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DRAFT GEF-6 POLICY RECOMMENDATIONS

(Prepared by GEF Secretariat)

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INTRODUCTION

1. This document, *Draft Policy Recommendations for the Sixth Replenishment of the GEF Trust Fund*, is presented so that Participants can begin to consider the appropriate policy recommendations in conjunction with the discussions on *Strategic Positioning for the GEF*,¹ and *Draft GEF-6 Programming Directions*,² with the objective of reviewing and approving a revised and final policy recommendations document at the next replenishment meeting.
2. The draft policy recommendations documents reflect the key reforms that emerge from the strategic positioning and programming directions proposed for GEF-6.

BACKGROUND

3. Participants emphasize the critical role played by the GEF network as a multi-lateral, multi-convention financing mechanism for providing assistance to developing countries to generate global environmental benefits. The GEF, in its more than two decades of operations has established a track-record of partnering with recipient countries to deliver concrete results on the ground in the different focal areas under its mandate.
4. Participants recognize that ecosystems are being pushed to their limits. Human demands imply that key ecosystems are now increasingly exceeding their carrying capacity to the extent that abrupt changes—which may be prohibitively costly or simply impossible to reverse—can no longer be ruled out. Participants note that the pressure on resources is set to increase in the coming decades as the result of three global megatrends, viz., increase in global population, accompanied by a rapid increase in middle class, and urbanization.
5. Given these challenges, Participants agree that incremental gains in managing the global environment will not suffice. Articulating the causal chain from megatrends to the state of global environment illustrates the opportunity for GEF to strengthen its focus on interventions that are closer to the underlying drivers of environmental change. By adopting a stronger focus on the drivers that lead to unsustainable usage of resources, the GEF will better be able tackle the “root-causes” of environmental degradation, which will be critical to slow and eventually reverse environmental trends.
6. Participants affirm that the GEF should continue to play a key role in the evolving landscape of global environmental financing, with a well-defined value proposition, and building on a number of strengths: (i) the 22 years of experience of the GEF network in implementing projects that deliver global environmental benefits; (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 structure; and (v) a strong and expanding network of implementing partners.
7. 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

¹ GEF/R.6/12.

² GEF/R.6/13.

commitments to more than one global convention within the context of their sustainable development needs. Participants welcome the increasing share of multi-focal area projects in the portfolio reflecting increased synergies across GEF focal areas, but acknowledge that the GEF can do more. They emphasize that project development, design, and implementation should seek synergies and connections across the different focal areas, and reflect actual needs of recipient countries as they work to contribute to both global goals and national priorities. In this regard, Participants welcome a driver-focused approach, including through the piloting of signature programs, with a view to enhancing synergies and in a bid to reverse deteriorating environmental trends.

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

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

10. [Re-affirming the critical role of the GEF in providing resources for global environmental benefits, and recognizing the important strides that it has made in its evolution, Participants agree to a robust replenishment of the GEF.]

POLICY RECOMMENDATIONS

11. Participants have developed the policy recommendations for GEF-6, building on the reforms of GEF-5,³ and responding to the findings and recommendation of the Fifth Overall Performance Study (OPS-5). The policy recommendations as a set is targeted towards enhancing the effectiveness of the GEF as it strives to change from a business-as-usual approach to implementing focal area strategies and signature programs in GEF-6 with focus on underlying drivers. The proposed policy recommendations cover:

- (a) Differentiated approach to financing;
- (b) Adjusting the resource allocation system;
- (c) Strengthening results-based management and the knowledge-management system;
- (d) Enhancing engagement with the private sector; and
- (e) Mainstreaming gender.

³ Reform of the country support program; Provision of resources to countries to undertake national portfolio formulation exercises (NPFs) 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.

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

Differentiated Approach to Financing

13. Participants acknowledge that the allocations of GEF financing to recipient countries reflect the potential and capacities of countries to generate global environmental benefits. It is also recognized that some of the recipients of GEF allocations are also countries that have experienced strong economic growth and capacity enhancements in the last two decades. Taking these developments into account, Participants recommend that the GEF Secretariat, in consultation with other entities of the GEF network, as appropriate, present for Council consideration in [_____], a proposal for a differentiated approach to financing. [Options tabled for the discussion are as follows:

- (a) Continue GEF's selective use of "non-grant instruments" according to country demand and to mainstream private sector;
- (b) Introduce country-based differentiated financing based on country-relevant criteria;
- (c) Establish a pilot loan-financing scheme for: (i) middle income countries; and/or (ii) private sector engagement; and
- (d) Establish Differentiated Grant Element/leverage Targets of Overall Project Financing by Country Classification.]

