



Global Environment Facility

GEF/R.5/6
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SPECIAL THEMES FOR THE GEF-5 REPLENISHMENT

Introduction

1. Since the Global Environment Facility (GEF) was established as a pilot facility in 1991, it has been replenished four times. During the most recent replenishment, contributing participants in the replenishment provided \$3.13 billion to support operations under GEF-4 (period July 1, 2006 to June 30, 2010). Donors to the GEF have initiated negotiations towards a fifth replenishment to support operations during the period July 1, 2010 – June 30, 2014. During a planning meeting convened in November 2008 in Washington D.C, contributing participants agreed to a series of meetings in 2008/2009 with the objective of concluding the replenishment in early 2010. In preparation for the first meeting, scheduled to be held in Paris during March 2009, contributing participants submitted to the GEF Secretariat, in January 2009, themes that they considered important for discussion in the GEF-5 replenishment negotiations.

2. The following contributing participants in the GEF replenishment (hereafter referred to as “participants”) have submitted recommended themes for the Fifth Replenishment: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, South Africa, Spain, Sweden, Switzerland, United Kingdom, and the United States. Inputs received from the participants are included in Annex 1. A joint submission was also received from the United Nations Environment Program (UNEP) and the United Nations Development Program (UNDP).

3. There are six main themes that emerge from the submissions: (i) institutional reform and governance; (ii) focus on effectiveness, efficiency and results; (iii) private sector engagement; (iv) new sources of financing; (v) resource allocation framework; and (vi) scope and mandate of GEF focal areas.

4. This document is a compilation and exposition of the above-mentioned themes. It is important to note that many of the suggestions expressed in this document are explored in greater depth in the document *Strategic Positioning for GEF-5*, prepared by the GEF Secretariat for discussion at the first replenishment meeting.

5. Several participants, particularly developing countries, express concern with the overall level of past replenishments, inflated by the carryover of unspent financial resources, and called for the strong GEF-5 replenishment to be underpinned by some clear benchmarks and allocation of resources amongst and between focal areas to be made on a sound and defensible basis rather than merely based on historical trends or decisions of a few participants.

Institutional Reform and Governance

6. Participants emphasize that the GEF should continue to implement institutional and operational reforms in order to remain relevant as a unique financial instrument, including in a post-2012 climate change financial architecture, in the management of global environmental commons. There is an urgent need for a comprehensive and strategic review of the institutional and governance structures of the GEF, including the constituency system, the replenishment process, operational efficiency and the relationship between the various structures. Participants suggest that it is important to consider whether the constitution of the GEF as a trust fund is still

relevant and explore whether a reconfiguration of the GEF as an institution in its own right may enhance development effectiveness.

7. Several participants have indicated that there is possibly a unique role that the GEF can play amidst the multiplication of funds and initiatives, particularly on climate change, in bilateral, multilateral and other international and regional institutions.

8. Participants call for light and swift governance as essential for quick decision-making, and that it would be useful to discuss the governance structure, including, but not limited to the number of Council Members, the frequency of Council meetings, etc.

9. One of the key reforms that GEF has taken over the years is the expansion of access to an increasing number of executing agencies; currently the GEF works with three implementing agencies and seven executing agencies. Participants think that there is the potential to acquire a broader range of expertise in GEF projects,¹ generate more co-financing and be more cost-effective by broadening the range of agencies accredited to work as GEF agencies to include other multilateral institutions, bilateral institutions, established non-governmental organizations, and national institutions that can meet minimum fiduciary standards established by the GEF.

10. The GEF Secretariat will prepare a document for discussion at the June 2009 replenishment meeting, outlining options to enhance GEF autonomy and legal capacity, within the context of the World Bank continuing to provide Trustee services.

Engaging the Private Sector

11. Participants emphasize that effective engagement with the private sector (and civil society) is critical to improving the impact and reach of the GEF. Though the GEF has been engaged with the private sector, the full potential of this engagement remains to be exploited. The private sector can play an important role in technology transfer and scaling up pilot activities, in addition to a role in financing initiatives. The GEF should also consider its engagement with the private sector, both as a source of additional financing, and as a means of leveraging GEF resources (see section below).

12. The outline of a strategy for enhancing engagement with the private sector is outlined in the *Strategic Positioning* document and will be developed in fuller detail in the GEF-5 programming document, a draft of which will be discussed at the June 2009 replenishment meeting.

New Sources of Financing

13. Participants recognize that a strong funding base is essential if the GEF is to play a pivotal role as the financial mechanism of the global environmental conventions. The GEF should consider the opportunity to attract new sources of financing in addition to replenishments.

¹ In sub-regional consultations under the national dialogue initiative, countries often complain about the lack of technical support from GEF agencies during project identification and preparation, particularly in developing medium-sized projects in small countries. This is a serious issue for those countries that are within the group for the climate change and biodiversity focal areas, and thus constrain their ability to use resources under the RAF.

Additional and voluntary contributions with flexibility would provide resources to meet new challenges and could reduce the proliferation of new funds.

14. The GEF Secretariat has prepared a document “Innovative Financing Mechanisms for the GEF” for discussion at the March 2009 replenishment meeting that proposes a number of options for providing the GEF with a strong financial base.

Resource Allocation Framework

15. Participants reconfirm that the GEF Resource Allocation Framework (RAF) is a key instrument in achieving the policy objectives of the GEF. However, they point to the need to develop a more flexible approach, aiming for a balance between environmental benefits, recipient needs and implementation success. Lessons from the application of the RAF in GEF-4 and the experience of allocation approaches in other multilateral agencies can be drawn with a view to improving the system.

16. A discussion of options for a refined resource allocation framework is scheduled for discussion at the June 2009 Council discussion.

