The Green Climate Fund's Private Sector Facility:

The Case for Private Sector Participation on the Board

August 2012

Katherine Sierra
Senior Fellow, Global Economy and Development
Brookings Institution

This paper has been developed by the Brookings Institution with funding from the Climate and Development Knowledge Network. The author would like to thank Allison Shapiro for her assistance in the research for this paper. She would also like to acknowledge and thank the following colleagues for their valuable comments and suggestions: Dan Dowling, Smita Nakhooda, Paul Isenman, Keith Bezanson and Ines Garcia-Thoumi.

Executive Summary

The Green Climate Fund's (GCF) Private Sector Facility can enhance the likelihood of achieving its goals of scale-up, transformation and leverage by including individual voting members who bring private sector skills and experience in its board. This move would build on growing precedent in the boards of other global funds, as well as in national funds in developing countries.

Benefits of this inclusion can include a greater balancing of views from both the private and public sectors. This balance can, in turn, protect the public interest while enhancing innovation and leverage, greater cost and value consciousness, and speedier decision-making. However, there may be risks, including potential conflicts of interest, dangers associated with constituency-based selections, lack of knowledge of developing country conditions and lack of trust. While these risks can undermine the effectiveness of engagement, they can be managed through careful design and selection processes.

Finally, while private sector engagement in the governance of institutions which manage public funds is becoming more common in a number of multilateral and national settings, this engagement is not alone sufficient to ensure overall fund effectiveness. Broader lessons from fund governance experiences will need to be factored into the operation of the Green Climate Fund as well as its Private Sector Facility.

The GCF Board, in its design of the Private Sector Facility, should:

- Create dedicated private sector board seats with full voting authority.
- Design rigorous selection criteria and processes to ensure private sector board members are independent and selected on the basis of individual skills and experience, not by constituency.
- Design selection criteria that ensure that at least half of the private sector seats are held by individuals who bring deep experience from markets in the developing countries that the facility will be serving and that they have previous experience with companies or organizations which operate principally in a developing country or region.
- Encourage governments to nominate public sector board members who have private sector experience and skills.
- Balance the number of private sector board seats with those from the public sector, with somewhat more public sector seats to alleviate concerns about adherence to the Facility's public sector mission.
- Manage conflicts of interests by limiting participation on private sector board seats to individuals who bring private sector skills, but are no longer engaged in transactions or employed by potential users of the funds.
- Adopt transparent rules for the disclosure of decisions and for recusal as needed for all Board members.
- Develop a set of complementary measures to broaden private sector engagement. These could include engaging the private sector as fund managers, investment advisors, advisors on technical working groups, technical advisors to funding recipients and co-financiers.

The Green Climate Fund's Private Sector Facility: *The Case for Private Sector Participation on the Board*

Action is underway to establish the Green Climate Fund[i] (GCF) as agreed at the United Nations climate talks at Durban in December 2011. The inaugural GCF Board will meet for the first time in August. One of the early agenda items for the Board will be to consider how best to implement the Durban decision to create a Private Sector Facility (PSF) within the GCF. A decision on the governance of that facility and, in particular, on how to engage the private sector in ways that bring in the requisite skills and knowledge will be critical in setting a course for success. Yet, discussions on the creation of the Private Sector Facility were not easy, and the same discord may well make its way into the design of its governance mechanisms. This paper was prepared to provide a basis for bridging different perspectives. It discusses the case for private sector engagement in the GCF's Private Sector Facility's governance in light of emerging practice in board governance for public funds in a variety of settings, and the ways in which this could build on precedent and lessons learned.

Background: *Creation of the GCF and its Private Sector Facility*

Whether and how private sector investments would be funded by the GCF was a contentious topic within the Transitional Committee that had been formed to design the GCF. Developed countries argued that provisions to support private sector investment were essential to achieve results and leverage private capital. Many developing countries were wary of this approach since they preferred to use scarce public resources to support public investment. Private sector stakeholders called for the GCF to support private investment, but warned that private investment and capital would only be mobilized to the extent that the GCF operated in a clear and consistent manner, with low transaction costs and at speeds that were consistent with private sector decision-making. In the end, the Transitional Committee recommended the creation of a Private Sector Facility within the GCF, separate from other financing windows that would be created by the eventual GCF Board.[ii] The GCF Board will be able to delegate decision-making powers to the facility's governing body.[iii]

The decision to create the GCF Private Sector Facility masked continued question marks about its purpose and modalities.[iv] Ways in which the PSF would operate with the other windows of the GCF so as to ensure alignment with the country strategies, public policy and public investments needed to leverage private sector investment are still not defined. Indeed, having separate governance structures for the GCF and the PSF brings the risk that effective public-private partnerships will be harder to support, and overall governance practices of the GCF and the PSF will need to guard against this risk.

The author's previous research funded by the Climate and Development Knowledge Network (CDKN) looked at ways in which the GCF could leverage private sector investment.[v] That research argued that the GCF's Private Sector Facility could achieve a goal of scale-up and transformation while meeting country needs for climate compatible development by having, *inter alia*: a strategy that emphasizes market transformation, scale and leverage; a full array of risk mitigation and subsidy tools that have been designed by previous international efforts; scope to build on new approaches to scaling access to private capital, and to use new innovative mechanisms; competitive processes that can seek out new business models that will scale up and leverage private capital; and a business model that is lean and builds on capabilities in the market.

That research also argued that to maximize effectiveness the GCF Private Sector Facility should have a governing body that includes members from both the public and private sector as decision-makers. The Facility's Board could combine representatives from the public sector who will be concerned about the proper use of public funds with individuals who have private sector skills, experiences and networks. The latter would also focus on making the facility attractive to the private sector by calling for innovation in the development of financial tools, as well as for processes that lower transaction costs and ensure timely decision-making. Equally, these representatives could balance the understandable bias toward risk-aversion that the public sector representatives will bring to the table, thus allowing the GCF to take, and manage, the type of calculated risks required to deploy climate-friendly technologies.

Private Sector Facility Board: *The Case for Private Sector Board Seats*

Discussions of governing boards for public funds and multilateral aid organizations have focused on the following attributes of a strong board of directors:

- Relevance of board member expertise and skills to fund mission.
- Board member understanding of mission and results measurement criteria.
- Clarity of board and staff roles.
- Appropriate size for effective decision-making and cost-effectiveness.
- Disclosure of, and insulation from, conflicts of interest.
- Commitment to a culture of collaboration and self-improvement.
- Transparency and accountability to taxpayers, auditors, and funding recipients.[vi]

