

July 28th, 2009

## **Germany's Comments on the Documents presented at the Second Meeting for the Fifth Replenishment of the GEF Trust Fund**

At the last Replenishment Meeting in Washington, D.C., on 25<sup>th</sup>/26<sup>th</sup> of June 2009 it was agreed that participants may provide written comments on the documents prepared for the replenishment meeting. As – due to the limited time frame of the meeting – it was not possible to give a full picture of our views on the presented visions and proposals, we are happy to take the opportunity to further comment on them now.

Our comments relate to the following documents: Draft GEF-5 Programming Document (GEF/R.5/14), Draft GEF Policy, Institutional and Governance Reforms (GEF/R.5/15), Issues for the Strategic Positioning of the GEF (GEF/R.5/16), Consolidated GEF Agency Comments on June 2009 Replenishment Papers (GEF/R.5/Inf.11), UNEP's Special Engagement in a strengthened GEF Partnership (GEF/R.5/Inf.10). As all these documents overlap with each other, we are not providing comments on each of them. Rather our comments are structured according to the reform themes that are dealt with in the different documents.

We see no need to further comment on the Draft Adaptation Strategy as we were able to convey our view during the meeting and as our main points are already reflected in the Summary of the Co-Chairs.

With regard to the Draft Focal Area Strategies (GEF/R.5/Inf.3) we believe that it does not make sense to go into the details of the proposals before the final report of OPS4 is presented. As already stated in the Replenishment Meeting we therefore also consider the discussion on the **Programming Document** as **preliminary** and we reserve the right to further comment on this document in the next Replenishment Meeting in October, when **OPS4** is finalized and presented to us.

### **I. GEF Funding Base**

#### **1. Sources of funding**

Germany believes that – in order to strengthen the GEF for the future – the institution needs a much stronger funding base than in the past. While we feel that the main pillar of this funding base should be the replenishment of the GEF Trust Fund, we also think that the GEF needs to make use of other opportunities to mobilize finance. Experiences during the last few years have shown that a lot of donors are ready to allocate significant amounts of money for the protection of the global environment, if they can choose the specific purpose the money would be used for. So far it has not been possible to contribute earmarked resources to the GEF, although donors would have been willing to do so. By this means the GEF loses a lot of money that could have been attracted by the institution.

The concerns raised by some participants that such a possibility might detract resources from the core replenishment process are not shared by Germany. As long as the replenishment follows burden- share rules, donors are called to pledge their due part to the replenishment. Everything they would be ready to give above their proportion could be directed to specific purposes and would not count against their voting rights.

If this option was not acceptable to others, the GEF should at least open up the possibility for accepting additional contributions in between replenishment cycles. These contributions would not compete directly with GEF replenishment resources as they would have to go through a different fiscal period in national budget planning.

Other donors than states could contribute to the GEF as well by these means (Private Sector, Foundations, NGOs) and could strengthen the GEF funding base even further.

## **2. Burden Sharing**

We welcome the proposal of the GEF Secretariat to reform the GEF burden sharing arrangements on the basis of the economic capacities of a country in combination with environment indicators. Such a reform of the burden sharing rules would reflect the mandate of the GEF as it would take into account the responsibility of each country for the deterioration of the global environment (“polluter-pays-principle”) and as it rewards countries that take steps towards the protection of the environment. Concrete Calculations would need to be reviewed and discussed further.

## **II. Programming**

### **1. Biodiversity**

Germany agrees with the general direction of the proposed strategy and appreciates the way how decisions from COP 9 guided this draft. With regard to the specific resource allocation for each objective of the strategy, we should wait for the final recommendations of OPS4 before making a decision. Then we will also be able to judge whether the guidance of the COP/MOP on the Cartagena Protocol has been implemented sufficiently in GEF-4 or whether there will be an additional need for resources in GEF-5.

### **2. Climate Change**

We agree with the general direction of the proposed strategy and welcome the proposal that the GEF should cover in GEF-5 all steps of technology transfer (“demonstration, deployment and diffusion”). No matter which specific tasks will be assigned to the GEF in a future climate architecture, it is important that the GEF remains a competent player in all relevant areas until a future financial architecture comes into force. The proposed relative increase of the resources allocated to the CC focal area would be supported by us, if the underlying replenishment level was reached.

### **3. International Waters**

Germany agrees to the general direction of the strategy. The long term goals for the GEF International Waters focal area remain relevant for GEF-5. We welcome the incorporation of groundwater into surface water projects.

