



GEF/R.6/21
November 20, 2013

Third Meeting for the Sixth Replenishment of the GEF Trust Fund
December 10-12, 2013
Paris, France

GEF-6 POLICY RECOMMENDATIONS

(Prepared by GEF Secretariat)

TABLE OF CONTENTS

Introduction.....	1
Background.....	1
Policy Recommendations.....	2
Differentiation.....	3
Updating the STAR.....	3
Seeking Higher Levels of Co-financing	3
Greater Emphasis on Non-grant Instruments.....	4
Improving Efficiency of the Project Cycle	4
Enhancing Engagement with the Private Sector	4
Enhancing Gender Mainstreaming	5
Strengthening the Results-Based Management and Knowledge Management Systems	5

INTRODUCTION

1. Informed by the *Fifth Overall Performance Study of the GEF (OPS5)*,¹ including the *Management Response*,² the *Strategic Positioning for the GEF*,³ and *GEF-6 Programming Directions*,⁴ this document contains the policy recommendations developed for GEF-6 by the Participants in the replenishment process.

BACKGROUND

2. Participants emphasize the critical role played by the GEF as a multi-lateral, multi-thematic, multi-convention financial mechanism that provides assistance to developing countries to generate global environmental benefits. Through its more than two decades of operations, the GEF has established a track-record of partnering with recipient countries to deliver concrete results on the ground in the different focal areas and themes under its mandate.

3. Participants take note of the OPS5 finding that the GEF is achieving its mandate and objectives, and that the added value of the GEF is found in its unique position as a financial mechanism of multilateral environmental agreements, which allows it to focus its support on priorities that have been agreed upon internationally and are acted upon in a way that is relevant to the conventions and to regional and national priorities. Participants are also pleased that OPS5 finds the GEF to be highly relevant and successful in its interventions, and that over 80 percent of GEF projects are effective in producing outcomes with sustainability and progress towards impacts.

4. Participants also recognize that ecosystems are being pushed to their limits. Human demands imply that key ecosystems are now approaching their carrying capacity to the extent that abrupt changes—which may be prohibitively costly or simply impossible to reverse—can no longer be excluded. Participants note that the pressure on resources is set to increase in the coming decades as a result of global megatrends, viz., increase in global population, accompanied by a rapid increase in middle class, and urbanization. Participants agree that by strengthening its focus on the drivers that lead to unsustainable use of resources, the GEF will better be able to tackle the root causes of environmental degradation that are critical to slow and eventually reverse environmental trends.

5. Participants affirm that the GEF should continue to play a key role in the evolving landscape of global environmental financing, with its well-defined value proposition, building on a number of strengths: (i) more than two decades of experience of the GEF partnership in implementing projects that deliver global environmental benefits, focusing on innovations; (ii) high degree of international legitimacy derived from its association with key multilateral environmental conventions; (iii) programs and projects reviewed and guided by a world-class Scientific and Technical Advisory Panel (STAP), and the results-on-the ground being continuously assessed by the independent Evaluation Office; (iv) an equitable governance

¹ GEF/R.6/17.

² GEF/R.6/18.

³ GEF/R.6/19.

⁴ GEF/R.6/20.

structure; and (v) a strong, diverse and expanding network of implementing partners, civil society and indigenous peoples organizations, and the private sector.

6. Participants acknowledge that one of the major strengths of the GEF as a financial mechanism is its ability to support activities in recipient countries that can meet their commitments to more than one global convention within the context of their sustainable development needs. Participants welcome the growing share of multi-focal area projects in the portfolio reflecting increased synergies across GEF focal areas. Participants also emphasize that project development, design, and implementation should strive for upstream identification of synergies and linkages across the different focal areas, while reflecting the actual needs of recipient countries as they work to contribute to both global goals and national priorities.

7. Participants recognize that GEF programming is supported by good-practice fiduciary standards and by high standards for environmental and social safeguard policies, gender mainstreaming policy and principles and guidelines for engagement with indigenous peoples, and other vulnerable groups.