Historically, most governing councils of public funds have been comprised of members of the public sector. This practice is largely for reasons of mission adherence and the desire to maintain independence from commercial interests. This has been changing however, as civil society has increasingly been included in the governance of public funds, often with advisory and/or observer status. A review of private sector roles in a number of global funds and institutions commissioned by the GCF Transitional Committee noted that many international funds and institutions reported engaging at the operational level as clients, as project consultants, as agents (trustees and custodians), and, in a few cases, in fund governance.[vii] Another study, prepared for the Climate Investment Funds by the IUCN, which surveyed these emerging practices, cited the following as benefits access to technical expertise and target audiences: mobilization of investment in time and money by civil society actors; benefits from building and exploiting synergies; independent monitoring; and strengthened democracy.[viii] On the other hand, observers have been concerned that NGO representatives on boards, by bringing constituency interests to the table rather than focusing on the effectiveness of the fund itself, have undermined fund effectiveness. The governance failures of the Global Fund to Fight Aids Tuberculosis and Malaria (the Global Fund) discussed in a later section of this paper, are cited as examples.[ix]

In this vein, a forthcoming Center for Global Development paper looks more broadly at the challenges, weaknesses and lessons learned from governance of global multi-stakeholder partnerships. It traces the often difficult evolution of the governance of these institutions, noting that reforms have been underway in many of these relatively new funds. Challenges included weaknesses in poor alignment of strategy, realism of goals, and inadequate resources, poor accountability systems, inefficient decision-making, unclear roles and responsibilities, and lack of clearly understood mutual accountabilities among the partners.[x] The lesson here is that composition of the board, which is the focus of this paper, is only one element in effective fund governance.

The following section reviews examples from the multilateral, developed and developing world of public funds and institutions that include private sector representatives on their governing bodies. Later, evidence of the impact of such representation is outlined. Finally, risks and ways to manage them are discussed.

Examples of Public Funds with Private Sector Board Seats

Governance practices in the management of public, pooled funds have been evolving. Increasingly, civil society and the private sector are being asked to serve on governing boards in decision-making capacities. While this has not been the case with respect to most climate and environmental funds, there are a number of prominent examples of private sector participation in the governance of global funds in health and education and for funds which have a specific mission of leveraging private investment. Examples are not limited to those institutions that derive the majority of their funding from developed country governments, but are also found in developing country examples. The practices of national development banks are in this regard illustrative.

Environment and Climate Funds and Mechanisms: Practice to Date

One starting point for considering the governance of the PSF Board could be the practices of the multilateral climate and environment funds and mechanisms, which were either established as part of an international accord (i.e. the Multilateral Fund for the Implementation of the Montreal Protocol, the Clean Development Mechanism, and the Global Environmental Facility) or in the case of the Climate Investment Funds, established by a smaller set of countries interested in advancing climate goals in anticipation of the Green Climate Fund (Annex 1). These funds and mechanisms have each treated the private sector in different ways. Only the GEF Earth Fund is a reasonably close analogue for the GCF Private Sector Facility, since it was developed specifically by the GEF Council as a sub-fund to leverage private sector investment. In terms of mission and accountabilities, the governance arrangements of the other funds would be a closer analogue to the GCF Board itself.

The *Montreal Protocol Fund* Executive Committee is made up of representatives of governments, and relies on the Multilateral Implementing Agencies to provide a bridge to the private sector.[xi] Some governments have designated as their representatives individuals with private sector skills and experience.

The *Clean Development Mechanism* (CDM) is not a fund, but instead acts as a market regulator. Its Executive Board is made up of members nominated from UN country groups. Executive Board members are expected to act in their personal capacity, while also ensuring that they do not have conflicts of interest. Members are often government representatives, either climate negotiators or officers from government agencies responsible for CDM programs.[xii] While there is no designated seat for private sector participation, two of its current members bring private sector experience: one is from a Mexican renewable energy company, and another from Brazil's Petrobras, a parastatal. Some reviewers have called for the Executive Board to become a more effective market regulator by professionalizing its membership. One proposal, for example, calls for Board members to be salaried individuals with a range of professional expertise applicable to the CDM mission.[xiii]

The *GEF Earth Fund*[xiv] is a specialized trust fund established as a pilot to leverage private sector engagement. The Earth Fund had a Board which consisted of three private sector representatives plus the GEF CEO. It invested in partnerships, for example with the International Finance Corporation and with UNEP, which were expected to in turn leverage private sector investment. This Board did not have decision-making authority however, and the independent evaluation of its effectiveness was quite critical, citing the lack of authority of its Board as one key design flaw.[xv] While its initial investments are still being implemented, the GEF Earth Fund is in abeyance and new ways of leveraging the private sector are being considered.

The *Climate Investment Funds* provide for participation of civil society as "active observers" on the various trust fund committees. Two private sector representatives, as well as other representatives of civil society, participate on each of the committees. Under the CIF formulation, active observers can participate in strategic and process deliberations, but do not participate in investment decision-making. In practice, implementation of the "active observer" concept has proved challenging, with feedback from a 2010 evaluation citing lack of clarity of roles and need for support from the CIF secretariat to ensure that the observers are provided with the opportunity to add value.[xvi] A review of private sector engagement in the CIF Committees showed the limits of an observer model, noting that engagement as observers in a committee setting was not effective. The private sector representatives feedback was that they were being treated as a "passive observer to the process and was not really being engaged for what they can bring to the debate" and that "this model is out-dated" and does not take advantage of their skills and insights.[xvii] The review noted that members had lost interest in the process and engagement had begun to fall off. In the absence of giving the private sector voting power, the review also discussed a more fundamental shift in the engagement of the private sector by utilizing a broader range of experts as technical advisors. One model discussed was a working group model taken by the Asia-Pacific Partnership on Clean Development and Climate, which is made up of a series of technical advisory working parties.[xviii]

Global Funds and Mechanisms

Global funds in the health and education domains have pioneered broad based board memberships as part of their governance (Annex 2). In all of these, all Board members — including private sector representatives — participate in decision-making, including decisions about funding.

The $7.6 billion *GAVI Alliance*, which focuses on increasing access to immunization in poor countries, is a successful public-private partnership. GAVI's Second Evaluation Report prepared in 2010, in its discussion of GAVI's governance, stated that there is "evidence to support the view that the partnership of the public and private sector is a key driver of GAVI's achievements through its ability to raise funding, align key global and national players in immunization and support innovation."[xix] The Alliance has a 28 member Board, with 18 seats reserved for funders and recipients; nine are independent, and one is for the CEO. Currently, four members come from the private sector bringing to the Board a range of financial and sector specific expertise. Part of GAVI's funding comes from the International Finance Facility for Immunization (IFFIm), which uses donor pledges to raise funding via "vaccine bonds." The relationship between GAVI Alliance and IFFIm is managed by the GAVI Fund Affiliate Board, which is a technical and not decision making board. The Fund Affiliate Board has four members, two of whom are from the private sector.

IFFIm is a successful example of innovative health sector finance. It has been able to raise $3.5 billion in funding to be used immediately for GAVI programs by issuing "vaccine bonds" backstopped by $6.3 billion in pledges from donors. IFFIm's Board is made up of five members. Its chair had previous experience at the EBRD and the EIB, and is currently President of the International Capital Markets Association. Three other members are senior managers from the financial sector, and one comes with a legal background.

