

GEF Council
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Washington, D.C.

Agenda Item 11

GEF BUSINESS PLAN FOR FY11-14

Recommended Council Decision

The Council reviewed document GEF/C. 39/4, *GEF Business Plan for FY 11-14*, including proposals for implementing the recommendations of the Fifth Replenishment of the GEF Trust Fund, and programming GEF-5 resources.

The Council requests the Secretariat, in consultation with the GEF entities, to present a combined FY12 budget and FY12-14 business plan for discussion at its May 2011 meeting. This combined budget and business plan should report on the use of GEF resources during FY11 and on GEF accomplishments over the same period. It should also present an updated plan for programming resources and implementing GEF-5 recommendations over the remainder of the GEF-5 replenishment period.

EXECUTIVE SUMMARY

1. In May 2010, 34 countries pledged a total of \$4.34 billion to replenish the GEF Trust Fund to cover programming during the period July 1, 2010 to June 30, 2014. The Council approved the first corporate budget for this period at its May and June 2010 meetings. Consequently, the proposed business plan outlines plans for: (i) implementation of GEF-5 policy recommendations and (ii) programming resources during GEF-5. The Secretariat will present to Council at its May 2011 meeting, a combined budget for FY12 and business plan for the FY12 to FY14 period.

GEF-5 Policy Recommendations

2. The present business plan is organized around three core themes of the GEF-5 policy recommendations: enhancing country ownership, improving the GEF's efficiency and effectiveness, and strengthening relations with key partners. In June 2010, the GEF Council approved plans and policies for the implementing most of the GEF-5 policy reforms, including: reform of the Country Support Program, implementation of GEF National Portfolio Formulation Exercises (NPFs), direct access for the funding of convention reports and national communications, and implementation of a flexible System for the Transparent Allocation of Resources (STAR), and measures to streamline the project cycle and refine the programmatic approach. The Council agreed to discuss proposals for implementing the remaining GEF-5 policy recommendations at its November 2011 meeting: broadening the GEF partnership, improving portfolio monitoring, results-based management, and knowledge management and learning; and strengthening relations with conventions and with civil society organizations. Based on the findings of the Review of the Earth Fund by the Evaluation Office, the management response from the GEF Secretariat and the Agencies, and comments from Council, the Secretariat will present a revised strategy for private sector engagement at the Council's May 2011 meeting.

GEF-5 Programming

3. While GEF-5 donors have pledged \$4.34 billion to the GEF Trust Fund for the GEF-5 period, resources available for programming cannot be predicted with exact certainty. The level of resources available for programming relate to actual levels of Instruments of Commitment deposited, donor payments and their equivalent US dollar value at any given time, clearance of arrears from previous replenishments, and release of deferred contributions. With these uncertainties in mind, the GEF Secretariat recommends programming a total of \$4.25 billion in resources, which is the amount that was pledged at the final meeting of the replenishment held in Paris on May 12, 2010. The table "Resource Programming in during GEF-5" at Annex 2 reflects this level of resources and the allocations to focal areas as agreed.

4. If by the end of the third year of GEF-5, which ends in June 2013, resources in excess of \$4.25 billion have materialized, or are expected to materialize in the final year, they will be allocated to the GEF focal areas and themes in the same proportions as illustrated in the table in Annex 2. Resources allocated to the biodiversity, climate change, and land degradation focal areas will be programmed through the System for Transparent Allocation of Resources (STAR).

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INTRODUCTION

1. In May 2010, the negotiations for the Fifth Replenishment of the GEF Trust Fund (GEF-5) came to a successful conclusion when 34 countries pledged a total of \$4.34 billion to support programming for the period July 1, 2010 – June 30, 2014, as outlined in the Document GEF/C.37/3, Summary of Negotiations: Fifth Replenishment of the GEF Trust Fund.¹ The GEF Council approved the Summary of Negotiations, including the GEF-5 Programming Document and the GEF-5 Policy Recommendations Document, at its special meeting held in Uruguay, in May 2010, prior to the Fourth GEF Assembly. The Replenishment Resolution was approved by the World Bank's Board of Executive Directors on July 19, 2010.

2. Due to the late conclusion of the replenishment negotiations, the GEF Secretariat did not present a GEF Business Plan for GEF-5 at its May or June 2010 meetings. It presented to Council a corporate budget proposal for FY11, with a total corporate budget request of \$27.163 million FY11.² The Secretariat is now presenting its business plan for FY11-14, which explains to the Council how the Secretariat and other members of the GEF network will collaborate to implement key strategic priorities for GEF-5, including implementation of GEF-5 policy recommendations and programming of resources.

3. The GEF's policy reform accomplishments during GEF-4 were described in Council document *GEF Corporate Budget for FY2011* (GEF/C.37/5). Annex 1 of this document provides a summary of resource programming in the GEF-4 period. The framework for resource programming in GEF-5, as agreed by GEF-5 Replenishment Participants, is included in Annex 2.

4. The present business plan describes how the GEF Secretariat, the GEF Agencies, and other entities within the GEF network will collaborate during GEF-5 to implement agreed reforms and programming priorities. It also updates the Council on developments with regard to new activities that the GEF Secretariat has taken on, including (i) managing the Country Support Programme (CSP) and (ii) providing resources directly to countries for reporting to the conventions and carrying out National Portfolio Formulation Exercises (NPFs).

BUSINESS PLAN FOR FY 11-14

5. The GEF Business Plan for FY11-14 is organized around three core themes taken from the GEF-5 policy recommendations:

- (a) Enhancing country ownership;
- (b) Improving the GEF's efficiency and effectiveness; and
- (c) Strengthening relations with key partners.

