



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET



GEF/R.7/21
April 2, 2018

Fourth Meeting for the Seventh Replenishment of the GEF Trust Fund
April 25, 2018
Stockholm, Sweden

GEF-7 REPLENISHMENT

DRAFT SUMMARY OF NEGOTIATIONS

(PREPARED BY THE SECRETARIAT)

SUMMARY OF NEGOTIATIONS

1. Participants to the Seventh Replenishment of the GEF Trust Fund agreed to this Summary of Negotiations for transmittal to the GEF Council, along with the attached documents: Programming Document for the Seventh Replenishment of the GEF Trust Fund (Annex A), Policy Recommendations for the Seventh Replenishment of the GEF Trust Fund (Annex B), and Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Seventh Replenishment of Resources (Annex C).

2. This Summary highlights the main items that were considered during the replenishment negotiations. It is not a comprehensive report of all the detailed discussions that took place during the negotiating process. The discussions at specific meetings are detailed in the Co-Chairs' summaries of each replenishment meeting.

The Replenishment Process

3. At its October 2016 meeting, the GEF Council requested the Trustee of the Global Environment Facility ("the GEF"), in cooperation with the Chief Executive Officer and Chairperson of the Facility, to initiate discussions on the Seventh replenishment of resources of the GEF Trust Fund ("GEF-7") to fund activities during the four- year period from July 1, 2018 to June 30, 2022.

4. Accordingly, the Trustee and the GEF Secretariat initiated the process by circulating a discussion note to prospective Participants regarding participation, proposed timetable and core GEF-7 replenishment topics. Participants agreed on the preliminary schedule of subsequent replenishment meetings. In addition, agreement was reached on the overall work plan for such discussions as well as the arrangements for participation in the replenishment discussions. Participants decided that the meetings would benefit from the participation of non-donor recipient country representatives, one representative for each of the four regional groupings (Africa, Asia, Eastern Europe, Latin America and Caribbean). Participants also agreed that two NGO representatives and two private sector representatives would participate in an observer capacity. The following replenishment meetings were held: March 2017, Paris, France; October 2017, Addis Ababa, Ethiopia; January 2018, Brasilia, Brazil; April 2018, Stockholm, Sweden.

Sixth Overall Performance Study of the GEF (OPS6)

5. The Independent Evaluation Office prepared OPS6, providing an important context for the discussions.

6. Participants discussed the OPS6 Report and noted the thorough analysis underpinning its findings and recommendations. Participants noted the OPS6 finding that with its broad focus and as a financial mechanism for environmental conventions, the GEF occupies a unique space in the global environmental financing architecture and that the GEF focal area strategies have been responsive to convention guidance. Participants noted the finding that the GEF has a strong track record in delivering overall good project performance, but that the sustainability of outcomes needs further attention. Participants noted that GEF interventions have contributed to reducing

environmental stress and that the GEF has played a catalytic role and supported transformational change primarily through mainstreaming. Participants noted the finding that with their emphasis on integration, programmatic approaches and multifocal area projects are relevant in addressing the drivers of environmental degradation; however, complex program designs have implications for outcomes, efficiency, and management. Participants noted that operational restrictions and lack of awareness of the GEF have resulted in limiting or not fully realizing the potential for successful engagement with the private sector. Participants noted the OPS6 finding that overall, the GEF partnership is well governed while further improvements might be possible in terms of efficiency, accountability, and transparency. Finally, Participants noted that the GEF's policy framework has been strengthened in GEF-6, although further improvements are possible: enhancing work in biodiversity, international waters, chemicals and waste, and land degradation, where there are limited sources of financing and few players; developing a strong, cogent rationale for designing integrated programs and multifocal area projects; strengthening gender mainstreaming in GEF programming and operations in a more systematic manner; strengthening operational governance, including ground rules for cooperation among Agencies; and improving the results-based management system, and knowledge management.

Programming Directions

7. Participants considered a proposal for Programming Directions in the Seventh replenishment period to cover four years (FY19 – FY22) of GEF operations and activities in its five focal areas and other programming areas.