The $22.4 billion *Global Fund to fight AIDS, Tuberculosis and Malaria* (the Global Fund), has 20 voting and eight non-voting members. One seat with voting rights is reserved for the private sector. The experience with the Global Fund Board shows that the mere presence of a private sector member on the board is not a panacea. Board governance issues were raised in 2007 at the first Five-Year Evaluation with the recommendation that the Board delegate more of its work and focus more on strategic issues.[xx] A High Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms was created in the wake of concerns over fraud and misappropriation in the Global Fund portfolio. It found that governance arrangements since the inception of the Global Fund have challenged the Board's effectiveness, including weak appointment processes of constituencies and a high turn-over of representatives, creating a vacuum which has challenged "the legitimacy and reputation of the organization." It also noted that the civil-society groups have maintained "a much more stable and disciplined membership over the years."[xxi] The Panel also concluded that "while the membership arrangements ensure all partners ostensibly have an equal say, they are often not conducive to the timely and focused debate of strategic issues, nor to swift, professional informed decision-making."[xxii]

The $2 billion *Global Partnership for Education* supports country-based education plans. Its Board has 19 seats, with one shared seat between the private sector and private foundations. The private sector seats are rotated annually; however, rotation is not considered good practice by some observers since it can undermine continuity and accountability. Funding is managed by the Global Partnership for Education Fund, with all funding decisions made by the Global Partnership for Education Board. The Global Partnership for Education was created after a restructuring of the former "Education for All Partnership" which had a contentious history in terms of governance. The Education for All Partnership had been reviewed several times over its life, with these reviews documenting deficiencies in governance relating to a lack of strategy, inefficient decision-making and conflicts of interest among the various roles held by the World Bank. This was documented in a very critical 2010 mid-term evaluation.[xxiii] Among the many governance issues cited by that report, those around the funding focused mainly on the fact that the partnership's trust fund was managed exclusively by donors and not by the broader partnership board. The review noted that this continued "to contrast with the rhetoric of partnership and of country-led, country-driven processes."[xxiv] In response, when the partnership was re-launched as the "Global Partnership for Education," a new Global Partnership for Education Fund was also launched. As a result of the changed approach, the partnership's Board, which, as noted above, includes one private sector seat as well as other civil society representatives as voting members, makes all decisions with respect to funding allocations.

Private Capital Mobilization Funds

Another type of public fund with examples of private sector board membership is the private capital mobilization fund, whose mission is to utilize public finance to leverage private investment (Annex 3). These types of funds, along with the previous examples of the GEF's Earth Fund and IFFIm may be particularly suitable as examples to the extent that the GCF Private Sector Facility itself invests in funds managed by others.

The *United States Overseas Private Investment Corporation* (OPIC) is one example of a bilateral institution which mobilizes risk capital for emerging markets, providing through guaranties, long-term debt capital for projects and private equity funds. OPIC's board is made up of 15 members, with eight from the private sector and seven from the U.S. Federal Government. OPIC has in recent years shifted its strategy to focus more on promoting low-carbon investments in the energy and agriculture sectors, investing in private equity funds that specialize in promoting low-carbon investments, and developing new insurance instruments aimed at reducing risks from possible developing country government policy reversals that could impact low-carbon investments.

The *Private Infrastructure Development Group* (PIDG) uses public funds from donor governments to mobilize private sector investment for infrastructure projects in developing countries. PIDG's effectiveness was highly rated by multilateral aid reviews carried out by the United Kingdom and Australia.[xxv] The PIDG governing council is made up of donors. PIDG funds are in turn channeled to sub-funds. These funds, like the Emerging Africa Infrastructure Fund and InfraCo Asia, operate as autonomous commercial entities. Their Boards are comprised of private sector members with commercial expertise, and they set strategy and make investment decisions. PIDG management has stated that having private sector board membership has been particularly helpful in leveraging third party capital to supplement PIDG funds.

The *IFC's Asset Management Company* (AMC) was created in 2009. It is a wholly owned subsidiary of IFC and aims to raise funds from institutional investors looking to increase their exposure to emerging markets. AMC has three board members, two from the IFC and one retired veteran from the private sector with experience with corporate venture capital. The AMC has launched several funds: the Africa, Latin America and the Caribbean Fund (AFLAC); the IFC Capitalization Fund (CAP Fund) whose main investor is the Japan Bank for International Cooperation; and the Africa Capitalization Fund, which invests in banks in Africa.[xxvi]

Another example of a specialized public-private fund where the international and bilateral financial institutions major investors is the *Green for Growth Fund* (GGF) Southeast Asia. Investors are the European Investment Bank, Germany's KfW, the European Bank for Reconstruction and Development; and the European Investment Fund. Board members are nominated by the public investor institutions, and all have private sector experience. Private-sector and market players were consulted during the design of these funds so as to provide input into ways that the fund could be most attractive to future investors.[xxvii]

More recent examples are the specialized climate funds that are being created with partial funding from the UK's Climate Public Private Partnership Fund (CP3) and are in start-up phase. Initial investments from the UK of GBP 110 million have been agreed with the IFC and the Asian Development Bank. The IFC-CP3 fund — the Climate Catalyst Fund — was launched in January 2012.[xxviii] It aims to mobilize additional capital for co-investment alongside IFC in private equity funds focused on low-carbon and climate-friendly projects and companies across the emerging markets, and will be managed by the IFC's AMC under the previously discussed governance arrangements. The Asian Development Bank CP3 fund will be co-managed by the Asian Development Bank and Credit Suisse. The ADB CP3 management entity will have 3 board members, two from Credit Suisse and one from ADB. The Investment Committee will have 3 senior private equity professionals from Credit Suisse and one from ADB. The ADB fund is in the fundraising stage, with a target of $1 billion, mainly from the private sector.

Developing Country National Development Banks

Previous examples focus on the governance of institutions whose public funds primarily come from the developed country governments. But there are also examples of private sector involvement in the governance of public funds that come from developing country governments. Most notable are multiple national development banks in emerging markets that have seats for representatives of the private sector (Annex 4). These banks are of particular interest since national development banks are also likely to be involved in GCF activities going forward, likely seeking eligibility to channel funding for country programs as part of the direct access goal. Given the importance of programming climate finance in ways that meet a country's domestic context, the way these institutions tap into domestic private sector knowledge and skills in their governance may prove a particular asset.

Examples include Nacional Financiera (Nafin) in Mexico; the Banco Nacional de

Desenvolvimiento Economico e Social (BNDS) in Brazil; the Development Bank of South Africa (BDSA) and the Industrial Development Corporation (IDC) in South Africa. Board representation varies, with most members of the IDC Board coming from the private sector, representing a wide range of industries. BDSA and its Development Fund have four seats each occupied by members of the private sector, with experience in consulting and investment. Nafin's Board has 13 seats, of which 11 are for Board Directors. Series A Directors are public sector officials. Five Series B Directors come from the private sector, three of whom represent industry associations and two who come from private firms. BNDS does not have a dedicated private sector seat, but one current board member serves as the President of the Federation of Industries of the State of Rio de Janeiro.

Potential Benefits of Private Sector Participation on the Board

Participation of individuals with private sector skills, knowledge and networks in fund governance, when combined with other elements of good governance, can bring benefits in terms of supporting innovation through balancing views of both the private and public sectors, greater cost and value consciousness, and speedier decision-making. Furthermore, their inclusion of the right skills and experience can bring an enhanced ability to leverage private investment while supporting product innovation.

