



GEF/R.6/06/Rev.01  
March 22, 2013

---

First Meeting for the Sixth Replenishment of the GEF Trust Fund  
April 3 - 4, 2013  
Paris, France

## **DRAFT STRATEGIC POSITIONING FOR THE GEF**

(Prepared by GEF Secretariat)

## Table of Contents

Introduction.....	1
Global Context.....	1
Implications for GEF in the future.....	4
GEF Strengths.....	5
The Benefits of a Long-Term Strategy.....	7
Selected Questions for GEF-6 to Maximize GEF’s Future Impact.....	8

### Annexes

Annex 1: History of GEF Replenishments.....	12
GEF-5 Policy Reforms.....	13
Table A1: Status of Implementation of GEF-5 Policy Recommendations.....	14
Annex 2: GEF-5 Programming & Results.....	17
Annex 3: Results-based Management Framework & Knowledge Management.....	22

## INTRODUCTION

1. **This paper sets the stage for dialogue on the future strategic positioning of the GEF among participants of the first GEF-6 replenishment meeting to be held in Paris during April 3-4, 2013.**
2. **The paper provides an overview of the main trends that could influence GEF's operating landscape during GEF-6 and beyond.** The paper lays out the rationale that indicates why the GEF will be even more needed in the future, given the declining environmental trends and the troubling prospects for the state of global resources in the decades to come. Furthermore—in the context of a rapidly evolving landscape for global environmental financing—the GEF will need to re-articulate its value proposition and better define its role in the global finance architecture. The GEF will need to develop a new strategy to enable the GEF to deliver the scale of impacts that start reversing the most threatening global environmental trends, be it biodiversity loss, climate change, land degradation or any other of GEF's focal areas. Business as usual will not suffice.
3. **The paper also notes that GEF has a number of significant strengths.** These include *inter alia*, over 22 years of experience in environmental project implementation, which is now being continuously assessed by an independent Evaluation Office. Also, the GEF continues to enjoy high degree of international legitimacy derived from its association with key multilateral environmental conventions and a world-class Scientific and Technical Advisory Panel (STAP). Moreover, it has an equitable governance structure, and a strong network of implementing partners.
4. **Finally, the paper concludes with a set of questions about how the GEF can enhance its future impact.** The paper explicitly does not attempt to provide detailed answers to these questions. Rather it puts them forward to frame the dialogue that will take place during the GEF-6 replenishment towards identifying the policy recommendations for the replenishment. It will also serve as guidance for the preparation of a long-term strategy for the GEF that was recently launched as a key step in the process of positioning the GEF as a champion of global commons.

## GLOBAL CONTEXT

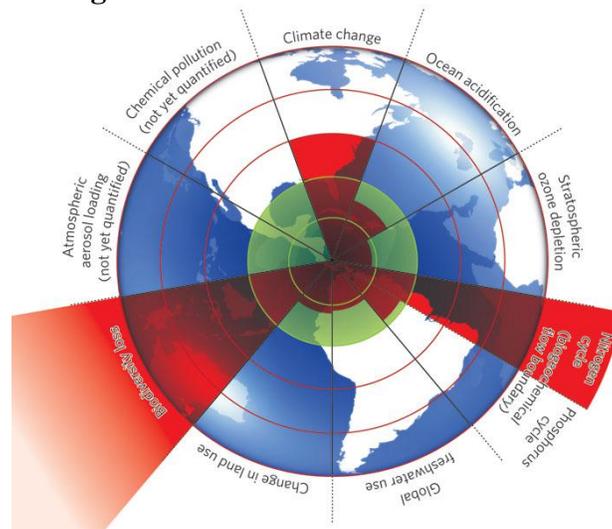
5. **The Earth's ecosystem is being pushed to its limits.** Earth now supports a population of 7 billion who are collectively using the Earth's resources at accelerating rates. Arguably, our impact on the biosphere already surpasses the capacity of its systems to absorb wastes and neutralize the adverse effects on the environment. Human activities are now visible at a planetary scale and very little remains free of anthropic influence.<sup>1</sup> The most readily recognized changes include a rise in average global temperatures and sea levels, and ocean acidification, all

---

<sup>1</sup> Some experts suggest that the Earth has entered a new geological epoch, the *Anthropocene* (Zalasiewicz *et al.* 2011, 2010) in which humans are overwhelming the forces of nature. An implication of entering the Anthropocene would be the leaving of the Holocene, the interglacial period that has provided humanity, over the past 10 000 years, with extraordinarily good living conditions, enabling the development of modern societies and a world with 7 billion people (Folke *et al.* 2011).

associated with the increase in emissions of greenhouse gases, especially carbon dioxide and methane. Other human-induced changes include extensive deforestation and land clearance for agriculture and urbanization, causing acceleration of the rates of species extinctions as natural habitats are destroyed. Researchers<sup>2</sup> have attempted to define key Earth system boundaries, beyond which abrupt global environmental changes—with possibly severe and irreversible consequences for humanity—cannot be excluded. They argue that in the case of climate change, biodiversity loss, and changes to the global nitrogen cycle Earth system boundaries have already been reached or surpassed.<sup>3</sup>

**Figure 1: Environmental Thresholds<sup>4</sup>**



6. **The pressure on resources is set to increase in the coming decades.** There are several socio-economic drivers that are likely to exacerbate current trends in the global environment in the coming decades. Although growth in the global population has declined from around 2 percent in the early 1960's, it is expected to be about 1 percent per year going forward, raising global population to about 8.3 billion by 2030. In parallel, despite the ongoing macroeconomic challenges, especially in Europe, global economic growth as measured by GDP/capita is expected to hover around 3 percent per year in the medium term. At this rate, average global incomes in 2030 will be more than 50 percent higher than today. The combined effects of population and economic growth are expected to grow the global middle class from under 2 billion today to around 5 billion by 2030. Economic growth is not expected to occur evenly around the world. Nearly two-thirds of the increase in the global middle class will be in China and India.

