THE DEPARTMENT OF THE TREASURY
1789

TREASURY FISCAL YEAR 2017

INTERNATIONAL ENVIRONMENTAL FUNDS REQUEST

gef

GREEN
CLIMATE
FUND

CCRIF
The Caribbean Catastrophe Risk Insurance Facility

SUCCESSES OF U.S. FUNDING IN THE GLOBAL ENVIRONMENT FACILITY

The **Global Environmental Facility** (GEF) is a multilateral trust fund that provides grants for global environmental projects. As the financial mechanism of five multilateral environmental agreements, the GEF is a key vehicle for achieving many of the United States' environmental goals in the areas of biodiversity, wildlife trafficking, mercury remediation, food security, water management, land degradation, and climate change. The GEF has helped spur transitions to cleaner chemicals and energy sources, built regulatory capacity to protect wildlife, and supported disenfranchised communities helping to better their environment.

Advancing key U.S. priorities: The GEF benefits the U.S. economy and environment by addressing many external environmental problems that affect our domestic health, safety, and prosperity.

- **Preserving biodiversity.** Conserving the natural diversity of the earth's animal and plant life is central to the GEF's mission. GEF projects cover many of the Earth's ocean and coastal ecosystems that support coral reefs, fish stocks, sea lions, dolphins, and many bird species. For example, the GEF provided $15.8 million to the Amazon Region Protected Areas project in Brazil, which helped preserve an area 50% larger than the entire U.S. National Park System. The project protects part of the Amazon biome, setting up barriers to deforestation and forest fires, mitigating land ownership conflicts, and preserving the biological diversity of the region.
- **Protecting fisheries.** The GEF has supported global, regional, and national efforts to conserve important fish stocks by protecting habitats, improving fishery management, enhancing intergovernmental cooperation, and reducing the unintended capture of non-target fish. These efforts contribute to more sustainable global fisheries, which are critically important to U.S. companies and to U.S. food security; the United States imports approximately 86 percent of its seafood.
- **Fighting wildlife trafficking and protecting species.** The GEF is working to strengthen national legislation and law enforcement to combat illegal wildlife trafficking across Africa and Asia. Under a flagship program approved in June 2015, the GEF will support strengthening of international collaboration to fight wildlife trafficking as well as anti-smuggling and customs controls. The program will also support technological advances to improve deterrence and detection of wildlife crime, and enhance efforts against corruption. Additionally, the GEF has contributed to the Save Our Species (SOS) initiative that protects more than 200 species, including the Atlantic Humpback Dolphin, Bengal Tiger, Cross-river Gorilla, Javan Rhino, African Elephants, and Snow Leopard.