6. The business plan has also been informed by six core strategic objectives outlined in the policy recommendations and programming documents, which are:

¹ After the conclusion of the replenishment, several donors increased their pledges, raising the final replenishment amount to \$4.34 billion.

² See document GEF/C.37/5, *GEF Corporate Budget for FY2011*.

- (a) Continuing as a key operating entity of the financial mechanisms of the major global environmental conventions;
- (b) Functioning as the coordinator and/or manager of several funds;
- (c) Programming resources in a more strategic manner, including through the GEF Sustainable Forest Management (SFM)/REDD-plus Investment Program, enhanced use of programmatic approaches, and improved country-level programming;
- (d) Maintaining focus on innovation, catalyzing support for cutting-edge technologies and policy reforms with the objective of enabling replication and scaling-up;
- (e) Enhancing engagement with the private sector, building upon advances made in GEF-4 by improving the performance of the Earth Fund; and
- (f) Ensuring that GEF programming continues to reflect emerging scientific and policy understandings as informed by the GEF's Scientific and Technical Advisory Panel (STAP).

7. The programming of resources during GEF-5 will be guided by the priorities established in the agreed GEF-5 focal area strategies. Within the climate change, biodiversity, and land degradation focal areas programming decisions will be made subject to the individual country allocations under the GEF's System for Transparent Allocation of Resources (STAR), fully reflecting national priorities for the generation of global environmental benefits, as reflected in national strategies and plans. As discussed below, some countries are planning to conduct voluntary NPFs to further define their GEF-5 programming priorities.

8. NPFs, enhanced use of programmatic approaches, the SFM/REDD+ Investment Program, and other tools will also be used to maximize the opportunity for programming resources to truly transformational programs. Resources from the SFM/REDD+ Program, biodiversity focal area set asides, and resources set aside for protection of marine biodiversity in Areas Beyond National Jurisdiction (ABNJ) will be used to incentive actions that have broader transformational impact at the national and trans-national levels.

9. Implementation of the GEF-5 focal area strategies will be supported by a revised approach to corporate programs. This will include a reformulated CSP, voluntary GEF NPFs, further strengthening of the Small Grants Program (SGP), and strengthening of the engagement of the private sector and civil society in the GEF. The GEF partnership will be further strengthened by enabling capable agencies with strong fiduciary standards to work directly with the GEF Trustee and Secretariat to design and execute GEF projects. The incipient conflict resolution mechanism, established at the Secretariat in GEF-4, will also be provided with a more formal structure and elements in GEF-5.

Enhancing Country Ownership

10. The GEF-5 policy recommendations called for the GEF to enhance efforts to strengthen country ownership by implementing reforms in the following areas:

- (a) Reform of corporate programs, particularly CSP;

- (b) Assisting countries with voluntary NPFES;
- (c) Direct funding to countries for their reporting obligations to the Conventions;
- (d) Reinvigorating cross-cutting capacity development activities; and
- (e) Implementing a more flexible resource allocation system.

Reforming the Country Support Program

11. As called for by GEF-5 Policy Recommendations and Programming Document, the GEF is reforming CSP to make it an even more effective platform for strengthening country ownership and capacity, including the provision of support to interested recipients to undertake voluntary NPFES (see below for further detail). In June 2010, the Council reviewed and approved the Secretariat's plan for reforming CSP³ (and allocated \$26 million to implement this plan during GEF-5).

12. The Council decided that the Secretariat would execute the reformed CSP during GEF-5. Provision of NPFE grants will be considered part of the CSP, and the National Dialogue Initiative (to be renamed Broad Multi-Stakeholder Dialogues) will be integrated into the CSP. Taken together, this will allow the CSP to become a single, integrated platform for providing support to countries to strengthen country level coordination and ownership and raise awareness of the GEF.

13. The reformed CSP is composed of the following elements, funded at the levels indicated:

- (a) NPFE grants: \$3 million;
- (b) Broad, Multi-stakeholder Dialogues \$2 million;
- (c) Expanded Constituency-level Workshops: \$10 million;
- (d) Constituency Meetings/ Council Member Support; \$3.5 million;
- (e) Direct Support to Operational Focal Points: \$5.5 million;
- (f) Knowledge Management: \$125,000;
- (g) Familiarization Seminars: \$1.875 million.

14. As called for in the Council document *Reforming the Country Support Program and Procedures for Implementation* (GEF/C.38/7/Rev.2), GEF Secretariat staff have been discussing the arrangements for transitioning the current the National Dialogue Initiative (NDI) and CSP activities from the United Nations Development Programme (UNDP) to the reformed, Secretariat-led CSP. The transition has begun and the Secretariat will take full responsibility starting in January 2011. The Secretariat will be expanding the External Affairs (EXT) team to take on management of the CSP by adding two positions to be filled during FY 2011 – an

³ See GEF/C.38/7/Rev.1, *Reforming the Country Support Program and Procedures for Implementation*)

additional country relations officer and a support staff. These new staff will play a key role in facilitating the CSP's transition to management by the GEF Secretariat, will help to facilitate a coordinated approach in responding to country requests for assistance, and plan the increased number events that GEF Secretariat staff will need to attend. The Secretariat is not revising its estimate of total administrative costs for the reformed CSP, which came to \$4.45 million, as presented in GEF/C.38/7/Rev.2.

GEF National Portfolio Formulation Exercises (NPFEs)

15. A central element of the GEF-5 initiative to strengthen country ownership will be for the GEF to assist interested recipient country governments to establish or to strengthen national processes and mechanisms to facilitate GEF programming. The GEF Secretariat will provide interested countries with up to \$30,000 to the execute NPFEs.