8. Participants agree that the GEF should continue to strengthen its partnership with governments, civil society and indigenous peoples organizations, the private sector, and other stakeholders that have already helped achieve results-on-the-ground.

POLICY RECOMMENDATIONS

9. Participants have developed the policy recommendations for GEF-6 building on the reforms of GEF-5⁵ and responding to the findings and recommendation of the Fifth Overall Performance Study (OPS-5), together with the discussions based on documents tabled for the replenishment process. The policy recommendations are targeted towards an overall objective that the GEF as a whole deliver higher impacts in an effective and efficient manner.

10. The proposed policy recommendations cover the following five areas:

- (a) Differentiation;
- (b) Improving efficiency of the project cycle;
- (c) Enhancing engagement with the private sector;
- (d) Enhancing gender mainstreaming; and
- (e) Strengthening results-based management and the knowledge-management systems.

11. Participants recommend that when these policy recommendations are developed and presented as detailed proposals for Council review in GEF-6, each proposal be accompanied, when appropriate, by an analysis of the costs and benefits of implementing the proposal.

⁵ Reform of the country support program; Provision of resources to countries to undertake national portfolio formulation exercises (NPFES) to support GEF programming; Accreditation of new GEF project agencies to broaden the GEF partnership; Streamlining of the GEF project cycle, and refining the programmatic approach; Reform of the fee-based system to provide agencies resources for project cycle management and corporate services; Delineation of the roles and responsibilities of the various GEF entities; Reform of the resource allocation system and operationalization of a system for transparent allocation of resources (STAR); Enhancement of convention participation in development of focal area strategies and work programming; Development and implementation of a work plan for a results-based management framework and knowledge management initiative; and Enhancement of the engagement of civil society organizations in the work of the GEF.

Differentiation

12. Participants agree on the importance of the allocation of GEF resources to countries being transparent and consistent, and being based on global environmental priorities and country capacity, policies and practices relevant to successful implementation of GEF projects. Participants further agree on the continued importance of enabling the GEF partnership to achieve higher impacts, recognizing that countries contribute in different ways, according to their particular country capacities and circumstances, to the generation of global environmental benefits. Participants explored differentiated approaches under which countries in different circumstances are encouraged to achieve the higher impacts, and modalities are tailored to the different capacities so that the partnership as a whole could produce the highest impacts. Noting that such a differentiated approach is critical to the effectiveness of the GEF partnership, Participants agree to the following.

Updating the STAR

13. Participants acknowledge that the implementation of resource allocation systems during GEF-4 and GEF-5 has been one of the key reforms of the GEF. The System for Transparent Allocation of Resources (STAR), an update to the Resource Allocation Framework (RAF), has governed the allocation of resources during GEF-5.

14. Participants recommend that the GEF Secretariat, in consultation with other entities of the GEF partnership, as appropriate, and taking into consideration the findings and recommendations of the recently-concluded Mid-term Evaluation of the STAR, present for Council consideration in [], a proposal for updating the STAR, including the following modifications:⁶

- (a) Increasing the weight of the GDP per capita index to [X] ;
- (b) Lowering the ceilings imposed on each focal area to [X]; and
- (c) Increasing the floors for each focal area to [X].

Seeking Higher Levels of Co-financing

15. Participants acknowledge the history of robust co-financing, and affirm that co-financing plays a critical role in creating strong partnerships on the ground. Participants also acknowledge the roles played by national governments in providing significant co-financing. Participants take note that co-financing ratios exhibit high levels of variability both among projects in individual countries and across countries and focal areas.

16. Participants affirm that the GEF should continue to seek high levels of co-financing, particularly in those countries with the potential for materializing higher co-financing as a means to achieve higher impact and broader adoption. Participants request the GEF Secretariat, in consultation with appropriate GEF entities, to present for Council consideration by [] a proposal aimed at:

- (a) enhancing clarity in the definitions and approaches to seeking co-financing; and

⁶ From among the six scenarios tabled for discussion in GEF/R.6/19, *Strategic Positioning for the GEF*.