<sup>2</sup> Rockström et al. 2009. A safe operating space for humanity. Nature, DOI: [10.1038/461472a](https://doi.org/10.1038/461472a)

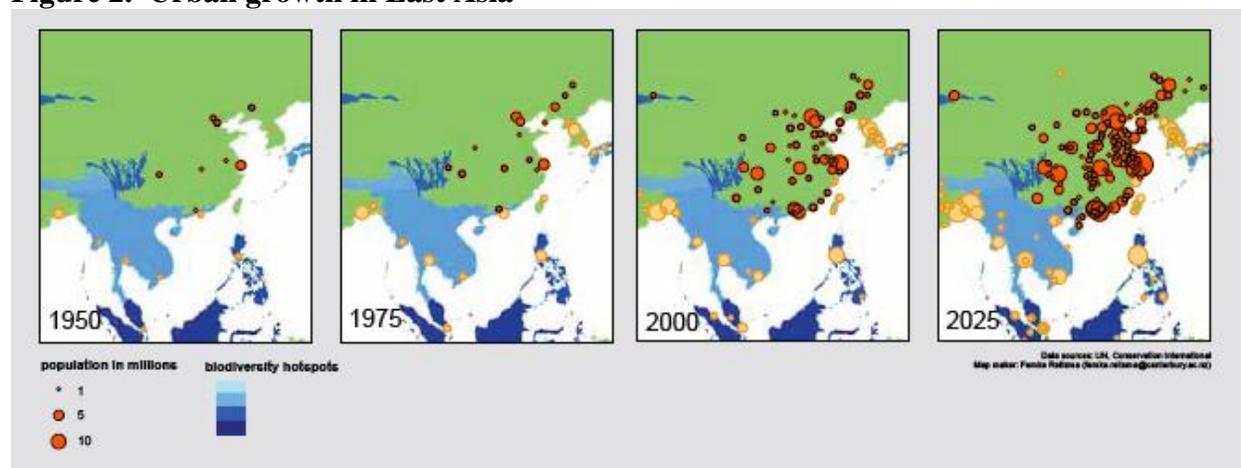
<sup>3</sup> It is worth noticing that the proposed boundaries are scale-dependent. Climate change, ozone depletion and ocean acidification are global, systemic issues that require a certain set of policy responses. Other, such as nutrient deposition and land use, are aggregate issues that may be best dealt with at the regional and local scales. S. Lewis 2012. We must set planetary boundary wisely. Nature (485): 417.

<sup>4</sup> Source: Rockstrom et al *op. cit.*

7. **The demand for food, energy, and water will rise rapidly.** While economic growth is critical from a poverty alleviation standpoint, it also has significant ramifications for the environment via increased consumption of food, water, energy and other materials. For example, by 2030, the global caloric intake is expected to increase by 50 percent, and the global car fleet may double to 1.7 billion. The Water Resource Group has estimated that by 2030 global water requirements could be 40 percent above current accessible, reliable supply (including return flows, and taking into account that a portion of supply should be reserved for environmental requirements). Growing demand from agriculture, manufacturing, power generation, and domestic use are expected to be the main drivers of overall freshwater demand.

8. **Urbanization will continue at a rapid pace.** Along with a growing middle class continued urbanization of the global population is expected. In 2008, the global urban population exceeded the global rural population for the first time in history. This trend is expected to continue with global urban population expected to rise to 60 percent by 2030, with most of the urbanization occurring in Asia and Africa. China and India alone could add residential and commercial floor space every year equivalent to the city of Chicago. Urbanization will play a significant role in rising demand for materials such as steel, which is projected to increase to 80 percent by 2030. Since the predominant rise of new urban centers will occur in the developing world, urbanization offers both challenges and opportunities to mitigate environmental trends. For example, urbanization allows economies of scale in reducing the environmental footprint of service provision. It may also allow the restoration of soils and degrade lands left behind by people who migrate to cities.

**Figure 2. Urban growth in East Asia**



Note: Red dots represent urban centers in China; yellow dots elsewhere in East Asia.

Source: Secretariat of the Convention on Biological Diversity (2012) *Cities and Biodiversity Outlook*. Montreal, 64 pages.

9. **The global architecture for environmental financing, especially for climate finance, is rapidly evolving.** In parallel to global negotiations to create an international rules-based system to address climate change, the finance landscape is changing rapidly. These changes present challenges, but also provide opportunities to shape how public and private investments can be redirected and catalyzed to address climate change and other environmental challenges. Net private capital flows (inflows minus outflows) into developing countries have increased

rapidly in the past two decades from an annual average of \$92 billion in 1997-2000 to an estimated \$600 billion in 2011. The majority of these flows has been concentrated on a few countries but could begin to expand as new opportunities arise. Public sector institutions have an opportunity to harness and direct these flows into climate and environment friendly investments that will not only address the sustainable development needs of developing countries, but also provide attractive returns to private investors.

**10. New public financing mechanisms originating from both emerging and traditional donors have proliferated.** Globally, there is a rapidly growing economic influence of emerging economies such as Brazil, China, India, Mexico, and South Africa, and their respective national and sub-national development finance institutions. In addition, the growth of sovereign wealth funds of both Middle Eastern and South East Asian countries and the influence and reach of these countries and their institutions, relative to their developed country peers, are growing rapidly. This reflects part of a broader global trend of growing economic and financial strength of the emerging economies as illustrated for example by the transcendence of the G-20 over the G-8 as the major forum for political and economic leadership and by the fact that the BRICS meetings have emerged as important events on the international calendar for tracking major new policy signals. In parallel, numerous funding vehicles have been established mainly by traditional donors, both bilaterally and through multilateral initiatives, including the for example the Climate Investment Funds and, perhaps most notably, the Green Climate Fund (GCF), which was established to “make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change”. Supported by the GEF and UNFCCC secretariats, the GCF is currently in the process of establishing the basic elements of its operational structure, including clarifying issues related to its business model, resource mobilization, programming and implementation strategies.

## **IMPLICATIONS FOR GEF IN THE FUTURE**

**11. Incremental gains and business as usual will not bring about the much needed transformative change.** The underlying demographic and economic drivers will continue to exacerbate the degradation of the environmental commons that have already exceeded thresholds on many fronts. The *OECD Environmental Outlook to 2050*,<sup>5</sup> concludes that without more ambitious policies than are currently planned, “continued degradation and erosion of natural environmental capital is expected, with the risk of irreversible changes that could endanger two centuries of rising living standards,” and (i) more disruptive climate changes are likely to be locked in; (ii) biodiversity loss is projected to continue, with climate change projected to become the fastest growing driver of biodiversity loss by 2050, followed by commercial forestry, and to a lesser extent, bioenergy croplands; (iii) freshwater availability will be further strained in many regions, with 2.3 billion more people living in river basins already experiencing severe water stress; and (iv) air pollution will become a top environmental cause of premature mortality.

**12. The UN Conference on Sustainable Development (UNCSD, or Rio+20) re-emphasized this point.** Rio +20 outcomes document—*The Future We Want*—argued that a

---

<sup>5</sup> OECD Environmental Outlook to 2050: The Consequences of Inaction, OECD 2012.

strengthened institutional framework for sustainable development which responds coherently and effectively to current and future challenges and which efficiently bridges gaps in the implementation of the sustainable development agenda is needed. In addition, despite significant progress in some areas, several prominent studies presented at the *Planet Under Pressure* conference in 2012, also associated with Rio+20, concluded that because the global environmental challenges are tightly interdependent, they require more systemic responses to solve them. Sector by sector or issue by issue approaches alone will not change the status quo or reverse some of the most worrisome trends for the global environment.