Balance between goals of public accountability and private sector access

There is an inherent tension between the perspectives of the public sector and the private sector which need to be bridged. The public sector appropriately demands accountability and value for money and tends to build into funds like the GCF detailed processes that will ensure financial, economic, environmental and social due diligence, with special emphasis on ensuring that the private sector does not benefit unduly from subsidies. These actors are naturally risk-averse as there is little tolerance from the public and politicians for failed projects, even when the goal is to invest in projects which are risky by nature of the new technologies that they intend to support. The private sector in turn consistently points to the importance of ease of access to funds, and clarity of the rules of the game and their consistent application.[xxix] An additional challenge is that of balancing commercial confidentiality with the goal of transparency and disclosure.

A review of private sector operations in the Climate Investment Funds prepared by the participating Multilateral Development Bank's (MDBs)[xxx] staff hinted at these tensions with diplomatic language. They noted key lessons that approval processes and criteria need to be efficient, clear and aligned with private sector operations, and that maintaining flexibility for MDBs to structure financing outflows and other transaction terms is essential. In particular, the report noted the need for flexibility with respect to pricing, use of instruments like subordinated debt, and local currency financing, saying that the issues raised in the report are "primarily linked to limitations agreed by the CIF governing bodies, either due to the nature of contribution to the CIF, evolving political realities, or shifting market conditions."[xxxi] Having individuals on the CIF Boards who had experience and knowledge on private sector conditions might have been able to present the private sector viewpoint so as to balance that of the public sector representatives, with the result being a solution that met both points of view.

Greater experience with and/or openness to financial product innovation

There is extensive documentation of the need for more flexible and greater quantities of risk capital to finance infrastructure projects in developing countries, particularly in Least Developed Countries. Whatever the board composition, it will be important to remember that sources of risk capital must be prepared to lose money in pursuit of introducing appropriate technologies and discovering new business models. Because the public sector has a tendency to be wary of financial product innovation, and indeed will need to guard against importing the results of financial sector excesses which emerged in the 2008 financial crisis, it may be beneficial to identify professionals who are experienced in financial products to sit on the board. They should be experienced in making investment decisions, as well as structuring contract terms to both meet recipients' financial needs and to encourage ambitious, results-based financing. The IFFIm whose fund management comes exclusively from the private sector, has been successful in implementing the highly innovative "vaccine bond," likely in large part due to the skills and experience of its Board members in finance and their knowledge of the market.

Greater cost and value consciousness

In 2012, the Australian Aid Multilateral Aid Assessment[xxxii] noted that organizations with private sector board members may have higher cost and value consciousness. The highest rated organizations in terms of value for money granted, were found to be those "that engage with the private sector or involve the private sector in their governing bodies." While the report authors note that this may not be consistent across all multilateral organizations, they do suggest that this is an issue worth further analysis. The highest performing organizations under this component were the Private Infrastructure Development Group (PIDG), the International Finance Corporation, the GAVI Alliance, and the Multilateral Fund for the Implementation of the Montreal Protocol. Two of the four funds, PIDG and GAVI, have private sector board members with voting rights.

Faster and better decision-making

Anecdotal evidence from the Private Infrastructure Development Group (PIDG) and the GAVI Alliance suggests that having private sector board members who are experienced in the sectors in which the funds invest has expedited and enhanced decision-making. Five of PIDG's seven funds are limited liability partnerships that run autonomously with their own boards that act independently of the donors who sit on PIDG's higher-level governing council. The component funds' boards are comprised largely of private sector representatives. PIDG's Program Management Unit (PMU) attributes the fund's strong ratings in the Australian and UK multilateral aid reviews to its governance structure, which benefits from the industry expertise of private sector board members and allows them to make investment decisions without consulting the governing council as long as they stay within operating policy set by the donors.

For its part, the GAVI Alliance has structured its board to ensure that all relevant players that adhere to its goal of reducing child mortality and enhancing child health have a seat at the table in strategy setting and investment decision-making. The 28-member board includes nine "independent" seats for individuals representing themselves, rather than their employers, and most of them come from the private sector. Essential to GAVI's child health goals is the inclusion of representatives from private vaccine manufacturers and other private funders of child health initiatives, such as the Gates Foundation on the board in a decision-making capacity. Without engaging the private sector at the board level, GAVI would have risked both misunderstanding the needs of private firms unable to compete at the Base of the Pyramid due to low-paying or non-existent customer bases and missing out on opportunities to stimulate additional public-private partnerships for public health applications. This engagement of course goes well beyond having individuals with private sector experience on the board. Indeed, having a strong, shared value-proposition (public funds create markets for health products) is critical.[xxxiii]

Enhanced ability to leverage private capital

Public fund boards with private sector members may be able to achieve higher leverage ratios of public funds contributed to private funds raised. Board members with strong connections to private capital can be helpful in seeking co-financing. PIDG's PMU attributes the success of two of its funds — the Emerging Africa Infrastructure Fund and GuarantCo — in being able to raise additional sources of capital to having substantial private sector board membership. At PIDG, the funds are able to raise third party capital at the facility and the project levels rather than at the "fund of funds" level.

Potential Concerns with Private Sector Participation on the Board

Any discussion of the merits of private sector inclusion in public fund board membership would be incomplete without a discussion of the potential concerns and risks. The need to manage conflicts of interest and maintain independence from the commercial interests of a private sector employer is paramount. Related to this is the need to ensure balance between public and private interests by having both points of view represented on the board. Another risk would be that private sector representatives, unless carefully chosen, will not have the requisite knowledge of market conditions and needs in developing countries. Lack of engagement, and therefore sub-par participation in board activities, is another challenge.

Risk of Conflicts of Interest

Regarding the maintenance of organizational independence, there is certainly the potential for conflicts of interest when private sector representatives are given board seats. Examples include private members' utilizing board meetings to advance their companies' commercial agendas instead of staying focused on the fund mission and on setting investment strategy that may benefit their company at a competitive disadvantage to another firm operating in the same sector. This criticism of private sector board membership is particularly strong among developing country public officials. However, it is important to remember that most board members employed by other organizations — public or private — will have conflicts of interest *by design*. For instance, board members who are also public officials could encounter conflicts of interest if fund decisions do not prioritize the best interests of their government's policy goals. On the other hand, selection of individuals with the right private sector skills who are currently engaged by disinterested organizations (like think tanks or universities) may not bring the same concerns.

Board members' skills and experience are precisely what will make them valuable contributors to public boards. Therefore, rather than focusing on the potential conflicts of interest of private sector board members solely, it is important it to have proper infrastructure in place to encourage all board members — regardless of sector — to remain engaged, disclose potential conflicts of interest in advance and recuse themselves when these occur, and review all investment strategies and decisions for unintended preferential treatment. Recusal may not be enough, however, to counter tendencies of board members to defer to one another. Instead, the GCF PSF could stipulate that private sector board members be no longer engaged in transactions or employed by potential users of the funds in order to minimize conflicts of interests. These individuals would be independent from a particular constituency while at the same time having earlier experience in a relevant sector (like finance or energy), could be currently operating in a senior position for a relevant industry organization, think tank or as independent advisors.

