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GEF-7 REPLENISHMENT

GEF-7 POLICY AGENDA: ANALYSIS IN SUPPORT OF THE PROPOSED GEF-7 POLICY RECOMMENDATIONS

(PREPARED BY THE SECRETARIAT)

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INTRODUCTION

1. **This paper provides analysis in support of the proposed GEF-7 policy recommendations[1].** It responds to the questions and comments made by Participants at the second replenishment meeting in October 2017 and in subsequent interactions, and it takes into account the latest findings, conclusions and recommendations of the *Sixth Comprehensive Evaluation of the GEF* (OPS6) along with associated evaluations and studies[2].

2. **Consistent with the GEF-7 policy agenda presented at the second replenishment meeting[3], this paper covers broadly the following topics:**

- the System for the Transparent Allocation of Resources (STAR),
- optimizing the use of GEF resources in different countries,
- results,
- partnership,
- operational efficiency and transparency,
- gender, and
- knowledge management.

[1] GEF/R.7/14 *Draft GEF-7 Policy Recommendations.*
[2] GEF/ME/C.53/Inf.01, *Draft Final Report of the Sixth Comprehensive Evaluation of the GEF (OPS6)* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf)
[3] GEF/R.7/06, *Programming Directions and Policy Agenda* (http://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20Programming%20Directions%20and%20Policy%20Agenda%2C%20Second%20Replenishment%20Mee.._.pdf)

Adjusting the System for the Transparent Allocation of Resources for Impact and Country Ownership

3. **The System for the Transparent Allocation of Resources (STAR) will remain in place in GEF-7.** Participants and Observers have voiced strong support for retaining STAR as a basis for allocating resources to countries under the biodiversity, climate change and land degradation focal areas. Several Participants have requested, however, that a larger share of GEF resources be directed to the poorest and most vulnerable countries. In addition, Participants have expressed divergent views as to whether countries should have full flexibility to program their STAR country allocations across the three STAR focal areas. In support of the proposed, GEF-7 policy recommendations on STAR, this section presents analysis on the possible distribution of resources across different groups of countries in GEF-7, and the possible implications of fully flexible country allocations.

Updating STAR for GEF-7

4. **Evaluative evidence suggests that the basic design of STAR remains sound.** The Independent Evaluation Office (IEO), in its November 2017 review of STAR, concludes, *inter alia*, that "[c]ountry allocations under the STAR model are primarily driven by a country's potential to generate global environmental benefits, which is appropriate" and IEO continues to generally endorse the GEF Benefits Index[4].

5. **The Secretariat has completed updates to the input data that underpin STAR[5]**. These updates include the:

- GEF Performance Index: The Project Portfolio Performance Index component has been updated based on project implementation reports submitted by Agencies to the Secretariat and terminal evaluation reports submitted by Agencies to IEO as of June 2016. The Country Environmental Policy and Institutional Assessment indicators as well as the Broad Framework indicators have been updated for 2016 (or latest available) values provided by the World Bank[6].

- The GDP Index has been updated for 2015 (or latest available) values from the World Bank[7].

[4] GEF/ME/C.53/Inf.10, *Review of the System for Transparent Allocation of Resources* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.10_Eval_of%20GEF_System_for_transparent%20alloc_of_Resources_Nov_2017.pdf)

[5] A complete description of the GEF-6 STAR model is provided in GEF/C.46/05/Rev.011, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6* (http://www.thegef.org/sites/default/files/documents/GEF.C.46.05.Rev_.01_Proposal_for_the_System_of_Transparent_Allocation_of_Resources_%28STAR%29_for_GEF-6_May_19_2014_5.pdf)

[6] (https://data.worldbank.org/data-catalog/CPIA)

[7] (https://data.worldbank.org/indicator/NY.GDP.PCAP.CD)

- <u>The GEF Benefits Indices:</u>

  - The climate change GEF Benefits Index has been updated to reflect latest values for greenhouse gas emissions and emissions per GDP as of August 2017, based on data from the World Resources Institute[8], and latest values on forest area as of 2015 from the Food and Agricultural Organization[9].

  - The GEF Benefits Index for biodiversity has been updated in its entirety to reflect the latest available datasets on global biodiversity as of July 2017 (see Box 1).

  - The GEF Benefits Index for land degradation has been updated for latest values on area of land affected, with data from Conservation International, and the proportion of rural population, based on data for 2015 (or latest available) from the World Bank[10]. There have been no changes to data on the proportion of dryland areas.

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8 (http://cait.wri.org/historical/Country%20GHG%20Emissions?indicator[]=Total%20GHG%20Emissions%20Excluding%20Land-Use%20Change%20and%20Forestry&indicator[]=Total%20GHG%20Emissions%20Including%20Land-Use%20Change%20and%20Forestry&year[]=2014&sortIdx=NaN&chartType=geo)

9 The Forest area data was obtained from the Food and Agriculture Organization's *Global Forest Resources Assessment 2015* (http://www.fao.org/forest-resources-assessment/en/)

10 (https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS)

Box 1: Updating the Biodiversity Global Benefits Index

The GEF Benefits Index for biodiversity (GBI BD) comprises a weighted sum of a country's scores for terrestrial biodiversity and marine biodiversity, and provides a relative ranking of countries for meeting the biodiversity objectives of the GEF under the STAR.

With the introduction of STAR, the GBI BD was calculated with data and methodologies drawn from various organizations, including the World Wildlife Fund, Conservation International, the International Union for the Conservation of Nature, Birdlife International, and FishBase. However, due to data limitations, the GBI BD has not been updated since its introduction. In light of recent advances in global biodiversity datasets less affected by variation in the knowledge base across countries and regions, the GEF has worked with the UN Environment World Conservation Monitoring Centre (UNEP-WCMC) to update the underlying global data. The objective was to make maximum use of newly available and scientifically reliable information for a cross-country assessment of biodiversity in order inform the GEF-7 STAR allocation model.

The core of the original methodology was retained, with the delineation of sub-national "country eco-regions" (CECs) for the taxonomic groups covered by the analyses; the scoring of each CEC based on species and threats within these eco-regions; the calculation of a composite score for each terrestrial CEC via a weighted average; and the calculation of a particular realm score by adding these weighted averages.

This previously used methodology was only applicable to the terrestrial component of the GBI BD. Data limitations had constrained the marine component to just using presence/absence information for fish species. One of the major methodological improvements of the Index update, therefore, has been the application of this methodology to the marine component of the GBI BD, significantly improving the reliability of the index in reflecting global patterns or marine biodiversity.

The information base used in the new analysis consists of the most up-to-date and reliable data on the distribution of species, habitats and ecoregion boundaries available on a global scale. This database consists of more 23,000 species and habitat polygons, requiring, for computational reasons, the use of a GIS raster-based analytical approach at a 10km resolution. The raster approach both provided a consistent treatment across all datasets and allowed for the data to be easily summarized at multiple spatial scales (e.g. country, ecoregion and "country-ecoregion" combinations), as opposed to the previous approach where the analysis was conducted at the eco-region level only. This analysis also developed standardized and semi-automated analytical scripts that will facilitate future updates.

Improvements in subsequent GEF cycles could include the incorporation of data on other terrestrial groups, such as plants, and the inclusion of a freshwater biodiversity component when more complete data for freshwater species become available at a global scale.

6. **With the aforementioned updates, the Secretariat is now able to simulate STAR country allocations across the three, proposed GEF-7 financing scenarios:** (i) the "status quo" scenario of USD 4.43bn, as well as (ii) the "national currency" scenario of USD 4.1bn, and (iii) the "increased support" scenario of USD 5bn[11].

7. **Under each of these financing scenarios, STAR country allocations would change from GEF-6.** Changes can be expected for several reasons, including:

[11] GEF/R.7/09 GEF-7 Programming Scenarios and Global Environmental Benefits Targets.

- **Changes in the share of funding allocated to the three STAR focal areas – biodiversity, climate change and land degradation:** In order to meet growing needs in the chemicals and waste focal area, as well as an increase in the non-grant instruments window, each of the proposed financing scenarios would reduce the share of funds available for the three STAR focal areas (see Table 1).

- **Changes in the relative allocation of resources across the three STAR focal areas:** Relative to the other two STAR focal areas, the share of resources allocated to climate change would decline while that to biodiversity and land degradation would increase under each of the proposed financing scenarios. Overall, these changes would impact countries in different ways depending on the composition of their STAR country allocations. (see Table 1)

- **Within the STAR focal areas, changes in the level of funding allocated to focal area set-asides vs. country allocations:** Each of the financing scenarios would see an increase in the share of resources allocated to STAR set-asides from about 15% of the GEF-6 envelope to between 17% and 18% in GEF-7. The proposed increase is driven by higher funding requirements for convention-related reporting obligations under CBD and UNCCD, as well as for the Capacity Building Initiative for Transparency (CBIT).

Table 1: Changes in focal area allocations would impact the size and distribution of STAR country allocations under each of the financing scenarios considered (% of total replenishment target)

	GEF-5	GEF-6	GEF-7 ("status quo")	GEF-7 ("national currency")	GEF-7 ("increased support")
Biodiversity	28.5%	29.2%	31.9%	30.1%	31.7%
Climate change	32.0%	28.4%	19.0%	19.7%	20.1%
Land degradation	9.5%	9.7%	12.0%	11.1%	12.0%
Sub-total for STAR focal areas	**70.0%**	**67.4%**	**62.9%**	**60.8%**	**63.9%**
Chemicals and waste	10.0%	12.5%	14.8%	15.6%	14.2%
International waters	10.4%	10.3%	10.3%	11.1%	10.2%
Non-grant instruments	1.9%	2.6%	4.5%	4.3%	4.8%
Corporate programs	4.9%	4.4%	4.1%	4.5%	3.9%
Corporate budgets	2.8%	2.8%	3.4%	3.7%	3.1%
Grand Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

8. **The Secretariat proposes that the minimum allocation floors be rebalanced to reflect the proposed changes in the relative allocation of resources across the three STAR focal areas.** For GEF-6, two sets of minimum allocation floors were established for each of the three focal areas as follows: one set of floors for least developed countries (LDC), and one for non-LDCs[12]. The Secretariat proposes that the aggregate allocation floors be retained at USD 6 million for LDCs and USD 4 million for non-LDCs, but that the focal area -specific floors be rebalanced as per Table 2. The proposed changes reflect the relative reduction in the climate change focal area allocation, and the increase in funding for biodiversity and land degradation.

Table 2: Rebalancing the minimum allocation floors for GEF-7 (mUSD)

	Non-LDCs		LDCs	
	GEF-6	GEF-7 proposal	GEF-6	GEF-7 proposal
Biodiversity	1.5	2	2	3
Climate change	2	1	3	1.5
Land degradation	0.5	1	1	1.5
Aggregate, minimum allocation floor	4	4	6	6

[12] GEF/C.46/05/Rev.011, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6* (http://www.thegef.org/sites/default/files/documents/GEF.C.46.05.Rev_.01_Proposal_for_the_System_of_Transparent_Allocation_of_Resources_%28STAR%29_for_GEF-6_May_19_2014_5.pdf)

Options to Adjust the Distribution of STAR Country Allocations

9. **With the proposed allocation of resources by focal area, updated STAR input data, and the proposed rebalancing of minimum allocation floors, the distribution of resources across groups of countries would change in GEF-7.** For the purposes of this paper, and in response to Participants' questions and comments, those changes are examined across four groups of countries, which include all 143 countries that received a STAR country allocation in GEF-6:

- **LDCs:** This paper is based on the list of LDCs as at June 2017[13]. Forty-six LDCs have a STAR country allocation in GEF-6.
- **Small island developing states (SIDS) that are not LDCs (hereafter "SIDS"):** The GEF provides funding to 38 SIDS. Nine SIDS are also LDCs and are not included here to avoid double-counting.[14]
- **Upper Middle-Income Countries (UMIC) and High-Income Countries (HIC) that are not LDCs or SIDS (hereafter "UMICs and HICs"):** This paper applies the Fiscal Year 2018 (FY 18) World Bank lending groups[15]. Of the UMICs and HICs that are not LDCs or SIDS, 36 countries[16] had a STAR country allocation in GEF-6.
- **Low Income Countries (LIC) and Lower Middle-Income Countries (LMIC) that are not LDCs or SIDS (hereafter "other countries"):** Based on the World Bank's FY 18 lending groups, this group comprises 32 countries[17] that had a STAR country allocation in GEF-6.

