



Global Environment Facility

GEF/R.4/CRP.1

June 2, 2006

Meeting on the Fourth Replenishment of the GEF Trust Fund

June 5, 2006

Washington, DC

Co-Chairs' Proposed Text for Unresolved Policy Issues of the GEF-4 replenishment discussions

Co-Chairs' Proposed Text for Unresolved Policy Issues of the GEF-4 replenishment discussions

Note: Text in bold italics indicates word, clause or paragraph proposed by the Co-Chairs

1. Resource Allocation Framework

A major element of the GEF-3 replenishment reform agenda was the establishment of a framework for allocation to global environmental priorities and to countries based on performance. ***As agreed by the Council***, the Resource Allocation Framework will be ***initially*** implemented in GEF-4 for the biodiversity and climate change focal areas and the Secretariat ***will*** work to develop a GEF-wide RAF based on global environmental priorities and country-level performance relevant to those priorities. There will be an independent mid-term review of the RAF to be considered by the Council in November/December 2008, at which time the Council will review the ***Secretariat's*** progress in developing indicators for the other focal areas. ***Taking into consideration the findings of the mid-term review, the Secretariat will implement a GEF-wide RAF by 2010, if feasible.***

2. Fiduciary Responsibility

The use of GEF resources should be subject to the highest international fiduciary standards. The Trustee should prepare for Council decision, at its meeting in May/June 2007, policy proposals on strengthened accountability for implementing and executing agencies eligible for implementing ***GEF assistance with due attention to issues of economy and efficiency.*** Such proposals from the Trustee should be developed in consultation with such agencies and should specify minimum fiduciary standards consistent with international best practice, including, for example: independent oversight, audit, evaluation and ***investigation*** functions; ***external financial audit; financial management and control frameworks; project appraisal standards, including environmental assessments and other safeguards measures,*** as appropriate; ***monitoring and project-at-risk systems;*** procurement; financial disclosure; hotline and whistleblower protection, and codes of ethics. ***Agencies would be expected to meet the fiduciary standards, or to have a monitorable program with a target date for implementation within one year of the Council approval of the fiduciary standards, or would not be eligible to seek GEF funding from the Council.***

3. Availability of Resources

Note: The Co-Chairs propose that this section be moved to the GEF-4 Summary of Negotiations

At the outset of the replenishment process, *most* Participants expressed concern about the status of arrears by some Contributing Participants at the close of the GEF-3 commitment period. *Most Participants requested the settlement of any financial arrears to the GEF Trust Fund during the GEF-4 commitment period.*

Three means of preventing arrears should apply under GEF-4, according to procedures specified in the resolution for both GEF-3 and GEF-4:

- (a) the pro rata provision as defined in the Global Environment Facility Trust Fund Fourth Replenishment Resolution;
- (b) *the continuation of the requirement in GEF-3 that if a Contributing Participant does not make a scheduled payment to the GEF-4 or a Contributing Participant that has deposited a Qualified Instrument of Commitment is unable to unqualify a scheduled contribution to the GEF-4 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;*
- (c) confirmation of the provision in the Instrument that voting rights accrue only for the actual contributions paid to the GEF.

4. Expanded Opportunities for Executing Agencies

As a result of the GEF-3 reforms, seven international agencies were granted direct access to GEF funds. Evidence to date indicates that there remains significant potential for enhancing the involvement of these agencies. The GEF Office of Evaluation should prepare a review of the experience of Executing Agencies for Council consideration in December 2006. The Secretariat is requested to develop by December 2006, in consultation with the GEF agencies and taking into account the review, an action plan for strengthening the involvement of these agencies in GEF operations. The action plan should include measures to involve these agencies as partners in policy and project development and operational issues, consistent with their comparative advantage. Subsequently, Council [*should*] [*could*] assess the merit of further expanding the policy on “expanded opportunities”.

5. Institutional Effectiveness

After a decade of operations, the GEF has a significant project portfolio. It is timely, therefore, that the Secretariat give greater priority to monitoring and analysis of the focal area portfolios. The Secretariat should, on a regular basis, report to the Council conclusions regarding policy development emerging from such analysis. Participants also urged the Secretariat to reinforce its role in project review to ensure compliance of project proposals with GEF policies and to devote adequate resources to this mandate while ensuring overall corporate budget discipline.

6. Performance and Outcomes Matrix (Scorecard)

The GEF Evaluation Office should report to Council through the Annual Performance Report on the performance of the GEF agencies on project-at-risk systems and the degree of independence and strength of the agency's evaluation functions, as well as on adherence to the minimum requirements for monitoring and evaluation. Furthermore, the Annual Performance Report should contain other key performance measures, to be developed into a performance and outcomes matrix in line with international methods and standards. The goal should be to set realistic and international best practice targets for ratings and achieve satisfactory ratings in all categories by 2010. *Consistent with international best practice, the target for satisfactory outcome ratings should be 75 %.*