16. The NPFE process will aim to ensure that programming of GEF activities is aligned and coordinated with national planning processes (e.g. poverty reduction strategies) and that it responds to countries priorities for generating global environmental benefits under the multilateral environmental conventions to which the GEF serves as the financial mechanism. They will also be an opportunity for countries to plan the use of GEF resources they can tap into, including their national allocations under the STAR and also potential resources available outside of the STAR. The process also intends to ensure a higher degree of coordination and effective communication between national government ministries in deciding their priority projects to be funded by the GEF. The participation of other stakeholders, such as civil society and community based organizations, is expected in the process.

17. The key output of an NPFE will be a National Portfolio Formulation Document (NPDF), which will identify and describe a country's strategic priorities under each of the GEF focal areas and include an indicative list of projects that will be developed to achieve a country's objectives for generating global environmental benefits. GEF Agencies will be expected to align their support to countries for the preparation and implementation of projects with the priorities and programming directions defined in the NPDFs.

18. At its June 2010 meeting, Council approved a proposal presented by the Secretariat for undertaking these exercises.⁴ Under the CSP, the Council allocated \$3 million for this program, which would enable up to 100 countries to undertake NPFEs. The Secretariat has been working diligently with recipient countries and the various administrative units of the World Bank to implement this proposal.

19. Within the GEF Secretariat, the EXT team is taking the lead in coordinating outreach to countries and processing applications. The EXT team is being backstopped by the GEF operations and business strategy (OBS) team in making arrangements with administrative units of the World Bank to assist in processing the applications and concluding the grant agreements. Since the June 2010 Council meeting, the Secretariat has finalized the application for NPFE grants and posted it together with the relevant guidelines for applying for NPFE grants on the GEF website. The GEF hired a consultant to handle the reviews of recipient country national

⁴ See GEF/C.38/6, *Policies and Procedures for the Execution of Selected GEF Activities -- National Portfolio Formulation Exercises and Convention Reports -- with Direct Access by Recipient Countries*.

agencies related to financial management dispersal capacity and procurement in the late summer 2010. The GEF Secretariat has also drafted –in close coordination with the appropriate units within the Bank - model forms for grant agreements, disbursement letters, and withdrawal applications for NPFE funds.

20. The FY11 corporate budget provided additional resources to the GEF Secretariat to fund the contractual services necessary to process these grants (e.g. procurement, legal services, financial management, disbursement, etc.) as well as to hire one additional staff position (a finance manager) to lead the Secretariat's work in coordinating these businesses. The Secretariat advertised this position late in the summer of 2010 and has been conducting interviews to fill it. The financial manager will focus his or her attention during most of the remainder of FY11, and possibly part of FY12 on transactions relating to NPFEs, but in later years during the GEF-5 period, the staff focus will shift to transactions relating to the funding of Convention reports. (See section below on Convention reports.) Funding allocated to support contractual services for these grants under direct access during FY11 will be dedicated to NPFE grants.

21. To date 37 countries have expressed interest to the GEF Secretariat in executing an NPFE. Thirteen countries have submitted completed applications for NPFE grants to the GEF Secretariat. Although the World Bank's simplified policies and procedures for financial management, procurement, and disbursement arrangements for small grants are being applied to NPFE grants, the process for assessing the financial management and disbursement capacity of recipient country national entities and negotiating the Grant Letter of Agreement with the World Bank has taken longer than expected. For this reason the GEF Secretariat is still working with the World Bank to finalize arrangements to enable the first disbursement of an NPFE grant. As of mid October 2010, the GEF Secretariat was close to finalizing a Grant Letter of Agreement with one recipient country.

Broadening the GEF Partnership

22. During the GEF-5 Replenishment negotiations, Participants discussed the GEF's experience to date in broadening the number of agencies that are able to work directly with the GEF Secretariat and Trustee on the design and implementation of projects. Replenishment Participants noted key roles played by the Implementing Agencies and recommended that the seven Executing Agencies maintain their current status in the GEF partnership. Participants also acknowledged that there could be benefits from having more entities collaborate directly with the Secretariat and Trustee under the provisions of Paragraph 28 of the GEF Instrument. The Replenishment policy recommendations called for the Secretariat, in collaboration with the Trustee, to prepare a proposal for broadening the partnership under Paragraph 28.

23. The Secretariat presented the first proposal for broadening the partnership at the June 2010 Council meeting.⁵ In the *Joint Summary of the Chairs* of the June 2010 Council meeting, the Council noted the benefits to the GEF of broadening its partnership network and recommended that a subcommittee of the Council be established to advise on the development of eligibility criteria for potential partners. This subcommittee was to be chaired by the CEO and

⁵ See document GF/C.38/8, *Broadening the GEF Partnership by Operationalizing Paragraph 28 of the GEF Instrument*.

include six Council Members, three from non-recipient constituencies and three from recipient constituencies. The Council also requested the Secretariat, in cooperation with the Trustee, to establish a task force, comprised of up to four qualified independent experts from appropriate disciplines, to further develop an accreditation procedure. The Secretariat was requested to present for decision at the November 2010 Council meeting a refined proposal reflecting the input and findings of the above two advisory bodies.

24. Based on the recommendations of the Subcommittee and Task Force, the Secretariat is presenting to the Council two documents for decision. The first policy document⁶ seeks to establish the key overarching rules and policies for adding new agencies to the GEF partnership, including eligibility criteria for potential partners. The second document⁷ outlines the accreditation procedure that will be used to accredit new partner agencies, which the GEF Secretariat recommends calling GEF Project Agencies. Subject to Council approval of the policies and accreditation procedure for approving new agencies for direct access to GEF resources, the Secretariat and Trustee would collaborate to implement and oversee the process during GEF-5.