10. **While the magnitude of change would vary depending on the overall size of the replenishment, some trends are evident across all three financing scenarios (see Figure 1).** In particular:

- **UMICs and HICs would receive a smaller share of STAR country allocations.** Under the "status quo" financing scenario, UMICs and HICs would receive 41.5% of all STAR country allocations, compared with 44.6% in GEF-6, and 48.3% in GEF-5. One factor that contributes towards this shift is the decline in the climate change focal area allocation. Compared with biodiversity and land degradation, STAR country allocations for climate change tend to be more concentrated in UMICs and HICs, although considerable variation

[13] (https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf)
[14] (https://sustainabledevelopment.un.org/topics/sids/list)
[15] (https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups)
[16] Albania, Algeria, Argentina, Azerbaijan, Belarus, Bosnia and Herzegovina, Botswana, Brazil, Chile, China, Colombia, Costa Rica, Ecuador, Equatorial Guinea, Gabon, Iran, Iraq, Kazakhstan, Lebanon, Libya, Macedonia, Malaysia, Mexico, Montenegro, Namibia, Panama, Paraguay, Peru, Russian Federation, Serbia, South Africa, Thailand, Turkey, Turkmenistan, Uruguay, Venezuela
[17] Armenia, Bolivia, Cameroon, Congo, Côte d'Ivoire, Egypt, El Salvador, Georgia, Ghana, Guatemala, Honduras, India, Indonesia, Jordan, Kenya, Kyrgyzstan, Moldova, Mongolia, Morocco, Nicaragua, Nigeria, Pakistan, Philippines, Sri Lanka, Swaziland, Syria, Tajikistan, Tunisia, Ukraine, Uzbekistan, Viet Nam, Zimbabwe

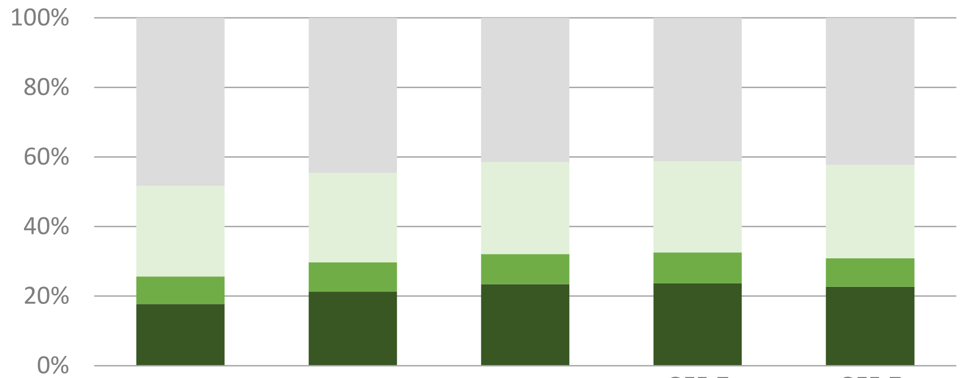
exists across this group of countries[18]. In addition, given that UMICs and HICs have larger allocations than other countries on average, they are less “protected” by minimum allocation floors.

- **LDCs and other countries with smaller allocations would receive a larger share of STAR country allocations under any of the financing scenarios considered.** Under the “status quo scenario”, LDCs would receive 23.4% of all STAR country allocations, compared with 21.4% in GEF-6 and 17.8% in GEF-5. As explained above, much of this change can be attributed to the proposed changes in the allocation of resources among focal areas, in particular the proposed increase in the land degradation allocation. Compared with biodiversity and climate change, STAR country allocations for land degradation are more concentrated in LDCs[19]. A relative increase in land degradation would therefore contribute towards a relative increase for LDCs. In addition, countries with smaller allocations, many of which are LDCs and SIDS, would receive a larger share of STAR country allocations, particularly under the “status quo” and “national currency” scenarios. As fewer resources would be available to the three STAR focal areas, a larger number of countries would be protected by minimum allocation floors.

- **The share of STAR country allocations to LMICs and LICs that are not LDCs or SIDS would remain broadly stable.**

[18] In GEF-6, UMICs and HICs received 48% of STAR country allocations for climate change, compared with 42% of allocations to biodiversity and land degradation.
[19] In GEF-6, LDCs received 33% of STAR country allocations for land degradation, compared with 19% of allocations to biodiversity and climate change.

Figure 1: Under the proposed GEF-7 financing scenarios, the distribution of STAR country allocations across groups of countries would change (share of total STAR country allocations)



	GEF-5	GEF-6	GEF-7 ("status quo")	GEF-7 ("national currency"	GEF-7 ("increased support")
UMICs and HICs	48.3%	44.6%	41.5%	41.2%	42.3%
Other countries	26.1%	25.7%	26.5%	26.2%	26.9%
SIDS	7.9%	8.3%	8.6%	8.9%	8.2%
LDCs	17.8%	21.4%	23.4%	23.7%	22.7%

11. **The STAR formula offers three basic policy 'levers' to shift the distribution of STAR country allocations across different groups of countries:** (i) the weight of the GDP Index, (ii) minimum allocations floors, and (iii) ceilings. Each of these levers was applied in GEF-6. Specifically, with a view to providing "more resources to [LDCs] and [SIDS] in line with the recent guidance from the conventions, while reducing the concentration of resources in a few countries"[20], Participants agreed on the following modifications to the STAR formula:

- **Increasing the weight of the GDP Index from -0.04 to -0.08:** Simulations carried out by IEO as part of its 2017 review of STAR suggest that GEF-6 STAR country allocations to LDCs would have been 4% lower had the weight of the GDP Index not been increased, whereas allocations to SIDS would have been slightly higher by 0.5%[21].

- **Lowering the focal area ceilings to ten percent:** The ceiling for climate change had been 11% in GEF-5. Notwithstanding this adjustment, ceilings continue to impact only one

[20] GEF/C.46/07/Rev.01, *Summary of the Negotiations of the Sixth Replenishment of the GEF Trust Fund* (http://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.07.Rev_.01_Summary_of_the_Negotiations_of_the_Sixth_Replenishment_of_the_GEF_Trust_Fund_May_22_2014_2.pdf)

[21] GEF/ME/C.53/Inf.10, *Review of the System for Transparent Allocation of Resources* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.10_Eval_of%20GEF_System_for_transparent%20alloc_of_Resources_Nov_2017.pdf)

country, and only its climate change STAR allocation. As a result, ceilings continue to have a very limited impact on the distribution of funds across different groups of countries.

- **Increasing the aggregate allocation floor from USD 4 million to USD 6 million for LDCs:** IEO simulations show that raising the floors resulted in a 7.6% increase in LDCs' STAR country allocations, as well as a 5.1% in SIDS given that several SIDS are also LDCs[22].

12. **To further increase the share of STAR country allocations to LDCs, the GDP Index offers an efficient solution.** Table 3 illustrates the impact of further increasing the weight of the GDP index in increments of 0.04, from the current -0.08 to -0.44.

[22] Ibid.

Table 3: Increasing the weight of the GDP Index would shift funds to LDCs (share of total STAR country allocations)

		GEF-5 (GDP = -0.04)	GEF-6 (GDP = -0.08)	**GEF-7 GDP = -0.08**	GDP = -0.12	GDP = -0.16	GDP = -0.20	GDP = -0.24	GDP = -0.28	GDP = -0.32	GDP = -0.36	GDP = -0.40	GDP = -0.44
"Status quo"	LDCs	17.8%	21.4%	23.4%	24.4%	25.3%	26.4%	27.4%	28.5%	29.7%	30.8%	32.1%	33.3%
	SIDS	7.9%	8.3%	8.6%	8.5%	8.5%	8.4%	8.3%	8.2%	8.1%	8.1%	8.0%	7.9%
	Other countries	26.1%	25.7%	26.5%	26.8%	27.1%	27.4%	27.6%	27.8%	28.0%	28.1%	28.1%	28.2%
	UMICs and HICs	48.3%	44.6%	41.5%	40.3%	39.1%	37.9%	36.7%	35.4%	34.2%	33.0%	31.8%	30.7%
"National currency"	LDCs	17.8%	21.4%	23.7%	24.6%	25.5%	26.4%	27.4%	28.4%	29.5%	30.6%	31.8%	32.9%
	SIDS	7.9%	8.3%	8.9%	8.8%	8.7%	8.7%	8.6%	8.5%	8.5%	8.4%	8.3%	8.3%
	Other countries	26.1%	25.7%	26.2%	26.5%	26.8%	27.1%	27.4%	27.6%	27.7%	27.9%	27.9%	28.0%
	UMICs and HICs	48.3%	44.6%	41.2%	40.1%	39.0%	37.8%	36.6%	35.5%	34.3%	33.1%	32.0%	30.8%
"Increased support"	LDCs	17.8%	21.4%	22.7%	23.6%	24.7%	25.7%	26.8%	28.0%	29.1%	30.3%	31.6%	32.8%
	SIDS	7.9%	8.3%	8.2%	8.1%	8.0%	7.9%	7.8%	7.7%	7.6%	7.5%	7.4%	7.3%
	Other countries	26.1%	25.7%	26.9%	27.2%	27.5%	27.8%	28.1%	28.3%	28.4%	28.6%	28.6%	28.7%
	UMICs and HICs	48.3%	44.6%	42.3%	41.0%	39.8%	38.6%	37.3%	36.1%	34.8%	33.6%	32.3%	31.1%

13. **Further increasing the aggregate allocation floors would result in a more rigid and inefficient STAR.** In GEF-6, 90 countries are "protected" by one or more focal area floors, which means their STAR country allocations would have been lower in the absence of minimum floors. Overall, the share of resources allocated to countries as a result of such protection amounts to some seven percent of all country allocations. In GEF-7, both the number of countries and the share of resources protected would increase under the "national currency" and "status quo" scenarios. (Table 4) Accordingly, should floors be increased further, countries' performance and potential to contribute towards global environmental benefits would have a smaller impact on their STAR country allocations, which in turn would risk compromising the relevance and efficiency of the STAR model.

Table 4: An increasing share of countries and resources would be protected by minimum allocation floors in GEF-7[23]

	GEF-6	**GEF-7 ("National Currency")**	**GEF-7 ("Status Quo")**	**GEF-7 ("Increased Support")**
Number of countries at biodiversity floor	80	85	84	73
Number of countries at climate change floor	44	64	60	56
Number of countries at land degradation floor	22	63	53	48
Number of countries at any floor	90	103	101	97
Total share of STAR country allocations "protected" by a floor	**7.1%**	**9.4%**	**7.5%**	**5.9%**

14. **Higher floors could bring increased support to LDCs and SIDS, but similar effects could be achieved more efficiently by increasing the weight of the GDP Index (Table 5).**

[23] The GEF-7 simulations are based on the above proposal to rebalance floors among focal areas (Paragraph 8).

Table 5: Increasing the minimum allocation floors for LDCs could yield similar results as increases in the GDP Index weight, but at the expense of the efficiency

(share of total STAR country allocations)

		GEF-5 (LDC floor = USD 4m)	GEF-6 (LDC floor = USD 6m)	**GEF-7 LDC floor = USD 6m**	LDC floor = USD 7m	LDC floor = USD 8m
"Status quo"	LDCs	17.8%	21.4%	23.4%	24.5%	25.7%
	SIDS	7.9%	8.3%	8.6%	8.6%	8.5%
	Other countries	26.1%	25.7%	26.5%	26.1%	25.6%
	UMICs and HICs	48.3%	44.6%	41.5%	40.9%	40.2%
"National currency"	LDCs	17.8%	21.4%	23.7%	25.1%	26.6%
	SIDS	7.9%	8.3%	8.9%	8.8%	8.7%
	Other countries	26.1%	25.7%	26.2%	25.6%	25.1%
	UMICs and HICs	48.3%	44.6%	41.2%	40.5%	39.7%
"Increased support"	LDCs	17.8%	21.4%	22.7%	23.5%	24.4%
	SIDS	7.9%	8.3%	8.2%	8.1%	8.1%
	Other countries	26.1%	25.7%	26.9%	26.5%	26.2%
	UMICs and HICs	48.3%	44.6%	42.3%	41.8%	41.3%

15. **Lowering the focal area allocation ceilings would have a very limited impact on the distribution of funds across groups of countries.** As noted above, the ceilings, which currently limit any country's focal area allocation to 10% of the total allocation to that focal area, impact only one country in one focal area. Unless brought down very dramatically, those ceilings will continue to impact just one or very few countries, and their effect on the broader distribution of funds would remain marginal. Table 6 illustrates the impact of lowering the ceilings from the current 10%.

Table 6: Lowering the focal area allocation ceilings would have a very limited impact on the distribution of STAR country allocations (share of total STAR country allocations)

		GEF-5 (ceilings = 10% for BD, LD; 11% for CC)	GEF-6 (all ceilings = 10%)	**GEF-7 ceilings = 10%**	ceilings = 8%	ceilings = 6%	ceilings = 4%
"Status quo"	LDCs	17.8%	21.4%	23.4%	23.5%	23.6%	24.1%
	SIDS	7.9%	8.3%	8.6%	8.6%	8.6%	8.8%
	Other countries	26.1%	25.7%	26.5%	26.8%	27.1%	26.2%
	UMICs and HICs	48.3%	44.6%	41.5%	41.1%	40.7%	40.9%
"National currency"	LDCs	17.8%	21.4%	23.7%	23.8%	23.9%	24.4%
	SIDS	7.9%	8.3%	8.9%	8.9%	8.9%	9.0%
	Other countries	26.1%	25.7%	26.2%	26.5%	26.8%	26.0%
	UMICs and HICs	48.3%	44.6%	41.2%	40.8%	40.4%	40.6%
"Increased support"	LDCs	17.8%	21.4%	22.7%	22.8%	22.9%	23.5%
	SIDS	7.9%	8.3%	8.2%	8.2%	8.2%	8.3%
	Other countries	26.1%	25.7%	26.9%	27.2%	27.4%	26.6%
	UMICs and HICs	48.3%	44.6%	42.3%	41.8%	41.5%	41.6%

16. **In summary, even in absence of changes to the STAR formula, the share of STAR country allocations to the poorest and most vulnerable countries would continue to increase.** Among the three levers considered in terms of additional adjustments to the STAR model, increasing the weight of the GDP Index is the most efficient means to shift additional resources to LDCs. Since GEF-4, the GEF has seen a steady increase in the share of funding approvals to LDCs and SIDS, and the share of STAR country allocations to LDCs and SIDS has already increased from 26% in GEF-5 to 30% in GEF-6. Further changes to the STAR formula would have implications for the degree to which STAR allocates resources to the countries with the highest potential to generate global environmental benefits, and should be carefully considered in light of the GEF's broader mandate and comparative advantage.