### ***GEF Strengths***

13. **GEF can build on several established strengths to help bring about the necessary change.** The GEF has an established track-record of project development and implementation. GEF project achievements are independently assessed by the GEF Evaluation Office. Progress towards impact in GEF-5 across GEF's six focal areas will be reported on in the Fifth Overall Performance Study of the GEF. The performance of the GEF has also been evaluated as delivering value for money in recent assessments conducted by key bilateral agencies.<sup>6</sup> Since its inception, GEF has provided a total of about US\$11.5 billion in grant resources to developing countries for the protection of global environmental commons, through a partnership with ten implementing agencies (see annex 1 for a summary of GEF replenishments, including recent reforms, and annex 2 for programming allocations in GEF-5). GEF financing has played a strong and increasing financial catalytic role (*figure 3a and 3b*). During GEF-2 and GEF-3, the average co-financing ratio of approved GEF projects was around 1:4, while it increased to over 1:6 in GEF-4. In GEF-5 to date the average co-financing ratio exceeds 1:7. In GEF-5, the increase in the overall co-financing ratio is especially driven by a significant increase in the leveraging of GEF's climate change portfolio.

---

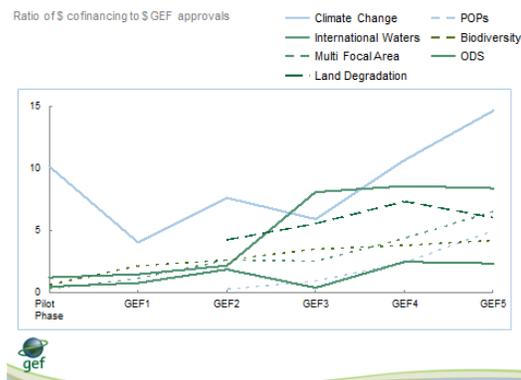
<sup>6</sup> The Multilateral Aid Review (MAR) by the DFID, March 2011, U.K, and the Australian Multilateral Aid Assessment by Ausaid, March 2012.

**Figure 3a. Co-financing ratios, GEF-1 to GEF-5**



Note: data for GEF-5 is through February 14, 2013.  
Source: GEF PMIS

**Figure 3b. Co-financing ratios by focal area**



Note: data for GEF-5 is through February 14, 2013.  
Source: GEF PMIS

14. **GEF derives significant legitimacy from its role as a financing mechanism for a number of multilateral environmental conventions.** The GEF serves as a financing mechanism for the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants, and the United Nations Convention to Combat Desertification (UNCCD). The GEF has also provided resources for economies in transition under the Montreal Protocol dealing with ozone depleting substances. More recently, in January 2013, the international negotiating committee drafted a global legally binding instrument on Mercury and agreed on a role for the GEF as a financial instrument for the new Mercury convention. In addition, as adaptation has emerged as a priority, the GEF was entrusted with the management of an expanding portfolio of funds such as the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF); since 2008, the GEF has also been providing secretariat services to the Adaptation Fund under the Kyoto Protocol. In 2010, with support from several contributors, the GEF established the Nagoya Protocol Implementation Fund (NPIF) to specifically support access and benefit sharing objective under the CBD. GEF programming is bolstered by best-practice fiduciary standards and high standards for Environmental and Social Safeguards Policies, Gender Mainstreaming Policy, and Principles and Guidelines for Engagement with Indigenous Peoples. Addressing the issue of social inclusion, including gender, Indigenous Peoples, and other vulnerable groups, in GEF projects are critical as they are both important drivers and incentives for achieving global environmental benefits, and for the overall success of the projects. Gender and social issues are addressed through the focal area strategies and project cycle, particularly with gender sensitive social analysis, gender disaggregated indicators, and monitoring and evaluation exercises.

15. **GEF can potentially generate large synergies across many global environmental priority themes.** The Framework for Action included in the Rio+20 outcomes document reiterated the original themes and the associated conventions established in the 1992 Earth Summit. But it also went further in identifying the remaining gaps that need to be addressed in

order to build a truly transformative framework for sustainable development. An underlying principle that defines most of these gaps is the multi-disciplinary nature of both the threats to the global environmental commons and the solutions to them. As described in a recent STAP draft paper<sup>7</sup>, since the GEF operates across many of the global priority environmental themes, the GEF has tremendous opportunities to become even more relevant in the future, building on its existing comparative advantages. A major strength of the GEF as a financial mechanism of multilateral environmental agreements (MEAs) is its ability to support activities in recipient countries that, within the context of their sustainable development needs, can help them meet commitments to more than one global convention or thematic area, especially when dealing with the plight of the global environmental commons. Though GEF strategies are articulated by focal area, and draw closely on Convention guidance, project design and implementation approaches can increasingly build on the existing inter-linkages and connections across the different focal areas, reflecting the multiple needs of recipient countries on the sustainable development front. In summary, the GEF is arguably unique among multilateral funding mechanisms in being able to integrate various inter-linked and reinforcing objectives to promote cost-efficiency and higher impact of scarce resources. This, however, will require new ways for the GEF to conduct its business, including how it prioritizes and allocates financial resources. The draft programming paper prepared for the first GEF-6 replenishment meeting describes some possible options for how the GEF can begin to pursue a more integrated approach to programming

**16. GEF needs to constantly revisit its core value proposition and mode of operation.**

As emphasized above, despite incremental progress on many fronts, the overall environmental indicators are worsening across GEF focal areas. Pressures are expected to increase in the coming decades as the global population and average incomes continue to grow, and the global architecture for environmental financing keeps evolving. Against this background GEF needs to ensure that its strategic positioning, partnering approach, client engagement model, and organizational and operational model continue to remain fit for purpose. Only by defining its specific role within the evolving environmental finance landscape and maximizing its overall organizational effectiveness, will GEF be well-positioned to deliver significant impact in the years to come.

*The Benefits of a Long-Term Strategy*

**17. The development of an ambitious long-term strategy is a key step toward keeping the GEF fit and relevant for future challenges.** Such a strategy will help articulate and create consensus among all GEF stakeholders about a compelling vision for how GEF can support the transformational change needed to protect the global commons. Grounded in a comprehensive assessment of both future environmental financing needs and the GEF's core strengths it would help ensure maximum GEF impact, effectiveness, and value for money.

**18. Three lines of inquiry will serve as key inputs to the long-term strategy.** First, the long-term strategy will explore carefully the operating environment for GEF in the coming decade. This would focus on both the main development and environmental trends and their

---

<sup>7</sup> "Enhancing GEF contribution to Sustainable Development", STAP, Draft February 2013.

importance for GEF, and on likely future directions of the global architecture for environmental financing. Second, the long-term strategy will develop the GEF's forward-looking vision, as well as the causality chain of impact—the “theory of impact”<sup>8</sup>—that will guide the operationalization of the vision. That is, the long term strategy would seek to elucidate both the GEF's ultimate goals and the primary ways in which the GEF can seek to effect change. This would be founded on a robust assessment of the GEF's unique strengths, as well as on a thorough understanding of the global demand for and supply of environmental financing. Third, the key decisions that the GEF will need to make to operationalize the long term strategy would be identified. Examples of these strategic decision may involve reviewing resource decisions (how to allocate internal resources, and how to leverage external resources), delivery model decisions, how GEF can best drive innovation and leverage innovative instruments, how GEF can share accumulated knowledge and experience more broadly; or how GEF can develop new partnerships, e.g., with the private sector.