Convention Reports and National Communications

25. GEF-5 Participants noted that the funding of national communications and reports to the conventions would benefit from a more streamlined and cost-effective provision of resources. Participants called for the Secretariat to develop a proposal, in collaboration with the World Bank, as the entity that provides administrative support for the Secretariat, on how the GEF Secretariat could provide financial resources directly to national entities of recipient countries, in an expedited manner, to fund the preparation of national communications and reports to the conventions.

26. In June 2010, the Council reviewed and approved the GEF Secretariat's proposal for how it would respond to requests directly from recipient country governments for grants to prepare convention reports and national communications.⁸ The approved Council document sets forth the policies and procedures that the GEF Secretariat and recipient countries will follow to implement projects under direct access, including the preparation of convention reports. As is the case with NPFE grants, the Secretariat will need to ensure that national entities receiving grants for the preparation of convention reports follow World Bank operational policies and procedures in the areas of financial management, procurement, disbursement, and trust fund management.

27. In terms of the implementation of these projects, and how the GEF Secretariat will organize its work, there are differences of which the Council should take note. First, there will be two disbursements for these grants, meaning additional administrative tasks for the GEF Secretariat. Because the national entities will implement these projects over a long time period, there will be several reports that the national entities will need to submit to the GEF Secretariat.

⁶ Document GEF/C.39/7, *Broadening of the GEF partnership under Paragraph 28 of the Instrument: Key Policy Issues*.

⁷ Document GEF/C.39/8, *Accreditation Procedure for GEF Project Agencies*.

⁸ See GEF/C.38/6/Rev.1: *Policies and Procedures for the Execution of Selected GEF Activities -- National Portfolio Formulation Exercises and Convention Reports -- with Direct Access by Recipient Countries*

These include annual financial reports, annual progress reports, and annual audit reports. For convention reports, the GEF Secretariat's two program-related teams -- the Natural Resources Team and the Climate and Chemicals Team -- will take the lead in the outreach to countries and processing the grants, backstopped by the OBS team. Based on the experience gained in terms of working with the World Bank's administrative units in processing NPFE grants, the Secretariat's OBS team has started to train members of the NR and CC teams on what they will need to do to begin processing Convention report grants.

28. Over the course of GEF-5, the GEF Secretariat's workflow in terms of processing direct access grants will shift from the provision of grants for NPFEs, which will be the focus during FY11, to the provision of grants for Convention reports in later years. The Council approved \$500,000 to support contractual services for direct access grants, most of which will be used to process NPFE grants. As of end-September 2010, the GEF Secretariat had not received applications for the preparation of Convention reports. Similar corporate budget allocations will be needed to support the processing of convention report grant applications during the later years of the GEF-5 period.

29. As noted in document GEF/C.38/6/Rev.1, countries will continue to have the option to apply to the GEF Agencies to receive resources and technical support for the preparation of convention reports, as has been practice to date.

Implementation of the System for the Transparent Allocation of Resources (STAR)

30. During the GEF-4 period, the GEF implemented the Resource Allocation Framework (RAF), which was the GEF's first attempt at a system for allocating resources to specific countries (or groups of countries). The mid-term review of the RAF, discussed by the Council in November 2008, found that while the system of national allocations employed by the RAF had positive benefits on country ownership and building of country capacity to program resources, there were serious flaws with the system that needed to be fixed. Notably, the system for "group allocations" was problematic and greater flexibility was needed between focal area allocations, particularly for smaller countries.

31. Taking into account the findings of the RAF mid-term review, as well as input received at two Council meetings and at two meetings of an ad hoc Council committee, the GEF Council agreed to a fully reformed system for allocating resources to countries – the System for the Transparent Allocation of Resources (STAR). The changes embodied in this new system include:

- (a) Abolition of the group allocation so that all countries will have individual allocations;
- (b) Extension of the system of national allocations to the land-degradation focal area;
- (c) Abolition of the rule that only 50% of resources in a replenishment could be allocated during the first half of a replenishment (50% rule);
- (d) A system for providing the smallest GEF recipient countries with flexibility on using resources across focal areas; and

- (e) Reform of global benefits indicator for climate change to take into account emissions from the forestry sector.

32. The GEF Secretariat developed guidelines for implementing the STAR, which were reviewed and approved by the GEF Council in June 2010. Among other things, these guidelines explain:

- (a) How and under what conditions the Secretariat would adjust allocations in response to a measurable increase in available resources;
- (b) How the Secretariat will manage a shortfall of resources; and
- (c) “Flexibility rules” for how countries can allocate resources across focal areas, both for countries under and over the flexibility threshold.

The Secretariat has also posted on its website country allocations under each of the three focal areas under the STAR, which are helping countries develop plans for the programming of resources in these focal areas during GEF-5.

Cross-cutting Capacity Development

33. The GEF’s central means for helping developing countries strengthen their capacity has been through regular projects focused on specific focal area issues and concerns. These efforts will continue in GEF-5, with increased attention to ensure that such activities are focused for meeting specific targets. The GEF-5 results-based management (RBM) framework includes indicators and output level targets for capacity development in each focal area, as well as related to the GEF’s cross-cutting capacity development effort.

34. The GEF defines cross-cutting capacity development as stand-alone efforts to support and implement convention provisions that are cross-cutting by nature and affect more than two focal areas (e.g., financial mechanisms, development of information management systems for the Rio conventions, cross-cutting monitoring and evaluation, etc). Previously, the GEF sought to strengthen countries’ cross-cutting capacity under the aegis of the *Strategic Approach to Enhance Capacity Building* (GEF/C.22/8). In GEF-3 and GEF-4, support was provided to prepare National Capacity Self Assessments (NSCAs) in 143 countries, which had been requested through the Capacity Development Initiative, as approved by Council in documents GEF/C.13/9 and GEF/C.17/6.