Selection by constituency versus by skills and experience

Constituency based selection can contribute to conflicts of interest. There is evidence that constituency-based boards have had mixed experience, including a tendency to place the interests of the constituency over that of the institution itself. One conclusion of the previously cited analysis of governance of multi-stakeholder partnerships is that there should be a balance between constituency and non-constituency seats overall, and in any case appointments should be made on the basis of skills needed, following rigorous processes. That review concluded that appointments should be made on a personal capacity, on a non-transferable basis.[xxxiv] This latter point will be particularly important for those members selected to fill a private sector seat, who should be selected as independent board members chosen for the skills they bring, and not because they represent a particular constituency.

Constituencies are nonetheless important stakeholders. As part of the decision to launch the GCF, the future GCF Board was asked to ensure stakeholder input and participation, specifically to "develop mechanisms to promote the input and participation of stakeholders, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples, in the design, development and implementation of the strategies and activities to be financed by the Fund."[xxxv] For example, industry groups can be drawn into fund governance in other ways, through, for example, participation in technical committees and other engagement mechanisms which can provide advice on how operational designs and processes can maximize private sector engagement in actual operations.

Risk of distorting public good

In the end, there needs to be accountability to taxpayers in both the contributing and recipient countries for the proper use of public funds. But the skills from the private sector can also help protect public interest by having people on the Board who are savvy about the ways that private sector might, if left unchecked, distort the public intent. The Private Sector Facility's governance can be designed to address the risk of use of funds outside of the public mandate by ensuring that its governance includes both public and private actors. Examples discussed in this paper indicate that in most cases studied, the number of public sector representatives on the board is greater than the private sector representatives. Such a balance would be one way to mitigate this risk. The boards of funds in which the PSF invests would likely have a heavier (even exclusive) reliance on private sector actors, as in the PIDG example.

Maintaining the highest standards of transparency in decision-making, as well other provisions in the GCF not discussed in this paper, will also guard against this risk for civil society observers who could bring knowledge of private sector investment climate while also providing a critical perspective.

Risk of lack of knowledge of developing country conditions and opportunities

Because the Private Sector Facility was created for the stated purpose of stimulating private investment in developing countries, it will be important to have board members who are intimately familiar with the incentives required by private firms to invest in developing countries in the sectors of mitigation and adaptation. It will also be important that board members understand not only the incentives required by local versus foreign firms but also by small and medium enterprises and multinational corporations. Collectively, private sector board members should have deep experience with a range of sizes and geographic types of firms. These could draw on the individuals or groups that the national development banks themselves draw on for example, as a way to ensure that partners understand the local development context.

Additionally, it will be important that any private sector members have deep experience in investment evaluation, financial product innovation, and/or commercial operations in developing country markets as well as strong relationships with private donors and investors who may be willing to contribute third-party capital to GCF investments. These are areas in which private sector membership can have particularly valuable impact in board membership. Because the PSF's mandate is to stimulate private investment in climate change mitigation and adaptation generally and to stimulate local private actors in developing countries specifically, it will be important to have private sector board representation with experience in these areas.

The governance of the GCF, which includes equal numbers of representatives of developing and developed countries on its Board, was designed to counter the risk of lack of developing country perspective at the overall governance level. For the Private Sector Facility Board, designating at least half of the number of private sector seats for individuals with previous experience with companies or organizations which operate principally in a developing country or region would be a way to maintain balance while bringing on board the needed skills.

Risk of low value-added from private sector engagement

There is the concern that private sector board members could be less engaged than public sector board members if membership does not confer voting rights, resulting in sub-par participation in board activities. One example of this was the GEF Earth Fund where the external evaluation criticized the fund's governance on this score. Lack of clarity in roles leading to low active participation by private sector representatives who only had an observer role was also a theme from the evaluation of the CIF. This risk, of course, applies to any non-voting board seat, regardless of sector affiliation. The risk of disengagement can be mitigated by ensuring that the board roles of private sector members are substantial. Examples of board construction that provides substantive decision-making power to the private sector include: conferring voting rights, encouraging public sector board members take their suggestions seriously and permitting private sector members to employ all resources at their disposal to achieve the mission of the funds.

As noted earlier, because individual board members should be selected for their skills and knowledge, they should not be seen as representing particular constituency groups. Instead, broader based participation in technical working groups, such as that recommended as part the of the CIF review of private sector engagement discussed earlier, should also be considered as part of a more robust pathway to tapping into a broader network of stakeholders.

Risk of lack of trust

The previously cited review of global multi-stakeholder partnership governance concluded, among other things, that decision-makers need to understand the different interests, incentives and indeed powers that parties bring to governance, otherwise risking debilitating lack of trust among parties. Recognition of divergent interests, integrity and realism, and strong leadership were critical to managing this risk.[xxxvi]

Conclusion and Recommendations

The GCF Private Sector Facility can enhance the chance that it can achieve the goals of scale-up and transformation while meeting country needs for climate compatible development by including in its board individuals who bring private sector skills and experience. These benefits can include a greater balance of views of both the private and public sectors, leading to innovation and leverage, greater cost and value consciousness, and speedier decision-making.

While there are risks, including those that come from potential conflicts of interest, constituency-based selections, lack of knowledge of developing country conditions, and lack of trust that can undermine the effectiveness of engagement, these risks can be managed through careful design. Finally, while private sector engagement in the governance of institutions which manage public funds is becoming more common in a number of multilateral and national settings, including in the developing world, this is not on its own sufficient to ensure overall fund effectiveness, and broader lessons from fund governance experience will need to be factored into operation of the GCF as well as its Private Sector Facility.

The GCF Board in its design of the Private Sector Facility should:

- Create dedicated private sector board seats with full voting authority.
- Design selection criteria and rigorous selection processes to ensure that private sector board members are independent and selected on the basis of individual skills and experience, not by constituency.
- Design selection criteria to ensure that at least half of the private sector seats are held by individuals who bring deep experience from markets in the developing countries that the facility will be serving and that they have previous experience with companies or organizations which operate principally in a developing country or region.
- Encourage governments to nominate public sector board members who have private sector experience and skills.
- Balance the number of private sector board seats with those from the public sector, with somewhat more public sector seats to counter concerns about adherence to the Facility's public sector mission.

- Manage conflicts of interests by limiting participation on private sector board seats to individuals who bring private sector skills but are no longer engaged in transactions or employed by potential users of the funds. They would bring earlier experience while perhaps currently operating in a senior position for a relevant industry organization, think tank, university or as independent advisors.
- Adopt transparent rules for disclosure of decisions and for recusal as needed for all Board members.
- Develop a set of complementary measures to broaden private sector engagement. These could include engaging the private sector as fund managers, investment advisors, advisors on technical working groups, technical advisors to funding recipients and co-financiers.