**19. The long-term strategy will be developed in four phases, in parallel with the GEF-6 replenishment process, and will seek inputs from all parts of the GEF partnership.** During Phase 1 (February to mid-March 2013) an initial review and preliminary stakeholder consultations will be conducted, initially targeting Council members, implementing agency representatives, the NGO network and GEF Secretariat staff. Phase 2 (mid-March to mid-May) will focus on detail analysis and stakeholder consultations with a wide range of stakeholders familiar with the GEF and experts in the rapidly changing landscape of international finance. By mid-May 2013 a first draft of the long-term strategy will be available for review by all stakeholders. It is expected that the first draft will be presented and discussed at the June 2013 Council meeting. Phase 3 (mid-May to mid-July) is when research and consultations will be finalized. Phase 4 (mid-July to end-August) is when the final draft of the long-term strategy will be developed and made available prior to the second replenishment meeting in September, and also discussed at the November 2013 Council meeting.

#### **SELECTED QUESTIONS FOR GEF-6 TO MAXIMIZE GEF'S FUTURE IMPACT**

**20. Some important questions for positioning GEF in the future as an even more impactful organization are already emerging in the context of the development of the programing strategy for GEF-6.** Getting the answers to these questions right will be critical to ensure that GEF is placed on path to becoming a champion of the global commons. A list of 10 such questions is provided below. Robust dialogue about these questions—and any other questions that may arise—is important so that the needs and ambitions of all stakeholders can be served as well as possible.

**21. *How could GEF move towards a more program based approach?*** A more program-based approach would provide GEF with the opportunity to deliver a more holistic and integrated response to underlying drivers of environmental deterioration in specific areas where such an approach can deliver high impacts or create synergies that might otherwise not be realized.

---

<sup>8</sup> The Evaluation Office has already invested significant efforts in developing a “theory of change” for the GEF that will be taken into account.

Development and implementation of such programs would in many cases require preparatory upstream engagement with key actors, forming new partnerships with them. It would also likely require a more strategic resource allocation system with less emphasis on earmarked country allocations. A shift towards a more program based approach would to some extent be an extension of the shift toward more integrated approaches to project design and implementation that has appeared in GEF-5, and to the integrated approach to forests that was introduced as a new framing approach encompassing multiple traditional GEF focal areas. Examining additional such opportunities, the *Integrated Approaches and Signature Programs* section is included as part of the draft programing package with a series of signature programs such as global commodities supply chains, partnering with cities, or rebuilding fisheries that could be considered for financing during GEF-6.

22. ***How can the GEF support more focused and impactful projects?*** GEF project development is guided by eligibility criteria determined by a set of focal area strategies organized around strategic objectives, reflecting COP guidance. At the same time, the scope of eligible activities is often very broad making it a challenge to ensure that a bottom-up aggregation of dispersed project outcomes will eventually achieve maximum impact. A higher degree of selectivity needs to be pursued in each of focal area strategies—and between them when seeking synergies—to enhance impact and value for money.

23. ***What is GEF's role in climate finance in view of the evolving global finance architecture and changing demands?*** In view of the GCF, there is particularly a need for the GEF to reflect on the expected complementarities its climate change related enabling, capacity building, mitigation and adaptation activities can have with the GCF in the future. At the same time, it should be ensured that global momentum in climate change finance is not weakened as the 2015 global agreement deadline approaches. The draft GEF-6 focal strategy for Climate Change Mitigation argues that there are in particular three areas where the GEF can make a unique contribution to complement existing and emerging players within the global climate finance architecture. First, by an enhanced focus on supporting innovations in policy, technology and financing of low-carbon activities, and on technology transfer. Second, by seeking synergies with other GEF focal areas with the aim of achieving systemic impacts to address the climate challenge. Finally, by helping to mainstream climate mitigation into countries' strategic policy decision making, building on GEF support for Convention obligations for reporting and assessments.

24. ***How can the GEF continue to remain at the forefront of innovation?*** The GEF has a long history of providing support for piloting of emerging technologies, management practices, policies, and financial tools for the benefit of the global environment. For example, the GEF was a key factor in the diffusion of some innovative energy efficiency technologies and programs such as Utility-Based Energy Efficiency Finance Program and introduction of Energy Service Companies (ESCO). Another example of GEF emphasis on innovation is the introduction of Payment for Ecosystem Services (PES), both at the national level (as in the case of for example GEF supported projects in Costa Rica and Mexico), and directly between buyers and sellers of ecosystem services (in e.g. Brazil, Ghana and South Africa). The GEF is at the forefront in experimenting with programmatic approaches that deliver multiple benefits that go beyond the individual thematic areas pertaining to the global commons. Major projects approved during

GEF-5 are jointly seeking to conserve and restore biodiversity, protect and rebuild carbon sinks and deliver climate adaptation benefits through the restoration and management of forests (for example in the Brazilian Atlantic Forest and in Rwanda). As argued in a recent STAP paper<sup>9</sup> the GEF has the opportunity to further enhance the design of GEF policies, projects and programs to encourage early adoption and scaling-up of innovative ideas, and to improved delivery on the ground by better utilizing knowledge and networks of the GEF partnership.

25. ***How should the GEF seek to enhance its results-based management and knowledge management to facilitate replication and scale-up?*** For the past two decades, the lack of systematic knowledge generation and transmission has arguably been a missed opportunity for the GEF. Over the last few years, the Secretariat under the Council's guidance has taken the first steps by developing a robust results-based management (RBM) system and basic Knowledge Management (KM) Work program (Annex 3 provides an update on status on results-based management and knowledge management at the GEF). But the scope of this work program is inadequate to position the GEF as the “go to” place for best practice and experiences in terms of design and implementation of projects to benefit the global environment. This has deprived the GEF of a key vehicle for replication and scale up of its interventions. The exception within GEF is perhaps IW-Learn—a long-standing program in International Waters—which has an established record in proactive global knowledge sharing in this area. It could be considered to replicate some of the successful features of IW-Learn in other focal areas. A key challenge for implementation of a coherent and enhanced KM and RBM system in the GEF is the dispersed and decentralized nature of project implementation across implementing agencies.

26. ***How should the GEF enhance its strategic partnership with the private Sector?*** Strong engagement with the private sector will be critical in ensuring the necessary “greening” of global capital flows. Since its inception, the GEF has been engaged in a number of projects with the private sector, many of them through the International Finance Corporation (IFC). During GEF-5, a public-private partnership approach was supported by the Council with a US\$80 million set-aside. Nevertheless, the engagement with private sector still needs strengthening. It may be possible for the GEF to pursue other approaches and seek new frameworks for its engagement with the private sector, such as working along the supply chain of a few selected industries that have major impacts on the global commons or supporting global certifications and standards. The idea that GEF has a role to play in unleashing green investments from institutional investors can also be explored.