- (b) introducing explicit, but possibly indicative, target for co-financing based on country/focal area circumstances.

Greater Emphasis on Non-grant Instruments

17. Participants note that the GEF, since its inception, has deployed non-grant instruments, and that the projects utilizing non-grant instruments are designed to leverage substantial capital from the private sector, whether it is through providing funding for first losses in partial guarantee schemes, or providing equity to leverage other kinds of finance. Participants also acknowledge that non-grant instruments, through their potential for generating reflows, could make a contribution to financial sustainability.

18. Noting the importance of both seeking increased engagement with the private sector and generating reflows, Participants request the Secretariat, in consultation with other entities of the GEF partnership, as appropriate, to present for GEF Council consideration a proposal to ensure at least [] of the private sector set-aside resources in GEF-6 are deployed through non-grant instruments. Participants also request the Council to consider the need to strengthen the current system for tracking reflows originating from the use of non-grant instruments.

Improving Efficiency of the Project Cycle

19. Participants, while acknowledging the recent set of streamlining measures approved by the Council in November 2012, and work underway to seek further improvements, emphasize that further efficiency improvements are critical to GEF processes as concluded in OPS5. Participants recognize that such progress requires the collaboration of recipient countries, GEF Agencies, and the Secretariat.

20. Participants request the Secretariat, in consultation with the appropriate GEF entities, to submit for Council consideration in [] further measures to improve the policies and procedures associated with the project cycle, including a portfolio management system to keep track of project progress through the partnership.

Enhancing Engagement with the Private Sector

21. Participants recognize that it is imperative for the GEF to enhance its engagement with the private sector in addressing global environmental challenges. Participants support a more holistic and comprehensive approach that mainstreams private sector engagement across GEF focal area strategies and proposed Integrated Approaches pilot.

22. Participants request that the Council undertake appropriate actions to facilitate further mainstreaming of the GEFs private sector engagement, based on the GEF's proven intervention models: (i) fostering enabling policy environments; (ii) pioneering risk mitigation and innovative financial products; (iii) forging corporate alliances; and (iv) providing capacity building and incubation. Participants further request the continuation of the private sector set-aside for cutting edge innovation and risk-taking by ensuring that a minimum share is allocated to non-grant instruments as indicated in paragraph 18.

Enhancing Gender Mainstreaming

23. Participants note that OPS5 has found that an increased proportion of projects mainstreamed gender in project design since the adoption of the *GEF Policy on Gender Mainstreaming* in 2011. Participants also appreciate the gender analysis that has been presented to the Council as part of the Annual Monitoring Reviews during FY11 and FY12. Despite recent improvements, Participants agree that more concerted action needs to be taken to enhance gender mainstreaming.

24. Participants acknowledge the GEF's commitment to engage in and systematically enhance gender mainstreaming during GEF-6. Participants request the Secretariat, in collaboration with the agencies, to develop an action plan for enhancing gender mainstreaming and present it to the Council at its [] meeting.

Strengthening the Results-Based Management and Knowledge Management Systems

25. Participants commend that Results-based Management (RBM) has been given a central place in strategy development since GEF-5, and that all focal area and corporate program strategies have been developed with results-frameworks, helping drive reporting. Participants stress the importance of developing a Knowledge Management (KM) system that aims to establish the GEF as a credible voice on global environmental solutions.

26. In developing the RBM and KM systems further, Participants acknowledge that it is important to ensure that the systems allow the GEF to: (i) measure what matters; (ii) understand how GEF impact adds up; (iii) close the feedback loop for lessons learned to influence policies and projects; and (iv) create active, solutions-oriented working knowledge partnerships.

27. Participants recommend that the Secretariat, in consultation with the GEF Agencies, the Evaluation Office, and STAP, develop a comprehensive work plan for further strengthening of the results-based management system and for building of a credible knowledge system, supported by a revamped technological platform that is fit for this purpose. Participants recommend that Council consider such a work plan, together with a budget at its meeting in [].