Enhancing Country Ownership, Strategic Relevance and Scale Through Flexibility

17. **Recipient countries and several Participants have voiced support for the proposal to provide countries with full flexibility to program their STAR country allocations across focal areas.** As pointed out in the previous iteration of the GEF-7 policy agenda[24], and by several Participants at the second replenishment meeting, flexible country allocations would present a number of advantages:

- **Notwithstanding a trend towards more multi-focal area programming, STAR presents a constraint to the design of integrated investments with multiple benefits.** Countries are increasingly combining their focal area -specific allocations into multi-focal area (MFA) projects and programs, whose share has increased from 20% of all funding approvals in GEF-4, to 30% in GEF-5 and more than 50% in GEF-6 as of December 2017. This trend reflects several factors, including the inherent synergies across the three STAR focal areas, the availability of incentives for integrated programming, but also a desire among countries and Agencies to concentrate resources on fewer, larger investments. Notwithstanding the growth of the MFA portfolio, a rigid system of focal area -specific allocations continues to unnecessarily constrain the design of integrated investments. By regulating the use of inputs by focal area, STAR may stand in the way of maximizing outcomes for the global environment.

- **In its current form, STAR would continue to reduce countries' ability to program GEF resources on the most relevant issues and opportunities.** STAR is based on the expectation that each recipient country programs a fixed amount of resources on each of the three STAR focal areas every four years. This expectation fails to recognize that (i) a close alignment with country-driven priorities enhances the relevance, effectiveness and sustainability of GEF projects and programs, (ii) concentrating resources on one or two focal areas could in certain situations represent the most effective use of GEF financing, (iii) GEF projects are routinely implemented across multiple replenishment periods, and (iv) countries may have access to other sources of financing to address some of their priorities under a particular focal area.

- **Flexible STAR country allocations would create a stronger incentive for ministries of finance and planning, as well as line ministries beyond environment, to engage in GEF programming.** Operational experience suggests that the GEF's focal area -specific funding lines are seen as complex and difficult to reconcile with national development policy and planning processes. As a result, in absence of a more flexible funding structure, the GEF may not be well placed to seize opportunities to influence development planning towards more sustainable pathways.

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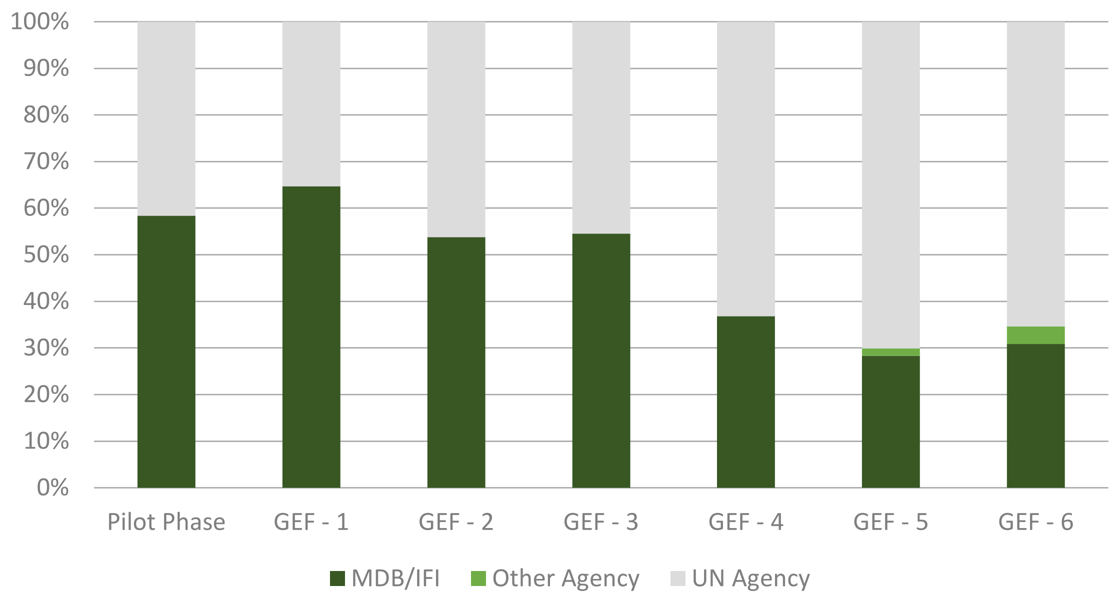
[24] GEF/R.7/06, *Programming Directions and Policy Agenda* (http://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20Programming%20Directions%20and%20Policy%20Agenda%2C%20Second%20Replenishment%20Mee.._.pdf)

- **Flexibility would counteract the fragmentation of GEF resources.** OPS6 argues that the relatively small size of STAR country allocations, particularly when divided among three focal areas, has made the GEF less attractive to certain partners, particularly the multilateral development banks (MDB). It finds that "the country allocations for biodiversity, climate change, and land degradation are relatively small and unattractive for the MDBs to serve as Implementing Agencies", given that "[p]reparation and supervision costs being largely independent of project size, the Agencies assert that the GEF's administrative fee of 9 percent requires projects of $8–$10 million to break even". (See figures 2 and 3) The evaluation further finds that the "GEF's ability to engage the private sector diminished during GEF-4 as a result of the then-introduced Resource Allocation Framework".[25]

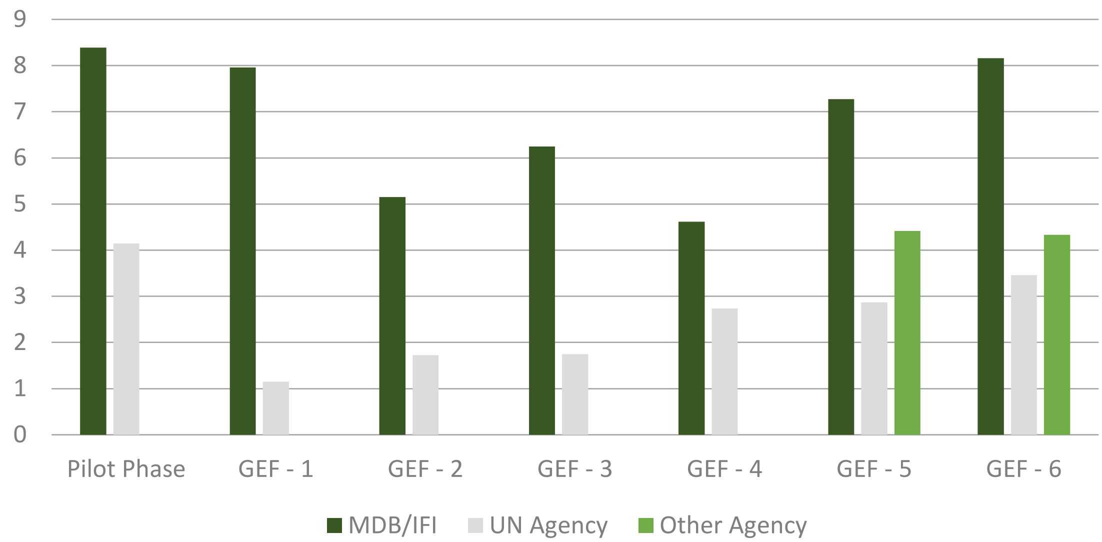
Figure 2: The share of MDBs and other international financial institutions (IFI) in GEF programming declined with the introduction of country allocations in GEF-4 (share of approved GEF project financing towards single-Agency projects by Agency group[26] and replenishment phase, as of November 27, 2017)



[25] GEF/ME/C.53/Inf.01, *Draft Final Report of the Sixth Comprehensive Evaluation of the GEF (OPS6)* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf)

[26] The following groups of Agencies are applied: **MDBs and IFIs** (ADB, AfDB, BOAD, CAF, DBSA, EBRD, IDB, IFAD and the World Bank), **UN Agencies** (FAO, UNDP, UNEP, UNIDO), **Other Agencies** (CI, FECO, Funbio, IUCN, and WWF-US).

Figure 3: The average size of GEF projects has recovered in GEF-6, but evidence suggests that MDBs and IFIs require considerably larger volumes to engage in GEF programming compared with other Agencies (average GEF project financing in mUSD , as of November 27, 2017)



18. **IEO finds that there is growing demand for flexibility, as evidenced by countries' use of the flexibility rules available to them.** As of September 2017, 56 countries had used the flexibility features available to them, suggesting a slight increase from the equivalent point in the GEF-5 replenishment cycle. Demand for marginal adjustments has been particularly high: of countries with STAR allocations between USD 7 million and USD 20 million, 43% had used marginal adjustments as of September 2017, compared with 19% at a comparable point in the GEF-5 cycle. This trend may in part be explained by the fact that marginal adjustments were increased and harmonized in GEF-6[27]. As of September 2017, the total cross-focal area utilization of GEF-6 STAR country allocations was estimated at USD 60 million, with USD 26 million received for activities in climate change, USD 17 million for biodiversity, and USD 17 million for land degradation. Overall, the use of flexibility at the time amounted to an indicative net transfer of USD 10 million from biodiversity to climate change (USD 1.5 million) and land degradation (USD 8.5 million). These changes amount to about 2.5% of all STAR country allocations to land degradation, about one percent for biodiversity, and less than 0.2% for climate change.[28]

[27] In GEF-5, marginal adjustments were introduced across three different bands: up to USD 200,000 for countries with STAR country allocations between USD 7 million and USD 20 million, up to USD 1 million for allocations between USD 20 million and USD 100 million, and up to USD 2 million for allocations exceeding USD 100 million. In GEF-6, a uniform marginal adjustment of USD 2 million was introduced for all countries with allocations exceeding USD 7 million.

[28] GEF/ME/C.53/Inf.10, *Review of the System for Transparent Allocation of Resources* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.10_Eval_of%20GEF_System_for_transparent%20alloc_of_Resources_Nov_2017.pdf)

19. **For the reasons described above, and as proposed in the GEF-7 policy recommendations[29], the Secretariat remains of the view that the GEF should provide all countries with full flexibility to program their STAR country allocations across focal areas.**

20. **Even with fully flexible STAR country allocations, the GEF is expected to retain a meaningful financial footprint in each of the three STAR focal areas.** Some Participants have expressed concern that fully flexible STAR country allocations could risk leaving some focal areas underfunded. To further understand this risk, the Secretariat carried out further analysis of the possible use of funds across the three STAR focal areas. It finds that while full flexibility would introduce uncertainty in terms of the volume of funds used by focal area, the risk of any particular focal area being left severely underserved would be low. This argument is supported by the following observations:

- **GEF investments increasingly deliver multiple benefits across different focal areas, and the GEF contributes towards focal area objectives above and beyond the funding that is directly used in a particular focal area[30].** In climate change, for example, the *Climate Change Focal Area Study* concludes that "activities funded by other focal areas and initiatives, along with MFA projects, are poised to deliver significant global environmental benefits (GHG emission reductions) that may be greater than those achieved by activities financed by the climate change focal area alone"[31]. These cross-focal area contributions are not captured by an accounting approach that traces a unit of GEF investment to just one focal area.

- **Focal area set-asides protect core obligations under the STAR focal areas and associated MEAs:** The STAR focal area allocations include set-asides for convention -related reporting obligations under CBD, UNCCD and UNFCCC, as well as for the Capacity Building Initiative for Transparency (CBIT). These set-asides would amount to between 8% and 10% of the total resources allocated to the three STAR focal areas under the financing scenarios considered, and are not subject to flexibility.

- **GEF-7 would introduce strong incentives for integration.** Under the three financing scenarios, between 10% and 12% of all resources to STAR focal areas would be available to incentivize countries to program their STAR country allocations towards programs with multiple benefits across focal areas. Experience from GEF-6 suggests that there is high demand for incentive funds that can augment countries' STAR allocations: incentives for the sustainable forest management program and the integrated approach pilot programs for sustainable cities and food security have been fully utilized as of November 2017.