35. The GEF-5 Programming Document allocates \$44 million to support the crosscutting capacity development during GEF-5. Over the next four years, the GEF will focus these resources on efforts to strengthen specific capacities of national entities that will improve the implementation of GEF projects and improve the ability of recipient countries to respond to the priorities of the environmental conventions for which the GEF serves as a/the financial mechanism and implement their obligations. Strategic priorities will be focused primarily on strengthening capacities for policy, legislation and financial framework development, generating access and use of information and knowledge, developing capacities from management, implementation of convention guidelines, and enhancing capacities to monitor and evaluate environmental impacts and trends. Within the confines of available resources, the GEF will also

allocate resources to address any new cross-cutting capacity development needs that may arise in the context of Convention guidance.

Enhancing the GEF's Efficiency and Effectiveness

36. The second key institutional objective during GEF-5 is to further enhance the GEF's operational efficiency and effectiveness through policy reforms and institutional strengthening in the following areas:

- (a) Further streamlining of the project cycle to build on progress in GEF-4;
- (b) Refinement of the GEF's programmatic approach to enhance the GEF's support for transformative programs at the national, regional, and global levels;
- (c) Strengthening the GEF's RBM framework;
- (d) Facilitation of GEF-wide knowledge management and learning;
- (e) Collaboration among all parts of the GEF network according to an agreed framework of roles and responsibilities;
- (f) Improved incorporation of scientific and technical advice into GEF programming based on input from STAP.

Streamlining the Project Cycle and Refining the Programmatic Approach

37. Streamlining the Project Cycle. During GEF-4, the GEF Council agreed to fundamentally change the GEF project cycle. Specifically, the former three step approval process (pipeline entry, work program entry, endorsement) was shortened to two steps by eliminating the pipeline entry stage. Moreover, work programs are now comprised of Project Identification Forms (PIFs) rather than substantially completed project proposals. A target was established for the amount of time it takes from pipeline entry (e.g. work program approval under the process approved in 2007) to CEO endorsement of 22 months. The reforms have been widely recognized as having been effective in reducing the amount of time that it takes to approve a GEF-operation. In 2006, the GEF Evaluation Office estimated that during GEF-3, it took an average of 43 months for a GEF full-size project to move from pipeline entry to CEO endorsement. For full-sized projects approved and endorsed since July 2007, the average amount of time it took for a project to move from work program entry to CEO endorsement was about 16 months, well within the 22 month target.

38. GEF-5 Replenishment Participants called for continued exploration of options to further streamline the GEF project cycle for full-sized stand-alone projects. In June 2010, the Council reviewed document GEF/C.38/5, *Streamlining the Project Cycle and Refining the Programmatic Approach*, and agreed to several changes in the project cycle to enhance efficiency. First, rather than circulating all final project documents for GEF full-size projects to the Council for a four-week review period, the GEF CEO will only circulate these documents in two circumstances, as agreed by Council. Second to streamline the process for medium size projects, it was agreed that the CEO would be provided with delegated authority to approve projects without prior circulation to the GEF Council for comments. It should be noted however that all project

documents will be posted to the GEF website after CEO endorsement. Finally, the Council agreed to shorten the project cycle business standard for full-sized projects to 18 months.

39. Recognizing that further improvements in streamlining of the project cycle can only be achieved if all of actors in the system work together to and adjust procedures and processes, the Council requested the Agencies, in collaboration with the Secretariat, to identify streamlining measures in their own project cycles. The Council requested the Secretariat and agencies to collaborate and recommend (i) business standards for agencies engagements with recipient countries and with a GEF Secretariat and (ii) elapsed time standards between key project cycle milestones. The GEF Secretariat and the Agencies have worked together to define additional business standards that are presented in document GEF/C.39/Inf.3, *GEF Project Cycle*. The Project Management Information System (PMIS) will be improved to track elapsed time between different milestones that had not previously been tracked. This will be reported on in the Annual Monitoring Report (AMR) and will include time elapsed between the following milestones:

- (a) Submission of a project concept by a country to a GEF Agency and the submission of the PIF to the GEF Secretariat;
- (b) Receipt of a proposal from Agencies and the time the PIF is cleared; and
- (c) CEO endorsement and the first project disbursement.

40. It is important to recall that The Fourth Overall Performance Study of the GEF (OPS-4) highlighted that the greatest inefficiencies in the GEF project cycle existed in the stage prior to PIF submission to the GEF Secretariat. It is hoped that the NPFE will improve the efficiency and cohesiveness of national-level GEF programming, thereby reducing the amount of time it takes for countries and agencies to reach agreement on what project concepts to put forward in a given replenishment period. It will be important to evaluate the GEF's experience with NPFEs to see what impact they might have had into this regard.

41. Refining the Programmatic Approach. During GEF-4, the GEF sought to allocate resources in a more strategic, transformative manner by allocating a greater proportion of resources through programmatic approaches. This shift was facilitated by reform of the GEF project cycle and the Council's adoption of a new framework for programmatic approaches, as contained in document GEF/C.33/6, *From Projects to Program: Clarifying the Programmatic Approach in the GEF Portfolio*. All GEF focal areas generated a variety of programmatic approaches that enabled the GEF to act at a larger, more transformative scale than would have been possible using a more project-focused approach. Programmatic approaches also proved to be an effective means to help countries in the group allocation under the RAF to access resources.

42. GEF-5 Replenishment Participants endorsed the advantages of using programmatic approaches and called on the GEF to undertake the refinement of the programmatic approach to make it more efficient and increase the likelihood of wider adoption of this tool. In June 2010, the GEF Council approved reforms that incentivize the use of programmatic approaches by those Agencies that meet certain agreed criteria. The reforms streamline the approval process for

projects under programmatic approaches led by Qualifying Agencies so that Council approval of PIFs is not required. The GEF CEO will review and endorse final project documents.

