



Global Environment Facility

GEF/C.34/7
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GEF Council
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Agenda Item 12

GEF TRUST FUND FOR PROGRAMS

Recommended Draft Council Decision

The Council approves the establishment of the GEF Trust Fund for Programs (GTFP) as described in document GEF/C.34/7 and requests the World Bank, as Trustee for the GEF, to administer the GTFP. The Council invites the Secretariat to actively seek contributions from potential donors to the GTFP to finance a broad range of activities in accordance with the principles set forth in this document. The Council requests the Secretariat to report annually on the activities of, and status of commitments to, the GTFP.

EXECUTIVE SUMMARY

1. The use of programmatic approaches to support the implementation of medium to long-term Programs through a set of interlinked projects within countries or across regions has been widely recognized as a more effective financing vehicle to support the sustainable development of developing countries, as opposed to traditional support, which is provided on a project-by-project basis. However, the large-scale and sustained impact on the global environment that programmatic approaches offer also simultaneously requires larger-scale resources.

2. Thus, additional funding needs have prompted GEF to review alternative funding sources, in addition to the GEF Trust Fund which is being replenished once every four years. In this process, the GEF has seen opportunities to attract new and additional resources to help finance the increased level of activities that result from programmatic approaches. In particular, several potential donors have expressed interest to contribute funding to this additional funding needs for programmatic approaches. To receive contributions of these interested donors, the GEF proposed to establish the GEF Trust Fund for Program (GTFP). This paper outlines the objectives and procedures to effect the GTFP and seeks Council approval the establishment of the GTFP.

3. All activities to be financed from the GTFP will be consistent with GEF strategies and policies, including eligibility criteria for recipient countries. The Council will have approved all programmatic approaches and constituent projects that are to be provided additional funding from the GTFP. Moreover, activities to be financed by the GTFP will normally be described in the Programmatic Framework Document approved by the Council.

4. Because the activities of the GTFP are expected to complement or enhance the activities of the GEF Trust Fund associated with programmatic approaches, the GTFP will be charged only for incremental administrative costs to manage the GTFP. It will also follow similar rules as applied to the GEF Trust Fund in accountability, reporting and auditing.

BACKGROUND

5. The concept of programmatic approaches (PAs) has been discussed in GEF Council meetings as early as December 1999 and again in a number of subsequent meetings. However, it was only in the April 2008 Council meeting that Council endorsed a decision paper on PAs, *From Projects to Programs: Clarifying the Programmatic Approach in the GEF Portfolio* (GEF/C.33/6), which laid out the basic principles and approval procedures of PAs. The paper clarified the types of PAs that the GEF has undertaken to date and elaborated on how future PAs would be implemented.

6. There is an increasing trend in the utilization of PAs which can provide a more effective financing vehicle to support the sustainable development of developing countries, as opposed to traditional support, which is provided on a project-by-project basis. However, the large-scale and sustained impact on the global environment that a PA offers simultaneously requires larger-scale resources.

JUSTIFICATION FOR FORMATION OF NEW GEF TRUST FUND FOR PROGRAMS

7. The GEF has opportunities to attract new and additional resources to help finance the increased level of activities that result from PAs. The GEF has seen particular interest from donors from certain regions that wish to provide additional, targeted support to PAs in those same regions, as well as traditional donors and new non-GEF member donors that have an interest in supporting programs in certain sectors or regions.

8. However, such resources may not be readily made available to the GEF Trust Fund primarily for the following two technical reasons. First, under the GEF Trust Fund, all donors' contributions are commingled and managed uniformly under the overall policies and procedures of the GEF. Therefore, individual donors can not, through the GEF Trust Fund, target their contributions towards specific themes or PAs or projects within PAs. Second, the current replenishment resolution does not provide for contributions to the GEF Trust Fund by non-GEF members.

9. Approval of the proposed GEF Trust Fund for Programs (GTFP) will not only allow the GEF to receive new and additional funding from GEF members and other donors, but also will allow such funds to support PAs, in line with donor requests. All funding will be new and additional to GEF burden-sharing under the GEF Trust Fund and follow all GEF rules for its allocation and disbursement.

10. In addition to the above mentioned technical constraints, there are merits in establishing the GTFP from operational perspectives. At present, GEF funding is agreed and decided upon during the replenishment negotiations, which take place every four years, at a time when GEF donors can shape GEF strategies and priorities. However, additional donor resources to support PAs often become available outside the GEF replenishment cycle for a variety of reasons (new government, calendar of international negotiations, special interest for a specific area, currency appreciation increasing their commitment capacity, etc.) Countries may wish to contribute such funds as they become available, and may not wish or may not be able to set aside such funds

until the next replenishment. Some countries do not wish to increase their burden-sharing (basic or actual), which could constrain the level of their quadrennial contributions to the GEF Trust Fund.

11. Additionally, the current design of PAs does not cover the costs of monitoring at the programmatic level or of oversight and coordination of PAs by the GEF Lead Agency, although oversight, coordination and monitoring of all the constituent projects are already included for individual projects. These are key activities that additional financing may support to ensure that all aspects of program development, execution and management are appropriately funded.

PURPOSE

12. The purpose of the GTFP is to allow the flow of new and additional funding from donors, be they GEF members or other entities, to strengthen the GEF PAs, and thereby further enhance the leverage and catalytic impact of the GEF.