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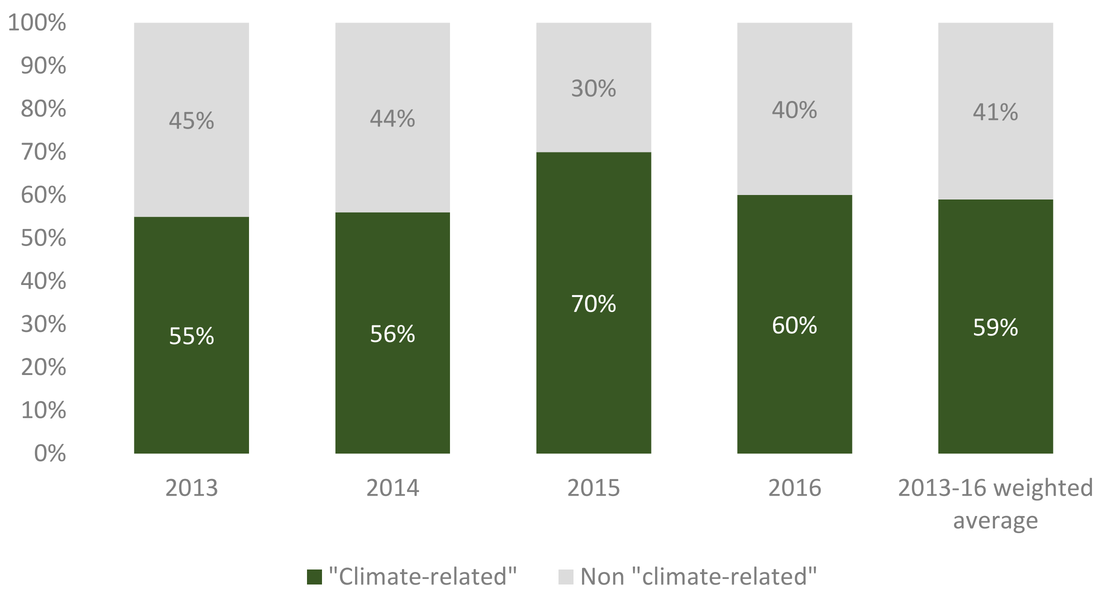
[29] GEF/R.7/14 Draft GEF-7 Policy Recommendations

[30] GEF/ME/C.53/Inf.05, *Evaluation of the Multiple Benefits of GEF Support through Its Multifocal Area Portfolio* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.05_Multiple_Benefits_Nov_2017.pdf)

[31] GEF/ME/C.53/Inf.02, *Climate Change Focal Area Study* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.02_Climate_Change_F_A_Study_Nov2017.pdf)

21. **Beyond the direct use of funds by focal area, evidence shows that GEF investments have considerable cross-focal area co-benefits[32], which will be captured and monitored more effectively in GEF-7 (see also paragraphs 36-37 below).** Since 2013, the Secretariat has applied the OECD Rio Markers for climate change[33] to estimate the total share of GEF funding commitments that contribute towards climate change mitigation or adaptation in a given calendar year. That share has ranged between 55% and 70% (Figure 4), with a weighted average of 59% over the four-year period. Looking forward, and drawing on evidence of cross-focal contributions to climate change mitigation and adaptation in recent years, the Secretariat estimates that the share of "climate-related" financing of all GEF-7 funding commitments would very likely exceed or remain consistent with GEF-6, ranging from 55% to 75% depending on how countries use their STAR allocations. Thanks to the considerable climate change benefits from integrated programs as well as projects and programs financed outside of the climate change focal area (see Paragraph 20 above), the proposed target in terms of tons of CO_2e mitigated is more than double the equivalent target for GEF-6[34].

Figure 4: Between 55% and 70% of GEF funding commitments in recent years have contributed towards climate change mitigation or adaptation (share of total GEF funding approvals towards projects that contribute towards climate change mitigation or adaptation as their principal objective, or as a significant objective, by year of approval)



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[32] See GEF/ME/C.53/Inf.05, *Evaluation of the Multiple Benefits of GEF Support through Its Multifocal Area Portfolio* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.05_Multiple_Benefits_Nov_2017.pdf); and GEF/ME/C.53/Inf.02, *Climate Change Focal Area Study* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.02_Climate_Change_F_A_Study_Nov2017.pdf)
[33] (https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf)
[34] GEF/R.7/09 *GEF-7 Programming Scenarios and Global Environmental Benefits Targets*

22. **The Secretariat will continue to track the use of funds and the global environmental benefits sought by focal area – at the project, program and portfolio levels – as it has in GEF-6.** At the project and program level, GEF templates for project identification forms, program framework documents and requests for CEO Endorsement/ Approval trace each dollar of GEF project financing to a focal area and program. The data provided by Agencies and recipient countries in these forms allows the Secretariat to review funding requests against the funds available in STAR country allocations and set-asides. At the portfolio level, the use of funds against the agreed, ex-ante focal area allocations is reported through the semi-annual Corporate Scorecard[35], as well as in Work Program Cover Notes[36]. In addition to the use of funds, GEF-6 projects report on the expected global environmental benefits sought across ten corporate indicators that capture all five focal areas. Looking forward, the Secretariat will continue to track and regularly report on the use of funds as well as expected benefits by focal area. With an upgraded IT infrastructure, it expects to further enhance the accuracy and timeliness of such reporting in order to keep the Council and other stakeholders appraised of the programming of resources against the agreed, ex-ante funding allocations and results targets[37].

[35] The latest Corporate Scorecard is available in Annex IV of GEF/C.53/03, *Annual Portfolio Monitoring Report 2017* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.53.03_APMR%2BScorecard.pdf)
[36] See e.g. GEF/C.53/13, *Work Program* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.53.13_WP_CoverNote%2BAnnex.pdf)
[37] GEF/R.7/09 *GEF-7 Programming Scenarios and Global Environmental Benefits Targets*

OPTIMIZING THE USE OF GEF RESOURCES IN VIEW OF COUNTRIES' DIFFERENT CIRCUMSTANCES AND CAPABILITIES

23. **Several Participants have requested that the Secretariat explore ways in which the GEF could further tailor its support to countries' different needs, circumstances and capabilities.** At the same time, Participants have expressed strong support for continued GEF engagement in all recipient countries, consistent with global environmental needs, as well as the eligibility criteria established by the GEF Instrument[38] and the multilateral environmental agreements that the GEF serves. This section explores how that could be achieved through higher expectations of financial leverage in targeted, large recipient countries.

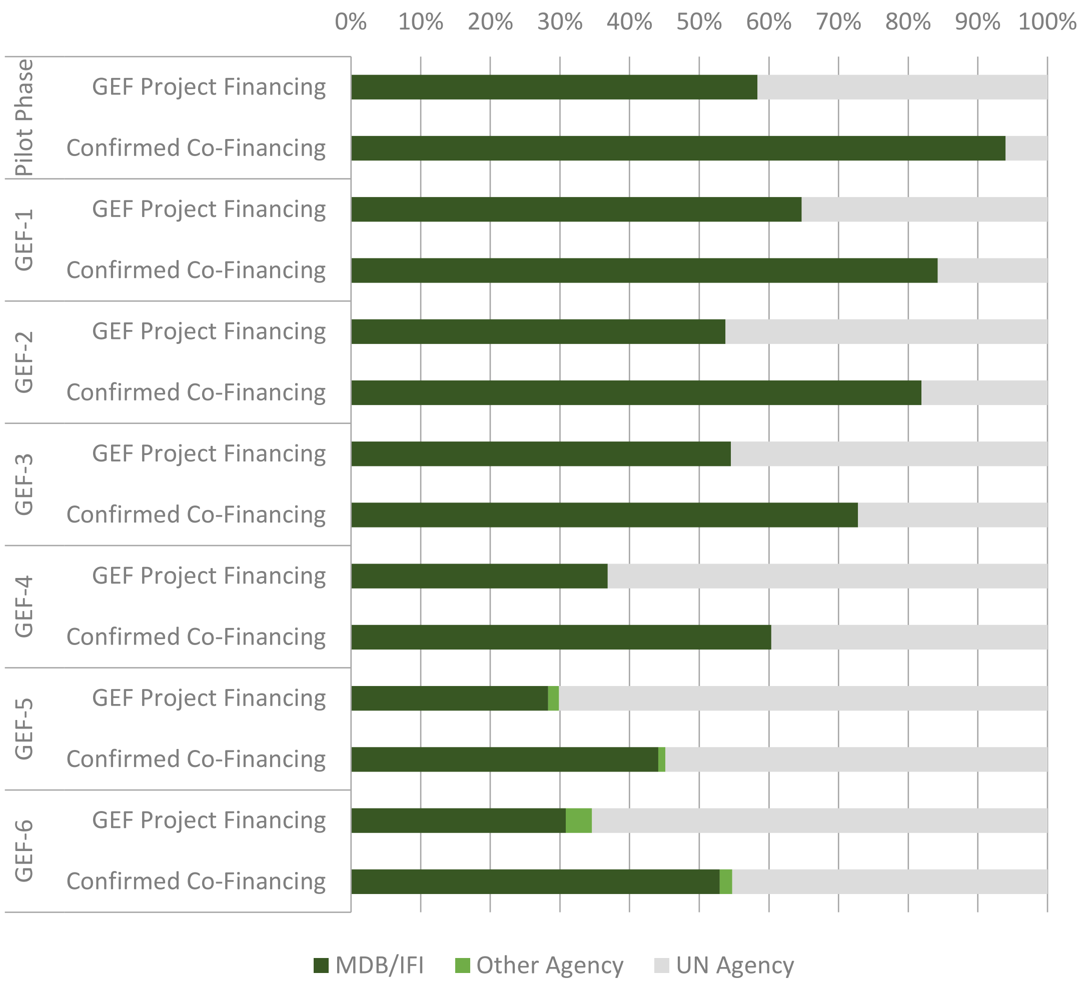
Seeking Higher Financial Leverage and Impact in Large Recipient Countries

24. **Two interrelated trends suggest that there is room for improvement in terms of the GEF's financial leverage: (i) the decline in MDB/IFI engagement, and (ii) the large share of co-financing provided by national and local governments.**

25. **OPS6 argues that the decline in MDB engagement is a concern for the GEF given that the MDBs bring in most of the co-financing associated with GEF projects.** The MDBs and IFIs offer a distinct comparative advantage in their ability to blend GEF financing with larger-scale development investments. Indeed, even as their overall share of GEF programming has declined, the MDBs and IFIs have continued to provide the largest share of co-financing (Figure 5). Beyond direct financial leverage, the MDBs and IFIs are uniquely placed among GEF Agencies to work with ministries of finance and other key institutions at the core of national policy, planning and budgeting processes, and with the private sector.

[38] *Instrument for the Establishment of the Restructured GEF* (http://www.thegef.org/sites/default/files/documents/GEF_Instrument-Interior-March23.2015.pdf)

Figure 5: MDB and IFI engagement has declined, but their projects continue to account for a disproportionate share of co-financing (share of approved GEF project financing and confirmed co-financing in single-Agency projects by Agency group and replenishment phase, as of November 27, 2017)



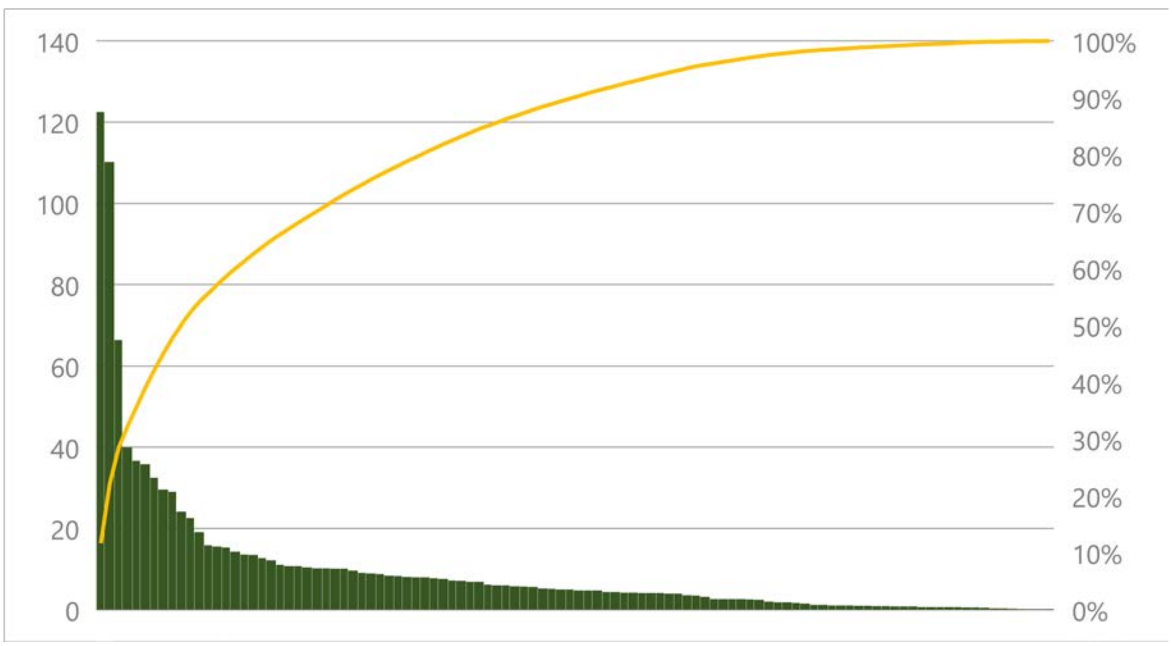
26. **The GEF has seen a steady increase in co-financing ratios since inception, but the share of co-financing from national and local governments is on the rise.** The ratio of confirmed co-financing at CEO Endorsement/ Approval to GEF project financing has increased from 2.4 in GEF-1 to 7.7 in GEF-6 as of November 27, 2017. Co-financing ratios have increased across all Agency groups. At the same time, from the pilot phase to GEF-3, between 65% and 84% of all co-financing has been mobilized from external sources, such as GEF Agencies, other development partners, and the private sector. From GEF-4 to GEF-6, that share has declined to between 52% and 57%. This coincides with the decline in the share of MDBs and IFIs from GEF-4, and indeed those Agencies have consistently mobilized about 70% of their co-financing from sources other than the national and local governments in recipient countries. (Table 7) The increase in government co-financing raises questions regarding the degree to which the GEF is effectively attracting, leveraging, and mobilizing investments in the global environment.