The performance of the GEF projects in the International Waters focal area is exemplary in the GEF. This has been highlighted in several evaluations. The need exceeds the resources available. In spite of this, resources allocated to this focal area have declined during the last years (GEF-3: 15%, GEF-4: 12%). Therefore, Germany would not agree with any further decline in the resources allocated to this focal area relative to other focal areas. We therefore object to the proposal made by the Secretariat to decrease the relative proportion for IW from 12% to 10%.

#### **4. Land Degradation**

We welcome the general architecture of the strategy and believe that it is complete and well balanced. However, a lot of more effort should be put into improving the system of indicators and measures in order to make it more results-oriented.

#### **5. Chemicals**

A new focal area on chemicals management would be acceptable, if the proposed replenishment level is reached.

In the case that the replenishment level is achieved and a chemicals strategy introduced, it must be clear that the resources allocated to chemicals will be used first and foremost for the implementation of the Stockholm Convention to which the GEF is the financial mechanism. In this regard, the document should take into account the results of POP COP4 that among other things included nine new substances. Also eligible GEF measures in the context of the multilateral mercury negotiations should be considered, provided the costs are not inadequately high. We appreciate the GEF attempt of a step wise approach for chemicals and acknowledge any enhanced efficient use of scarce resources.

However, only measures that generate clear global environmental benefits could be eligible for financing. This is not reflected in the strategy goal sufficiently.

We support to mention SAICM in the strategy objective as the over-arching framework for all activities in the chemicals focal area. However, as the Global Plan of Action of SAICM includes activities with benefits at global level as well as with benefits at only the local and national level, it should be explicitly stated in the document that only environmental benefits at a global level are relevant for a chemicals focal area in the GEF.

In fact, the chemicals policy area is widely split. This is one reason why Germany supports in general the creation of synergies among the Basel, Rotterdam and Stockholm Conventions, e.g. common enabling activities (capacity building, governance).

Germany does not support the inclusion of the Rotterdam Convention in a new focal area on chemicals management, as the implementation of the Rotterdam Convention does not need substantial further investment.

In para. 20 of the document it is proposed "to develop national plans for accessing GEF-5 resources for chemicals". We agree that priority should be given to those chemicals where

there is a clear link to the financial mechanism of the respective conventions (POPs and ODS). However, we urge to limit the amount of resources for prioritisation exercise at national levels to the absolute minimum in order to allow for as much resources as possible going into implementation. Additionally, the prioritisation exercise should be linked to the update of the NIPs of the Stockholm Convention.

## **6. Sustainable Forest Management**

Germany believes that it is essential that the GEF continues the strategic approach that was introduced in GEF-4 for Sustainable Forest Management. Before its introduction GEF support on forests was fragmented in the different focal areas and not visible to the outside world. This has changed since GEF-4. The GEF becomes more and more visible as an important institution to stop forest conversion and degradation. Resources are directed to countries and regions in a much more strategic way than before. As forests account for 70% of terrestrial biodiversity and forests play an extremely important role in terms of carbon sequestration, sustainable forest management lies at the heart of GEF's operations. It is crucial that the GEF allocates sufficient resources to this area in the most strategic and effective way as possible. In implementing forest projects the GEF operates the guidelines of the CBD and the UNFCCC and contributes to combating land degradation. Resources for the forest programs in GEF-5 should consequently come from the relevant focal areas. The added value of a forest strategy is that it allows for an holistic approach that covers forests in all its dimensions and functions and uses synergies between focal areas. We support very strongly the proposals of the GEF Secretariat in this regard.

## **7. Global and Regional Projects**

As most of the global environmental problems are transboundary in nature, we believe that it is extremely important to have a clear strategy on how to promote global and regional programming. That is especially true for the exclusions in the Resource Allocation Framework, but also outside the allocation system. We feel that in the past there have not been clear criteria as to how the resources for regional/global projects would be used. The resources have often been used as a reserve also for national projects when there was a shortfall due to other development (lately: TT program in CC).

Therefore, we strongly support the proposal made by the GEF Agencies that the **GEF Secretariat** should **facilitate a process with the Agencies and with STAP** to extract lessons from past regional and global programming and to **define transparent priorities for regional and global projects and programs**. In the last GEF Council Meeting **STAP** has already offered to **elaborate recommendations for criteria for the use of GRE funds for all focal areas**. Germany would therefore like to request that STAP will prepare such recommendations and that – on the basis of these recommendations - GEFSec will facilitate the above mentioned process and **present the results to the next Replenishment Meeting**.