Focus on Effectiveness, Efficiency and Results

17. Participants recommend further streamlining of GEF procedures and processes to not only improve effectiveness and efficiency, but also to ensure that GEF funding is better aligned with national planning and priorities. The programmatic approach should be developed further, including simplification of procedures for approval of program sub-projects, to provide incentives for sector-wide transformation.

18. Participants recommend that the GEF should strengthen its results-based management framework (RBM) so that it meets current best practices at other international finance institutions. The GEF should improve its ability to track and report on results, particularly at the portfolio level. This should include the GEF’s capacity to effectively track, report, and disseminate lessons learned. Clear demonstration of the GEF’s results is critical to sustaining the donor’s willingness to fund the GEF.

19. The GEF Council approved a Results-based management framework (RBM) in GEF-4. The RBM, which is designed to track and report on results at the institutional, portfolio and project level, and includes a knowledge management system, is beginning implementation and expected to become fully operational in GEF-5.

20. The GEF Secretariat will present for Council review in November 2009, a new project cycle with a view to reaching a Council decision by the completion of the replenishment process.

Scope and Mandate of the GEF Focal Areas

21. As the focal area strategies are developed and funding allocations for the different focal areas agreed during the discussion of the replenishment, participants emphasize that it is essential to reflect upon the emerging architecture for post 2012 climate change funding, and the implications for the levels and shares of the GEF focal areas in the overall replenishment. There

should be adequate provisioning of resources to meet the demands for agreed full costs for national communications under the conventions.

22. Participants suggest that it is useful to explore the issue of whether GEF-financed activities should remain solely focused on global environment benefits or should expand to include local benefits, particularly in relation to adaptation to climate change.

23. Participants recommend that the GEF should establish a “chemicals” focal area, dealing with chemicals throughout their life cycle as the logical next step in its engagement with ODS and POPs. The new focal area should include, inter-alia, POPs, other chemical and chemicals-related global conventions, mercury, and support to the Strategic Approach to International Chemical Management (SAICM) and should be open to support to interventions under future conventions on chemicals.

24. The GEF Secretariat, through the Technical Advisory Groups (TAGs), and in consultation with GEF agencies are working on preparing the GEF-5 focal area strategies, taking into account, inter-alia, the above-mentioned suggestions from the Participants to the replenishment. A draft programming document, underpinned by the focal area and cross-cutting strategies will be submitted for discussion at the June 2009 Council meeting/June 2009 replenishment meeting. This document will also review the principle of incremental cost financing, taking into account the current and proposed future activities of the GEF.

Recommendation of Themes for Discussion

25. Of the six special themes that have emerged from submissions by contributing participants to the replenishment, some are within the domain of GEF Council discussion and decision, while others are within the purview of the GEF replenishment process. Given this division of jurisdiction, the three themes recommended for discussion during GEF-5 replenishment are: (i) institutional reform and governance; (ii) engagement of the private sector; and (iii) innovative sources of financing. Please refer to the following table for details.

GEF Council Discussion and Decision	GEF Replenishment Process
<p><u>Resource Allocation Framework</u>: The RAF will be further refined under the guidance of the GEF Council in 2009. At the November 2008 Council meeting, it was agreed that a working group be established to guide the Secretariat in the development of initial proposals; the group is scheduled to meet in March 2009. The first discussion of a refined RAF is scheduled for the June 2009 Council meeting</p>	<p><u>Institutional Reform and Governance</u>: Proposals regarding some institutional reform and governance elements are outlined in the <i>GEF-5 Strategic Positioning</i> document submitted for discussion at the March 2009 replenishment meeting.</p>
<p><u>Focus on Effectiveness, Efficiency and Results</u>: The GEF Secretariat, in consultation with the GEF Agencies and Trustee, will</p>	<p><u>Engagement with the Private Sector</u>: A strategy for engagement with the private sector will be developed in the draft GEF-5</p>

GEF Council Discussion and Decision	GEF Replenishment Process
develop and present proposals through 2009 and 2010 to further streamline the GEF project cycle, strengthen the programmatic approach, and implement the results-based management framework.	programming document to be discussed at the June 2009 replenishment meeting.
	<u>New Sources of Financing</u> : A document, <i>Innovative Sources of Financing</i> , has been submitted for discussion at the March 2009 replenishment meeting.
<u>Scope and Mandate of the GEF Focal Areas</u> : A draft programming document, with the details of focal area strategies and cross-cutting strategies will be first discussed at the June 2009 Council meeting. The initial details of funding needs will be discussed at the June 2009 replenishment meeting.	

**SPECIAL THEMES INPUTS FROM THE CONTRIBUTING PARTICIPANTS IN THE GEF
REPLENISHMENT**

Overview

Themes	Participants Contributing
Institutional Reform and Governance	Australia, Austria, Belgium, Canada, Czech Republic, Denmark, France, Germany, Japan, Italy, South Africa, United Kingdom, United States
Engaging the Private Sector	Australia, Austria, Canada, Czech Republic, Denmark, France, Germany, Italy, Spain, Switzerland, United Kingdom, United States
New Sources of Financing	Australia, Austria, Belgium, France, Spain, Switzerland,
Resource Allocation Framework	France, Germany, Japan, Netherlands, Spain, South Africa, Switzerland, United Kingdom
Focus on Effectiveness, Efficiency and Results	Australia, Denmark, France, Germany, Japan, Netherlands, Spain, United Kingdom, United States
Scope and Mandate of Focal Areas	<p><u>Climate Change Mitigation</u> Belgium, Canada, Czech Republic, Denmark, Japan, Netherlands, United Kingdom</p> <p><u>Adaptation</u> Australia, Belgium, Canada</p> <p><u>Chemicals Window</u> Czech Republic, Denmark, Finland, Switzerland,</p> <p><u>Other issues</u> Finland, Netherlands, Switzerland</p>

INSTITUTIONAL REFORM & GOVERNANCE

Australia:

Consider whether the constitution of the GEF as a trust fund is still relevant and explore how a reconfiguration, for example of the GEF as an institution in its own right, may or may not enhance development effectiveness.