Annex 1: Private Sector Engagement in Multilateral Climate Funds and Mechanisms

Program	Size	Description	Board Structure	Private sector board involvement
Multilateral Fund for the Implementation of the Montreal Protocol	$450 million (2012-2014)	To assist developing countries to comply with the MP timetable for the phase-out of ozone depleting substances.	The Executive Committee has 14 members, 7 each from developed and developing countries	No direct private sector involvement. Multilateral Implementing Agencies provide interface between governments and the private sector in developing funding requests. Some governments chose to include private sector representatives as their appointees.
Clean Development Mechanism (CDM)	$27 billion from 2002-2011 (spot, secondary, and forward markets)	A Kyoto Protocol flexibility mechanism that provides financing for emissions reductions in developing countries	The Executive Board consists of 10 members. Five represent UN regional groups, two represent Annex 1 parties, two represent non-Annex 1 parties, and one represents small island development states. Members to act in personal capacities.	Some governments chose to include private sector representatives as their appointees. Currently, one of the Executive Board members is from the private sector Corporacion Rehovot (Mexico) and another is from Petrobras, a parastatal organization.
GEF Earth Fund	$50 million as of 2009	A trust fund created to leverage private engagement in environmental activities.	The Earth Fund Board consists of four members who serve in an advisory, not decision-making, capacity. Investment decisions are made by the GEF Council which is made up of representatives of the public sector.	The Earth Fund Board has three private sector representatives plus the CEO of the GEF.
Climate Investment Funds	$6 billion	The Clean Technology Fund promotes investments to initiate a shift towards clean technologies. The Strategic Climate fund serves as an overarching fund to support targeted programs to pilot new approaches with potential for scaled-up, transformational impact. Programs include the Forest Investment Fund; the Pilot Program for Climate Resilience; the Program for scaling up Renewable Energy in Low Income Countries	The Clean Technology Fund, the Strategic Climate Fund, and the SCF program sub-committee are each made up of 8 representatives of contributing countries, and eight from recipient countries.	On each fund committee and sub-committee, two private sector representatives serve as "active observers" who are can take the floor in deliberations and suggest agenda items. However, while they do not have decision-making roles, they can participate in program and project deliberations unless the chairs decide to call an executive session. Governance arrangement also call for periodic Partnership Forums, and have included Private Sector Forums as a means to get input on strategic directions and performance.

Sources: Organizations' websites

Annex 2: Global Funds and Mechanisms: Using multi-stakeholder partnerships to create a global impact

Program	Sector	Size	Description	Board Structure	Private sector board involvement
GAVI Alliance	Health	$7.6 billion 2011-2015 (includes proceeds from IFFm below)	A funding alliance that provides financing for technology and implementation programs that save children's lives and protect people's health by increasing access to immunization in poor countries.	The Gavi Alliance Board consists of 28 members plus a Chair and Vice Chair. 18 seats are reserved for representatives of funding and recipient entities, 9 seats are independent or "unaffiliated," and one seat is for GAVI's CEO. The GAVI Fund Affiliate Board enters into agreements with IIFm (see below)	5 board members who are working in or have recently retired from the private sector. Their affiliations are: the DDO, an accounting firm; Urban Trust Bank, Guardian Lifecare PVT Ltd, Goldman Sachs, and Man Group. They provide expertise in a number of critical areas such as investment, auditing and fundraising. Two members of the GAVI Fund Affiliate Board come from the private sector: its chair, who is also on the GAVI Alliance Board, from DDO, an accounting firm; European Credit Management.
International Finance Facility for Immunization (IIFm)	Health	To date, $6.3 billion in pledges raise $3.6 billion in bond proceeds	Uses long-term pledges from donor governments to sell 'vaccine bonds' in the capital markets, making large volumes of funds immediately available for GAVI Programs.	IFFm Board is made up of 5 members.	Board members come from the private sector, with four from investment banking and one a lawyer. Their current affiliations are: President of International capital Market Association; JP Morgan (retired); Royal Bank of Scotland; Children's Investment Fund; Asian Pathfinder Legal Consultancy
Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund)	Health	$22.4 billion	The largest multilateral funder in global health. Created to dramatically increase resources to fight tuberculosis, malaria and HIV/AIDS.	The Board consists of 20 voting at 8 non-voting members representing donor countries, developing countries, civil society, the private sector, private foundations, NGOs, and disease-affected communities. Seven seats are allocated to developing countries, eight seats are to donor country governments, and one spot each is allocated to the five remaining constituencies.	There is one seat with voting rights reserved for the private sector. It is currently held by the Chief Medical Officer of Anglo American PLC. There are also public-private partnerships represented on the Board without voting rights: Stop TB Partnership and Tvarnier Tschanz. Private sector organizations also participate as donors and as providers of Country Coordinating Mechanisms.

Global Partnership for Education (Formerly Education for All - Fast Track Initiative)	Education	$2 billion	Hosted by the World Bank, GPE provides funds and technical expertise to help countries create and implement education sector plans.	The Board consists of 19 seats, each occupied by two members. Board members fulfill the following constituencies: developing country partners, donors, civil society organizations, private sector/foundations, and multilateral agencies/regional banks.	There is one shared seat designated for a member of the private sector, which it shares with private foundations on a yearly rotating basis. Other constituencies also share seats, and each is allocated only one vote.

Sources: Organizations' websites

Annex 3: Private Capital Mobilization Funds: Leveraging Public Finance for Private Investment

Program	Sector	Size	Description	Board Structure	Private sector board involvement
Private Capital Mobilization Funds: *Leveraging public finance for private investment*					
International Finance Corporation Asset Management Company (IFC AMC)	Various	$4.1 billion as of June 2011	A wholly owned subsidiary of IFC, the AMC raises funds targeted at large institutional investors who are looking to increase their exposure to emerging markets.	The AMC was created by the IFC Board, and has three board members.	The IFC's Asset Management Company had three board members, two from the IFC and one retired veteran of the private sector with experience in corporate venture capital. Additionally, the AMC has an advisory board comprised of advisors from the investment community who are not affiliated with the IFC.
Overseas Private Investment Corporation (OPIC) **United States**	Climate change, agriculture, renewable energy	$3.6 billion between 1987-2009	OPIC mobilizes risk capital for emerging markets by providing, through guaranties, long-term debt capital to private equity funds.	The board consists of 15 members, eight from the private sector and seven from the federal government. All members must be appointed by the President of the United States and confirmed by the U.S. Senate.	Of the eight private sector board seats, at least two must be experienced in small business, one must represent organized labor, and another must have experience in cooperatives. Additionally, the selected fund managers typically become voting members of the board of directors or other governing body of any company in which a fund invests.
The Private Infrastructure Development Group (PIDG)	Infrastructure	$390 million as of 2010	PIDG mobilizes private sector investment to assist developing countries in building infrastructure vital to their economic development and combat poverty.	The highest level of the governance is the PIDG Governing Council, which consists of representatives of the nine bilateral and development bank entities who provide grant and loan funding to the PIDG Trust.	No Governing Council seat is allocated to a private sector representative. However, five of PIDG's component funds have private sector members on their boards. The vehicles are operated autonomously by their boards, which set investment strategy and make investment decisions.