The GEF at a Glance

165 countries receiving funding from 31 contributing countries

$16.4 billion in pledges

$65 billion in funding from other sources

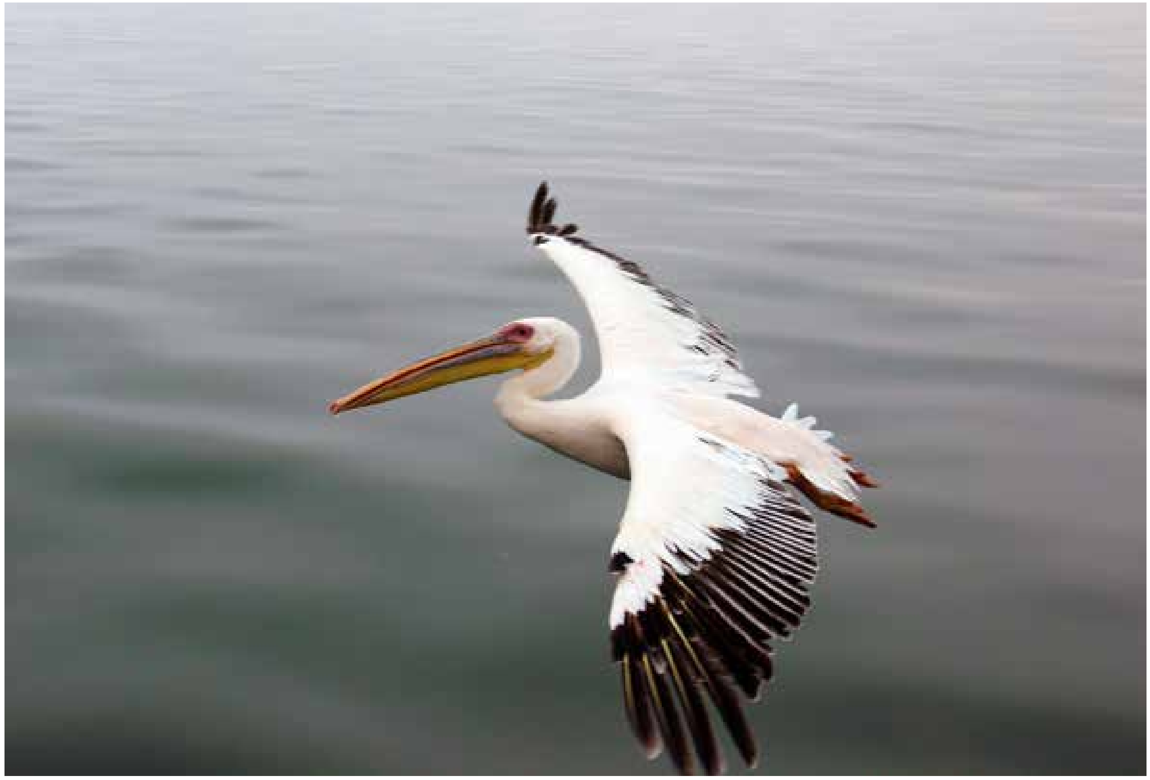
4,000 projects

Old male elephant in Etosha National Park, Namibia. (GEF)

- **Eliminating deadly pollutants.** The GEF works with countries around the world to destroy stockpiles of toxic and long-lived chemicals such as mercury, which can travel long distances in the atmosphere and end up in American food and water. GEF projects also help countries implement innovative, rapid, and transformational policies that promote safe alternatives to toxic chemicals. In Moldova alone, the GEF has helped destroy nearly 1,300 tons of obsolete pesticides and has strengthened laws to guard against the health impacts of toxic chemicals. A GEF project in Tunisia will remove and dispose of 1,200 tons of obsolete pesticides stored at several containment sites across the country. The project will also work with the Tunisian government to strengthen existing regulatory systems for pesticide controls, raise awareness about the health impacts of toxic pesticides, and encourage the use of safer alternatives.

Tanzania—contaminated materials are being shipped for proper disposal. (GEF)

- **Fighting illegal logging.** The GEF's sustainable forest management projects support America's logging industry by curbing international illegal logging. It is estimated that illegal logging costs the United States some $1 billion annually in lost exports and depressed prices for American wood. A regional GEF project in the Congo Basin helps countries harmonize their approach to tracking and eliminating illegal logging. By the end of 2016,



A pelican flies over Walvis Bay, Namibia. (GEF)

10 million hectares of productive forest area in the Congo Basin will be managed using sustainable logging techniques. In 2014, the GEF launched a new program to remove illegal logging from global commodity supply chains, which helps to level the playing field for U.S. logging companies and supports U.S. businesses that look to source their wood sustainably.

Maximizing value for money: The GEF has shown excellent value for money to the U.S. taxpayer. Every dollar the United States contributed to GEF-4 and GEF-5 generated another $4 in co-financing from recipient governments and the private sector. U.S. leadership in the GEF is critical to securing resources from other countries, including Brazil, China, India, Mexico, and South Africa, all of which have significantly increased their contributions to the GEF in recent years. The pledges from these countries convey the value that the international community places on the GEF and is a testament to the successful work that the GEF has accomplished.

Generating opportunities for U.S. companies: Given the wealth of technical expertise in environmental management and energy efficiency in the United States, U.S. companies and consultants (headquartered in 18 states, the District of Columbia, and Puerto Rico) have been involved in GEF projects overseas. For example, a GEF grant of $14 million for an integrated watershed and coastal area management project in the Caribbean involved procurement from various U.S. companies, including:

- Consultants from Colorado and Florida;
- Filtration technology from a company in Vermont;
- Stream-gauging and water monitoring equipment from a company in Oregon;
- Lab equipment from a company in Puerto Rico.

A NEW GLOBAL EFFORT:
THE GREEN CLIMATE FUND

The **Green Climate Fund** (GCF) is a new multilateral fund designed to foster resilient, low-emission development. The GCF uses a range of financial instruments to support projects and programs in developing countries that promise the greatest impact in reducing greenhouse gas (GHG) emissions and building resilience against climate change impacts. The GCF has a special focus on mobilizing private sector capital and fostering stronger policy and institutions to better address the challenges of a changing climate. The GCF can fund activities across a variety of sectors, including: transport, water and other infrastructure, energy generation and efficiency, and land use (including agriculture and forestry).