Mandate – what are the impacts of the GEF's role in managing activities that fall outside the core GEF trust fund (LDCF, SCCF and Adaptation Fund) on the GEF's mandate, its future governance, role and political influence and the capacity of the GEF Secretariat? Would the GEF have the capability to take on a role in new or increased funds and how would this be balanced with its original responsibilities?

Austria:

GEF should continue to implement institutional and operational reforms in order to meet emerging changes and challenges in the years to come. Despite the successful completion of a comprehensive reform package in 2007 GEF needs to continue to work on its delivery capacity to remain relevant in the global environment arena. Donors should reflect on potential reform efforts to further increase GEF's efficiency.

Belgium:

The basic principles of the GEF, such as funding for global environmental benefits, cost-effectiveness of its activities, country-driven projects and programmes based on national priorities for sustainable development, are clearly spelled out in the Instrument. Among these, the global environmental benefit testifies to the uniqueness of the institution, in all of its focal areas. Would there be any benefit for the GEF at large in tampering with the global environmental benefit principle, e.g. with regard to adaptation to the negative effects of climate change which is mostly limited to local benefits? A significantly higher replenishment raises questions about the absorptive capacity of the current GEF structure. Not only because of the bigger amount of money to be processed, but also because of a possible higher complexity of the institution, should it take on additional activity areas e.g. in climate change or in chemicals. Would the current GEF be able to respond to those changing conditions, or would it need reform in its composition (more IAs/EAs), procedures (allocation of resources, project cycle), operations and legal status?

Canada:

Canada is interested in ensuring that the monitoring and evaluation functions, as well as the results management framework, of the GEF continue to be strengthened. Increased focus on reporting of results, especially at the program level, and the dissemination of lessons learned is crucial. The operations of the GEF should also integrate the principles for development effectiveness identified in the Paris Declaration for Aid Effectiveness, as well as the Accra Agenda for Action. Improving coordination, strengthening country ownership, and enhancing delivery modalities such as programmatic approaches could contribute to the improved effectiveness of the GEF.

Discussion about the incremental cost principle, as well as global environmental benefits may also be warranted.

Czech Republic:

GEF should strengthen its position and important role as a unique leading instrument providing support to tackle with global environmental problems mainly to developing and least developed countries. The Czech Republic supports the discussion about the adequate and reasonable reform of the GEF activities. Outcomes and results of the GEF activities should be measurable, reportable and verifiable. Not only the overall effective work of the GEF Secretariat, but also higher effectiveness of the implementing and executing agencies is needed. Minimizing transaction costs is essential for improving GEF's cost-effectiveness and enhances its role as an "umbrella" instrument for financing relevant environmental issues in developing countries and in this sense also avoiding proliferation of other trust funds within the international community.

Denmark:

For GEF to play a key role as a financial mechanism of the Conventions, including in a post-2012 climate change financial architecture, reform and restructuring of GEF must continue. There is a need to strengthen GEF's cooperation with the conventions, the implementing and executing agencies and to review GEF's institutional structure and governance to ensure that they are appropriate and that they enable the GEF to be fully effective.

France:

The GEF is currently a link between UN World and Bretton Woods institutions, developing partnerships with NGOs, Private sector and bilateral actors. How this network should evolve? Does it have implications on the governance structure?

Convention: The GEF draws its legitimacy from the various environmental conventions. Would it be desirable and possible to build stronger links, especially with the UNFCCC?

Other IFIs: Initiatives regarding climate change in particular are multiplying, regarding the design of its strategies and its concrete action on the field, how could the GEF develop closer links with other IFIs/institutions (World Bank, regional banks, EIB, EU initiatives, etc) and improve its communication on its action?

Agencies: how to fully mobilize their capacity, for example implementing programmatic approach and coordinating the other institutions in this regard?

Research: promoting innovative projects or programs in global environment is part of the GEF legitimacy; how can GEF feed its sector strategies, its programs (including pilot or experimental) through stronger links with public or private, international or local researchers and "think tanks"?

NGOs: to what extent the GEF may work/cooperate through and with NGOs and support small projects and programs?

Germany:

One of the reforms the GEF has already undertaken was the expansion of agencies that have direct access to GEF resources and to enhance their involvement in GEF projects. However, Germany believes that there is a lot of more potential to improve access to GEF funding. To broaden the range of accredited agencies beyond the existing ones would not only acquire a broader range of expertise in GEF projects, but could also be a way to generate more co-

financing to the GEF and would be more cost-effective. Possible eligible entities could be multilateral institutions, bilateral institutions, established NGOs or national institutions with sufficient fiduciary standards.

Japan:

Light and swift governance is key for quick decision making. Japan would like to propose to discuss on the governance structure for this purpose, including but not limited to the number of council members, the frequency of council meetings etc.

Italy:

Reforms and restructuring of GEF should continue in order to play an effective role in the financial architecture for environment and climate change. It is important for the GEF to remain focused on global environment benefits, as many climate change initiatives become operational. GEF should enhance its political role as an instrument for coordinating and monitoring global environmental aid.

South Africa:

Adequacy of the GEF-5 replenishment

Global environmental challenges are growing in number, complexity and intensity, and are particularly devastating to developing countries which already face huge socio-economic challenges. There is clearly a yawning mismatch between the scale of a growing set of environmental challenges, and the resources that are made available to address them. In terms of the GEF's replenishments it has been struggling from one replenishment cycle to another without obtaining substantial new and additional resources. As the financial mechanism for key international environmental conventions (UNFCCC, CBD, UNCCD, etc), and a key financial source for projects with global environmental benefits, the replenishment of the Global Environment Facility must keep pace with the size and scope of the challenge it is required to address. The past replenishments have been a source of increasing concern to developing countries, with the overall replenishment figure, in both instances, bloated by the addition and carry over of unspent resources. GEF 5 Replenishment must be underpinned with some clear benchmarks and allocation of resources amongst and between focal areas needs to be made on a sound and defensible basis rather than merely a historical trend or the whims of a few individual donors.