Green for Growth Fund, Southeast Asia	Energy efficiency and renewable energy	147 m Euro in 2011	Provision of dedicated financing to businesses and households via partnering with financial institutions and direct financing	GGF Governed by a six member Board of Directors, elected from a list of candidates submitted by the shareholders: the European Investment Bank; Germany's KfW Entwicklungsbank; the European Bank for Reconstruction and Development. The GGF is also supported by first-loss funding provided by the European Commission and administered by the European Investment Fund	Two members from KfW, two from EIB, one from EIF and one former banker and former EBRD Board member. All have private sector experience.
Climate Public Private Partnership Fund (CP3), a UK initiative with the International Finance Corporation and the Asian Development Bank.	Renewable energy	UK pledge of GBP 110 million, January 2012	Mobilize additional capital for co-investment alongside IFC and ADB in private equity funds focused on low-carbon and climate-friendly projects and companies across the emerging markets.	The Climate Catalyst Fund will be managed by IFC Asset Management Company, LLC, a wholly owned subsidiary of IFC. The Asian Development Bank fund will be co-managed by the Asian Development Bank and Credit Suisse.	IFC's Asset Management Company has three board members, two from the IFC and one retired veteran of the private sector with experience in corporate venture capital. The ADB CP3 management entity will have 3 board members, two from Credit Suisse and one from ADB. The Investment Committee will have 3 senior private equity professionals from Credit Suisse and one from ADB

Sources: Organizations' websites

Annex 4: National Development Banks: Leveraging finance to stimulate development outcomes

Program	Sector	Size	Description	Board Structure	Private sector board involvement
National Development Banks: ***Leveraging finance to stimulate development outcomes***					
Nacional Financiera (Nafin) **Mexico**	Various	$21.9 billion	One of the development banks of Mexico, it provides capital and technical assistance to the country's business entities, in particular SMEs that have been neglected by commercial private sector banks.	The Nafin Board of Directors has 13 seats -- 11 for directors and two for commissioners. Board seats are of two types: Series A and Series B. Series A Directors are public sector officials, and Series B Directors are from the private sector.	There are five Series B Directors, all of whom represent the private sector. Three represent industry associations and two represent private firms.
Banco Nacional de Desenvolvimento Econômico e Social (BNDS) **Brazil**	Various	$61 billion as of Dec. 2010	A federal public company associated with the Brazilian government that provides long-term financing for economic development projects in the country.	The BNDES Advisory Board is comprised of 11 members appointed by the President of the Republic of Brazil. The President of the BNDES performs the duties of Vice-President of the Advisory Board. The Minister of Planning, Budgeting and Management; the Minister of Labor and Employment; the Minister of Finance; and the Minister of Foreign Affairs each nominate a member. Remaining members are nominated by the Minister of Development, Industry and Foreign Trade (MDIC).	While no board seat is held for a private sector member, one of the current board members serves as the President of the Federation of Industries of the State of Rio de Janeiro
Development Bank of South Africa (DBSA) **South Africa**	Various	$45 billion in as of 2010	One of the development banks of South Africa, it focuses on large public and private infrastructure projects in Southern Africa.	The DBSA Board has 14 seats, and its Development Fund has 9 seats. Multiple individuals hold director positions on both entities' boards.	Both the bank and its Development Fund have board members from the private sector. At least four of the bank director seats and four of the Fund seats are occupied by members of the private sector from small consultancies and investment houses.

Industrial Development Corporation (IDC) South Africa	Various	$14 billion as of Dec. 2010	One of the development finance institutions of South Africa, it provides financing for industrial development projects that stimulate regional economic growth.	The IDC Board has 12 seats occupied by professionals with broad business backgrounds.	Most members of the board represent the private sector. Their industries include real estate, pharmaceuticals, financial services, utilities, and transportation.

Sources: Organizations' websites

Endnotes

[i] Creation of a Green Climate Fund (GCF) was agreed at the December 2010 UNFCCC climate negotiations in Mexico. The GCF was to be established to channel part of the $100 billion per year by 2020 for mitigation and adaptation which had been pledged by developed countries in Copenhagen in December 2009. A Transitional Committee was charged with designing the GCF, and its recommendations were approved in December 2011 in Durban. Based on this decision, it was expected that in 2012 steps would be taken to create the GCF governing Board and interim secretariat, name an interim Executive Secretary, and select a permanent location for the Fund. Once the GCF governance is in place, the Board would be expected to turn to development of the Fund's operational modalities. This would include creation of a private sector facility as foreseen in the Durban decision.

[ii] This was approved with the following language contained in the UNFCCC *Report of the Conference of the Parties on its seventeenth session in relation to the governing instrument of the Green Climate Fund*, 15 March 2012 (page 63), available at http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf#page=58:

> Private sector:
>
> 41. The Fund will have a private sector facility that enables it to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels.
>
> 42. The operation of the facility will be consistent with a country-driven approach.
>
> 43. The facility will promote the participation of private sector actors in developing countries, in particular local actors, including small- and medium-sized enterprises and local financial intermediaries. The facility will also support activities to enable private sector involvement in SIDS and LDCs.
>
> 44. The Board will develop the necessary arrangements, including access modalities, to operationalize the facility."[ii] The GCF board was mandated to create "windows" to support different aspects of climate response as it deems most appropriate, as well as the private sector "facility."

[iii] While not explicit in the decision language, the discussion leading to the different nomenclature reflected differences in expected governance arrangements. The Transitional Committee considered that GCF windows would not have separate sub-boards, but instead would be governed by the GCF Board directly. Designating the private sector entry point as a "facility" would on the other hand allow the GCF Board to create a sub-governing body which would have the set of skills needed for private sector operations. For the purposes of this paper, this facility governing body will be called the "Private Sector Facility (PSF) Board", or "PSF Board".

[iv] For example, it is not clear whether all GCF private sector project funding will be handled by this Facility, or whether some private investments will be eligible for approval under the other windows as part of country programming.

[v] Sierra (2011), *The Green Climate Fund: Options for Mobilizing the Private Sector.* CDKN, December 2011.

[vi] Various sources including Johnson and deGraff (2009), *Managing Pension Fund Legal Standards for the 21st century*; UK DFID (2011), *Multilateral Aid Review*; Australian Government Overseas Aid Program (2012), *Australian Multilateral Assessment*; WHO (2007), *Everybody's business: Strengthening health systems to improve health outcomes.*

[vii] UNFCCC Transitional Committee Third Meeting 31 August 2011, *Provisional agenda and annotations for the third meeting of the Transitional Committee for the design of the Green Climate Fund* (page 11), available at http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/tc3_1.pdf

[viii] International Union for the Conservation of Nature (2009), *Review of practices on NGO-CSO Participation and proposal for the CIF Committees.* Prepared for the Climate Investment Funds, January 16, 2009, CIF documents SCF/TCF.2/inf.2 and CTF/TFC.2/Inf.2

[ix] Personal communication with Keith Bezznson who has reviewed Multi-Stakeholder Partnerships and participated in numerous related independent evaluations.