Advancing U.S. priorities: The GCF advances key U.S. interests by reducing global risks and generating new market opportunities.

- **Supporting national security.** Climate change is a threat multiplier that can exacerbate existing threats to international security, such as competition for natural resources, disease, and civil strife. Many of the world's poorest and most fragile countries are among the most vulnerable to climate change. By enabling these countries to build resilience and adapt to changing weather patterns, sea level rise, and extreme events, the GCF will help counter security threats that otherwise could require more costly, reactive interventions. These investments will also help safeguard billions of dollars of U.S. development support in other sectors, especially health, food security, and infrastructure.

Seawall installation in Bairiki Nanikaai Causeway, Kiribati (GEF)

- **Leveraging global action on climate change and clean growth.** Many emerging markets are already among the largest emitters of GHGs, and their emissions are growing quickly. Enabling them to transition to cleaner energy sources and increased resource efficiency is essential for the success of our collective effort to keep GHG emissions below dangerous levels under the recent Paris Agreement on climate change. The GCF will help support the implementation of the Paris Agreement, in which all countries commit to putting forward successive and ambitious, nationally determined climate targets and reporting on their progress towards these targets using a rigorous, standardized process of review.

- **Developing new markets and reducing risk of economic dislocation.** Fast-growing developing economies are engines of global economic growth, and key trade and

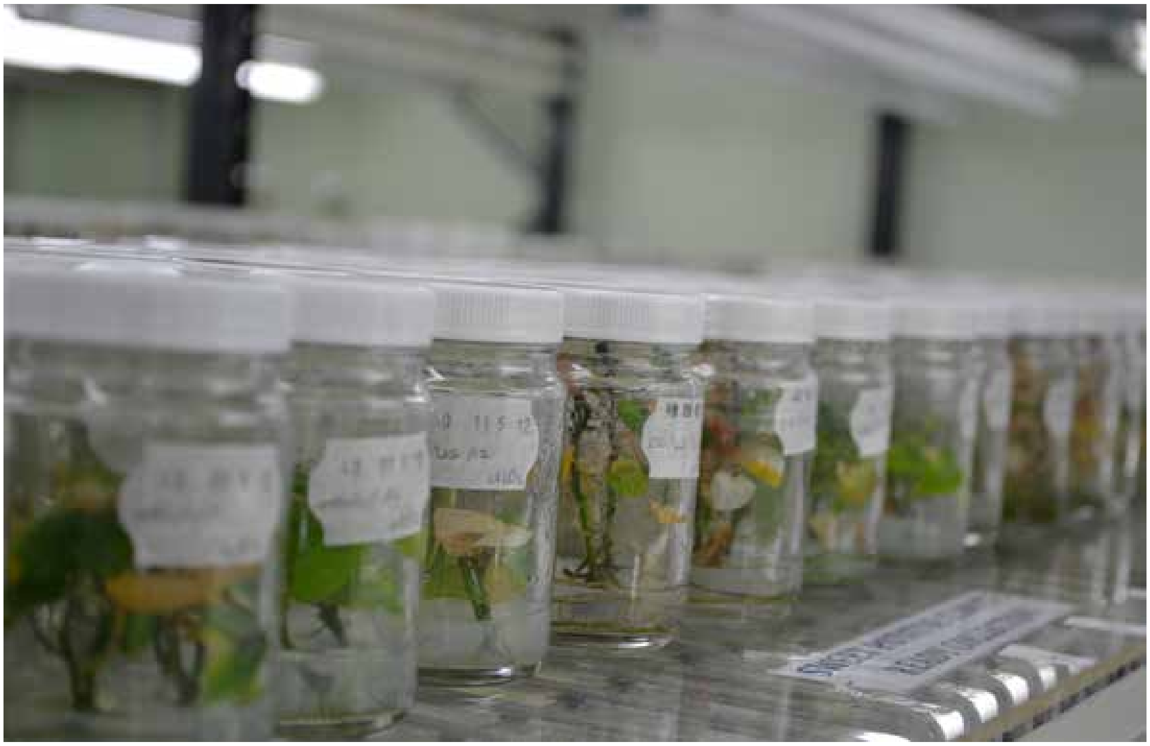
GREEN CLIMATE FUND

The GCF at a Glance

FY 2017 Request: $250 million from Treasury and $750 million from State

$10.3 billion in total pledges from 42 contributors

Committed $168 million in 2015 to first eight projects, which will help mobilize $243 million in public co-financing and $235 million in private finance.