Table 7: There has been a steady increase in co-financing ratios across all Agency groups, but the share of co-financing from governments has increased, particularly since GEF-4 (confirmed co-financing by source at CEO Endorsement/ Approval as of November 27, 2017)

		"External" sources (incl. *inter alia* Agencies, private sector, development partners)		**National and local governments**		**Total**
		confirmed co-financing/ GEF project financing	% of all confirmed co-financing	confirmed co-financing/ GEF project financing	% of all confirmed co-financing	confirmed co-financing/ GEF project financing
Pilot Phase	MDB/IFI	5.1	88%	0.7	12%	5.9
	Multi-Agency	5.7	53%	5.1	47%	10.8
	UN Agency	0.5	100%	0.0	0%	0.5
	All Agencies	**3.3**	**84%**	**0.6**	**16%**	**3.9**
GEF-1	MDB/IFI	2.5	79%	0.7	21%	3.1
	Multi-Agency	1.8	78%	0.5	22%	2.3
	UN Agency	0.6	55%	0.5	45%	1.1
	All Agencies	**1.8**	**75%**	**0.6**	**25%**	**2.4**
GEF-2	MDB/IFI	4.4	74%	1.6	26%	6.0
	Multi-Agency	1.7	79%	0.5	21%	2.1
	UN Agency	0.8	55%	0.7	45%	1.5
	All Agencies	**2.7**	**71%**	**1.1**	**29%**	**3.8**
GEF-3	MDB/IFI	4.2	69%	1.9	31%	6.1
	Multi-Agency	1.8	65%	1.0	35%	2.7
	UN Agency	1.5	56%	1.2	44%	2.7
	All Agencies	**2.8**	**65%**	**1.5**	**35%**	**4.4**
GEF-4	MDB/IFI	6.7	65%	3.5	35%	10.3
	Multi-Agency	4.8	68%	2.3	32%	7.1
	UN Agency	1.5	37%	2.5	63%	3.9
	All Agencies	**3.5**	**56%**	**2.8**	**44%**	**6.3**
GEF-5	MDB/IFI	8.5	74%	3.0	26%	11.5
	Multi-Agency	3.7	71%	1.5	29%	5.2
	Other Agency	3.4	56%	2.7	44%	6.2
	UN Agency	1.9	34%	3.7	66%	5.6
	All Agencies	**3.7**	**52%**	**3.5**	**48%**	**7.2**
GEF-6	MDB/IFI	7.8	70%	3.3	30%	11.2
	Multi-Agency	4.6	51%	4.4	49%	8.9
	Other Agency	1.7	36%	2.9	64%	4.6
	UN Agency	2.4	43%	3.2	57%	5.6
	All Agencies	**4.4**	**57%**	**3.4**	**43%**	**7.7**

27. **With a view to using GEF financing more effectively to attract, leverage, and mobilize investments, Participants may wish to establish higher expectations for financial leverage in selected countries.** Given considerations of project size and countries' different capabilities, needs and opportunities, a starting point could be to target countries whose STAR country allocations exceed a certain threshold, and that are not LDCs or SIDS. If USD 20 million is used, this would translate into 18 countries and 45% of all STAR country allocations under the "status quo" financing scenario. In GEF-6, 21 countries that are not LDCs or SIDS have STAR country allocations that exceed USD 20 million, corresponding to 51% of all STAR country allocations. As of November 27, 2017, these 21 countries have accounted for 54% of funding commitments towards national projects, including projects financed outside of countries' STAR allocations, and 63% of confirmed co-financing at CEO Endorsement/ Approval. (Figure 6)

Figure 6: As evidenced by GEF-6 funding approvals, higher expectations for financial leverage in a small number of appropriately targeted countries can impact a considerable share of GEF resources (GEF-6 funding commitments towards single-country projects at CEO Endorsement/ Approval, by recipient country [left, mUSD] and cumulative share of commitments [right])



28. **To maximize the GEF's ability to attract, leverage, and mobilize investments in targeted countries, there may be a need to introduce a separate measure of financial leverage that would be used alongside the current, broad definition of co-financing.** The GEF's current *Co-Financing Policy* defines co-financing as follows: "[c]o-financing for GEF-financed projects, excluding LDCF and SCCF projects, is defined as resources that are additional to the GEF grant and that are provided by the GEF Partner Agency itself and/or by other non-GEF sources that support the implementation of the GEF-financed project and the achievement of its objectives"

[39]. Resources provided by national and local governments, as well as in-kind co-financing, are included in the definition of co-financing. However, if Participants wish to measure the GEF's ability to attract, leverage, and mobilize investments, an additional measure of financial leverage – which would exclude resources provided by national and local governments, as well as in-kind co-financing – may be required.

29. **This measurement could be introduced along with an indicative portfolio-level target for selected countries with STAR country allocations above a certain threshold, and that are not LDCs or SIDS.** Countries with sufficiently large allocations have more flexibility to ensure that their respective GEF portfolios include projects and programs that leverage investments, in addition to other types of interventions, e.g. projects focusing purely on technical assistance or legal and policy reform.

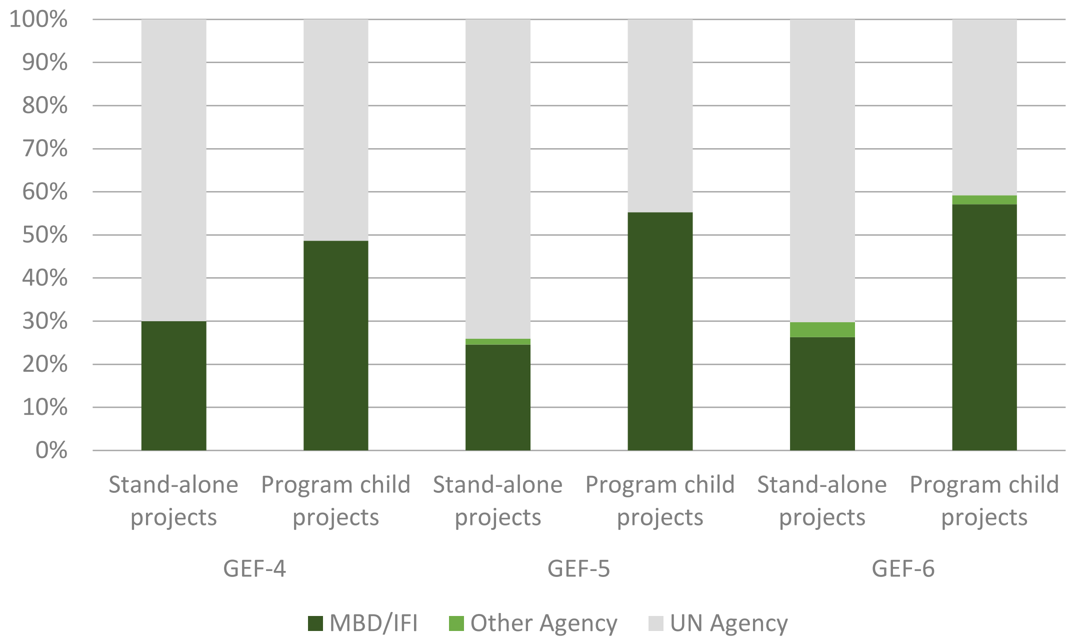
30. **In terms of implementation, an upstream planning process for selected countries could help meet higher expectations for financial leverage.** Experience of country engagement in GEF-6 suggests that a deliberate, strategic dialogue with the Secretariat could contribute towards more focused programming, a better identification of investment opportunities, leading to higher financial leverage across the portfolio. Such a process could be introduced in targeted countries from the onset of GEF-7.

31. **Higher expectations for attracting, leveraging, and mobilizing investments – supported by an upstream strategic engagement process – could contribute towards greater MDB and private sector engagement, and reduced Agency concentration.** OPS6 finds that "the relative predictability of the STAR allocations has enabled UNDP to lock up significant GEF-6 STAR allocations in some countries even before the GEF-6 replenishment period began" and that "[s]uch first-in programming works less well for the MDBs"[40]. Against that backdrop, an upstream planning process with the engagement of key stakeholders at the country level could potentially help reduce the concentration of GEF resources with one or few Agencies. That is also consistent with the observation that programmatic approaches with upstream, multi-stakeholder engagement have seen higher levels of MDB and IFI participation compared with stand-alone projects (Figure 7).

[39] FI/PL/01, *Co-financing Policy* (http://www.thegef.org/sites/default/files/documents/Co-financing_Policy-2014_0.pdf)

[40] GEF/ME/C.53/Inf.01, *Draft Final Report of the Sixth Comprehensive Evaluation of the GEF (OPS6)* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf)

Figure 7: Compared to stand-alone projects, programmatic approaches have seen greater MDB and IFI engagement (share of GEF project financing towards approved program child projects and stand-alone projects, excluding multi-Agency projects, by replenishment phase as at November 27, 2017)



32. **In summary, the Secretariat is of the view that the GEF can set higher expectations for attracting, leveraging, and mobilizing investment in selected countries.** Such an option could allow the GEF to better tailor its engagement with different countries, while remaining a predominantly grant-based institution with a broad global presence. It could also contribute towards reducing the concentration of GEF financing with a small number of Agencies. Should Participants agree, the Secretariat stands ready to elaborate the requisite policy and procedural reforms as well as implementation modalities. These would include (i) an operational definition of financial leverage, to be introduced alongside the current broad measure of co-financing, (ii) an indicative portfolio-level target for selected countries, (iii) steps to operationalize a strategic engagement process in selected countries, and (iv) modalities to monitor and regularly report on the investments leveraged in those countries.

STRENGTHENING TRANSPARENCY, ACCOUNTABILITY, LEARNING AND DECISION-MAKING BASED ON RESULTS

33. **Participants to the GEF-7 process have consistently called for a clearer demonstration of the GEF's value for money based on the global environmental benefits it generates.** Many have noted that the GEF should do more to capture the multiple benefits, including socio-economic co-benefits, of GEF-financed projects and programs, particularly as the GEF invests an increasing share of its resources in integrated, multi-focal area (MFA) approaches. At the same time, some Participants have recognized that the GEF's current monitoring and reporting requirements introduce a considerable burden particularly on MFA projects and programs, and have requested that those requirements be simplified where possible.

34. **While recognizing the progress made in GEF-6, OPS6 finds considerable room for improvement in terms of relevance, quality and use of results information for learning and decision-making.** It concludes that the GEF's results-based management system "has played a strong role in supporting accountability, reporting, and communications", but that "the GEF is still tracking too much information, with little focus on impacts". Moreover, the system in its current form does not support learning, nor does it provide for the demonstration of the added value of programs over stand-alone projects.[41] In a review of the GEF's MFA portfolio IEO also repeats a longstanding recommendation to streamline monitoring and reporting tools in MFA projects and programs[42].

35. **Complementing the presentation of the proposed GEF-7 targets[43], this section describes in further detail the proposed measures to strengthen transparency, accountability, learning and decision-making based on results in GEF-7.** It underpins thereby the proposed, GEF-7 policy recommendation on results[44]. Specifically, the section covers the proposed, GEF-7 results framework and core indicators, and ways to simplify monitoring and reporting at the project and program levels.

Introducing an Upgraded Results Framework for GEF-7

36. **GEF-7 would introduce a more focused corporate results framework with eleven core indicators that span all five focal areas.** Drawing on experience from GEF-6, where projects and programs have reported on their expected global environmental benefits across ten corporate indicators, GEF-7 would introduce an upgraded results framework with eleven core indicators and associated sub-indicators that span all five focal areas (Box 2). The core indicators have been

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[41] GEF/ME/C.53/Inf.01, *Draft Final Report of the Sixth Comprehensive Evaluation of the GEF (OPS6)* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf)

[42] GEF/ME/C.53/Inf.05, *Evaluation of the Multiple Benefits of GEF Support through Its Multifocal Area Portfolio* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.05_Multiple_Benefits_Nov_2017.pdf)

[43] GEF/R.7/09 *GEF-7 Programming Scenarios and Global Environmental Benefits Targets*

[44] GEF/R.7/14 *Draft GEF-7 Policy Recommendations*

developed by the Secretariat in close consultation and collaboration with Agencies and other stakeholders, and incorporating input from Participants and Observers in the GEF-7 process.

