOPMENT TOOL: FINANCIAL FLOWS FOR CLEAN ENERGY PLATFORM

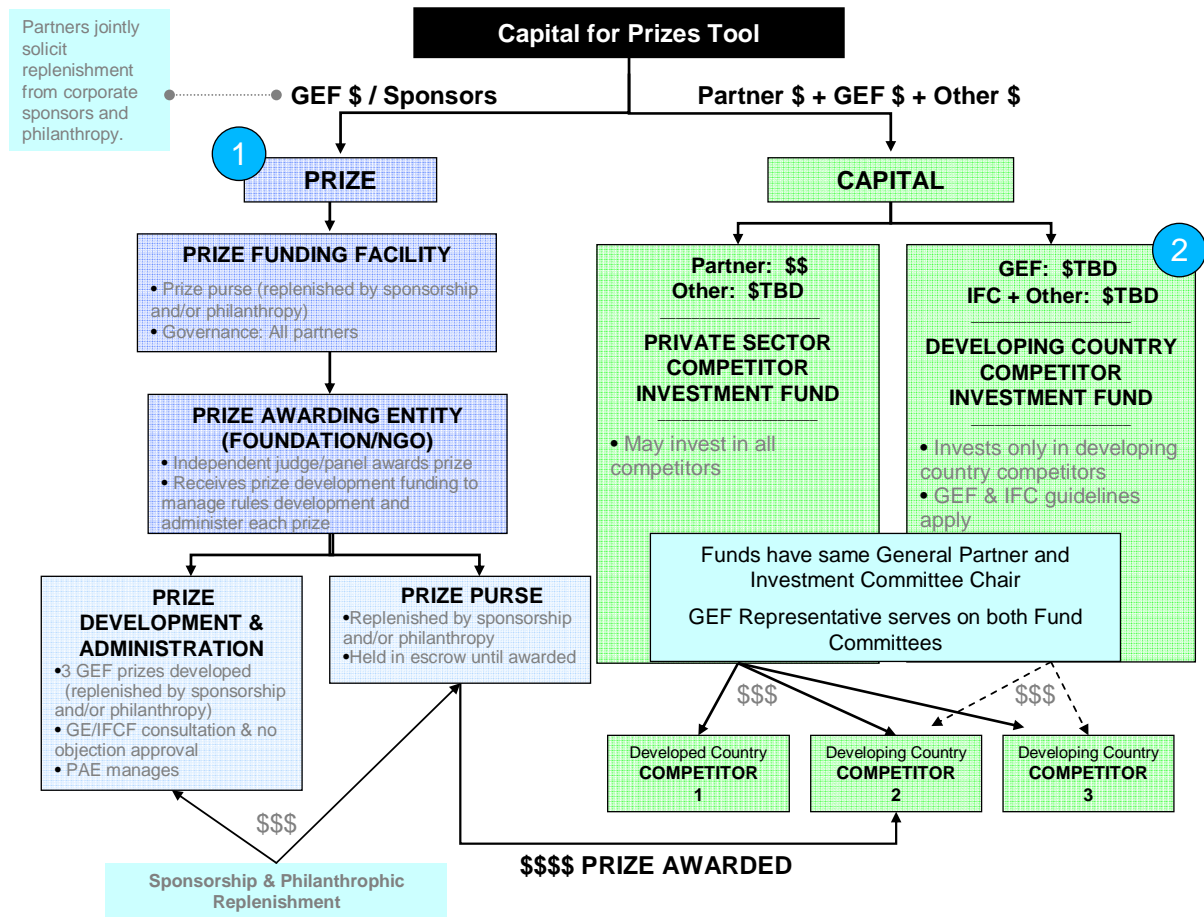


Capital for Prizes Tool

5. The Capital for Prizes tool uses a highly innovative capital formation approach to mobilize investment funds to solve specific technological problems with global environmental impacts.
6. This tool uses inducement prizes to attract innovators from a variety of settings—universities, start-ups, established corporations, and individual inventors—to focus on a single, critically important goal. This financial model allows investment not in a single firm, but rather in the full range of competitors seeking to win the prize. As a result, this approach overcomes the limitations that discourage investors from funding venture investments (especially in developing countries) while substantially reducing their risk.
7. There are three basic features of the Capital for Prizes tool:
 - (a) First, a public prize of up to \$10M is created to solve a pressing technological problem in developing countries, the solution to which will advance the generation of global environmental benefits.
 - (b) Second, this tool attracts and organizes the world’s most innovative, dynamic entrepreneurs – “the best of the best” and provides necessary investment funds that facilitate development of the competitors’ technologies. Through the GEF the global nature of the competition creates opportunities for competitors from developing countries to participate in the market of technological innovation in a way that currently does not exist.
 - (c) Third, accompanying the creation of the \$10M public prize is the formation of an investment fund that participating investors will direct towards a number of competing companies that are striving to fulfill the rigorous terms established for the public prize. This aspect permits competitors who would not normally have access to venture or other early stage capital to enter the competition, including teams from developing countries.
8. The Capital for Prizes tool responds to several challenging conditions that prevent innovation of technology to address global environmental challenges in developing countries:
 - (a) lack of capital for technology development for developing country challenges, particularly early stage investment;
 - (b) lack of capital for developing country inventors who know the needs best;
 - (c) power of prizes to create technological innovation breakthroughs; and
 - (d) uniqueness of innovative matrix investment model permits investment in all competitors, diversifying risk and increasing the field of competition.