GEF governance

The issue of Governance of the GEF has been another concern for us. We believe that in light of the changing landscape since the Rio Summit we must review the Governance structures with a view to assessing whether they are fully reflective of the current situation. In this context, there is an urgent need for a comprehensive and strategic review of the institutional and governance structures of the GEF, including the constituency system, the replenishment process, operational efficiency and the relationship between the various structures.

United Kingdom:

The role of GEF and the institutions through which it works has evolved since its establishment. The UK thinks it would be useful to examine what, if any, changes would make GEF more

effective in fulfilling its role. In addition to the role of the Conventions and private sector, we would include consideration of the role of civil society.

United States:

The GEF partnership has evolved over the past fifteen years. The United States believes it would be beneficial to discuss ways to optimize the GEF's governance and institutional structure to ensure that they are appropriate for present circumstances and that they enable the GEF to be fully effective.

ENGAGING THE PRIVATE SECTOR

Australia:

Funding sources – are there opportunities to broaden the funding base for the GEF (for example the private sector and foundations)? What would be the governance implications?

Austria:

The engagement with the private sector is an important element in increasing the GEF's delivery capacity and outreach. Although GEF has been cooperating with the private sector it did not fully exploit the existing potential. We believe that a more proactive engagement would produce much better results for GEF and benefits for the global environment. Hence, the private sector should play a much larger role in GEF operations. Lessons and recent experience from collaboration with the private sector should be taken on board and fed into a revised private sector strategy.

Canada:

Effective engagement with the private sector and civil society is critical to improving the impact and reach of the GEF. The results achieved through the Small Grants Program and medium-sized projects have been positive to date, and ways to expand on this success should be considered. The private sector can play an important role in technology transfer and scaling up pilot activities, in addition to a role in financing initiatives.

Czech Republic:

The global environmental problems require adequate response even now, when the world economy is facing a deep downturn and volatility of currencies may also affect the level of ODA support to developing countries. Therefore it is vital for GEF to attract additional resources for funding. To guarantee the sufficient level of 5th Replenishment, the involvement of new donors and incorporation of new and additional financial sources and mechanisms is one of the most crucial tasks for the upcoming negotiations. Mixture of different financial instruments for the 5th Replenishment could provide a solution. Special rules for the involvement of the private sector and PPP (Public – Private – Partnership) as one of the new GEF mechanisms could play an important role in further activities. GEF should have a mechanism and guidelines to be more flexible to attract new co-financing resources. The transparent accountability of the GEF and its implementing and executing agencies to the stakeholders is important.

Denmark:

Effective engagement with the private sector is essential, not least in the area of financing of climate change interventions and technology transfer. Donors should review how private sector engagement can be improved.

France:

One of the priority using public funds is to leverage private funds. Is the GEF playing fully this role? How to develop the link with the private sector, reinforcing the platform launched last year or going beyond it? What could be the role of the GEF regarding carbon market?

Germany:

The GEF is still lacking a strategy to engage the Private Sector in its operations. The engagement of the private sector has even declined since the Resource Allocation Framework (RAF) has been introduced in the focal areas of climate change and biodiversity. Especially with a view to strengthen the GEF's operations in technology cooperation this is a severe deficiency. The GEF's activities in piloting and scaling up new technologies for the market can only be strengthened, if the private sector cooperates with the institution. Germany believes that donors should discuss ways to improve private sector engagement, including the possibility of creating a new funding window to that end.

Italy:

Private sector engagement is essential to improve the GEF's impact, particularly in climate change operations, as well as to spur the investment needed and to promote research. On a broader scale, the development and transfer of new technologies in developing countries will be key to address climate change effectively and to favour the transition towards a low-carbon development model. In order to encourage a substantial volume of investments and the efficient use of financial resources, the GEF should consider the opportunity to attract new sources of funding other than the replenishments. The additional and voluntary contributions would facilitate interventions addressing new challenges and would reduce the proliferation of new funds.

Spain:

The private sector must gain importance in the GEF. Its role as an efficient recipient of finance, in grant or non-grant terms, must be enhanced, and a new role as a potential donor, deeply engaged with the GEF, must be explored.

Switzerland:

As a means to facilitate quick responses to new challenges, GEF should be in a position to raise funds also by sources other than the replenishment. Putting GEF in line with new modalities for international assistance: Programmatic approach, engagement with private sector.

United Kingdom:

Greater engagement with the private sector could enhance GEF's impact. The GEF revised its approach to the private sector in 2006 and approved activities aimed at collaborating with the private sector. The UK thinks it would be useful to review and update the strategy with a view to enhancing collaboration with the private sector.

In addition to the role of the Conventions and private sector, we would include consideration of the role of civil society.

United States:

Effective engagement with the private sector is essential to improving the GEF's impact, particularly in climate and chemicals. The GEF agreed to a private sector strategy in 2006 and guidelines on non-grant instruments in early 2008. We believe donors should review implementation of these decisions and discuss ways to improve private sector engagement.

The GEF's engagement with civil society has yielded important outcomes, particularly through the small-grants program (SGP) and medium-size projects. It is important to discuss the current status of engagement with civil society and ways to improve it, including through the SGP and the GEF's technical assistance programs.