Adjusting the Resource Allocation System

14. Participants acknowledge that the design and implementation of resource allocation systems during GEF-3, 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.

15. Taking into consideration the findings from the review of the STAR by the GEF Evaluation Office, and the imperatives of programming and strategic considerations in GEF-6, Participants recommend that the GEF Secretariat, in consultation with other entities of the GEF network, as appropriate, present for Council consideration in [_____], a proposal for the adjustments of the resource allocation system. [Inter-alia, options tabled for the discussion are as follows:

- (a) Increase of the weight of the GDP per capita index;
- (b) Lower the ceilings imposed on each focal area;
- (c) Increase the floors for each focal area; and
- (d) Competitive group allocation system that provides for (i) competitive programming of GEF resources among countries with large allocations; and (ii) ex-ante individual country allocations for LDCs and SIDS.]

Strengthening the Results-Based Management Framework and Knowledge Management System

16. Participants acknowledge that Results Based Management (RBM) has been under development in the GEF for several years, that it is codified in policy and embedded in strategy at the focal area level, and that it helps to drive reporting. Participants commend the fact that 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 that are integrated within the overall corporate results framework.

17. In developing the RBM system further, Participants acknowledge that it is important to ensure that the system allows the GEF to: (i) close the feedback loop for lessons learned to influence policies and projects ; (ii) measure what matters: (iii) understand how GEF impact adds up; and (iv) lay the foundation for next-generation results management.

18. Participants acknowledge that in conjunction with further development of the RBM system, there is the need to build a strong knowledge management system for the GEF network to do the following: (i) identify clear examples of strategic investments in knowledge to help drive successful solutions to scale; (ii) create active, solutions-oriented working knowledge partnerships with focus on tackling the drivers of environmental degradation; (iii) establish the GEF as a credible voice on global environmental solutions; and (iv) make the GEF a learning partnership where lessons learned from past investments are reflected in project design and GEF strategy.

19. 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 building of a credible knowledge system.

20. Participants recommend that Council consider such a work plan, together with a budget at its meeting in [_____].

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. The private sector is the single largest responder to the drivers of population growth, rising middle class, and increasing urbanization. The private sector is increasingly dependent on scarce natural resources, and has much to lose if those resources dry up. Participants acknowledge that the GEF's current modalities are not optimal for engaging with the private sector.

22. Participants support a more holistic and comprehensive approach that mainstreams private sector engagement across GEF focal area strategies and proposed signature programs and employs the private sector set-aside for cutting edge innovation and risk-taking.

23. Participants recommend that the Secretariat develop a work plan for engaging with the private sector in GEF-6, that includes inter-alia: (i) enabling policy environments: (ii) incremental financing for risk reduction; and (iii) corporate alliances. The work plan should describe how these approaches will be incorporated into focal area strategies, signature programs, and private sector set-aside, and be tabled for Council discussion during [_____].

Mainstreaming Gender

24. Participants acknowledge the GEF's commitment to engage in and systematically address gender mainstreaming during GEF-6, based on the *GEF Policy on Gender Mainstreaming* that was adopted by the GEF Council in May 2012. The GEF recognizes that gender equality is an important goal in the context of projects that it finances because it advances both the GEF's goals for attaining global environmental benefits and the goal of gender equity and social inclusion.
25. Participants emphasize that the GEF Agencies, including the new Project Agencies, fully comply with the *GEF Policy on Gender Mainstreaming*, and meet all criteria within GEF-6.
26. Participants encourage that the GEF adopt a more comprehensive and programmatic approach towards gender mainstreaming by focusing on those programs and projects that could generate significant results and contribute to achieving goals on gender equality, including enhancing RBM related to gender mainstreaming.
27. Recognizing that each GEF Agency has different gender policy, strategy, and/or action plan with varying application to GEF projects, Participants recommend that the GEF Secretariat, in collaboration with the Agencies, develop a *Guideline on Gender Mainstreaming* during GEF-6.
28. Participants request the Secretariat, in collaboration with the agencies, to develop a *Guideline on Gender Mainstreaming*, and present it to the Council at its [_____] meeting.