Testing climate resilient crops in Fiji. (GEF)

investment partners of the United States. By helping countries to secure needed electricity and increase resource efficiency, the GCF will help to develop markets that are ripe for U.S. exports and investment. By improving resilience to extreme weather events in more vulnerable economies, the GCF will contribute to reducing risks of economic and political dislocation that can create humanitarian crises.

Maximizing value for money: U.S. leadership in the GCF is critical to securing resources from other countries. The United States pledge of $3 billion and active engagement were direct factors in helping to secure more than $10.3 billion in pledges from 42 governments, including nine non-traditional donor countries, as well as four cities and regional governments. Ongoing U.S. leadership will help expand the contributor pool to philanthropies and the private sector, helping to the make the GCF a truly global effort.

Unlike most comparable funds, from its inception the GCF has had a dedicated Private Sector Facility (PSF). The PSF is being designed to mobilize significant additional resources from the private sector. The GCF is developing a diverse network of implementing partners, including many institutions that are private sector or have strong experience working with private sector. The GCF will start by supporting two innovative private sector projects through those partners: one to support green bonds to finance energy efficiency in Latin America and the Caribbean and the other to expand access to renewables in East Africa.

Generating opportunities for U.S. companies: The GCF can support U.S. companies in three ways. First, it can open markets. Of the top 30 markets for U.S. renewable energy exports—as determined by the Commerce Department—more than half are eligible for GCF investments. Second, it can work with U.S.-based implementing partners. Third, as has occurred in other multilateral environment funds, the GCF is beginning to directly finance some projects that use U.S. equipment and services.

DISASTER RISK MANAGEMENT: CENTRAL AMERICA & CARIBBEAN CATASTROPHE RISK INSURANCE PROGRAM

The **Central America and Caribbean Catastrophe Risk Insurance Program** is a multi-donor trust fund set up at the World Bank to support the expansion of catastrophe risk insurance coverage to Central America under the Caribbean Catastrophe Risk Insurance Facility (CCRIF) Segregated Portfolio Company. Established in 2007, CCRIF was designed as a regional mechanism to manage the financial impact of natural disasters on Caribbean governments. It is now expanding to provide insurance coverage to Central American countries as well. Specifically, CCRIF expansion will provide affordable insurance against natural disasters to as many as six Central American countries and the Dominican Republic, countries with a combined population of 55 million people.

Established in 2007, CCRIF was designed as a regional mechanism to manage the financial impact of natural disasters on Caribbean governments. It is now expanding to provide insurance coverage to Central American countries as well.

CCRIF is the world's first multi-country risk pooling facility. It offers participating governments parametric insurance products, providing fast-disbursing liquidity in case they are affected by tropical cyclones, earthquakes, or excess rainfall of a certain magnitude. Rather than conducting an extensive on-the-ground assessment of individual losses, CCRIF provides insurance coverage – called "parametric" insurance – in which payouts are made based on a pre-agreed trigger, such as wind speed, or the amount of loss calculated in a pre-agreed model. This approach allows CCRIF to settle insurance claims very quickly and provide quick cash payouts to help recipient governments manage the immediate aftermath of a disaster.

For example, on October 13, 2014, Tropical Cyclone Gonzalo became a Category 1 hurricane and hit Anguilla. Under Anguilla's excess rainfall policy, CCRIF provided a payout to Anguilla two weeks later.

Advancing key U.S. priorities: Countries in Central America are highly vulnerable to natural disasters. Shocks to these countries, when combined with other factors, can result in security challenges for the region and for the United States, including the displacement of people and mass migrations. The use of parametric insurance can be a sustainable and cost-effective way to increase resilience in vulnerable developing countries. In addition, by better understanding potential losses associated with natural disasters, governments can also plan better and institute policies that reduce risks over the longer term.

