



GEF CEO Remarks at Business Day at Rio Pavilion

June 18, 2012

Good morning. You have heard this message many times this week, but it bears repeating, that we are here in Rio in 2012 because the world is on an unsustainable path. Our common goal is to change course and get people and the planet onto a sustainable economic and environmental path. The two go hand-in-hand. There is no way this can happen without the active involvement of the private sector. Our job is to encourage that involvement.

Clearly, you are here today because you appreciate how public-private partnerships can help us get to that path. Not everyone shares this view. Many view the private sector as the problem, not the solution. This is because our most common growth models tend to equate profit with throughput: the more products you sell at the lowest possible cost, the more money you make. Unless we find ways to decouple these two elements of quantity and profit, we will remain locked in an unsustainable economic model. We must find the means to make sustainability drive growth as opposed to seeing sustainability as an extra cost item.

But at the GEF we see numerous trends that point towards the wisdom of sustainable business models and public-private partnerships

- The day is fast approaching when rising energy, transport and commodity prices will force businesses to face tough choices. It will be better if business anticipate rather than react to this crisis and address these choices with a strategic plan worked out in conjunction with international institutions.
- Of course, the smartest business people see necessity as opportunity. Great profits will flow to the businesses that can develop and market the best solutions to our resource scarcity challenges.

- As critical natural resources become increasingly scarce, competition and costs intensify. Sustainable sourcing is commonplace in many companies and soon will become standard practice. It is always better to introduce needed changes through innovation and careful planning rather than by hasty reaction to outside forces.
- For example, the long-term supply of high-value commodities such as coffee and cocoa depends a great deal on sustainable production practices in the face of global climate change. Without our engagement, rising demand for these products in emerging economies such as China will be met by non-sustainable growth methods.

We can't go from win-lose to lose-win and hope for durable sustainable development. We must find ways to get to win-win. We must identify areas where private sector partners can do the right thing and still make a return on investment. Too many proposed business efforts have not yet achieved true win-win.

GEF Experiences with Private Sector

The GEF's history is one of innovating and risk-taking, creating mechanisms to help developing countries deal with climate change and protect natural resources. Over the years, we have been quite successful in harnessing public-private partnerships by focusing on key barriers to private sector involvement. Here are a few examples:

- In partnership with Bumble Bee Tuna, the World Wildlife Fund and the Food and Agriculture Organization (FAO), the GEF launched in November 2011 the largest concerted effort to address issues of transboundary fisheries depletion. The aim of this groundbreaking initiative is to promote the sustainable management of fisheries resources and marine biodiversity in the most important global commons of the planet, our shared oceans. For private-sector partners, sustainability and protection of the marine environment is the only way to protect their future business.
- In China, GEF investment in early stage renewable energy technology has led not only to significant deployment of wind turbines but also to the development of several leading global manufacturers of wind turbines, such as Goldwind. The China Renewable Energy Scale-up Program (CRESP), coordinated by the World Bank, is the world's largest international cooperative effort in renewable energy.
- The GEF is working with national, international and private-sector partners for the protection of the Arctic environment. This public-private partnership will foster protection of large marine ecosystems, energy efficiency and renewable energy, a network of protected areas, and river basin management for water and biodiversity conservation. Working closely with the Russian Federation, this program uses \$10 million of GEF funding and is attracting \$310 million in co-financing from the development banks and private sector partners.
- The GEF has partnered with the International Finance Corporation to launch more than a dozen highly effective risk-sharing facilities. These facilities train and support local

financial institutions that otherwise would not invest in energy efficiency or renewable energy projects considered too risky.

- The GEF Earth Fund, launched in 2008, has led to several innovative partnerships with leading NGOs, including:
 - The Rainforest Alliance is “greening the cocoa industry” in partnership with the United Nations Environment Programme.
 - The Nature Conservancy is working on watershed protection with the Inter-American Development Bank
 - Agreements crafted by Conservation International enable private-sector partners to work with local communities with the help of the World Bank.

Public-private partnerships work when they create a division of labor, directing funds quickly to the organizations best able to deliver on the ground. These organizations have experience in the target area, have developed the critical relationships with local organizations and civil society, and they have a self interest in delivering results. Public-private partnerships work best when they **reduce layers of bureaucracy** and direct more resources into the field. Success lies in local and global financial institutions establishing the financial and environmental credibility to attract private-sector investment and continued support from donor nations. This is why adequate safeguards, particularly monitoring, reporting and verification (MRV), are so important. We must help host countries develop predictable policy environments that encourage private sector investment. Public funding can best be used to share and mitigate the risk for innovative ventures.

New Models for PPP

Over the last several years the GEF Council has supported expanded efforts to establish these successful partnerships, recognizing that public funding is insufficient to address the scale of global environmental problems. The Earth Fund, launched in 2008, has not yet fully achieved its goals. But the GEF Council has recognized the virtues of enhanced private-sector engagement by setting aside an additional \$80 million in GEF-5. We have a new strategy for any multi-lateral development bank to establish a public-private partnership program and access GEF resources for loans, equity or other innovative financial mechanisms.

As part of this new effort, we have further streamlined our approval procedures. I'm pleased to announce that we have two new partnerships that have just been approved by the GEF Council. With the African Development Bank, the GEF will combine \$20 million of its funding with over \$250 million of bank and private funding to provide concessional loans for renewable energy projects in Africa. With the Inter-American Development Bank, the GEF will invest \$15 million and leverage more than \$200 million for equity investments in both clean energy and protection of natural resources in Latin America. One-third of this new IDB program is to help launch Phase II of the Eco-Enterprises Fund. This fund invests in small and medium enterprises that foster sustainable forestry, agriculture and aquaculture, and eco-tourism. These two new

partnerships respond to requests from private-sector investors for help in defraying risk. We believe this will attract still more private-sector investors.

These two PPP Programs went from concept to Council approval in less than six months and we expect funding for specific investments to begin flowing very soon. Clearly the GEF is ready to move as quickly as our partners in finding investment opportunities that promote environmentally sound technologies and sustainable development.

If we want to have long-term and substantive impact on the global environment, private enterprise – the dominant driver of economic activity – must be encouraged to pursue commercially viable activities that also generate global environmental benefits. Engagement with the private sector is not an end in itself but a means to that larger goal.

While it may seem clear to us, we still have work to do in developing a consensus behind the idea that the private sector must play a key role in putting the planet on a sustainable path. In too many countries there is a fear that private-sector engagement will cause more harm than good by leading donor countries to reduce their contributions as the private-sector becomes more engaged. We must make it clear to our partners that we are not proposing a zero-sum game. When done right, public-private partnerships help attract private-sector investment to developing countries **in addition to, rather than in place of**, international support. This has the potential to expand the pool of investment many times over, creating local jobs, spurring innovation, and providing much-needed scale to our dearest environmental causes.

With these successful models as a guide, let us preach the benefits of public-private partnership and promote environmentally sound solutions at scale. If we do this, we can nudge the world toward a sustainable path.