43. The GEF Secretariat and GEF Agencies are committed to working together and with recipient countries to identify and support the development and implementation of programmatic approaches that will achieve truly transformative impact. The GEF Secretariat convened a meeting with GEF Agencies to discuss initial ideas for programmatic approaches during GEF-5. The Secretariat and agencies plan to continue to coordinate activities on programmatic approaches in a structured manner, making full use of standing area task force meetings in GEF network coordinating meetings.

44. As requested by the GEF Council, all rules that apply to the GEF project cycle and the GEF programmatic approach are contained in GEF/C.39/Inf.3, *GEF Project Cycle*, which is being presented to the Council for its consideration at this meeting.

Strengthening Evaluation, Monitoring, and Results-based Management

45. As agreed in previous Council meetings, and as part of the GEF-5 Replenishment negotiations, the GEF is undertaking several important actions to strengthen portfolio monitoring and RBM in GEF-5.

46. Revision of the GEF Monitoring and Evaluation Policy. In June 2009, the GEF Council requested that the GEF Evaluation Office prepare a revision of the GEF's Monitoring and Evaluation Policy for GEF-5, which is being presented to Council for approval at this meeting in document GEF/ME/C.39/6. The revised policy reflects findings and recommendations of the peer review of the GEF evaluation function conducted in the framework of OPS-4, as well as comments from Council members and GEF-5 Replenishment Participants. It also reflects GEF policy developments in recent years, including the GEF's approach to RBM and the role of the Secretariat in portfolio monitoring.

47. Implementation of the Results-based Management Framework. RBM was given a central place in GEF-5. All focal area strategies and corporate program strategies were developed with results-frameworks that are integrated within the overall corporate results framework. During the GEF-5 Replenishment, the GEF committed to: (i) define realistic expected results from projects; (ii) monitor portfolio progress toward results; and (iii) focus more on immediate outcomes, outputs, and other measures of performance that are good proxies of progress for achieving higher-level results. Increasing knowledge management and promoting GEF-wide learning is an additional area of focus within RBM for GEF-5.

48. With these goals in mind, the Secretariat is presenting to the GEF Council a work-plan, developed with feedback from the Agencies, Evaluation Office, and STAP, that will guide implementation of activities associated with RBM during the 2011-14 period. The work-plan lays out the steps the GEF Secretariat, in collaboration with the Agencies, the GEF Evaluation Office, and STAP, proposes to take to implement RBM and knowledge management (KM) during GEF-5. Taking into account guidance from the GEF Council and findings from the AMR 2009 process and the Annual Progress Report 2009, the GEF Secretariat has identified three main objectives for implementing RBM over the course of GEF-5:

- (a) Strengthen and update the tools and systems needed to capture standardized information;
- (b) Strengthen the Secretariat's ability to collect and report on portfolio level outcome and output indicators agreed to in *the GEF-5 Programming Document* (GEF/R.5/31/CRP.1); and
- (c) Strengthen the knowledge management of the GEF at the portfolio level.

49. To achieve these goals, the Secretariat has divided the work-plan into five key components for RBM in GEF-5. These are:

- (a) Establish and implement an annual monitoring review process for GEF-5
- (b) Upgrade and integrate portfolio monitoring in the PMIS;
- (c) Develop tools to enhance portfolio monitoring;
- (d) Develop and implement a knowledge management strategy; and
- (e) Provide and develop internal guidance on GEF RBM and knowledge management.

50. The Secretariat will provide the GEF Council with a progress report on implementation of RBM to Council at its meeting in November 2011.

Improving GEF-wide Knowledge Management and Learning

51. Document GEF/C.39/6 also explains how the entities in the GEF network will collaborate to improve knowledge management and learning in GEF-5. The Secretariat will develop a comprehensive strategy in collaboration with the Agencies, Evaluation Office, and STAP for knowledge management, which will be presented to the May 2011 Council meeting. The strategy will focus on the development of the following:

- (a) A process for reporting on and utilizing lessons learned;
- (b) A knowledge management infrastructure; and
- (c) Systematic coordination with Agency KM mechanisms.

Improving Collaboration within the Partnership

52. The GEF-5 policy recommendations included an annex that clarified the roles and responsibilities of the various entities within the GEF network. This document was approved by the GEF Council in May 2010 and is serving as the basis for guiding collaboration among members of the network in GEF-5.

53. Other important actions are being undertaken to improve collaboration. First, the Secretariat is leading partnership wide coordination meetings once every two weeks to ensure

that all members of the network are aware of important developments and have an opportunity to provide input on important policy issues.

Scientific and Technical Advice

54. The STAP was restructured during GEF-4 so that it would be better positioned to play a more strategic role within the GEF partnership, particularly through the guidance it provides to the GEF through its advisory products and involvement in GEF corporate-wide policy deliberations. This restructuring has yielded important dividends. For instance, STAP provided important technical and scientific advice on the focal area strategies in GEF-5 through its participation in the Technical Advisory Groups. It also offered input to the GEF Secretariat on the design of the STAR in GEF-5 and provided advice to the GEF Evaluation Office on OPS-4. Finally, the STAP is focusing greater attention to the development of advisory products on key scientific and technical issues. These products aim to serve as tools and/or tool kits that the Agencies and country-level partners can use in developing projects and programmatic approaches and the GEF Secretariat can use in reviewing project documents. The STAP develops these advisory products according to an annual work program that the Secretariat and Agencies have input in devising, and is provided to the Council annually.