37. **The proposed core indicators, along with associated sub-indicators and methodologies, are expected to significantly enhance the GEF's ability to capture, monitor, analyze and report on results.** In particular, the proposed core indicators have been designed with the following advantages in mind:

- **Greater focus on the most relevant outcomes:** The core indicators are outcome-oriented to the extent possible, while being broadly applicable across a range of different types of interventions, and readily aggregable across the GEF portfolio. They are intended to cover the most crucial needs for accountability, learning and decision-making across the GEF Partnership. As such, the core indicators would complement but not replace indicators that may be more specifically tailored to the theory of change of a particular project or program.

- **Stronger incentives, reduced transaction costs to capture, monitor and report multiple benefits:** The core indicators have been designed to be applicable to integrated projects and programs that seek multiple benefits across focal areas. The proposed GEF-7 targets across these indicators are based on the explicit expectation that GEF-7 investments would – more often than not – contribute towards global environmental benefits across multiple focal areas, and that those benefits would be captured and monitored[45].

- **Clarity of definitions and methodologies:** Each core indicator would be accompanied by a clear technical definition and methodological guidance to facilitate consistent application across all projects and programs. Drawing on lessons learned from GEF-6, where definitions and methodologies were not introduced across all corporate indicators for global environmental benefits, GEF-7 guidance would address, *inter alia*, the degree to which the core indicators will capture the direct and indirect benefits of GEF-financed activities.

- **Appropriate disaggregation to support analytical needs and accountability to MEAs:** Unlike the equivalent indicators in GEF-6, the core indicators include a limited number of sub-indicators that allow for an appropriate level of disaggregation of information, as well as the capture of different metrics to facilitate portfolio-level analysis and reporting to the conferences of the parties to the MEAs that the GEF serves.

[45] GEF/R.7/09 *GEF-7 Programming Scenarios and Global Environmental Benefits Targets*

Box 2: Proposed GEF-7 core indicators and sub-indicators

1. **Terrestrial protected areas created or under improved management for conservation and sustainable use (hectares)**
   - Terrestrial protected areas newly created (hectares)
   - Terrestrial protected areas under improved management effectiveness (hectares)[46]

2. **Marine protected areas created or under improved management for conservation and sustainable use (hectares)**
   - Marine protected areas newly created (hectares)
   - Marine protected areas under improved management effectiveness (hectares)

3. **Area of land restored (hectares)**
   - Area of degraded agricultural lands restored (hectares)
   - Area of forest and forest land restored (hectares)
   - Area of natural grass and shrublands restored (hectares)
   - Area of wetlands (incl. estuaries, mangroves) restored (hectares)

4. **Area of landscapes under improved practices (hectares; excluding protected areas)**
   - Area of landscapes under improved management to benefit biodiversity (hectares, qualitative assessment, non-certified)
   - Area of landscapes that meet national or international third-party certification that incorporates biodiversity considerations (hectares)
   - Area of landscapes under sustainable land management in production systems (hectares)
   - Area of High Conservation Value forest loss avoided (hectares)

5. **Area of marine habitat under improved practices to benefit biodiversity (hectares; excluding protected areas)**
   - Number of fisheries that meet national or international third-party certification that incorporates biodiversity considerations
   - Number of Large Marine Ecosystems (LMEs) with reduced pollution and hypoxia

6. **Greenhouse Gas Emissions Mitigated (metric tons of CO_2e)**

- Carbon sequestered or emissions avoided in the AFOLU sector (metric tons of CO_2e)
- Emissions avoided (metric tons of CO_2e)
- Energy Saved (MJ)
- Increase in installed renewable energy capacity per technology (MW) -- repeat for each technology (drop-down list)

7. **Number of shared water ecosystems (fresh or marine) under new or improved cooperative management**
   - Level of Transboundary Diagnostic Analysis and Strategic Action Program (TDA/SAP) formulation and implementation (scale of 1 to 4; see Guidance)
   - Level of Regional Legal Agreements and Regional management institution(s) (RMI) to support its implementation (scale of 1 to 4; see Guidance)

[46] The Secretariat would no longer collect Protected Area Management Effectiveness Tracking Tools (METT). Instead, Agencies would share completed METTs with the UN Environment World Conservation Monitoring Centre (WCMC), which hosts the global database of METTs. Under the proposed sub-indicator, the Secretariat would only collect overall METT scores to determine if management effectiveness has improved.

- Level of National /Local reforms and active participation of Inter-Ministerial Committees (IMC; scale of 1 to 4; see Guidance)
- Level of engagement in IWLEARN through participation and delivery of key products (scale of 1 to 4; see Guidance)

8. **Globally over-exploited fisheries moved to more sustainable levels (metric tons)**

9. **Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials and products (metric tons of toxic chemicals reduced)**
   - Solid and liquid Persistent Organic Pollutants (POPs) and POPs containing materials and products removed or disposed (metric tons/POPs type)
   - Quantity of mercury reduced (metric tons)
   - Hydrochlorofluorocarbons (HCFC) reduced/phased out (metric tons)
   - Number of countries with legislation and policy implemented to control chemicals and waste
   - Number of low-chemical/non-chemical systems implemented particularly in food production, manufacturing and cities

10. **Reduction, avoidance of emissions of POPS to air from point and non-point sources (grams of toxic equivalent gTEQ)**
    - Number of countries with legislation and policy implemented to control emissions of POPs to air
    - Number of emission control technologies/practices implemented

Co-benefits indicator (no target set, just reporting):

11. **Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment**

38. **Few Sustainable Development Goal (SDG) indicators are readily applicable at the level of GEF projects and programs, but each of the proposed core indicators can be mapped to one or more SDG indicators.** Agenda 2030 sets out 17 SDGs, 169 targets and 232 indicators. Most SDG indicators are designed to capture changes at the national or global scale. In contrast, the proposed GEF-7 core indicators would capture project-level outcomes in a form that can be aggregated at the portfolio level. Nevertheless, all core indicators can be mapped to SDGs and their associated targets and indicators, as presented in Table 8. It should be noted, however, that the GEF's potential contribution towards the SDGs is not limited to the outcomes that would be captured through the proposed core indicators.

Table 8: Mapping the proposed, GEF-7 core indicators to SDGs, targets and indicators

Proposed GEF-7 core indicator	Related SDG	SDG target(s)	SDG indicator(s)
1. Terrestrial protected areas created or under improved management for conservation and sustainable use (hectares)	15 - Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	15.1.2 Proportion of important sites for terrestrial and freshwater biodiversity that are covered by protected areas, by ecosystem type
		15.4 By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development	15.4.1 Coverage by protected areas of important sites for mountain biodiversity
2. Marine protected areas created or under improved management for conservation and sustainable use (hectares)	14 - Life Below Water	14.5 By 2020, conserve at least 10 per cent of coastal and marine areas, consistent with national and international law and based on the best available scientific information	14.5.1 Coverage of protected areas in relation to marine areas
3. Area of land restored (hectares)	15 - Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	15.1.1 Forest area as a proportion of total land area
		15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world	15.3.1 Proportion of land that is degraded over total land area
4. Area of landscapes under improved practices (hectares;	15 - Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and	15.2.1 Progress towards sustainable forest management

excluding protected areas)		substantially increase afforestation and reforestation globally	
5. Area of marine habitat under improved practices (hectares; excluding protected areas)	14 - Life Below Water	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution	14.1.1 Index of coastal eutrophication and floating plastic debris density
		14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans	14.2.1 Proportion of national exclusive economic zones managed using ecosystem-based approaches
6. Greenhouse Gas Emissions Mitigated (million tons of CO_2e)	9 - Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	9.4.1 CO_2 emission per unit of value added
7. Number of shared water ecosystems (fresh or marine) under new or improved cooperative management	6 - Clean Water and Sanitation	6.5 By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate	6.5.2 Proportion of transboundary basin area with an operational arrangement for water cooperation
8. Globally over-exploited fisheries moved to more sustainable levels (metric tons)	14 - Life Below Water	14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics	14.4.1 Proportion of fish stocks within biologically sustainable levels
9. Reduction, disposal/destruction, phase out, elimination and avoidance of	12 - Responsible Production and Consumption	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly	12.4.1 Number of parties to international multilateral environmental agreements on hazardous waste, and other chemicals that meet their commitments and obligations in transmitting

chemicals of global concern and their waste in the environment and in processes, materials and products (metric tons of toxic chemicals reduced)		reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	information as required by each relevant agreement
			12.4.2 Hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment
10. Reduction, avoidance of emissions of POPS to air from point and non-point sources (grams of toxic equivalent gTEQ)	12 - Responsible Production and Consumption	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	12.4.1 Number of parties to international multilateral environmental agreements on hazardous waste, and other chemicals that meet their commitments and obligations in transmitting information as required by each relevant agreement
			12.4.2 Hazardous waste generated per capita and proportion of hazardous waste treated, by type of treatment
11. Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment			

Streamlining Results Monitoring and Reporting

39. **With the proposed, GEF results framework, including core indicators and sub-indicators, the GEF would no longer need to collect discrete focal area tracking tools at project approval and during implementation.** As a result, the added cost of GEF-specific monitoring and reporting requirements would be considerably reduced, particularly for projects that pursue global environmental benefits across multiple focal areas.

40. **An upgraded IT platform, the GEF Portal, will enhance the capture, aggregation, analysis and reporting of results information in GEF-7.** The Portal will allow for the direct entry of results information by Agencies, including expected results at Work Program entry and CEO Endorsement/ Approval, and achieved results during implementation and at completion. At the portfolio-level, the new Portal will improve the timeliness and quality of reporting to the Council, MEAs and other stakeholders, and facilitate real-time oversight by the Secretariat and the Council on delivery against agreed targets for global environmental benefits. Over time, the Portal will allow the Secretariat to make live results information available on its external website, and begin publishing data and information on results to the International Aid Transparency Initiative (IATI) Registry[47].

41. **Streamlined monitoring and reporting requirements, and enhanced information management tools would be coupled with improved quality control by Agencies and the Secretariat.** The Secretariat is working with Agencies to put in place a stepwise process for quality control of all results information entered into the new GEF Portal, based on agreed definitions and methodological guidance for the proposed core indicators and sub-indicators.

[47] (https://iatiregistry.org/)

HARNESSING THE STRENGTHS OF A BROAD AND DIVERSE NETWORK OF AGENCIES

42. **At the second replenishment meeting in October 2017 the Secretariat presented updated analysis on the possible need to accredit additional Agencies to the GEF Partnership[48].** The Secretariat concluded at the time that the latest data did not point to a clear need to expand the GEF Partnership so soon after the accreditation of eight new Agencies, and – based on criteria of coverage, efficiency and effectiveness, as well as the quality of engagement across the Partnership – that the potential cost of accrediting a limited number of additional Agencies would appear to outweigh the potential benefits. Whereas most Participants agreed that there was no imminent need to expand the GEF Partnership, several Participants have expressed concerns over the high degree of concentration of GEF resources with a small number of Agencies, and the declining share of MDBs and IFIs of GEF programming. This section presents further analysis on such concentration, and describes the ways in which the proposed GEF-7 programming directions and policy recommendations could contribute towards better harnessing the strengths of the GEF's broad and diverse network of Agencies.

43. **The concentration of GEF resources among Agencies has declined continuously since the inception of the GEF.** As more Agencies have entered the GEF Partnership, concentration levels have declined and competition for resources has increased. Figure 8 illustrates this trend using the Herfindahl-Hirschman Index (HHI)[49], a widely-used measure of market concentration.

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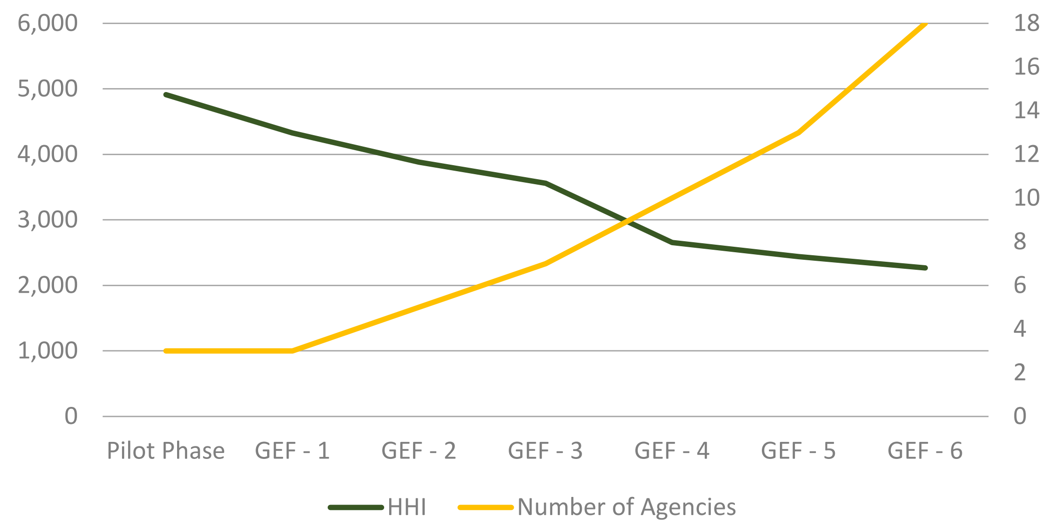
[48] GEF/R.7/06, *Programming Directions and Policy Meeting Agenda* (http://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20Programming%20Directions%20and%20Policy%20Agenda%2C%20Second%20Replenishment%20Mee.._.pdf)