27. ***How should the GEF's engagement in Middle Income Countries evolve?*** Under the current country allocation system, a limited number of middle-income countries receive comparatively large allocations. Given the large allocations that the countries receive it is worth assessing whether such countries would benefit from stronger up-stream engagement with the GEF in developing country strategies as the underlying basis for programming to help ensure maximum impact and synergy in the GEF program. Furthermore, the question about ways to possibly limit the size of higher-income countries' allocation can be considered, while being cognizant of GEF's ability to achieve global environmental impacts. In addition, the GEF may

---

<sup>9</sup> STAP 2013 *op cit*.

want to explore ways to incentivize middle income countries to provide higher contributions to the GEF.

28. ***Should the GEF review its current resource allocation system?*** GEF's current resource allocation system, STAR, has helped enhance the predictability of individual country allocations. At the same time, the lack of flexibility between focal area allocations and the limited allocations outside the STAR, limit the scope for undertaking high-impact and high visibility integrated programs where GEF can have discernible impacts on a few aspects of the global commons which require upstream engagement with broader stakeholders and sometimes go beyond national boundaries. Moreover, the current system has the questionable feature—at least with respect to climate change—that high allocations are given to countries with high emissions (as the “potential” global environment benefit is high in these countries) whereas higher allocations arguably should be given to countries that make strong reductions in emissions.

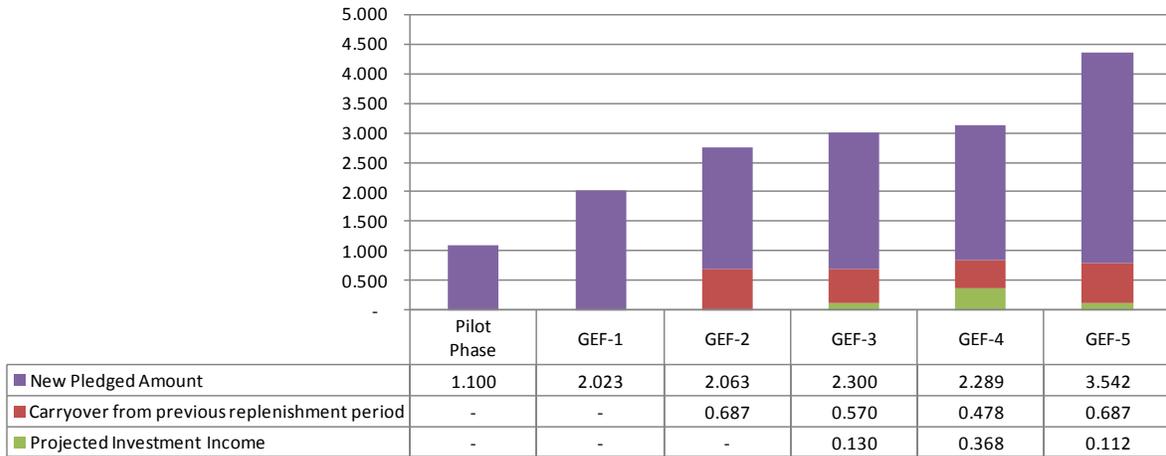
29. ***Should the GEF consider introducing alternative and more innovative financing models?*** One example of innovative financing is performance-based financing and incentives, where countries receive GEF resources based on successful project implementation and demonstration of results. This could either be at the project level where projects that require strong measurement and verification to ensure global environmental benefits such as renewable energy supply may be suitable. Also sector or city-wide approaches could be considered. The performance-based funding could facilitate competitive bidding and encourage grantees to implement projects quickly with an emphasis on results. Recognizing that there are significant practical implementation questions around such scheme, the GEF could consider establishing a pilot project to test and evaluate different types of performance based funding instruments across different focal areas.

30. ***Should the GEF consider rebalancing resource allocation among focal areas?*** The GEF's experience to date show that the actual allocation of focal area funds to a large extent reflect country demands for each of focal areas in addition to supply of funds provided by other institutions. At the same time, there are at least three factors that may impact resource allocations going forward. First, as noted above, while in the climate change there is potentially a strong case for complementarity with other funds and for GEF's unique strength arising from its ability to working across focal areas to generate multi-disciplinary synergies, the emergence of the GCF needs to be considered. Second, the Chemicals and Waste Focal Area has seen a significant increase in the number of chemicals covered by the Stockholm Convention, and more may be added in the future. In addition, the INC for the new Mercury Convention has agreed that GEF be a financial mechanism for the Mercury Convention. Third, the 2012 biodiversity COP agreed to significantly scale up resources for implementation of the CBD convention by 2015

## ANNEX 1: HISTORY OF GEF REPLENISHMENTS

1. Five replenishments and the pilot phase have provided a total of nearly\$ 14 billion over the 20 year history of the GEF. While these resources have been translated into impacts on the ground, replenishments of the GEF have not kept pace with the expanding mandate of the GEF and the increasing demand.

**Figure A 1. Summary of GEF Replenishments**

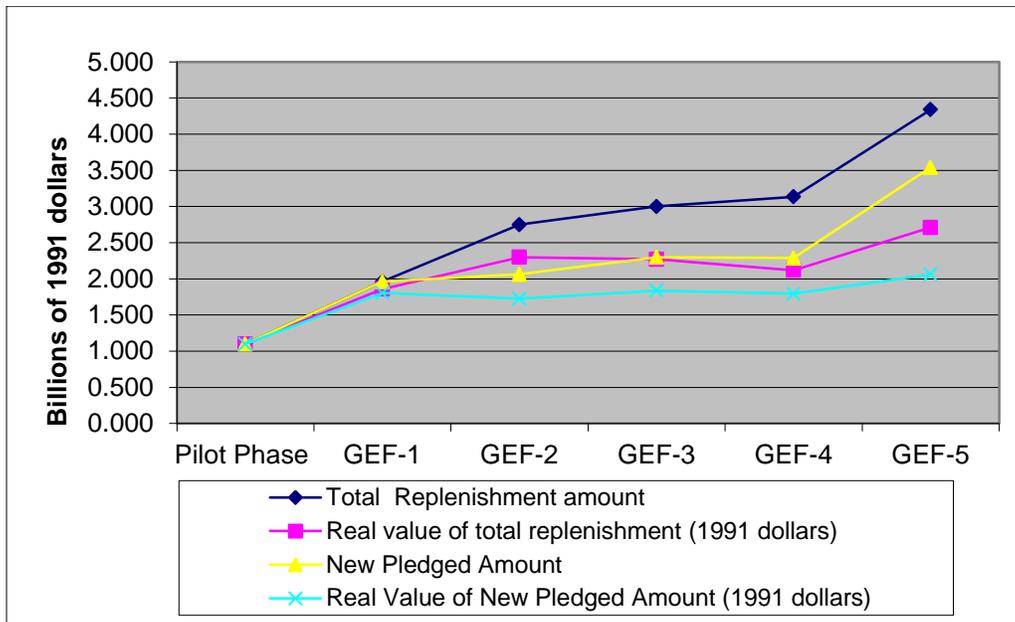


2. In nominal terms, GEF replenishments have increased from about US\$1 billion during the pilot phase to US 4.34 during GEF-5 (2010-2014) as shown in Figure 1.<sup>10</sup> However, the real value of replenishments (adjusted for inflation<sup>11</sup>) had declined over the years through GEF-4, and then received an increase during GEF-5, while at the same time additional focal areas (sustainable land management and persistent organic pollutants) have been added to the GEF mandate.