## **8. Small Grants Program**

The Small Grants Program is a very successful and important program of the GEF that needs to get a more solid funding base in GEF-5 than it had in GEF-4. This is even more true as the overall engagement of Civil Society in GEF projects has gone down significantly since the introduction of the RAF in GEF-4. The overall share of CSO executed full sized and

medium sized projects has declined from 30% in GEF-2 to 8,6% in GEF-4.<sup>1</sup> The decision to reduce SGP core funding in GEF-4 and to replace it partially by voluntary RAF allocations of recipient countries' government, has furthermore lead to a decline in SGP funding: Of the 200 Mio. USD that were programmed for the SGP in GEF-4, only 173 Mio. USD have been allocated to the program. This is due to two points: 1. the RAF puts CSO- projects in competition with governments' projects. 2. the rigid rules of the SGP-Steering Committee have set ceilings for the use of RAF allocations for CSO projects (there were some countries that would have been willing to give significant amounts of their RAF resources to the SGP, but they were not allowed to do so). Moreover, the guidelines for the allocation of resources introduced a parallel reporting process for the SGP for accessing RAF funds (MTR of the RAF: "To access ....RAF funds, the SGP must provide a strategy for the use of RAF funds, although a country SGP strategy already exists...".) The combination of core funding and RAF funding has not worked well at all.

Consequently, Germany believes that the **SGP main source of funding in GEF-5** has to be its **core funding**. The programmed core funds need to reach a **level** that can **cover** the **overall SGP funding needs** for the replenishment period. It can be discussed whether – in addition to that – governments should be allowed to allocate their RAF allocation to the SGP. However, **RAF allocations should not be counted towards the SGP GEF-5 programming target**. We would therefore like to ask the GEF Secretariat to **amend the document** in this regard.

In terms of the proposal on "**upgrading**" countries, we very much doubt whether this is the right way forward. The Joint Evaluation of the SGP (2007) has recommended not to exclude countries automatically from the SGP funding only because they have the longest SGP history. Most of the country programmes that would automatically graduate would be among the better ones. Therefore, the GEF would risk losing its most effective partners. The proposal to let those country programmes go through the normal procedures of a full-sized project doesn't seem to be appropriate to help these to continue with their valuable work. The requirements of the FSP procedures are much more complicated, time- and cost intensive. It is questionable, if the upgraded programs would make use of it. **As this issue should be on the agenda for the next GEF Council Meeting, we should look at the details of such a proposal there. Beforehand we would not support any such decision in the replenishment process.**

## **9. Results-Based Management Framework**

Germany supports the further development of the Results-Based Management Framework. What is not clear to us is why the Secretariat should take over the **Quality of Supervision Reviews** from the Evaluation Office. We would welcome a **more detailed explanation** about why the Secretariat believes that this responsibility should not rest with the Evaluation Office anymore. This is an important issue for the requested "**Roles and Responsibilities**" Paper.

## **10. Non-Grant Instruments**

We agree with the Agencies that it would be helpful to get a breakdown of previous replenishment periods that shows the deployment of non-grant vs. grant instruments.

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<sup>1</sup> See „The Impact of the GEF's Resource Allocation Framework on Civil Society Organizations“, Universal Ecological Fund in collaboration with WWF, April 2009

We support in general the deployment of non-grant instruments in the GEF. With regard to the details of the proposal, we would like to point out, that we would prefer a system that defines clear criteria for the use of non-grant instruments. The use of different instruments should be made dependent on the economic capacity of the recipient country and on the type of project.

### **11. Private Sector Strategy**

We support the expansion of the GEF's pilot of a private sector strategy and we welcome an elaborated proposal for the next replenishment meeting. As the Earth Fund is indeed more a pilot program than a real new strategy, we would welcome also more information on the experiences made so far.

### **12. Resource Envelopes for GEF-5**

We refer to the comments of the Agencies in para. 130 of document GEF/R.5/Inf.11: We would like to have a **breakdown** of the costs for the corporate programs as well as for the corporate budget.