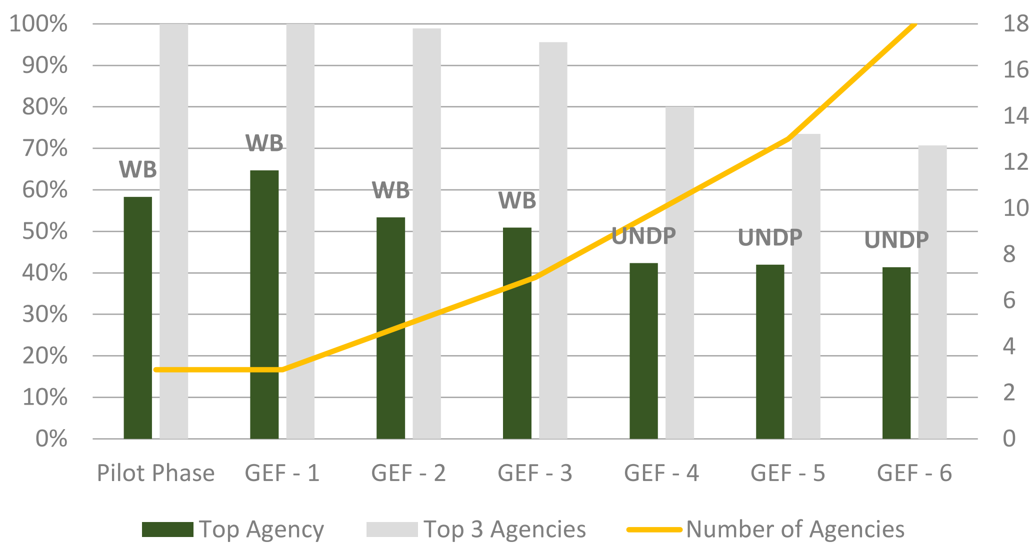
[49] The Herfindahl-Hirschman Index (HHI) is a widely-used measure of market concentration. It ranges in value from 0 to 10,000, with values close to 0 representing nearly perfect competition, and values close to 10,000 representing monopolies.

Figure 8: As more Agencies have joined the GEF Partnership, market concentration has declined (market concentration measured using the Herfindahl-Hirschman Index [HHI, left axis], and the number of Agencies with at least one approved single-Agency project [right axis])



44. **A different measure of concentration suggests that the share of the top Agency of GEF programming has remained unchanged since GEF-4, even as the number of Agencies has nearly doubled.** From the pilot phase to GEF-3, the World Bank accounted for between 50% and 60% of GEF funding approvals towards single-Agency projects. Since GEF-4 UNDP has held the largest share of new approvals, at just over 40%. UNDP, UN Environment and the World Bank have been the top-three Agencies since inception, although their combined share of funding approvals has declined precipitously from 96% in GEF-3 to 80% in GEF-4 and 71% in GEF-6 as of December 2017. (Figure 9)

Figure 9: The share of the top Agency of GEF programming has remained unchanged since GEF-4, even as the number of Agencies has nearly doubled (% of funding approvals towards single-Agency projects as of December 15, 2017 [left axis], and the number of Agencies with at least one approved single-Agency project [right axis])



45. **Looking forward, with the proposed GEF-7 programming directions and policy recommendations, and expanding engagement by the newly accredited GEF Project Agencies, the Secretariat expects that the GEF will be better placed to harness the strengths of its broad and diverse network of Agencies, with a resulting decline in concentration.** Specifically, the following will contribute towards a more vibrant Partnership moving forward:

- **Greater use of programmatic approaches:** As discussed above, programmatic approaches have consistently seen higher levels of MDB and IFI participation than stand-alone projects (see Paragraph 31). The proposed, GEF-7 Impact Programs, as well as some of the other, key programming areas would be delivered primarily through programmatic approaches[50].

- **Higher expectations for attracting, leveraging, and mobilizing investments supported by a strategic engagement process:** Evidence shows that MDBs and IFIs continue to account for a disproportionate share of the investments leveraged through GEF support (see paragraphs 25-26 above). In order to meet higher expectations for financial leverage, selected countries would need to work with the Agencies best placed to deliver such leverage. A deliberate, strategic dialogue, carried out early in the replenishment cycle, could help identify the most appropriate Agencies for a particular project or program, based on their comparative advantage, and help avoid a situation where first-movers

[50] GEF/R.7/15 Draft Programming Directions

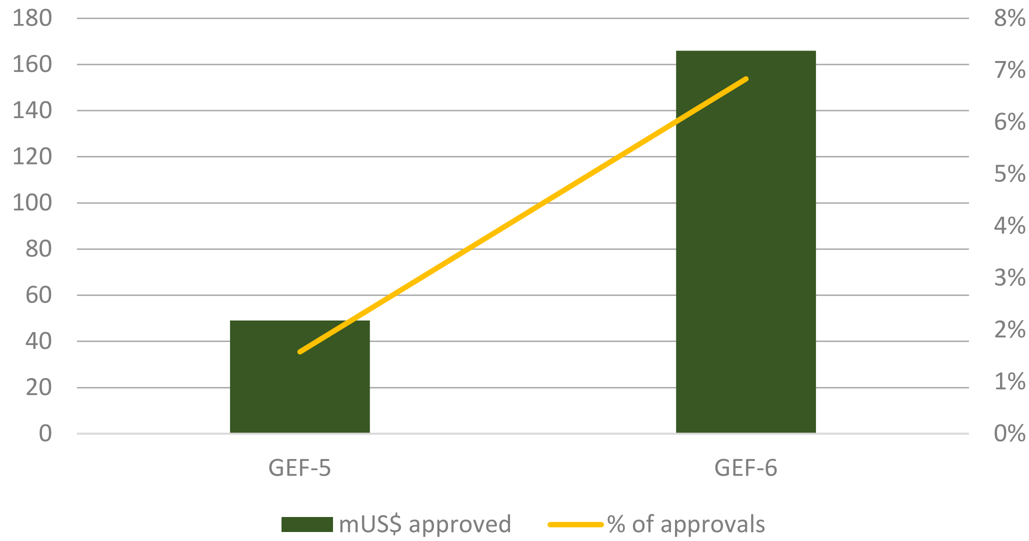
would "lock-in" countries' STAR allocations even before the onset of the GEF-7[51] (see paragraphs 30-31 above).

- **Fully flexible STAR country allocations and reduced fragmentation:** As discussed above, full flexibility would counteract the fragmentation of GEF resources, and make GEF more attractive to all Agencies – particularly the MDBs and IFIs (see Paragraph 17 above).

- **Growing share of newly accredited GEF Project Agencies:** From GEF-5 – when only few of the new Agencies were able to participate in programming – to GEF-6 as of December 2017, the share of the new GEF Project Agencies has increased from about 1.6% to about 6.8% of all funding approvals towards single-Agency projects (Figure 10). These Agencies can be expected to play an even larger role in the future, particularly with the increasing participation of Agencies such as BOAD, CAF and FECO, which have demonstrated capacity of managing large portfolios of projects.

[51] GEF/ME/C.53/Inf.01, *Draft Final Report of the Sixth Comprehensive Evaluation of the GEF (OPS6)* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf)

Figure 10: The newly accredited GEF Project Agencies have more than quadrupled their share of funding approvals in GEF-6, with much more room to grow (funding approvals towards single-Agency projects in mUSD as of December 15, 2017, and share of total)



46. **The Secretariat remains of the view that the GEF should aim to maintain a level playing field for all Agencies.** In other words, the Secretariat does not see a need to introduce any form of preferential treatment of one group of Agencies over another. Accordingly, there may be a need to harmonize the rules and requirements for the new, GEF Project Agencies with those that apply to other Agencies. Moreover, as per current policy, countries should remain able to select the Agencies they wish to work with, and the choice of Agency should be grounded in that Agency's comparative advantage to carry out the proposed project or program. The introduction of a predetermined resource allocation to a selected group of Agencies would cause further complexity, rigidity and inefficiency, and it would not guarantee the most efficient programming of resources from countries' viewpoint. The Secretariat stands ready to continue to engage in a dialogue with both Agencies and countries to identify any issues that might prevent the GEF from fully harnessing the strengths of its broad and diverse network of Agencies, and to bring such issues to the Council's attention along with possible policy options to address them.

Enhancing the Operational Efficiency and Transparency of the GEF

47. **Participants and Observers have called for further steps to enhance the efficiency, effectiveness, and transparency of GEF operations and business processes.** Building on the analysis presented at the first and second replenishment meetings, as well as the *Annual Portfolio Monitoring Report*[52] presented to the Council in November 2017, this section discusses forward-looking options to enhance operational efficiency and transparency in GEF-7, based on on-going consultations with Agencies. As per the proposed policy recommendation on operational efficiency and transparency[53], the Secretariat stands ready to bring specific recommendations for Council review and decision early in the GEF-7 cycle, drawing on the options presented here and other measures that may be identified in further consultations.

Reviewing GEF Policies and Guidelines to Accelerate the Preparation and Implementation of GEF Projects and Programs

48. **The Cancellation Policy[54] is currently the only GEF policy that addresses the speed of project preparation, and the speed of implementation is not addressed in any policy.** As presented in previous iterations of the proposed, GEF-7 policy agenda, evidence shows that the 2015 Cancellation Policy has contributed towards faster project preparation, but most projects continue to fall short of the GEF's standards for the time elapsed from Council/ MSP PIF Approval to CEO Endorsement/ Approval. In terms of the time from project submission to Work Program entry, CEO Endorsement/ Approval to first disbursement, and first disbursement to the submission of mid-term reviews and terminal evaluations, available evidence suggests considerable room for improvement in terms of speed.

49. **The Secretariat, in close consultation and collaboration with Agencies, is exploring a range of policy measures to enhance operational efficiency as well as the speed and quality of the preparation and implementation of GEF projects and programs.** These include, *inter alia*:

- **Expanding the scope of the 2015 Cancellation Policy:** Following the logic of the cancellation rules established in the current policy, a revised policy could review the deadlines for the submission of project documents for CEO Endorsement/ Approval to encourage even faster preparation, and it could address the time elapsed from submission to actual CEO Endorsement/ Approval. In addition, whereas the decision whether to cancel or suspend a project after CEO Endorsement/ Approval rests with the Agency, clearer rules could be established to allow recipient countries or the Secretariat to initiate the cancellation of projects that fail to meet agreed implementation milestones, such as the submission of a mid-term review.

[52] GEF/C.53/03, *Annual Portfolio Monitoring Report 2017* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.53.03_APMR%2BScorecard.pdf)
[53] GEF/R.7/14 *Draft GEF-7 Policy Recommendations*
[54] OP/PL/01, *Cancellation Policy* (http://www.thegef.org/sites/default/files/documents/Cancellation_Policy_June_2015_0.pdf)

- **Incentivizing higher performance through the payment of Agency fees in tranches based on agreed preparation and/or implementation milestones:** The current policy on the project and program cycles provides for the transfer of 40% of Agency fees for full-sized projects and programmatic approaches at Council Approval and the remaining 60% at CEO Endorsement[55]. To incentivize faster project preparation and implementation, fees could be paid in tranches upon evidence that agreed preparation and implementation milestones, such as the submission of a project implementation report or mid-term review, have been met.

- **Establish fit-for-purpose business standards for Agencies and the Secretariat for project and program processing, and monitor performance:** The business standards for the Secretariat's review and processing of PIFs, program framework documents and Requests for CEO Endorsement/ Approval, and Agency responses to Secretariat comments could be reviewed to encourage more timely processing of certain routine tasks. Performance against such business standards could be monitored and reported through the new GEF Portal.

- **Link Agencies' performance to new funding decisions:** Current policy does not make such a link. To incentivize more efficient and effective project preparation and implementation, Agencies' performance in preparing and implementing already-approved projects and programs could be considered in new funding decisions, and certain funding requests could be denied where agreed performance standards have not been met.

50. **It is important to recognize that the above measures are still being assessed in terms of their possible costs and benefits.** This assessment requires further consultation with Agencies and other stakeholders. Any policy or procedural changes to accelerate project preparation and implementation should also be reviewed for coherence with the final, GEF-7 programming directions, as well as policy recommendations in other areas.

Improving the Flow of Data and Information on Operational Performance

51. **Notwithstanding the need to review GEF policies and guidelines, progress in operational efficiency will require considerable improvements in the flow of data and information on operational performance.** Analysis carried out for the first and second replenishment meetings, as well as the *Annual Portfolio Monitoring Report*[56] suggests that there is significant scope to enhance the relevance, quality and timeliness of data and information collected at the project level, and the use of such data for portfolio-level analysis, reporting and decision-making.

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[55] OP/PL/01, *Project and Program Cycle Policy* (http://www.thegef.org/sites/default/files/documents/Project_Program_Cycle_Policy_OPPL01.pdf)

[56] GEF/C.53/03, *Annual Portfolio Monitoring Report 2017* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.53.03_APMR%2BScorecard.pdf)

52. **Project- and program-level reporting should be based on clearer and more consistent requirements supported by commonly agreed metrics and definitions.** Possible improvements in this respect include, *inter alia*:

- Require all projects, at CEO Endorsement/ Approval, to provide expected dates for implementation start, first disbursement, completion and, where applicable, mid-term review submission;
- Require all projects to report annually on progress against commonly agreed metrics for operational efficiency and effectiveness, such as the disbursement of GEF project financing, and performance ratings towards project development objectives achievement and implementation progress;
- Monitor performance against expected implementation milestones and other efficiency metrics and make performance information available to the Council and the general public, at regular intervals or in real time.