9. The unique matrix investment system of the capital for prizes tool invests in many inventors, mitigating investment risk and supporting a more diverse pool of potential solutions leading to greater potential to develop a market versus a single technology.

10. In this tool, PPP funds could be invested to support:
- (a) development of rules for a prize that describe a solution to issues of primary concern to developing countries that (a) meet GEF criteria, (b) address a GEF focal area environmental challenge , and (c) may be addressed by a technological solution that does not yet exist;
 - (b) seed money for prize purse and development and management of prize (both of which are expected to be replaced by corporate and/or philanthropic sponsors and produce interest reflows for the GEF to seed future prizes);
 - (c) a fund to support competitors from developing countries who are at a disadvantage for access to capital; and
 - (d) demonstration projects to ensure feasibility and dissemination of the technology in developing countries.
11. Prize development and purse funds are granted to a foundation/NGO. It is expected that GEF funding allocated for prize development and purse will not be awarded and merely serve an “evergreen function” due to the high interest already shown by the private sector and foundations in these sponsorship opportunities. A chart of the potential financial flows under a capital for prizes tool follows on the next page.
12. Additionally, the private sector has the opportunity to support and invest in development of a market solution in numerous ways:
- (a) sponsoring the public prize, thereby acquiring all the benefits of naming the prize and associated outcomes for its corporate image, while funding the prize purse and administration;
 - (b) joining the competitor investment fund;
 - (c) investing directly in a competitor; and
 - (d) demonstrating and testing the new technologies in developing countries.
13. One of the most significant outcomes of this investment process is that several, not just one, technological solutions are developed in response to the prize and those solutions tend to acquire commercial viability after the prize competition has concluded. The resulting viable companies create not only a single technological innovation, but a competitive market for production and distribution of the new technologies.

FIGURE 4: CAPITAL FOR PRIZES TOOL: FINANCIAL FLOWS



The Capital for Prizes tool was developed by Prize Capital, LLC.

GEF PPP matching funds will be used to fund:

- 1) the incremental costs of global benefits for prize development; and
- 2) an investment fund (in accordance with GEF and IFC Guidelines) to enable competitors from developing countries to participate ins.