55. Guided by its evolving annual work program, the STAP will continue to commission advisory studies and develop tools that the GEF Agencies, Secretariat, and other partners can use to increase the impact and sustainability of GEF investments.

Strengthening the GEF Conflict Resolution Mechanism

56. A well-functioning conflict resolution system is critical to ensuring that recipient countries and other GEF stakeholders have a trustworthy system for resolving complaints and conflicts that emerge in the process of requesting GEF resources and implementing GEF-financed programs and projects. This is key to enhancing the credibility of the GEF partnership with all stakeholders, and an important beginning was made in GEF-4 with the introduction of a Conflict Resolution Commissioner in the Secretariat and the establishment of some basic norms of engagement with GEF Agencies and countries in identifying and resolving conflicts in a timely manner.

57. Building on initial lessons emerging from GEF-4, this system will be further developed during GEF-5 with focus on outreach activities and practical issues solving activities to be undertaken in the context of corporate activities such as the sub regional workshops and the national dialogue initiative. Priority will be given to articulating mediation approaches while refining ongoing basic norms on conflict resolution settlement process within the GEF and further strengthening the GEF responsiveness to recipient countries' concerns.

58. Additional steps will also be taken to further confidence building and improve effectiveness in the GEF through putting in place an overarching public disclosure policy, developing/promoting guidelines and tools, documenting cases, assessing experiences gained, and reporting on progress accomplished and further challenges to consider.

59. Institutional level efforts that were initiated will be continued to facilitate greater responsiveness of the internal mechanisms of the Agencies in addressing issues raised in the context of their GEF operations. These will be promoted.

60. Broader policy elements such as the public disclosure policy, norms and guidelines will all be in place towards the end of 2011. At the same time, experience gained and lessons learnt will be assessed through an evaluation of activities. Integration into GEF operations of lessons learn will start early in the cycle and most recommendations integrated by the end of it.

Strengthening Relations with Key Partners

Strengthening Relations with the Conventions

61. Participants to the GEF-5 Replenishment called for the GEF to take steps to deepen and enhance relations with the four conventions for which the GEF serves as a/the operating entity of their financial mechanisms. The Secretariat, in consultation with the convention secretariats, STAP, and GEF Agencies, has developed a proposal on steps to be taken to deepen relations with the conventions. This is being presented in document GEF/C.39/11, *Strengthening Relations with the Conventions*.

Enhancing Private Sector Engagement

62. During GEF-5, the GEF took steps to enhance its engagement with the private sector. In response to the 2006 *GEF Strategy to Enhance Engagement with the Private Sector* (Document GEF/C.28/14), the GEF Council established the Earth Fund as a new mechanism for private sector engagement. The GEF Evaluation Office has evaluated the structure and operation of the Earth Fund and its presenting its findings at this meeting in Document, GEF/ME/C.39/2, *Review of the Earth Fund*. The Secretariat has prepared a management response in Document GEF/ME/C.39/3.

63. The Secretariat will take the findings of this and Council comments into account and refine its strategy for engaging the private sector during GEF-5, to be presented to the Council for discussion in May 2011. The GEF will also continue to engage the private sector through its regular projects funded under the focal areas.

Cooperation with and Support for Civil Society Organizations

64. The GEF-5 Replenishment negotiations emphasized the positive and influential role that civil society organizations (CSOs) play within the GEF. CSOs engage with the GEF at many levels:

- (a) Through the GEF-NGO Network;
- (b) By participating in national dialogues;
- (c) Through the execution of GEF Small Grants Program projects; and
- (d) By participating in the design, implementation, and co-financing of GEF projects.

65. During GEF-5, the GEF Small Grants Programme (SGP) will continue to be a key mechanism through which the GEF works with CSOs and local communities to deliver global

environmental benefits at the local level. At the end of GEF-4, the SGP had grown to 123 countries and more than 11,000 partnerships with local CSOs and community based organizations (CBOs). During GEF-5, the SGP will expand to new countries, as 13 countries have expressed their interest in joining the SGP. This will help the SGP expand its global reach as an effective mechanism to disburse GEF resources for projects led by civil society and poor and vulnerable communities.

66. A combination of strategic, managerial and financial innovations will be undertaken to build on the previous successes of the program. First, UNDP is requesting that the GEF Council approve \$140 million⁹ in core SGP funding for the GEF-5 period. The decentralized and country-driven nature of the SGP will be sustained through strengthened National Steering Committees and National Focal Groups. Countries receiving core SGP funding may wish to add to their core funding using resources from their STAR allocations. This can be done in accordance with rules adopted by the Council as follows¹⁰:

- (a) Countries with total indicative STAR allocations under \$15 million may allocate a total of \$2.4 million to their SGP programs, with an average of up to \$600,000 per year.
- (b) Countries with total indicative STAR allocations greater than \$15 million will no longer be able to access the SGP's core funding. They will need to finance their projects from their STAR allocations. A maximum cumulative amount of \$3.6 million, with an average up to \$900,000 per year, can be allocated.
- (c) A new country entering the SGP with an indicative STAR country allocation can program a matching amount of STAR funds. For the second year and thereafter, the country will follow the standard guidelines above.

67. Ten mature SGP country programs will be upgraded in GEF-5 and will no longer receive SGP core funding. These upgraded countries will be entitled to submit PIFs requesting up to \$5 million in a first phase to fund their SGP country programs. Each of these projects will be prepared individually and will be presented to Council as part of regular GEF work programs, following the GEF project cycle for full-size projects. They will aim to achieve global environmental benefits through supporting community actions.