### **13. National Plans for Generating Global Environmental Benefits**

Germany does not support the introduction of new environmental plans in the extensive sense proposed by the GEF Secretariat (para 125 of Draft Programming Document "...they should represent the full estimation of what a country can contribute to the global environment..."). Rather we would favour the introduction of short GEF Business Plans that are limited to what type of activities a country would envision for GEF programming. Such an instrument could be beneficial to recipient countries as it might help them to plan more strategically and to control the process better. However, it still has to be elaborated what the **format and the procedures** for such plans would be. The Agencies have offered to prepare a proposal in this regard and we would like to ask the **Agencies to present their proposal to the next Replenishment Meeting**. In any case, the preparation of such Business Plans should be voluntary. We would not support the introduction of a new formal administrative requirement for the access to GEF funding.

## **III. Institutional Reforms**

### **1. Roles and Responsibilities**

The most crucial issue for GEF-5 is the clear definition and a common understanding of the roles and responsibilities of every GEF partner. If the GEF does not develop a clear picture on who is responsible for what, none of all the other discussed reforms will succeed. The GEF is not only at the crossroads in terms of its role within the environmental financial architecture, but also with regard to its institutional structure.

As highlighted very clearly at the last replenishment meeting, Germany believes in the GEF as a network and partnership institution as established in the GEF instrument. We do not support an institutional restructuring that would redefine the roles of the partners. A partnership has its own difficulties, because it relies on collaboration, communication and sometimes compromises. But it brings in the experience and know-how of a lot of important

partners and sets incentives for every partner to identify himself with the mandate of the GEF and to make proposals for improvements.

It has been highlighted by a lot of GEF partners during the last replenishment meeting that there have been severe problems in the collaboration with each other, because roles and responsibilities were not clear or different understandings of responsibilities existed.

We therefore would like to **ask the GEF Secretariat in close consultation with the Agencies to prepare for the next Replenishment Meeting a new document on the roles and responsibilities of all the GEF partners**. We do **not** find it **sufficient to incorporate** this issue only **in the revised version of document GEF/R.5/15** as the issue is of such a relevance and as the incorporation in another reform document would prevent a clear picture on the roles issue.

To this end, Germany would like to convey its views on how we see the roles and responsibilities in the GEF partnership:

### **Policy, Strategy and Programming**

The GEF Secretariat has the lead in the development of the GEF policies and strategies and for the Focal Area Programming. However, this should be done in consultation with STAP and with the Agencies. The involvement of Agencies and STAP in the strategic planning level has always been current practice in the GEF. However, the Agencies have made clear that in the last few years they have not been involved anymore in the planning exercises (e.g. neither focal area strategies, nor RAF planning). We believe that this is the wrong direction for the GEF to go. It is important that the Agencies contribute to GEF politics and guidelines with their experience from the ground. We therefore **request that the Agencies are involved in the further development of the GEF-5 focal area strategies**, in the development of a reformed **allocation system** and in **any other strategic planning exercise**. At the same time we would like to ask the **Agencies to present** to the Participants of the Replenishment the concrete **elements** of what they believe they can **contribute to the policy development in the GEF**.

### **Programs and Projects**

The Agencies have the lead in the development and implementation of GEF Programs and Projects. The GEF Secretariat has an oversight, control and review function. That means that it must be very clear between the GEF partners that the Agencies have the full responsibility for all steps related to Programs and Projects development and implementation and that they are the contact persons for the countries. In the past it has sometimes been the case that the GEF Secretariat initiated programs with countries and then assigned the specific tasks for the further execution to the Agencies. Whereas in the specific cases of the past this might have been justified, because the RAF led to a stagnation in programming in some countries, this cannot be a model for the future.

On the other hand side, we do believe that the oversight function of the GEF Secretariat includes a right of interference where something goes wrong as well as the right to undertake field visits where the Secretariat deems it necessary.

In executing GEF Programs and Projects, Agencies have to be made more accountable for their performance of GEF projects than in the past. That means e.g. that the **Agencies should help to develop guidelines** for the countries on how to make GEF access easier and on how to improve collaboration with countries.

Every GEF Partner has the full responsibility for a timely and successful realization of his/her duties. We therefore welcome the **Agencies'** offer to make **proposals on improvements of timely delivery, performance targets and benchmarks for Agencies' work and for improvements of the project cycle management. These proposals should be presented to the next Replenishment Meeting.**

### **GEF Business Plans**

If Participants of the replenishment agreed to introduce GEF Business Plans, roles and responsibilities for this exercise must be clear as well.