ANNEX D: CONSULTATIONS

Organization	First Name	Last Name	Title
ABN-Amro	Charles	Longden	
ABN-Amro	Paul	Thind	
ABN-Amro	Adrian	Rimmer	
ABN-Amro	Richard	Burrett	
ACC	Ramesh	Suri	Joint President- AFR
ACC	Ulhas	Parlikar	
ACC	KM	Gupta	
ADB	Girish	Mahajan	Environment Specialist
AES India Pvt Ltd	Pinaki	Mukherjee	Assistant General Manager
Amrit Nonconventional Energy Systems Limited	S	Khanna	
Amrit Nonconventional Energy Systems Limited	AK	Singh	
Banque Natixis	Philip	Germa	Managing Director, Environment & Infrastructure
Banque Natixis	Gautier	Finance	
Banque Natixis	Eric	May	Capital Raising and Financing
Banques Populaire	Arnaud	Berger	Resp. Sustainable Development
Banque Societe Generale	Pierre-Paul	Benoit	Deputy Global Head, Mining and Commodities Finance
Banque Societe Generale	Eric	May	Capital Raising and Financing
BP America Inc	Matthew	Taylor	
Broad Air Conditioning			
C Dass Chemicals Pvt Ltd	Vipen	Bhatia	Director
C Dass Chemicals Pvt Ltd	AS	Vishnoi	General Manager
C Dass Chemicals Pvt Ltd	S	Lal	Adviser-Business Development
Calpers			
Dewan Kraft Systems Pvt Ltd (Dkspl)	Deepak	Dewan	Chief Executive Officer
Dexia Bank	Fabrizio	Donini-Ferretti	Head, Energy Finance
Dimension Engineering Consultants	MN	Chakravarty	Director-Technical
Dr MGR Jatropa Biodiesel Project	Rahul	Kapoor	
DuPont	Dawn	Rittenhouse	Director, Sustainable Development
Emerging Asia Clean Energy Fund	Eelko	Bronkhorst	Managing Director
Federation of Indian Chambers of Commerce	Vivek	Bharati	Advisor
First Africa Clean Tech Fund	Christophe	Malherbe	Managing Partners
First Africa Clean Tech Fund	Pierre	Gueganic	Managing Partners
Foundation Green-Ensys	Asit	Nema	General Secretary
Gates Foundation	Roy	Steiner	
Gates Foundation	Lutz	Goedde	
Gates Foundation	Kristin	Grote	
Global Environment & Technology Foundation	Monica	Ellis	President & COO

Organization	First Name	Last Name	Title
Global Environment & Technology Foundation	Hank	Habicht	
Goldman Sachs & Co.	Mark	Tercek	
Idea Carbon	Ian	Johnson	
Impax Capital	Ian	Simm	CEO
Indian Oil	PM	Sinha	Board Member
Indian Oil-Panipat Power Consortium Limited	KM	Gupta	
International Council on Mining and Minerals	Andrew	Parsons	
London Asia Capital	Simon	Littlewood	CEO
Marsh Ltd	Warren	Diogo	
Marsh Ltd	Emmanuel	Leblanc	
Medley Partners	John	Goldstein	Partner
Metalite International Pvt. Limited	Vikas	Jalan	Managing Director
Monsanto	Diane	Herndon	
NICE Society INSTITUTIONS & SIET UNIVERSITY	Vivek	Mittal	Director Projects and International Affairs
Nishant Bioenergy Pvt Ltd	Ramesh Kumar	Nibhoria	Chairman and Managing Director
Nomura	Russell	Pullan	Director of CleanTech Investment
Pan Traexo Pvt Ltd	SP	Singh	Managing Director
Queru, European Carbon Fund			
Reliance BioOfuels, Reliance Corporation	Srinivas	Kilambi	Managing Director, Mumbai
Senergy Global Pvt Ltd	Chintan	Shah	GM-Strategic Planning
SGS India Pvt Ltd	Suresh	Jain	Technical Manager
SGS India Pvt Ltd	Utpal	Mazumder	Assistant Manager
Shell Foundation	Chris	West	Deputy Director
Shell Oil Company	Nick	Welch	
ShoreBank	Bob	Nash	Vice Chairman
Sithe Global	Brian	Herlihy	Director of Business Development - Africa
Sithe Global	Carmine	Farnan	
Suez Environment	Alain	Mathys	Program Manager
Tallberg Foundation	Bo	Ekman	Chairman, Founder
The Narang Industries Ltd	Devin	Narang	Chairman
UC Davis	Montague	Demment	Professor, Nutritional Ecology, Dept of Plant Sciences & Director, Global Livestock Collaborative Research Support Program
Unisfera	Karel	Mayrand	Director, Research & Consulting
Virgin	Richard	Branson	Founder and CEO
Virgin United, Virgin Fuels	Jean	Oelwang	
Virgin United, Virgin Fuels	Sophie	Johnson	
World Business Inc.	Eric	Moreau	
World Business Inc.	Jean-Louis	Imhoff	
World Coal Institute	Chris	Copley	
Zouk Capital	Richard	Pereira	CFO