NEW SOURCES OF FINANCING

Australia:

Co-financing guidelines - is this a burden on recipient countries or an essential aspect of GEF operations? Should co-financing requirements apply equally across all focal areas? Incremental cost principle – will it guide the allocation of resources adequately in the future? If so, how could the understanding and application of the principle in project development be improved? Funding sources – are there opportunities to broaden the funding base for the GEF (for example the private sector and foundations)? What would be the governance implications?

Austria:

GEF should develop a strategy on how to mobilise resources additional to that of the replenishment to help meet an ever increasing demand for funds and/or finance special programs. It would also strengthen the GEF's case as focal point for funding global environment concerns and limit the creation of new funds. Such an approach also reflects the current practise and trend on resource mobilisation in other international organisations.

Belgium:

So far increases in GEF replenishments have been minor, rarely more than 10% over the previous period. This time the level may well be considerably higher given the current negotiations on a future climate regime, the expectations from the Biodiversity and Desertification Conventions and the possible estimate of the Stockholm Convention COP-4. Are donors, including recipient country donors, willing to step up considerably their contributions? Should additional or alternative sources of funding be considered?

France:

In order to ensure the long term predictability of the flows and to allow the GEF to manage a larger amount of money to face the needs, would it be interesting to look for new sources of financing such as foundations, a universal levy (Mexico proposal), international taxes, a part of the revenue of the auctioning of carbon market allowances, etc.? This question raises the question of the windows as such sources will probably not finance all the windows equitably. Moreover, some of these proposals could have consequences on the status and governance of the fund.

Spain:

GEF's financing must be designed specifically for each proposal, selecting the most appropriate instrument in order to grant cost-effective interventions of the GEF. Coordination with other existing sources of finance, such as carbon finance, must be promoted. Related to the former proposals, and once we have achieved a higher efficiency in GEF's interventions, the GEF should be given flexibility to attract new sources of finance over time apart from the replenishments. These additional and voluntary contributions would be used to respond on time to new challenges, minimizing the risks of proliferation of funds outside the Conventions.

Switzerland:

New sources: As a means to facilitate quick responses to new challenges, GEF should be in a position to raise funds also by sources other than the replenishment.

RESOURCE ALLOCATION FRAMEWORK

France:

RAF: what to say on the resource allocation framework in light of the mid term review and the Council discussions?

Germany:

The Mid-Term Review of the Resource Allocation Framework (RAF) has shown that the system has to undergo a deep reform, if it should manage resources in a responsible, efficient and transparent way in the future. The implementation of the RAF up to now has also shown that the RAF is run isolated from other important elements of the system. It does not reflect the priorities of the focal area strategies in its indicators, nor is it aligned with the GEF's programmatic approach.

Japan:

Regarding the RAF, it is vital to ensure that this framework motivates and facilitate the project preparation and implementation in those countries which have limited financial resources of their own and, in addition, to which only limited amounts of GEF resource is allocated, namely, the Least Developed Countries (LDCs) and the Small Island Developing States (SIDS). Japan believes that there are lots of opportunities for good projects, matching their needs of those countries, and, worth GEF supporting, but not realized partly due to the RAF design. It is required that the discussion should be made, with due consideration from this perspective, based on the secretariat's concrete proposal for RAF reform.

Netherlands:

Present day imperfections: All Rio conventions have their individual relations with the GEF providing specific guidance which results in parallel GEF strategies and budget windows. Many GEF recipient countries consider the GEF windows as straitjackets when it comes to country programming. Especially in countries with a limited GEF allocation it is difficult to draft small GEF investment programs along the different allocations for each GEF window. The artificial windows structure inhibit the under CBD well accepted ecosystem approach in which the governance of water systems, land use, biodiversity and climate change is dealt with in a coherent manner.

Spain:

A deeper reform of the Resource Allocation Framework is needed. The compartments we have at present (country allocations, programs, funds) have created some rigidity. We should work to get a more flexible approach at the national level and an improvement in RAF allocation criteria, striking a balance between environmental benefits, recipients' needs and implementation success.

South Africa:

South Africa has strongly raised concerns about the implications of the Resource Allocation Framework (RAF) in limiting the allocation of resources to developing countries, especially in Africa. The mid-term evaluation of the RAF further reinforced our fears and concerns. We need to have a serious discussion on the manner in which GEF resources will be allocated in the

future. From our perspective we need a system that is fair, equitable taking into consideration the unique challenges of each country and their vulnerability. It is critical that the future allocation system be based on the needs and priorities of countries rather than utilizing an ex-ante allocation based on an inequitably skewed formula. Furthermore future allocation systems need to have built in mechanisms that would contribute to building the capacities of less-capacitated countries.

Switzerland:

Overhauling the RAF: Make sure that GEF resources are allocated in an equitable, transparent and efficient manner.

United Kingdom:

As GEF's resource allocation approach is a key instrument in achieving its policy objectives, we think that resource allocation should be addressed in the replenishment discussions. Lessons from the application of the current RAF and the experience of allocation approaches in other multilateral agencies can be drawn on with a view to improving allocation in GEF5.

FOCUS ON EFFECTIVENESS, EFFICIENCY AND RESULTS

Australia

Access rules – is there merit in considering the provision of a range of ways to improve access to funding? These could include direct country access based on planned national development priorities. Additionally, a comparison of the structure and approaches of the GEF with other vertical funds (for example the Global Fund to Fight AIDS, Tuberculosis and Malaria) would be useful. Agencies accredited for implementation – would there be value in broadening the range to include national and regional organisations, bilateral agencies, NGOs and private sector organisations?

Project cycle –could it be further streamlined and operate more equitably and, in particular, integrate programmatic approaches more effectively?