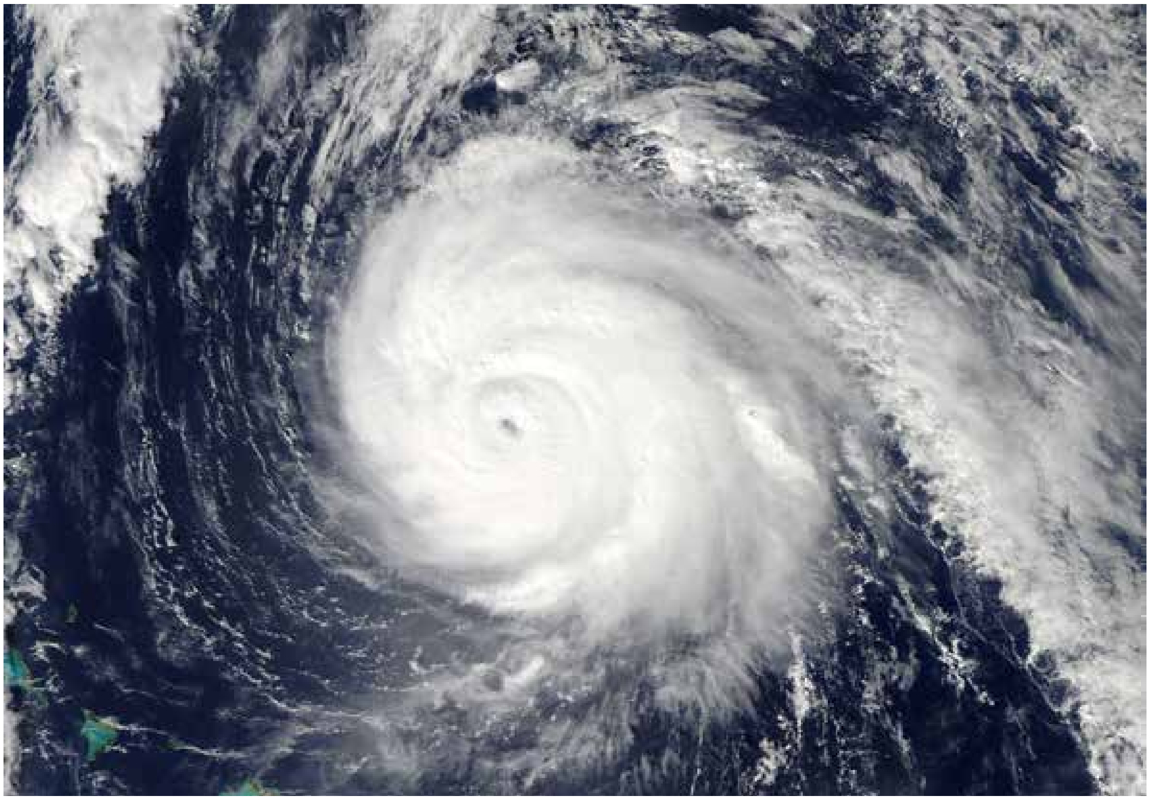
The CCRIF expansion to Central America is also part of the broader U.S. Government effort to address the root causes of poverty and insecurity that are underpinning increased migration from the region to the United States. The funding for the CCRIF expansion will contribute to the continued implementation in FY 2017 of a comprehensive "whole-of-government" strategy that aims to strengthen security, improve governance, and broaden economic prosperity in Central America.

In response to the milestones outlined in this strategy, Central American governments

The CCRIF at a Glance

FY 2017 Request: $12.5 million from Treasury

Expanded coverage to six Central American countries and the Dominican Republic



Hurricane Gonzalo, which impacted CCRIF member countries Anguilla, Antigua & Barbuda, and St. Kitts & Nevis. (NASA)

have committed their own resources toward the implementation of related programs and reforms, including under the Plan of the Alliance for Prosperity in the Northern Triangle. The CCRIF expansion will provide a critical fiscal buffer for these governments that will help mitigate the disruptive impact of natural disasters on their ability to advance the strategy's objectives.

Maximizing value for money: U.S. resources and leadership in CCRIF leverage additional resources in several ways. First, they help mobilize contributions from other donors, including Canada, Mexico, and the European Union. Second, U.S. resources enable CCRIF to build up its own capital and eventually become self-sustaining; countries buying coverage will pay premiums from their own budgets, ensuring that they also have a stake in the CCRIF's future. And third, U.S. and other donor resources will enable CCRIF to leverage the risk-taking capacity of international reinsurance markets, so that participating countries will be able to obtain insurance coverage that would not be possible if they went to the market on their own. Also, improved understanding of their own risk will help countries take action to increase resilience and reduce overall losses from natural disasters.