From our point of view the GEF Secretariat should be the facilitator of the development of such plans and bring Agencies and countries for the development of these plans together. The Agencies have to be involved in this process from the beginning on and the GEF Secretariat would collaborate with them. The RAF MTR clearly concluded that all partners must be involved from the beginning to avoid misunderstandings and subsequent delays.

### **Special Role of the World Bank as Trustee and administrative host**

The paper on roles and responsibilities should also cover the relationship between the GEF Secretariat and the World Bank in terms of administrative and service support as well as with regard to its Trustee functions. In general we see no need to make big changes in this relationship compared to the status quo. We are not in favour of giving the GEF a legal personality. In terms of the Replenishment/Fundraising responsibilities the GEF Secretariat already plays an important role as it co-chairs the negotiations and has every freedom to approach donors for fundraising. If necessary, this could be made clear in the GEF Instrument. We don't agree to the proposal of the GEF Secretariat to apply specific rules for the GEF staff or for business travelling nor for employing an own legal advisor. The World Bank administration should be used for all administrative services.

### **Special Role of UNEP**

We support the idea of defining a special role for UNEP's engagement in the GEF. A lot of proposals in the documents of the GEF Secretariat and of UNEP sound sensible to us: Biosafety- and ABS-financing, scientific and technical analysis and assessment of environmental issues and policy options, STAP, awareness raising and knowledge management, financing of enabling activities to the Conventions. However, Germany does not believe that the GEF should support UNEP's own Program of Work as this would confuse the roles of the institutions: UNEP is a GEF Agency and not vice versa.

## **2. Direct Access and Additional Agencies**

Germany sees a lot of merit in opening up the GEF for direct access and we support this idea for the future.

However, we don't feel that now is the right time to start with this reform. Before we envisage new access modalities for the GEF, the roles and responsibilities of the current GEF partners have to be clarified. The tensions between partners and the confusions in recipient countries about who to turn to when accessing GEF funds have to be settled previous to such a deep reform. Institutional implications have to be analyzed closer. The allocation system needs to



be reformed and implemented in a better way. A parallel introduction of direct access in this situation might overstrain the requirements for the institutions, uncertainties might rise.

In the meantime, the GEF should make use of the next years to explore the possibilities further, to observe the experiences in the Adaptation Fund and to find a political solution on the institutional and legal options that are on the table.

With regard to the proposed additional multilateral organisations as GEF agencies we are not convinced about their comparative advantages and about the added value they would bring in the GEF. That would have to be elaborated further.

### **3. Resource Allocation System**

Germany advocates for the reform of the current allocation system on the basis of the findings of the Mid-Term Review of the Resource Allocation Framework. The work for GEF-5 has to be focused on the reform of the design and implementation rules for biodiversity and climate change. We believe that it is not the right time to start with an expansion of the RAF already in GEF-5. The reformed system needs to prove that it works beforehand.

### **4. Project Cycle**

We do not agree with the proposal to increase the GEF amount for MSPs from 1 Mio. to 3 Mio. USD for the following reasons: Looking at the last Work Programs such an increase would mean that roughly half of all projects would be qualified as MSPs in the future. This would reduce Council review of projects significantly. Germany is not willing to delegate the authority for review and approval of GEF operations to such a big extent to the GEF Secretariat. We do not think that the Council review of the Work Programs is the main problem for the slow project cycle: A four weeks review period is a very short time period compared to a 3 or 4 years project cycle. The comments from the Agencies show that a lot of them share this view (see e.g. Agencies' comments, para. 57 and 59). Moreover Agencies consider MSP procedures little different in terms of time and labour than FSPs. Hence, we believe that it would be much better to make proposals to streamline MSP procedures than to increase the amount.

With regard to the proposals to reduce Council involvement for projects under programmatic approaches, we do not agree either that the Council would not see the PIFs anymore. We would only accept delegated authority where the GEF Agencies are development banks and the respective executive board approves the projects.

As stated above we would like to ask the **Agencies to present to the next Replenishment Meeting proposals on timely delivery, performance targets for Agencies and for project cycle management in general.**

### **5. Governance – Focal Area Boards**

Germany is open to the introduction of Focal Area Boards that include representatives from the Conventions as well as from the Agencies. Moreover, we would like to stress that we find it as important to have a stronger representation of the GEF Secretariat at the Conference of the Parties. Especially with a view to UNFCCC that would send important signals to the Participants.

## **6. Conflict Resolution Commissioner**

Before we agree to a further development of this position, we would like to get more detailed information on what has been done in GEF-4.