Improve country ownership - for example through better reflecting national priorities and integrating GEF funding in national planning, rather than funding multi-country projects that in some cases are seen as driven by Implementing Agencies. Increase the use of delivery modalities, such as programmatic approaches, that reduce transaction costs, ensure better alignment with national priorities and promote harmonisation between the GEF and other donors. Manage for enhanced results, both in GEF projects/programmes and in GEF policy-making.

Monitoring and evaluation – how well are have recommendations from studies to date been implemented?

Denmark:

Alignment of GEF-supported interventions with national environmental planning and maximizing synergies across focal area interventions are important.

France:

Operational aspects are crucial and the question of the access to fund, important for most of developing countries, should be carefully tackled. What about extending the executing agencies to other institutions such as bilateral agencies or NGO with strong fiduciary standards in order to be closer to the field and in a position to meet more specific needs?

Should the GEF develop more direct access to give it more flexibility while ensuring adequate safeguards?

Programmatic approach: Such an approach could allow more transformational changes, ensure ownership, enable regional collaboration, accelerate the project cycle and avoid some mistakes picking the projects but it could be difficult to implement. It will however change access to the fund and may impact the organization of the GEF (decision process, role of the agencies, etc).

Germany:

Moreover, we think that the Programmatic Approach has to be developed further. Project-based approaches are not sufficient to incentivize sector-wide transformation processes required to put

societies on a sustainable development pathway. Germany believes that donors should explore ways to design a consistent operational system that really maximizes the benefits for the global environment.

Japan:

Further streamlining the project cycle is instrumental. Inter alia, it is of upmost interest how to simplify the procedures for approval of individual projects under programmatic approaches, in light that programmatic approach would be mainstreamed in the GEF operation.

Netherlands:

Addressing global environmental issues is too much isolated from national environmental planning which reduces the synergistic impact of environmental planning and investments. GEF investments are too much scattered and isolated from the national medium term development planning process. In addition different convention policies and reporting systems demand extra national reporting and co-ordination capacity which doesn't contribute to additional sustainable national development planning. Capacity development for GEF programming could be better integrated with national capacity development for environmental and sustainable development programming. Challenges: Adding value to sustainable development by integrating the obligations and objectives under the Rio conventions into national development policy planning. An update and alignment of the GEF programmatic approach with country systems to support policies for sustainable development and investment planning. Programming GEF-5 resources in coherence with the Paris principles of alignment and harmonization under the direction of the country and in partnership with bilateral, multilateral and private donors. The global environmental impact of the national medium term expenditure framework is the entry point for GEF programming. GEF can be instrumental in strengthening national capacity for environmental policy and investment planning in the perspective of the global environment. GEF can initiate a process with the COP's of the Rio conventions on a system to address the global environment in a coherent way without the restrictions and limitations imposed on the GEF programming system through the present day silo structure. GEF can initiate a process with the COP's of the Rio conventions on a system to streamline the national development planning and to unify the reporting to the conventions. Integration of the needs for adaptation to climate change in the overall GEF programming is part of development planning.

Spain:

Continuation of the in depth reforms that have promoted increased efficiency in the access to GEF resources, trying to extend them to Executing and Implementing Agencies. An additional reduction in project cycles is desired but it requires the cooperation of Executing and Implementing Agencies. Although they follow their own internal procedures we should seek their close cooperation to improve GEF's overall efficiency. Related to this, we could explore new ways of channelling resources, such as the pre-approval of funding envelopes.

United Kingdom:

GEF has taken steps to improve its support for national programmes by introducing a 'programmatic approach' and setting targets for project approval and implementation. As these operational policies are key to GEF's impact and reputation, the UK believes it would be useful to review progress in these measures with a view to building on the strengths of the

programmatic approach to support national plans and further simplifying the project approval process.

United States:

The United States is interested in exploring ways to improve the ability of the GEF to track and report on results, particularly at the portfolio level. This should include the GEF's capacity in tracking, reporting on, and disseminating effectively lessons learned. The GEF should consider improving its results management framework so that it meets current best practice at other IFIs. Clearer demonstration of the GEF's results is critical to sustaining donors' willingness to fund the GEF.

SCOPE AND MANDATE OF GEF FOCAL AREAS

Climate Change Mitigation

Belgium:

GEF replenishment covers all of its focal areas and an increase should mean an increase for all. At the same time, climate change funding is the talk of the day and pressure is rising. Could donors envisage and justify (vis-à-vis the other conventions) an asymmetric GEF, with a very large Climate Change Focal Area, next to all others being much smaller?

There has always been a difficult relationship with the UNFCCC and the current negotiations on a post-2012 climate regime are putting a lot of pressure and critique on the GEF. The timing of the replenishment and climate negotiations doesn't help, because the financial panorama for climate isn't clear at all and makes it extremely difficult to foresee in which way the GEF should evolve in order to accommodate the high expectations on climate finance. Should the GEF consider to integrate as many aspects of climate finance as possible, in order to maintain its role as principal entity of the Financial Mechanism of the Convention? Or should it deliberately choose to play a niche role, concentrating on incremental cost funding for mitigation technologies that are not or partially market-ready, next to continuing with its traditional role in enabling activities?

Canada:

As other climate change initiatives become operational, it will be important for the GEF to demonstrate its comparative advantage in this field. It would also be useful to discuss how to address resource demands for enabling activities under the various Conventions.

Czech Republic:

In this context also the role of the GEF and its respective funds in the post 2012 climate change architecture is essential, including the support of introduction of new and clean environmentally sound technologies back to back with capacity building activities.

Denmark:

Develop further experience with climate mitigation actions in the context of sustainable development, supported and enabled by technology, financing and capacity building, in a measurable, reportable and verifiable manner.

Japan:

Currently, GEF allocates approximately 30% each of its whole resource to two focal areas, that is, climate change and biodiversity. The other four areas is sharing the rest. With respect to the climate change agenda, there is an increasing availability of financial resource for developing country support, through various mechanisms, both multilateral and bilateral. This taken in to account, it is worthwhile examining (i) what is the competitive advantage of GEF, compared with other existing mechanisms, and (ii) to what extent should GEF put emphasis on to each focal area, based on that competitive advantage.