<sup>10</sup> It is important to note that replenishments for four phases of the GEF include pledged resources from previous replenishment periods that were not effectively delivered by some donors. Therefore, these were carried forward into the successive replenishments, i.e. from GEF-2 to GEF-3 to GEF-4 to GEF-5.

<sup>11</sup> Adjusted for inflation using the official annual CPI indices for the US dollar during 1991-2010 from U.S Department of Labor, Bureau of Labor Statistics.

**Figure A2. Real Value of GEF Replenishments**



### GEF-5 Policy Reforms

3. As part of the replenishment negotiations for GEF-5, contributing participants agreed on twelve policy recommendations covering:

- (a) Reform of the country support program;
- (b) Funding voluntary national portfolio planning exercises;
- (c) Direct access for providing funding for national communications/reports to the conventions;
- (d) Expansion of the GEF network for the involvement of additional agencies referred to in paragraph 28 of the GEF instrument;
- (e) Streamlining of the project cycle;
- (f) Refining of the programmatic approach;
- (g) Delineation of the roles and responsibilities of the GEF entities;
- (h) Enhancement of the participating of the conventions in Council decision-making processes associated with the relevant focal area strategies and work programming;
- (i) Evaluation of the Earth Fund;

- (j) Implementation of the GEF results-based management framework and establishment of a GEF-wide KM initiative;
- (k) Preparation and implementation of a revised strategy for engagement with the private sector; and
- (l) Enhanced engagement with CSOs in the work of the GEF.

4. The reforms, which began implementation at the beginning of GEF-5 with Council approvals for most of the reforms at the June 2010 meeting. Detailed status of implementation of the reforms is presented in Table A1.

**Table A1: Status of Implementation of GEF-5 Policy Recommendations**

Date	Initial Plan of Action	Status as of February 2013
June 2010 Council Meeting	<p><u>Reform of Country Support Program, Funding of NPFEs, Direct Access for national communications/reports</u></p> <p>Council to consider proposals, prepared by the Secretariat, in consultation with the GEF Agencies, countries, and other stakeholder, for (i) reforming the CSP; (ii) funding voluntary national portfolio identification exercises; and (iii) funding national communications/reports to the conventions.</p>	<p><b>Completed:</b> Secretariat prepared proposals on all three items, which were approved by Council in June 2010. The Secretariat assumed management of the reformed CSP since January 2011. The Secretariat has been implementing the NPFE program and program for direct funding access for convention reports and national communications since June 2011. The Secretariat has provided funding for 32 countries to undertake NPFEs, of which 22 countries have completed their NPFEs. In addition 10 countries have undertaken NPFEs without GEF assistance.</p>
	<p><u>Expansion of GEF network</u></p> <p>Council to consider a proposal prepared by the Secretariat, and the Trustee, for the involvement of additional agencies referred to in paragraph 28 of the Instrument in the preparation and implementation of GEF-financed projects.</p>	<p><b>Completed.</b> In June 2010, the GEF Secretariat presented its first proposal for the involvement of additional agencies in the GEF network. Based on Council comments and the input of the Trustee and independent technical advisors, the Secretariat presented progressively refined proposals in November 2010 and June 2011. The Council formally adopted a pilot program for the accreditation of new agencies (to be called GEF Project Agencies) in June 2011 through a three stage procedure. The Secretariat presented 11 Applicants for Stage I approval by Council at its June 2012 meeting. These 11 applicants are currently undergoing review by an independent accreditation panel.</p>
	<p><u>Streamlining of project cycle</u></p> <p>Council to consider a proposal, prepared by the Secretariat, in consultation with the GEF Agencies and other stakeholders, to streamline the project cycle that covers both the GEF cycle and the Agencies' own streamlining efforts.</p>	<p><b>Completed:</b> The Secretariat presented, and Council approved, proposed reforms to further streamline the GEF project cycle in June 2010. Prior to the November 2010 Council meeting, the Secretariat and Agencies agreed to GEF business standards for their participation in the project cycle. In spring 2011, the Secretariat</p>

Date	Initial Plan of Action	Status as of February 2013
		established a process to track the progress of project concepts submitted to agencies prior to the development of PIFs.
	<u>Refining of programmatic approach</u> Council to consider a proposal, prepared by the Secretariat, in consultation with the GEF Agencies and other stakeholders, to refine programmatic approaches.	<b>Completed:</b> The Secretariat presented, and the Council approved, a proposal to refine modalities for programmatic approaches within the GEF.
	<u>Delineation of roles and responsibilities of GEF entities</u> Council to consider a document, prepared by the Secretariat, in collaboration with the Trustee, EO, GEF Agencies, and STAP, delineating the roles and responsibilities of GEF entities.	<b>Completed:</b> The Council approved a document delineating the roles and responsibilities of GEF entities as part of the Summary of Negotiations of the Fifth Replenishment of the GEF Trust at its May 2010 Council Meeting. (Annex 1 of the Policy Recommendations for the Fifth Replenishment of the GEF Trust Fund: <i>Clarifying Roles and Responsibilities of the GEF Entities</i> ).
November 2010 Council Meeting	<u>Enhancing engagements with conventions</u> Council to consider a proposal prepared by the Secretariat, in consultation with the convention secretariats, to enhance the participation of the conventions in Council decision-making processes associated with relevant focal area strategies and work programming.	<b>Completed:</b> The Secretariat presented a proposal to Council in November 2010, prepared in collaboration with the Convention Secretariats. The Secretariat presented a revised proposal at its May 2011 meeting, which Council approved.
	<u>Evaluation of the Earth Fund</u> Council to review an evaluation of the GEF Earth Fund prepared by the GEF EO.	<b>Completed:</b> The Council reviewed the GEF EO's evaluation and asked the GEF Secretariat to prepare a strategy to enhance engagement with the private sector, taking into account the review's findings and input from the Agencies, for Council consideration at its May 2011 meeting.
	<u>Implementation of GEF results-based management framework and knowledge management</u> Council to review a work plan, prepared by the Secretariat, in consultation with the EO, the GEF Agencies, and STAP, to (i) implement the GEF results-based management framework; and (ii) to establish a GEF-wide KM initiative.	<b>Completed:</b> In November 2010, the Council reviewed and approved the proposed work plan for implementing the GEF results-based management framework and establishing a GEF-wide KM initiative. The work plan called for the Secretariat to prepare, in consultation with the EO, the GEF Agencies, and STAP, a GEF-wide KM strategy. The Secretariat presented a proposal in this regard at the May 2011 Council meeting, as requested by Council. A KM work plan is currently under implementation.
May 2011 Council Meeting	<u>Private sector strategy</u> Council to consider a revised strategy to	<b>Completed:</b> Council approved a <i>Revised Strategy to Enhance Engagement with the Private Sector</i> revised strategy in November