53. **The new GEF Portal will enable a faster processing of GEF projects and programs, as well as enhanced oversight of operational performance (see also Paragraph 40 above).** In terms of processing, the GEF Portal will introduce a streamlined work flow between Operational Focal Points, Agencies, the Secretariat, STAP and the Council. It will ensure that key data on operational performance are captured across all projects in a consistent format, and that such data can be easily aggregated, analyzed and reported to support oversight and decision-making. Through features such as automated alerts the GEF Portal will keep the Secretariat and Agencies appraised of projects or programs that require management attention.

Strengthening Agency Systems for Oversight and Management

54. **Discussions with Agencies suggest that there is considerable variance across the Partnership in terms of oversight of GEF-financed projects and programs, with untapped opportunities for knowledge sharing and learning.** The Secretariat and Agencies will continue to encourage the sharing of knowledge and lessons learned across the Partnership, as well as voluntary measures by Agencies to enhance their own systems for project, program and portfolio oversight and management.

OPERATIONALIZING A GENDER-RESPONSIVE APPROACH

55. **With the approval of a new *Policy on Gender Equality*[57] in November 2017, GEF-7 will mark the operationalization of a more ambitious, gender-responsive approach across GEF operations.** The new policy translates into concrete mandatory requirements the GEF's ambition to shift from a gender-aware, "do no harm" approach to a "do good", gender-responsive approach. It requires a gender analysis as part of project design, which is key to ensuring that GEF projects are designed with a better understanding of gender differences, roles and needs, and can identify opportunities to address gender gaps critical to the achievement of global environmental benefits. The policy also provides for improved monitoring, reporting and learning of gender-responsive measures carried out in GEF-financed projects and programs.

56. **The new policy responds to the recommendations of IEO's *Evaluation of Gender Mainstreaming in the GEF*[58], which were endorsed by the Council in May 2017.** The evaluation recommended, *inter* alia, that the GEF consider a revision of its 2011 *Policy on Gender Mainstreaming*[59] to better align with international best practice standards and to clarify the respective roles and responsibilities of the Agencies and the Secretariat. The new policy also reflects the increased attention to gender equality and women's empowerment by the conferences of the parties to the multilateral environmental agreements (MEAs)[60] that the GEF serves. Recent decisions have underscored the important role that women play in the realization of convention objectives, and they have called for specific actions to ensure that gender equality, including women's empowerment, is addressed when pursuing these objectives.

57. **Overall, the new *Policy on Gender Equality* is responsive to the feedback received from Participants and Observers in the replenishment process, and it provides a solid foundation for a forward-looking strategy on gender for GEF-7.** The strategy will take forward the gender-responsive approach on which the policy is based, including by:

- **Proactively seizing opportunities to enhance the GEF's positive impact on the global environment through measures that promote gender equality and women's empowerment:** In GEF-7 programming areas where the linkages between environmental degradation and gender inequality are particularly relevant, the Secretariat will invest in

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[57] GEF/C.53/04 (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.53.04_Gender_Policy.pdf)
[58] GEF/ME/C.52/Inf.09, (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.52_Inf.09_Gender_May_2017.pdf)
[59] SD/PL/02 (http://www.thegef.org/sites/default/files/documents/Gender_Mainstreaming_Policy-2012_0.pdf)
[60] United Nations Convention to Combat Desertification (UNCCD) articles 5, 10 and 19 and Article 8 of the Annexes on Africa, the Gender Action Plan (Decision 30/COP.13) as well as COP decisions 9/COP.10, 9/COP.11; Convention on Biological Diversity (CBD) decisions IX/8, X/19, XI/2, XIII/1, and the CBD 2015-2020 Gender Plan of Action, decision XII/7; Stockholm Convention on POPs articles 7, 10 and the Gender Action Plan of the Secretariat of the Basel, Rotterdam and Stockholm Conventions (BRS-GAP); BC-13/20, RC-8/13, SC-8/23 of the BRS Conventions; United Nations Framework Convention on Climate Change (UNFCCC) decisions 36/CP.7, 1/CP.16, 23/CP.18, 18/CP.20, D 1/CP.21 (Paris Agreement), 21/CP.22 and over 50 other decisions or mandates related to gender, women or socially responsible policy.

greater upstream engagement and analysis to ensure that such linkages are addressed in project and program design and implementation.

- **Fostering continued, close collaboration with the multi-stakeholder GEF Gender Partnership to share lessons learned, build capacity, and deliver better results:** The GEF Gender Partnership has emerged as an effective platform for cooperation and learning on gender and the environment[61] and currently includes gender experts from Agencies, MEA secretariats, as well as other environmental finance providers and stakeholders. The GEF Gender Partnership will continue to play an important role in the process to develop guidelines for the new policy, and to formulate the complete GEF-7 strategy and action plan on gender. In addition, the GEF Gender Partnership is expected to contribute towards capacity development and knowledge sharing on gender within the Secretariat and across the broader Partnership.

- **Strengthening the delivery, capture and reporting of progress and results on gender:** The GEF-6 results framework on gender[62] provided important information related to GEF's progress on mainstreaming gender, but it primarily encouraged "box checking" rather than monitoring or reporting on the quality of interventions, or gender results. Monitoring in GEF-6 focused broadly on whether projects were 'gender-informed' at the design stage, but it did not help track compliance with the 2011 policy[63], or catalyze actions to promote gender equality and the empowerment of women in support of the GEF's mandate to achieve global environmental benefits. In line with the new policy, an upgraded system is needed to more effectively (i) ensure policy compliance and implementation; (ii) prompt considerations on gender early in the project cycle, and throughout implementation; and (iii) capture portfolio results across key dimensions of gender equality. As such, it is envisaged that a gender tagging system will be introduced in GEF-7, as part of the launch of the new GEF Portal, to help enforce compliance, catalyze action and improve reporting across key gender equality results areas, including control over natural resources, access to benefits and services, as well as participation in decision-making and planning processes related to the environment.

58. **As per the proposed, GEF-7 policy recommendations[64], the forward-looking strategy on gender, along with a time-bound action plan, will be completed by July 2018.** The strategy and action plan will be developed in close consultation with Agencies and the GEF Gender

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[61] See also GEF/ME/C.52/Inf.09, *Evaluation of Gender Mainstreaming in the GEF* (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.52_Inf.09_Gender_May_2017.pdf)

[62] GEF/C.47/09/Rev.01, *Gender Equality Action Plan* (http://www.thegef.org/sites/default/files/council-meeting-documents/25_EN_GEF.C.47.09.Rev_.01_Gender_Equality_Action_Plan_1.pdf)

[63] While the IEO's *Evaluation of Gender Mainstreaming* (GEF/ME/C.52/Inf.09) suggests that GEF is making progress in terms of attention to gender since the adoption of the 2011 *Policy on Gender Mainstreaming*, it revealed that very few projects conducted gender analyses, despite it being one of the minimum requirements of the Policy. The Evaluation found, for example, that only 13.9 percent of MSP/FSP projects part of the quality-at-entry review and 15.7 percent of completed projects reviewed had completed a gender analyses.

[64] GEF/R.7/14 *Draft GEF-7 Policy Recommendations*

Partnership, and they will include concrete entry points and actions to address gender equality in the context of the GEF-7 programming directions as well as other, on-going institutional and policy reforms. Possible priority areas for action include:

- **Monitoring and accountability:** This includes a gender tagging system that will allow the GEF to better track and report on progress, performance and results on gender, with additional attention to qualitative reporting.

- **Knowledge management, learning and communication:** The strategy and action plan will set out targeted measures to strengthen learning and knowledge sharing on gender across the GEF Partnership, including by leveraging the expertise and experience of the GEF Gender Partnership.

- **Capacity development:** This includes measures to strengthen competencies and technical expertise on gender among Secretariat staff and key partners, including efforts to leverage national, regional and global outreach events.

- **Collaboration on gender with the MEAs and other environmental financial providers**: The strategy and action plan will provide for continued responsiveness to decisions on gender, as well as enhanced knowledge sharing, harmonization and collaboration with other environmental finance providers.

Leveraging the GEF's Knowledge Assets for Greater Efficiency, Effectiveness and Impact

59. **Knowledge is a primary asset of the GEF Partnership and supports its strategic objectives.** Thanks to a diverse portfolio of projects and programs that include pilots, demonstrations, innovative instruments and unique integrated approaches, as well as an extensive network of partners, the GEF is in a unique position to facilitate the capture, transfer and uptake of lessons, expertise and best practice to more effectively address global environmental challenges and influence decision-making regarding the global environment.

60. **Participants and Observers have agreed that the GEF should continue its efforts to strengthen its knowledge management (KM) systems and practices, in conjunction with efforts to improve the GEF's results architecture and information management system.** Further work will build on important advances made in GEF-6. Participants to GEF-6 recommended that the GEF (i) improve the uptake of lessons learned in its projects and programs through the establishment of a learning platform, and (ii) develop a comprehensive work plan for building a KM system "to improve the GEF partnership's ability to learn by doing and thereby, enhance its impact over time". As a follow-up, the Council approved a KM approach paper[65] in June 2015, which lays out steps to put in place systematic KM processes that would support the generation, use and dissemination of knowledge within the GEF. Accordingly, the Secretariat created an internal KM team in September 2015 and constituted a multi-stakeholder KM Advisory Group to act as an informal sounding board and provide guidance on KM.

61. **The Secretariat has been implementing the action plan included in the KM Approach Paper and has also undertaken a KM Audit and developed a *KM Roadmap* for the GEF, which outlines the gaps, opportunities, and key steps to strengthen KM across the GEF Partnership by improving (i) information capture, management and sharing, and (ii) collaboration and learning across the Partnership.** In this context, the Secretariat has designed and implemented regional GEF Knowledge Days, a country-level knowledge sharing activity with field visits to GEF-financed projects. These visits feature Learning Stations, a knowledge exchange technique developed by the GEF to facilitate on-site experiential and peer-to-peer learning. To date, 26 GEF Knowledge Days have taken place, reaching more than 2,000 participants from 120 countries. The Secretariat has also created a Knowledge and Learning Page on its website and launched GEF KALEO, a web-based knowledge sharing tool that uses machine learning to provide GEF stakeholders with quick access to information on operations and institutional matters. Furthermore, the Secretariat, in collaboration with Agencies, has developed a practical and results-focused planning guide on knowledge exchange. This guide presents tools and techniques for effective knowledge exchange in GEF projects and highlights a variety of GEF case studies and best practice examples of knowledge sharing for enhanced global environmental impact. Based on this guide, the Secretariat has also organized 13 regional training sessions on the Art of Knowledge Exchange, reaching stakeholders from more than 120 countries.

[65] GEF/C.48/07/Rev.01 (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.48.07.Rev_.01_KM_Approach_Paper.pdf)

62. **Knowledge management supports corporate decision making and portfolio management by building a comprehensive body of evidence, lessons learned, and good practices from GEF investments based on results data, monitoring reports and evaluations.** In line with the GEF's *Monitoring and Evaluation Policy*[66], the Secretariat has established monitoring requirements at project, program and portfolio levels, introduced KM requirements at PIF and CEO Endorsement stages, and is taking the lead in developing a KM system that uses GEF results and monitoring data as a basis. In addition, the Secretariat, with guidance from the GEF KM Advisory Group, is working to develop KM guidelines for agencies to follow throughout the project cycle, to integrate specialized KM components into the GEF Portal for capture, search and analysis of lessons, best practice and knowledge products generated by GEF projects, and to identify options for an IT-based GEF Knowledge and Learning Platform that would be functional in GEF-7, serving as a collaborative hub for GEF stakeholders, linking the various knowledge sharing platforms and networks created by GEF investments. The Secretariat is also working to develop a curriculum of e-learning modules to enhance learning across the GEF Partnership by providing stakeholders virtual access to training on key GEF policies, procedures and programming directions.

63. **The GEF's objective for further enhancing KM in GEF-7 is to operationalize and fully utilize a Knowledge and Learning Platform to support evidence-based decision-making across the Partnership, and to facilitate the capture, customization and sharing of information on results, best practices and lessons learned from GEF-financed projects, especially in support of the proposed Impact Programs.** For GEF-7, the key focus of the Secretariat's KM work would be to: (i) operationalize and implement an IT-based GEF Knowledge and Learning Platform, in collaboration with GEF partners, to facilitate the capture, curation, analysis and sharing information on best practices and lessons learned from GEF-financed projects and programs; (ii) strengthen and expand communities of practice and upstream strategic communications to facilitate learning and behavioral change, especially in the context of the proposed GEF-7 Impact Programs; (iii) develop and implement a GEF Knowledge Repository and a document management system for GEF knowledge products; and (iv) more systematically integrate knowledge capture, dissemination and learning into GEF project design, implementation and reporting.

[66] (http://www.thegef.org/sites/default/files/documents/ME_Policy_2010_0.pdf)