[x] Keith A. Bezanson and Paul Isenman *Challenges, Weaknesses and Lessons Learned in the Governance of Global Multi-Stakeholder Partnerships for Development* CGD Policy Paper. Washington, DC: Center for Global Development. Forthcoming*., draft pages 16-17*

[xi] Reed, Andrew (2011), *The Multilateral Fund Governance, Business Model, Access and Resulting Overall Achievements.* Presentation to the Workshop for the Transitional Committee of the Green Climate Fund, Multilateral Fund Secretariat, Tokyo July 2011. Available at http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/tc2_workshopmontrealprotocol.pdf

[xii] Streck, Charlotte, (2007), *The Governance of the Clean Development Mechanism: the case for strength and stability*. In Environmental Liability, Law Text Publishing 2007.

[xiii] Streck op cit, page 98

[xiv] Global Environment Facility (2010), *The GEF Earth Fund (Public Private Partnership)*. Available at http://www.thegef.org/gef/node/1293

[xv] Global Environment Facility (2010), *Review of the GEF Earth Fund, (Full Report),* Prepared by the GEF Evaluation Office, October 26, 2010. Available at http://www.thegef.org/gef/sites/thegef.org/files/documents/GEFME-C39-Inf.1-Earth_Fund_Review_Full_Report_0.pdf

[xvi] See paper prepared for the 2010 CIF Partnership Forum by James Radner, School of Public Policy and Governance, University of Toronto. *Looking Ahead Lessons in the Climate Investment Funds: A Report on Initial Themes for Learning, Consultative Discussion Paper*, March 4, 2010. Pages 45-46. Available at http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Lessons%20Learnt%20Report%20FULL%20VERSION%203%208%202010_0.pdf

[xvii] Climate Investment Funds (2010), *Review of the self-selection process of observers to CIF committees and effectiveness of participation.* Meeting of the Joint CTF and SCF Trust Fund Committees, November 11 2010, analysis by IISD, page30. Available at http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Joint%207%20Review%20of%20Observer%20Selection%20Process%20and%20Engagement%20nov2010_0.pdf

[xviii] ibid, page 35

[xix] GAVI Alliance (2010), *Second GAVI Evaluation: GAVI Alliance*, September 13, 2010. Prepared by CEPA LLP with Applied Strategies, available at http://www.gavialliance.org/about/strategy/phase-ii-(2007-10)/

[xx] The Global Fund (2007), *Evaluation of the Organizational Effectiveness of the Global Fund to Fight AIDS, Tuberculosis and Malaria, results from Study Area I of the Five Year Evaluation*, page vii October 2007. Available athttp://www.theglobalfund.org/en/terg/evaluations/5year/

[xxi] The Global Fund (2011), *Turning the Page from Emergency to Sustainability: Final Report of the High-level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund to Fight AIDS, Tuberculosis and Malaria*, September 19, 2011. Page 27.

[xxii] ibid, Page 28.

[xxiii] Mid-Term Evaluation of the Education for All Fast Track Initiative (2010), *Final Synthesis Report*, February 2010. Prepared by a consortium of Cambridge Education, Mokoro Ltd. and Oxford Policy Management. Available at http://www.camb-ed.com/fasttrackinitiative/download/SR_Final_Feb2010z2.pdf

[xxiv] ibid, page 86.

[xxv] UK Department for International Government (DFID) (2011), *Multilateral Aid Review: ensuring maximum value for money for UK aid through multilateral organizations.* March 2011, available at http://www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf; and Australian Government (2011), *Independent Review of Aid Effectiveness*. April 2011, available at http://www.aidreview.gov.au/publications/aidreview.pdf

[xxvi] International Finance Corporation (2012), *IFC Asset Management Company, at a Glance.* March 2012, available at http://www1.ifc.org/wps/wcm/connect/3e284300486a6c72bc9afff995bd23db/SM12_IFCIssueBrief_AMC.pdf?MOD=AJPERES

[xxvii] Transitional Committee Third Meeting 31 August 2011, *Provisional agenda and annotations for the third meeting of the Transitional Committee for the design of the Green Climate Fund* (page 11), available at http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/tc3_1.pdf

[xxviii] International Finance Corporation (2011), *IFC, UK Government Invest in IFC Climate Catalyst Fund for Green Projects*. Available at http://www.ifc.org/IFCExt/pressroom/IFCPressRoom.nsf/0/7C6F129C88D9CAED85257992003055EB

[xxix] Ward, Murray (2011), *CMCI WG1 Report 2: Lessons from recent and current investment practice*. Available at http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/international-climate-change/5500-lessons-recent-current-inv-cmci-report.pdf

[xxx] Climate Investment Funds (2011), *Climate Investment Funds: Lessons Learned from Private Sector Interventions through MDB Intermediaries.* Joint Meeting of the CTF and SCF Trust Fund Committees, in Collaboration with the African Development Bank, Asian Development Bank, Inter-American Development Bank, International Finance Corporation, and European Bank for Reconstruction and Development. Available at http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Joint%20Inf%204%20Lessons%20Learned%20Private%20Sector.pdf

[xxxi] Ibid. The report also noted on page 13 that: "While the CIF process allows MDBs to structure outgoing CIF funds in a flexible manner, further provisions should be considered to ensure that the nature of CIF contributions do not inhibit the MDBs from deploying appropriate structures and subsidy levels at the project level, especially in LDCs. This could potentially be achieved through ring fencing contributions for certain types of activities, and ensuring that riskier private sector interventions, including those in LDCs, have sufficiently flexible funding support to enable those activities to maximize their impact (though always applying the principle of minimum concessionality. Another step that should be considered is to ensure a streamlined methodology for changing the financing parameters for outgoing funds when market environments change, so as not to adversely affect the ability to meet client needs or deploy funds."

[xxxii] Australian Government (2012), *Australian Multilateral Assessment*. March 2012, available at http://www.ausaid.gov.au/partner/Pages/ama-submissions.aspx

[xxxiii] The concept of shared value as a motivator for the private sector in supporting public good is discussed in Michael Porter and Mark Kramer, 'Creating Shared Value, *Harvard Business Review*, January —February 2011.

[xxxiv] Bazenson, op cit, draft page 21.

[xxxv] UNFCCC Report of the Conference of the Parties on its seventeenth session (2012), *Decisions adopted by the Conference of the Parties.* 15 March 2012, available at http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf

[xxxvi] Bazenson, op cit draft page 17 discussing findings in Buse, Kent and Sonja Tanaka (2011), *Global Public-Private Health Partnerships: lessons learned from ten years of experience and evaluation.* Article first published online 20 July 2011.

www.cdkn.org

CDKN is a project funded by DFID and DGIS and is led and administered by PricewaterhouseCoopers LLP. Management of the delivery of CDKN is undertaken by PricewaterhouseCoopers LLP, and an alliance of organisations including Fundación Futuro Latinoamericano, INTRAC, LEAD International, the Overseas Development Institute, and SouthSouthNorth.