68. The Secretariat has developed a proposal to enhance engagement with CSOs as agreed during the GEF-5 replenishment. This is being presented to the Council for its approval at this meeting. (See Document GEF/C.39/10.) The proposed activities will strengthen the GEF's cooperation with CSOs at the local level, in particular, and will explore opportunities to seek better and more effective inputs to GEF policies from CSO partners.

⁹ This total represents a grant for the SGP of \$134.6 million and \$5.4 million in Agency fees.

¹⁰ These rules are outlined in document GEF/C.36/4.

ANNEX 1: RESOURCE PROGRAMMING DURING GEF-4

1. During GEF-4, the GEF provided \$2.87 billion in resources to activities and projects under the GEF focal areas, corporate programs, and themes, summarized in Table 1 below.

Table 1. Resources Programmed in the GEF-4 Period (FY2007 - FY2010)

(US\$ millions)

Focal Area/Theme	FY2007	FY2008	FY2009	FY2010	Total	Percent
Biodiversity	69.51	227.91	426.77	175.71	899.90	31.4%
Climate Change	95.42	186.03	316.74	302.67	900.86	31.4%
International Waters	76.70	116.63	111.93	29.68	334.93	11.7%
Ozone Depletion	0.91	0.82	0.00	19.18	20.91	0.7%
Land Degradation	125.11	68.82	54.90	11.30	260.13	9.1%
Persistent Organic Pollutants (POPs)	31.94	98.11	75.76	60.84	266.66	9.3%
Small Grants Program	110.00	0.00	0.00	0.00	110.00	3.8%
Other Corporate Programs	0.51	7.83	6.03	2.97	17.34	0.6%
Public-Private Partnerships	56.19	0.00	0.00	0.00	56.19	2.0%
Total	566.29	706.16	992.13	602.35	2,866.93	100%

Notes: The FY07 accounts for resources programmed from February 2007 to June 2007 only.

ANNEX 2: RESOURCE PROGRAMMING DURING GEF-5

1. During the GEF-5 period, the GEF expects to program for \$4.25 billion to GEF focal areas and themes as summarized in Table 2 below. These resources will be programmed according to the GEF focal area strategies, which are summarized in the GEF Programming Document included in the *Summary of the Fifth Replenishment Negotiations of the GEF Trust Fund* (Document GEF/C.37/3) and are posted on the GEF website.
2. While GEF-5 donors have pledged \$4.34 billion to the GEF Trust Fund for the GEF-5 period, in the past, exchange rate fluctuations and changes in arrears and deferred contributions have impacted the level of resources that can be programmed in a replenishment period. Resources available for programming cannot be predicted with exact certainty. For this reason, the GEF Secretariat recommends that Council maintain the level of programmed resources (including the corporate budget) at \$4.25 billion and the allocations to focal areas agreed at the final meeting in Paris on May 12, 2010.
3. If by the end of the third year of GEF-5, which ends in June 2013, resources in excess of \$4.25 billion have materialized, or are expected to materialize in the final year, they will be allocated to the GEF focal areas and themes in the same proportions as illustrated in the table in Annex 2. Resources allocated to the biodiversity, climate change, and land degradation focal areas will be programmed through the System for Transparent Allocation of Resources (STAR).

Table 1: GEF-5 Resource Programming Targets

Focal Areas, Themes, and Programs	Programming Targets	
	Amount (US\$ millions)	% of GEF-5 Resources
Biodiversity	1,080	26.2%
Climate Change	1,260	30.5%
International Waters	440	10.7%
Land Degradation	385	9.3%
Chemicals, of which	425	10.3%
<i>Persistent Organic Pollutants</i>	375	9.1%
<i>Ozone Depleting Substances</i>	25	0.6%
<i>Piloting Sound Chemicals Management and Mercury Reduction</i>	25	0.6%
SFM/REDD-Plus Program	250	6.1%
Small Grants Program	140	3.4%
Outreach to Private Sector	80	1.9%
Other Corporate Programs (CSP and Capacity Building)	70	1.7%
Total Focal Areas, Themes, and Programs	4,130	100%
<i>Corporate Budget</i>	120	
Total, including Corporate Budget and	4,250	

ANNEX 3: CORPORATE BUDGET FOR FY11

Corporate Budget for FY11

1. The GEF corporate budget finances the administrative costs of the Secretariat, STAP, the Trustee, and the Evaluation Office. For FY11, the GEF Council approved total corporate budget resources for the four central GEF entities of \$27.16 million. This is funded out of resources from the GEF-4 replenishment.
2. Total corporate budget resources funded out of GEF-4, therefore, are expected to amount to \$94.84 million, as indicated in Table 1 below. This represents 3.3% of total program resources provided by the GEF (\$2.87 billion) during the GEF-4 period.

Table 1: Trends in GEF Corporate Budget during GEF-4

GEF Entities	Corporate Budget for FY08-FY11 (US\$ millions)				
	FY08 (actual)	FY09 (actual)	FY10 (actual)	FY11 (Approved)	TOTAL
Secretariat core budget	11.760	13.093	13.434	18.525	56.812
Secretariat Special Initiative	0.368	0.330	1.403	0.000	2.101
Secretariat Total	12.128	13.423	14.837	18.525	58.912
STAP Total	1.296	1.815	2.108	2.172	7.391
Trustee Core Budget	1.988	2.341	2.801	2.553	9.683
External Audit of GEF Trust Fund	0.115	0.154	0.112	0.168	0.549
Trustee Special Initiative	0.314	0.000	0.150	0.000	0.464
Trustee Total	2.417	2.495	3.063	2.721	10.696
Evaluation Office Total	3.461	4.644	3.791	3.745	15.641
Fourth GEF Assembly	0.000	0.654	1.546	0.000	2.200
Total Corporate Budget	19.302	23.031	25.345	27.163	94.840