Netherlands:**LULUCF**

Imperfections: The mitigation potential of land use including forests in comparison with technology development is substantial although diverse and site specific. LULUCF isn't included in international agreements on climate change but it is considered and practical knowledge on effects of LULUCF and monitoring protocols is needed. **Challenges:** To prepare for inclusion of LULUCF in international CC agreements. Building knowledge of integrating LULUCF including REDD in national environmental planning and development of monitoring systems for the mitigation effects.

United Kingdom:

Focusing GEF's resources for maximum impact will be a major theme of the replenishment. The GEF revised its focal area strategies in 2007. The policy and operational environment is constantly evolving, particularly in climate change. The inter-relatedness of environmental management challenges and their importance in sustainable development is also increasingly evident. The UK believes it would be useful to review the effectiveness of the strategies and whether there is further scope to focus on creating the conditions for recipient countries to raise and sustain investment in environmental goods and services.

Adaptation**Australia:**

Should the GEF remain focused on global environment benefits? Is there merit, particularly in relation to climate change adaptation, in allowing local benefits to be a focus?

Belgium:

Among these, the global environmental benefit testifies to the uniqueness of the institution, in all of its focal areas. Would there be any benefit for the GEF at large in tampering with the global environmental benefit principle, e.g. with regard to adaptation to the negative effects of climate change which is mostly limited to local benefits? A significantly higher replenishment raises questions about the absorptive capacity of the current GEF structure. Not only because of the bigger amount of money to be processed, but also because of a possible higher complexity of the institution, should it take on additional activity areas e.g. in climate change or in chemicals.

Canada:

Given the role of the GEF in providing services to the Adaptation Fund and the SCCF/LDCF, the mandate and capacity of the Secretariat to manage these responsibilities will require additional thought. Canada also wants to ensure that pressing environmental concerns related to the other 'windows' of the GEF receive appropriate attention and resources during the Fifth Replenishment.

Chemical Window**Czech Republic:**

The Czech Republic fully subscribes to the achievement of the goal agreed at the 2002 Johannesburg World Summit on Sustainable Development of ensuring that, by the year 2020,

chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. We are an active Party to respective multilateral environmental agreements (the Stockholm Convention on POPs, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade and the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal), and we support this goal also through active involvement in Strategic Approach to International Chemicals Management (SAICM). We are fully aware of the fact that the goal can not be achieved without strong political support and sufficient amount of resources for support of projects with global benefits. We warmly welcomed the new Medium-Term Strategy of UNEP showing the political support for further concrete actions in this regard and we feel that this needs to be accompanied by further action of GEF. We would welcome opening of new GEF window devoted to sound chemicals management. We are of the view that such a window would allow for funding of projects in a synergistic way. It would allow to address matters covered by several instruments and promote life cycle approach in chemicals management. We see an urgent need for this window since we hope that the upcoming negotiations within the 25th session of the UNEP Governing Council 25 will allow to start negotiation on new legally binding instrument focused on mercury and this instrument will need additional funding. We are in favour of continuation of biodiversity conservation support in line with the four-year framework of programme priorities of the Convention on Biological Diversity. Special attention should be given to the implementation of the Convention and the Cartagena Protocol on Biosafety and improvement of capacity to achieve this goal. In biosafety area the funding need to be focused to a long-term support of legal and administrative system, risk assessment and management, enforcement of monitoring and control, as well as liability and redress measures.

Denmark:

In addition to strengthening the focus in GEF's current focal areas there is a need for expanding the POP's focal area and establishing a general "chemicals" focal area, dealing with chemicals throughout their life cycle. The new focal area should inter alia include POPs, other chemicals and chemicals related global conventions, mercury and support to the Strategic Approach to International Chemical Management (SAICM), and should be open for support to interventions under future conventions on chemicals. This need is inter alia underpinned by the process on coordination and cooperation between the Stockholm, Rotterdam and Basel Conventions, in current discussions on the implementation of SAICM and in relation to ongoing discussions on global action to reduce mercury, for example through a legally binding instrument.

Finland:

An expanded chemicals window: GEF's goal in supporting sound chemicals management across its focal areas is to contribute to the implementation of Agenda 21 and the Johannesburg Plan of Implementation (JPOI) through activities that promote the sound management of chemicals and yield global health and environmental benefits. Providing the means for sound chemicals management based on a holistic life-cycle approach is the logical next step for the GEF in the light of current developments in the international chemicals management domain. GEF activities should also contribute to the overall objective of the Strategic Approach to International Chemicals Management (SAICM) of achieving the sound management of chemicals throughout their life-cycle so that by 2020 chemicals are used and produced in ways that lead to

minimization of significant adverse effects on human health and the environment. At the moment, the GEF financing for chemicals management is available under the persistent organic pollutant (POP), ozone-depleting substance (ODS) and, to a lesser extent, international waters focal areas. Such financing, however, is restricted to specific subsets of chemicals. A cross-cutting strategy on sound chemicals management, adopted during the fourth replenishment, is also in place. At the meeting of the Strategic Approach to International Chemicals Management (SAICM) open-ended legal and technical working group that took place in Rome in October 2008 there was broad general agreement that sustainable long-term financing was crucial to the successful implementation of SAICM. A number of participants called for efforts aimed at establishing a GEF "chemicals window" to make the GEF the financial mechanism for SAICM. Participants at the upcoming second session of the International Conference on Chemicals Management will consider possible ways of providing long-term financing for SAICM, including through establishing GEF as the SAICM financial mechanism and prioritizing implementation actions in relation to available funding. We feel that it is time to combine these different strands in response to the challenge described in the GEF Sound Chemicals Management Framework Strategy and Strategic Programming document, that is, to avoid building "silos" and instead to build upon and expand the capacities existing in recipient countries. Thus, the GEF-funded activities with respect to POPs and ODSs should fit into the framework of each country's capacity for sound chemicals management. With regard to mercury, the open-ended working group established by the UNEP Governing Council has made progress and recognized the need for enhanced international action to phase out mercury and reduce mercury releases. Finland, as a member of the European Union, acknowledges that legal obligations require capacity-building and technical and financial assistance to be successfully implemented by all Parties and. Thus, Finland considers that GEF, subject to its mandate, should be used to finance capacity-building and projects related to mercury.