13. This additional funding would finance the following activities:

- (a) Support to a specific PA approved by Council, e.g., cost of the monitoring of the PA and its program level indicators, as well as the coordination and supervision costs of the PA by the GEF Agency¹; and
- (b) Support to projects under the approved PA.

14. The additional funds provided to the GTFP will only support PAs approved by Council.

CONTRIBUTIONS

15. All contributions will be voluntary and will comprise:

- (i) Contributions from GEF participants,
- (ii) Contributions from other donors such as international organizations, foundations and non-governmental entities.

16. Each donor will be able to target its contribution towards one or several PAs already approved by the GEF Council. Contributions to, and disbursements from, the GTFP will be accounted separately from the GEF Trust Fund and will be handled in a manner, consistent with the GEF Instrument, strategies and policies

17. The potential size of the GTFP is envisaged to be approximately \$40 million. It is expected that during FY2009, the fund will have a minimum of \$5 million. The governments of Australia, Germany, New Zealand, Norway, Italy and the Netherlands have recently expressed interest in contributing to the GTFP.

¹ Under the Programmatic Approach paper approved by Council in April 2008 (GEF/C.33/6), there are no fees provided for a GEF Agency to take on the tasks of monitoring, oversight and coordination as a Lead Agency. However, the overall monitoring responsibilities at the portfolio level remain with GEF Secretariat.

GOVERNANCE

18. In providing funding to the GTFP, donors will decide, in consultation with the GEF CEO, which Council-approved PA they would like to support. The GEF CEO will be authorized to approve financing from the GTFP to specific projects or activities in accordance with donor designations on the use of their contributions for specific PAs.

19. The Trustee will enter into trust fund administration agreements with each of the donors, setting out the terms and conditions of administration of the donors' contributions, including which PAs the donor wishes to support with its contributions. The Trustee will also enter into separate Financing Procedure Agreements with each GEF Agency, such that contributions to and disbursements from the GTFP can be accurately reported back to the donors and the GEF Council, separate from the GEF Trust Fund and other funds.

20. Being established as a separate trust fund, contributions in the GTFP will not count towards voting rights for the purpose of the GEF Trust Fund, LDCF or SCCF.²

PROCEDURES AND GUIDELINES

Trusteeship

21. The World Bank will serve as the Trustee of the GTFP in the same manner as for the GEF Trust Fund.

22. The GTFP will utilize the same commitment authority module and business process as that of the GEF Trust Fund. Funds will flow to the relevant GEF Agency in parallel with transfers from the GEF Trust Fund for specific projects. Within the GTFP, the Trustee will establish a separate window for each specific PA.

Alignment with GEF strategies

23. All activities to be financed from the GTFP will be consistent with GEF strategies and policies, including eligibility criteria for recipient countries. The Council will have approved all PAs and constituent projects that are to be provided additional funding from the GTFP. Because funding to the GTFP is additional to funding to the GEF Trust Fund, the GTFP will not be subject to the RAF (as explained further in paragraph 20). Moreover, activities to be financed by the GTFP will normally be described in the Programmatic Framework Document approved by the Council. If GTFP donor support is agreed upon after Council approval of any PA, those planned inputs will be reported upon to Council as a part of the six-monthly GEF Programming Report.

Consistency of GTFP with the rules of the RAF

24. Although not directly subject to the RAF, the GTFP does not contradict the terms and conditions for the RAF that were agreed in late 2005. At present, governmental and other donors have the ability to support projects that are approved by Council with additional financing or co-

² Contributions committed within or without a replenishment cycle are credited for the purposes of DAC.

financing, and, the GTFP will not affect that ability to provide additional support. All projects and PAs that could be funded by such donors to the GEF Trust Fund are already subject to the RAF for any relevant focal area contributions. The contribution of donors to the GTFP will allow an additional avenue for resources to be directed at one or more PAs that are approved by the GEF Council. Funds that are directed to support the coordination, supervision and monitoring of the approved PAs can be clearly seen to be supporting both the spirit and the rules of the RAF as established in 2005

Administrative Costs and Agency Fees

25. Costs and expenses incurred by the Trustee and the GEF Secretariat in connection with the administration and management of the GTFP will be charged to the GTFP in the manner agreed between the donors and the Trustee or the GEF Secretariat, as applicable, consistent with the World Bank's policy to recover its full costs in the provision of trustee, administrative and management services.

26. GEF Agency fees will be provided to GEF Agencies under the same rules as for the GEF Trust Fund where GTFP funds are being directed through Agencies to projects.

27. Because the activities of the GTFP are expected to complement or enhance the activities of the GEF Trust Fund associated with PAs, the GTFP will be charged only for incremental administrative costs to manage the GTFP.

Accountability

Accountability for contributions to, and disbursements from, the GTFP will rest with the GEF Secretariat, separately from the GEF Trust Fund and other funds.

Reporting

28. The GEF Secretariat and the Trustee will report annually on the activities of, and the status of commitments to, the GTFP.

Audit

29. Audit of the GTFP will be carried out if the amount of assets held in the Trust Fund exceeds the threshold amount determined by the Trustee and /or at closure of the Trust Fund.