8. Participants noted that GEF-7 comes at important moment in time. The world's ecosystems, biomes and processes that regulate the stability and resilience of the Earth system are being put under increasing strain, with pressures set to increase in the future unless a major transformation of key economic systems to reduce the global environmental footprint is achieved. Participants also noted the enhanced global momentum through international processes that have been building in recent years, complemented by action from the private sector, sub-national governments, international finance, and other actors. Participants noted the importance of maximizing the potential of the GEF's unique position as financial mechanisms of several multilateral environmental agreements: The GEF occupies a unique space in the global environmental financing architecture derived from its formal mandate as a financing mechanism under several, multilateral environmental agreements: CBD, UNCCD, UNFCCC, the Minamata Convention, the Stockholm Convention, the Montreal Protocol (where the GEF supports countries with economies in transition), in addition to targeted support for transboundary freshwater and marine issues. Participants noted that the work done through the GEF also contributes to the achievement of the Sustainable Development Goals. Participants welcomed the scope for enhancing the GEF's value-for-money through integrated programming. Participants also noted the GEF's proven record in funding demonstration and pilot activities with a potential for being an incubator to test and refine approaches that can subsequently be funded at larger scale from other sources. Moreover, participants noted that the GEF is well-positioned to provide support for institutional strengthening to help lay the foundation for enhanced action. Participants emphasize the importance of the GEF helping to catalyze private sector action,

building on the successful GEF-6 “non-grant instrument” pilot illustrated the GEF’s potential role in helping unlock private finance for the environment, and building on the GEF’s support strengthen the enabling environments for private sector activity.

9. The GEF-7 Programming Directions is attached as Annex A to this Summary.

GEF-7 Policy Recommendations

10. To support the programming approach outlined above, Participants agreed on a set of Policy Recommendations for the Seventh Replenishment of the GEF Trust Fund, attached as Annex B to this Summary.

11. The policy recommendations for GEF-7 include: updates to the STAR allocation methodology, including measures to address the particular needs of the poorest and most vulnerable GEF-recipient countries; optimizing the use of GEF resources in different countries with a view to mobilizing greater investments in measures to achieve global environmental benefits; strengthening the GEF Partnership; reviewing GEF governance with a view to further improving efficiency and effectiveness; enhanced engagement with the private sector; further work on practical approaches to gender mainstreaming and capacity development; consideration of issues related to anti-money laundering and counter terrorism finance in the review and update of the GEF’s minimum fiduciary standards; strengthening results based management, operational efficiency, and knowledge management; and developing options for a responsible investment strategy.

GEF-7 Financing Framework

12. In reviewing the programming of resources for the GEF-7, Participants agreed to the indicative distribution of resources among the GEF focal areas, corporate programs, and other activities set forth as Table 1 in the programming document attached as Annex A to this summary. In discussions on programming areas, Participants reiterated support for a robust GEF replenishment.

13. The financing framework for the GEF-7 was agreed during the course of the replenishment meetings, resulting in a replenishment level for programming in the amount of SDR [xxx] million (USD eq. [xxx] million).

14. Participants agreed on the six-month averaging period for setting reference exchange rates (September 1, 2017 to February 28, 2018, subject to approval by Participants on an “absence of objection” basis by April 3, 2018) for use in the GEF-7. These exchange rates are used to translate GEF-7 donor contributions between SDR values and national currency values.

15. Donors supported a strong and effective GEF-7 replenishment. While many Contributing Participants faced challenging national circumstances, significant efforts were made to achieve the highest possible GEF-7 replenishment level.

16. Pledged contributions to the GEF-7 are reflected in Attachment 1 in Annex C: Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Seventh Replenishment of Resources. These pledged contributions amount to SDR [xxx] million (USDeq. [xxx] million) and also reflect credits for accelerated cash payments and note encashments in the amount of SDR [xx] million (USDeq. [xx] million). Additional resources that may become available for programming during the GEF-7 replenishment period include projected investment income to be earned during the GEF-7 replenishment period (FY2019 – FY2022) in the amount of SDR [xx] million (USD [xx] million) and carryover of previous GEF replenishment resources in the amount of SDR [xx] million (USDeq. [xx] million).

17. Participants also confirmed that new or additional pledges to the GEF-7 not reflected in Attachment 1 in Annex C, Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Seventh Replenishment of Resources, would also be welcomed.

Replenishment Resolution

18. Participants approved the Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Seventh Replenishment of Resources, which is in the form of a World Bank resolution and attached as Annex C to this Summary of Negotiations, to be considered by the GEF Council and submitted to the World Bank, as Trustee of the GEF Trust Fund, for adoption by the World Bank Executive Directors.