Switzerland:

Switzerland proposes the expansion of the existing Persistent Organic Pollutant Focal Area into a general Sound Chemicals Management Focal Area. Sound chemicals management offers significant global environmental benefits. Today, it is well recognized that not only persistent organic pollutants are of global concern. The GEF has recognized that sound chemicals management has to be supported beyond its Persistent Organic Pollutant Focal Area and therefore developed a Sound Chemicals Management Framework Strategy. However, experience has shown that this approach is restricted to specific subsets of chemicals management and that it is therefore not sufficient to provide an adequately supportive framework for chemicals management in general. In order to ensure that the GEF is able to contribute effectively to the overall objective that by 2020 chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment, the existing Persistent Organic Pollutant Focal Area may have to be expanded into a general Sound Chemicals Management Focal Area. The establishment of such a comprehensive Sound Chemicals Management Focal Area will have significant impact on the fifth replenishment of the Global Environment Facility and should therefore be discussed as a special theme.

Other Issues

Finland:

Sustainable Consumption and Production (SCP) is closely linked to practically all key environmental challenges at all levels. The way we produce and consume contributes to climate change, pollution, material use, and natural resource depletion, desertification, biodiversity loss, hazardous substances and waste issues. Thus it is an issue that cuts across GEF priority areas. Achieving environmental sustainability is not possible without changing unsustainable patterns of consumption and production. SCP is essential in order to decouple economic growth from environmental degradation in both developed and developing countries; as well as to help the poorest to meet their basic needs. In the GEF structure, there is no specific window for SCP. But it can be argued that SCP related activities could be justified under most of GEF's focal areas - climate change, biodiversity, land degradation, international waters, ozone depletion, and persistent organic pollutants - and windows. To a certain extent GEF is already financing projects that are promoting SCP, especially under the climate change focal area (energy efficiency, renewable energy, sustainable transportation), but also under other focal areas, such as international waters, where i.e. sustainable fisheries is one key priority. Energy-efficient buildings and appliances, as well as energy efficiency in the industrial sector are among GEF's strategic programs for climate change mitigation. Other strategic programs include renewable energy technologies, low-GHG-emitting energy technologies, and sustainable urban transport technologies, all valid in the built environment. Therefore, Finland believes that in the GEF-5 replenishment round there is a need to discuss and eventually agree on making the promotion of SCP a cross-cutting principle of GEF. This could contribute to developing a more effective and systematic SCP approach within GEF, and create a basis for developing and providing policy guidance throughout GEF's operations.

As the leading multilateral financing mechanism for the environment, the GEF is a key institution for setting standards on gender mainstreaming in environmental financing and projects. Due to evidence from the World Bank and other institutions that a gender approach improves project effectiveness, and given that gender equality is itself an important goal under the umbrella of sustainable development, the GEF should upscale the gender mainstreaming process. Negotiations on the 4th replenishment of the GEF noted that gender analysis should be systematically addressed in all stages of the GEF project cycle (Global Environment Facility, 2006, Policy Recommendations for the Fourth Replenishment of the GEF). "Mainstreaming Gender at the GEF" published by GEF late 2008 describes the progress made so far on the various focal areas. In the focal area of biodiversity, 46 per cent of the projects included an action related to gender mainstreaming, while the number is falling to 11 per cent in the climate change focal area. The above indicates that we need further action to enhance the mainstreaming. For example, the fourth Report of the IPCC underlines that the impacts of climate change will affect seriously poor regions and poor people. Out of these poor about 70 per cent will be women. Women can play major role in adaptation and mitigation if they will have access to planning and implementation of these activities, including financing. In order to make the mitigation and adaptation financed by GEF more effective, participation of local communities, both women and men, needs to be strengthened. Thus, Finland proposes to enhance the mainstreaming of gender at all levels of the project cycles of the GEF in all focal areas, in particular in the focal area of climate change, and prepare an action plan or strategy for this

purpose; to strengthen the institutional framework and secretariat's capacity for gender mainstreaming; and to ensure that appropriate funding is allocated within the GEF projects to adequately address gender mainstreaming.

Netherlands:Relation between MDG-1 and MDG-7

Evidence: Recent global environmental assessments (GEO-4; OECD Environmental Outlook) present the linkage between environmental degradation and poverty. A major GEF EO study shows the linkage between local benefits and the sustainability of global environmental benefits. The OECD guidelines on Natural Resources and Pro-Poor Growth provide good examples of the need for sound political economy and of economic opportunities for the poor in the management of natural resources. Challenges: To find opportunities to maximize the sustainable effect and impact of GEF investments through improvement of governance of natural resources and linking with socio-economic development. Analysis of the political economy of environmental degradation before drafting policies and investment strategies is essential. All through the history of GEF, LDC's have been underserved resulting in a negative impact on their treasuries of global environmental importance. In GEF-5 the focus on capacity development in the LDC's need to prepare for increased investments in NRM and will result in a change of balance to the advantage of the LDC's and the global environment.

Switzerland:

National Communications: Demands for provision of agreed full costs for National Communications have to be fully met.