Date	Initial Plan of Action	Status as of February 2013
	enhance engagement with the private sector.	2011, taking into account the findings of the EO review of the Earth Fund and input from the GEF Agencies. The first PPP programs under this strategy were presented in the June 2012 work program.
November 2011 Council Meeting	<p><u>Enhancing engagement with CSOs</u></p> <p>Council to review a proposal, prepared by the Secretariat, in cooperation with the appropriate GEF entities and the GEF-NGO network, to enhance the engagement of CSOs in the work of the GEF.</p>	<p><b>Completed:</b> November 2010, the Secretariat presented, and the Council approved, a strategy for enhancing engagement of CSOs in the work of the GEF.</p>

## ANNEX2: GEF-5 PROGRAMMING & RESULTS

1. During GEF-5 replenishment, participants agreed to allocations across different focal areas/themes of the GEF that were adopted as part of the first business plan for GEF-5. Programming to date against these target allocations are presented in Table A2.

**Table A2: GEF-5 Programming by Focal Area, as of March 22, 2013**

Focal Area/ Theme	Budget Allocation	Budget Allocation Percentage	Total Utilization	Remainder	Utilization Percentage
Biodiversity	1,080	25%	640	440	59%
Climate Change	1,260	30%	592	668	47%
International Waters	440	10%	168	272	38%
Land Degradation	385	9%	191	194	49%
Persistent Organic Pollutants (POPs)	375	9%	177	198	47%
Ozone Depletion	25	1%	6	19	23%
Sound Chemicals Management and Mercury Reduction	25	1%	19	6	76%
CSP and Capacity Building	70	2%	9	61	13%
Small Grants Program	140	3%	140	-	100%
SFM/REDD-Plus Program	250	6%	98	152	39%
Outreach to Private Sector	80	2%	38	42	48%
Corporate Budget	120	3%	60	60	50%
<b>Total</b>	<b>4,250</b>	<b>100%</b>	<b>2,138</b>	<b>2,112</b>	<b>50%</b>

2. During GEF-5 replenishment discussions on programming, the Secretariat also outlined within each focal area or theme, illustrative resource programming levels for each objective with associated results indicators and targets. Progress to date is presented for this level of detail in Table A3. This table has to be interpreted in context, noting that programming is largely determined by: (i) the resource allocation system; (ii) the priorities expressed by countries with regard to their allocations in each focal area, and; (iii) actual financial events in the GEF Trust Fund. Under an operational system responsive to country needs, proposed resource programming levels for focal area objectives are difficult to impose. Country demand among the different objectives is also difficult to predict. Therefore, programming levels may fall short or exceed the scenarios outlined during the replenishment.

**Table A3: GEF-5 Programming by Focal Area Objectives as of March 22, 2013**

FA Objective	4.2 billion Replenishment Scenarios (US\$ million)	Programmed through March 22, 2013 (US\$ million)	Programmed through March 22, 2013 (% Programmed)
BD-1: Improve Sustainability of Protected Area Systems	700	342	49%
BD-2: Mainstream Biodiversity Conservation and Sustainable Use into Production Landscapes, Seascapes and Sectors	250	256	102%
BD-3: Build Capacity for the Implementation of the Cartagena Protocol on Biosafety (CPB)	40	0	0%
BD-4: Build Capacity on Access to Genetic Resources and Benefit Sharing	40	3	8%
BD-5: Integrate CBD Obligations into National Planning Processes through Enabling Activities	40	35	88%
<b>BD Subtotal</b>	<b>1070</b>	<b>636</b>	<b>59%</b>
CCM-1: Technology Transfer: Promote the demonstration, deployment, and transfer of innovative low-carbon technologies	300	72	24%
CCM-2: Energy Efficiency: Promote market transformation for energy efficiency in industry and the building sector	250	158	63%
CCM-3: Renewable Energy: Promote investment in renewable energy technologies	320	122	38%
CCM-4: Transport/ Urban: Promote energy efficient, low-carbon transport and urban systems	250	74	30%
CCM-5: LULUCF: Promote conservation and enhancement of carbon stocks through sustainable management of land use, land-use change, and forestry	50	95	191%

FA Objective	4.2 billion Replenishment Scenarios (US\$ million)	Programmed through March 22, 2013 (US\$ million)	Programmed through March 22, 2013 (% Programmed)
CCM-6: Enabling Activities: Support enabling activities and capacity building under the Convention	80	67	84%
<b>CCM Subtotal</b>	<b>1250</b>	<b>589</b>	<b>47%</b>
CD-1: Enhance capacities of stakeholders for engagement through consultative process	70	0	13%
CD-2: Generate, access and use of information and knowledge		3	
CD-3: Strengthened capacities for policy and legislation development for achieving global benefits		4	
CD-4: Strengthened capacities for management and implementation on convention guidelines		2	
CD-5: Capacities enhanced to monitor and evaluate environmental impacts and trends		0	
<b>CD Subtotal</b>	<b>70</b>	<b>9</b>	<b>13%</b>
CHEM-1: Phase out POPs and reduce POPs releases	375	171	46%
CHEM-2: Phase out ODS and reduce ODS releases	25	6	23%
CHEM-3: Pilot sound chemicals management and mercury reduction	25	19	76%
CHEM-4: POPs enabling activities	not indicated	10	N/A
<b>CHEM Subtotal</b>	<b>425</b>	<b>206</b>	<b>49%</b>
IW-1: Transboundary Basins/ Aquifers: Catalyze multi-state cooperation to balance conflicting water uses in trans-boundary surface and groundwater basins while	130	25	19%