Financial Issues for GEF-7

19. Participants noted that all Contributing Participants to the GEF-7 should make their best efforts to deposit their Instruments of Commitment or Qualified Instruments of Commitment by October 31, 2018. At every Council meeting, the Trustee will inform the Council of the status of Instruments of Commitment and Qualified Instruments of Commitment deposited with the Trustee.

20. Participants agreed that contributions made without qualification shall be paid in four equal installments by November 30 of each replenishment year as set out in the replenishment resolution or as agreed with the Trustee, provided that GEF-7 becomes effective by October 31, 2018. Participants further agreed that Contributing Participants depositing Qualified Instruments of Commitment shall use their best efforts to unqualify sufficient amounts of their contributions to pay their installment amounts by November 30 of each replenishment year.

21. Participants agreed that payment may be made in cash upfront or by the deposit of non-negotiable, non-interest bearing demand notes or similar obligations with the Trustee. Unless otherwise agreed with the Trustee, such notes, or similar obligations, will be encashed on an approximately pro rata basis among Contributing Participants. Encashments will be made in accordance with the indicative encashment schedule as set out in the replenishment document or as agreed with the Trustee.

22. The Advance Contribution Scheme for GEF-7 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [xx] million. GEF-7 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [xx] million.

23. Participants agreed a minimum contribution to participate in the GEF-7 negotiations of SDR 4 million. The minimum contribution was calculated using the methodology agreed during the GEF-6 replenishment negotiations, whereby the minimum contribution amount for participating contributors will be adjusted, at the beginning of each replenishment cycle for inflation, measured using the SDR deflator for the four calendar years prior to the start of the replenishment discussions. At the same time, Participants also agreed that larger contributions by donors, particularly developed countries, would be critically important in securing the necessary resources for the GEF to effectively deliver its mission.

24. During the replenishment process, some Participants expressed concern about the status of arrears by some Contributing Participants at the close of the GEF-6 commitment period. Participants confirmed the importance of clearing arrears. Participants agreed that the pro-rata provision did not serve well as an instrument for timely payment, and that the pro-rata provision, as set out in Paragraph 8(c) of the GEF-7 Replenishment Resolution should be discontinued. However, Participants note that this may not happen in time for the conclusion of GEF-7 negotiations due to timing issues in seeking Participants' internal approvals. Participants agreed to continue to encourage all countries to make timely payments to the GEF.

25. In addition, consistent with the practice in the previous replenishments, the following means of deterring arrears should apply under the GEF-7: Continuation of the requirement, first introduced in the GEF-3 Replenishment Resolution, and set out in Paragraph 4(a) of the GEF-6 Replenishment Resolution, that if a Contributing Participant does not make a scheduled payment to the GEF-6 or a Contributing Participant that has deposited a Qualified Instrument of Commitment is unable to unqualify a scheduled contribution to the GEF-6, then such Contributing Participant shall provide the Council with a written explanation from its Minister stating the reason for the arrears or delay and the steps being taken to resolve it; Confirmation of the provision in the Instrument that voting rights accrue only for the actual contributions paid to the GEF, which confirmation is set out in Paragraph 4(b) of the GEF-6 Replenishment Resolution.

26. Noting that funding decisions made by the Council or the GEF CEO are based on available resources in the GEF Trust Fund at the time of the decision, Participants requested the Secretariat to use the full replenishment amount, including arrears, as the target programming level at the outset of the GEF-7 replenishment period, consistent with current practice.

Steps towards Concluding the Process of the Seventh GEF Replenishment

27. Participants requested the CEO/Chairperson of the GEF to forward this Summary, including the attached Annexes, to the GEF Council for review at its meeting in June 2018 in Da Nang, Vietnam. The GEF Council is invited to take note of the Summary, and to endorse the draft Replenishment Resolution, the policy recommendations, and programming document including the allocation of resources set forth in Table 1 of the programming document.

28. Participants also invited the GEF Council to request the CEO/Chairperson of the GEF to transmit this Summary to the World Bank, with a request that the World Bank Executive Directors be invited to adopt Annex C to this Summary, Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Seventh Replenishment of Resources, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-7.