FA Objective	4.2 billion Replenishment Scenarios (US\$ million)	Programmed through March 22, 2013 (US\$ million)	Programmed through March 22, 2013 (% Programmed)
considering climatic variability and change			
IW-2: Large Marine Ecosystems/ Coasts: Catalyze multi-state cooperation to rebuild marine fisheries and reduce pollution of coasts and Large Marine Ecosystems (LMEs) while considering climatic variability and change	180	89	50%
IW-3: IW Capacity Building: Support foundational capacity building, portfolio learning, and targeted research needs for joint, ecosystem-based management of trans-boundary water systems	100	27	27%
IW-4: ABNJ Pilots: Promote effective management of Marine Areas Beyond National Jurisdiction (ABNJ)	30	30.4	101%
IW Subtotal	440	172	39%
LD-1: Agriculture and Rangeland Systems: Maintain or improve flow of agro-ecosystem services sustaining the livelihoods of local communities	200	59	30%
LD-2: Forest Landscapes: Generate sustainable flows of forest ecosystem services in drylands, including sustaining livelihoods of forest dependant people	30	8	27%
LD-3: Integrated Landscapes: Reduce pressures on natural resources from competing land uses in the wider landscape	135	111	83%

FA Objective	4.2 billion Replenishment Scenarios (US\$ million)	Programmed through March 22, 2013 (US\$ million)	Programmed through March 22, 2013 (% Programmed)
LD-4: Adaptive Management and Learning: Increase capacity to apply adaptive management tools in SLM/SFM/INRM by GEF and UNCCD Parties	15	9	62%
<b>LD Subtotal</b>	<b>380</b>	<b>188</b>	<b>49%</b>
SFM/REDD+-1 and : Forest Ecosystem Services: Reduce pressures on forest resources and generate sustainable flows of forest ecosystem services.	250	86	39%
SFM/REDD+-2: Reducing Deforestation: Strengthen the enabling environment to reduce GHG emissions from deforestation and forest degradation and enhance carbon sinks from LULUCF activities.		12	
<b>SFM/REDD+-</b>	<b>250</b>	<b>98</b>	<b>39%</b>
Small Grants Program	140	140	100%
Outreach to Private Sector	80	38	48%
Others <sup>12</sup>	not indicated	2	N/A
Corporate Budget	120	60	50%
Unallocated to Strategic Objectives	25 (10 for BD, 10 for CCM, and 10 for LD)	N/A	N/A
<b>TOTAL</b>	<b>4,250</b>	<b>2,137</b>	<b>50%</b>

<sup>12</sup> Some PPGs were approved during GEF-5, however, their associated projects were approved in GEF-4. Those PPGs are classified as others.

### ANNEX 3: RESULTS-BASED MANAGEMENT FRAMEWORK & KNOWLEDGE MANAGEMENT

1. During GEF-4, the Council approved a Results-based Management (RBM) Framework to develop a common approach amongst the Secretariat and the GEF agencies towards establishing goals, objectives, outcomes and other deliverables for GEF-financed operations. The RBM is codified in policy, embedded in strategy at the focal area level and helps drive reporting.

3. In November 2010, upon revision of the GEF's Monitoring and Evaluation (M&E) policy, the Council reviewed and approved an expanded GEF RBM and Knowledge Management work plan. All of the components of the Results Based Management (RBM) and Knowledge Management (KM) Work Plan for GEF-5, which was approved by Council in November 2010, have been completed or are in process as described below.

4. Reform of the Annual Monitoring Review Process: The Secretariat is implementing a significant shift in how it monitors the overall portfolio of GEF projects and programs. The Secretariat moved from focusing on individual Project Implementation Reports (PIRs) on a yearly basis to a more targeted analysis of projects that have gone through a mid-term review or are in their last year of implementation. The more in-depth analysis on focal area results, lessons learned, and best practices will focus on projects that have been through a mid-term review or are at project completion.

5. Integration of Monitoring Data into PMIS: The expansion and improvement of GEF website to integrate information and data coming from the project management information system (PMIS) and the creation of new content dedicated to highlight results and lessons learned. This integration included having all focal areas tracking tools in Excel allowing for a more automated collection and analysis of the data received, and ability to access project data through the *GEF Mapping Portal*

6. Tools to Enhance Portfolio Monitoring: Five sub-activities were proposed in the GEF-5 work plan, which are either complete or close to completion:

- (a) GEF Mapping Portal to support M&E: Upon the successful completion of an interactive web-based map presented to November 2011 Council, the Secretariat has moved forward to enhance the map's utility, upgrade its data accessibility, and improve its presentation.
- (b) Targeted Learning: A work plan developed for each focal area included design of the Focal Area Learning Questions and the execution of a combination of desk studies, in-depth analysis, and learning missions to be undertaken for GEF-5. The results from the analysis of MTRs and closed projects for FY2012 will be presented to the spring 2013 Council meeting. In addition, several learning missions have been or will be undertaken in FY 2012-13; each Learning Mission has produced well received analytical reports
- (c) Socioeconomic and Gender Study: The Secretariat worked closely with a socioeconomic and gender expert on an analysis of GEF projects and how

socioeconomic and gender aspects have been integrated at the project design stage. An analysis presented in the AMR 2011: Part II, on how gender issues and indigenous people's involvement are addressed and integrated in GEF projects through information provided through the annual monitoring review process.

- (d) Quality at Entry: The GEF Evaluation Office (EO) has conducted in-depth studies of quality at entry on specific performance-related themes within the framework of its Annual Performance Reports (APR) in 2005 and 2008. As part of the APR 2011, an assessment was carried out which broadens the scope of analysis to results based management issues as well as introducing minimum requirement checks from other GEF guidance policies. At this time, collaboration between the two teams can be viewed as a capacity building exercise that will lead to overall strengthening of the monitoring function at the Secretariat.
- (e) Portfolio Risk Assessment: The Secretariat will be developing a methodology for assessing the overall risk of the GEF portfolio.

7. Developing a GEF-Wide Knowledge and Learning System: In Dec. 2010, following the approval of the RMB and KM work plan for GEF-5, the GEF Secretariat launched the Knowledge Management Initiative (KMI) with the goal of ensuring that GEF knowledge, information and data are identified, captured and shared, and that lessons learned are disseminated and incorporated into the next generation of activities, to ensure efficiency and maximize impacts. To coordinate and steer this initiative, a special Task Force – with staff from the GEF Secretariat, the Evaluation Office and STAP - was established. The task force, in consultation with partner agencies, developed the first GEF KM Strategy, highlighting the main objectives and first steps to be taken to initiate a GEF wide KM program. The paper was presented as information document to the Council in May 2011.

8. Following the proposed work plan between 2011 and 2013 the GEF has (i) implemented a knowledge needs assessment among GEF main stakeholders that harvested inputs from about 300 respondents; (ii) expanded and improved the GEF website to integrate information and data coming from the PMIS such as the country profiles; ;and (iii) developed knowledge products tailored to the different audiences such as the 'Educational Video Series' and the 'Knowledge from the field' reports among others.

9. The knowledge assessment indicated that our stakeholders expect the GEF to produce knowledge material on projects, processes as well as on environmental issues, results and impacts at a portfolio and/or global level. More specifically it was clear that GEF stakeholders expect a production of knowledge products such as best practices, case studies, guidelines and analytical work on global environmental issues.