
Sixth Replenishment of the GEF Trust Fund

GEF-6 POLICY RECOMMENDATIONS

(Prepared by GEF Secretariat)

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INTRODUCTION

1. Informed by the Fifth Overall Performance Study of the GEF (OPS5),¹ including the Management Response,² the Strategic Positioning for the GEF,³ the GEF-6 Programming Directions,⁴ and discussions during negotiations, this document contains the policy recommendations developed for GEF-6 by the Participants in the replenishment process.

BACKGROUND

2. Participants emphasize the critical role played by the GEF as a multi-lateral, multi-thematic, multi-convention financial mechanism that provides assistance to developing countries to generate global environmental benefits. Through its more than two decades of operations, the GEF has established a track-record of partnering with recipient countries to deliver concrete results on the ground in the different focal areas and themes under its mandate.

3. Participants take note of the OPS5 finding that the GEF is achieving its mandate and objectives, and that the added value of the GEF is found in its unique position as a financial mechanism of multilateral environmental agreements, which allows it to focus its support on priorities that have been agreed upon internationally and are acted upon in a way that is relevant to the conventions and to regional and national priorities. Participants are also pleased that OPS5 finds the GEF to be highly relevant and successful in its interventions, and that over 80 percent of GEF projects are effective in producing outcomes with sustainability and progress towards impacts.

4. Participants also recognize that ecosystems are being pushed to their limits. Human demands imply that key ecosystems are now approaching their carrying capacities to the extent that abrupt changes—which may be prohibitively costly or simply impossible to reverse—can no longer be excluded. Participants note that the pressure on resources is set to increase in the coming decades as a result of global megatrends, viz., increase in global population, accompanied by a rapid increase in middle class, and urbanization. Participants agree that by strengthening its focus on the drivers that lead to unsustainable use of resources, the GEF, in collaboration with other international organizations and processes, will be better able to play a critical role in tackling the root causes of environmental degradation that are critical to slow and eventually reverse environmental trends.

5. Participants affirm that the GEF should continue to play a key role in the evolving landscape of global environmental financing, with its well-defined value proposition, building on a number of strengths: (i) more than two decades of experience of the GEF partnership in implementing projects that deliver global environmental benefits, focusing on innovations; (ii) high degree of international legitimacy derived from its association with key multilateral environmental conventions; (iii) programs and projects reviewed and guided by a world-class Scientific and Technical Advisory Panel (STAP), and the results on the ground being

¹ GEF/R.6/17.

² GEF/R.6/18.

³ GEF/R.6/19.

⁴ GEF/R.6/20/Rev.02

continuously assessed by the independent Evaluation Office; (iv) an equitable governance structure; and (v) a strong, diverse and expanding network of implementing partners, civil society and indigenous peoples organizations, and the private sector.

6. Participants acknowledge that one of the major strengths of the GEF as a financial mechanism is its ability to support activities in recipient countries that can meet their commitments to more than one global convention within the context of their sustainable development needs. Participants welcome the growing share of multi-focal area projects in the portfolio reflecting increased synergies across GEF focal areas. Participants also emphasize that project development, design, and implementation should strive for upstream identification of synergies and linkages across the different focal areas, while reflecting the actual needs of recipient countries as they work to contribute to both global goals and national priorities.

7. Participants recognize that GEF programming is supported by high fiduciary standards, environmental and social safeguard policies, gender mainstreaming policy, and principles and guidelines for engagement with indigenous peoples and other vulnerable groups.

8. Participants agree that the GEF should continue to strengthen its partnership with governments, civil society and indigenous peoples organizations, the private sector, and other stakeholders that have already helped achieve results on the-ground.

POLICY RECOMMENDATIONS

9. The policy recommendations are targeted towards an overall objective that the GEF as a whole deliver higher impacts in an effective and efficient manner, and cover the following six areas:

- (a) Differentiation;
- (b) Improving efficiency of the project cycle;
- (c) Enhancing engagement with the private sector;
- (d) Strengthening country and civil society engagement;
- (e) Enhancing gender mainstreaming; and
- (f) Strengthening results-based management and the knowledge management systems.

10. Participants recommend that when these policy recommendations are developed and presented as detailed proposals for Council decision in GEF-6, each proposal be accompanied, when appropriate, by an analysis of the costs and benefits of implementing the proposal.

Differentiation

11. Participants agree on the continued importance of enabling the GEF partnership to achieve higher impacts in the generation of global environmental benefits, recognizing that countries contribute in different ways, according to their particular country capacities and circumstances. Participants agree on the importance of the allocation of GEF resources to countries being transparent and consistent, and being based on global environmental priorities and country capacities, along with policies and practices relevant to successful implementation of GEF projects as well as reflecting the economic strengths of recipient countries. Participants agree on the need for providing more resources to least developed countries (LDCs) and small

island developing states (SIDS) in line with the recent guidance from the conventions, while reducing concentration of resources in a few countries. In this respect, Participants agree to the following.

Updating the STAR

12. Participants acknowledge that the implementation of resource allocation systems during GEF-4 and GEF-5 has been one of the key reforms of the GEF. The System for Transparent Allocation of Resources (STAR), an update to the Resource Allocation Framework (RAF), has governed the allocation of resources during GEF-5.

13. To achieve the objectives outlined in paragraph 12, Participants recommend that the GEF Secretariat, in consultation with other entities of the GEF partnership, as appropriate, and taking into consideration the findings and recommendations of the recently-concluded Mid-term Evaluation of the STAR, present for Council consideration in May 2014, a proposal for updating the STAR, including the following modifications:

- (a) Increasing the weight of the GDP per capita index to 0.08;
- (b) Lowering the ceilings imposed on each focal area to 10 percent; and
- (c) Increasing the aggregate floor to \$6 million⁵ for LDCs.

14. In line with recently concluded mid-term evaluation of the STAR and OPS5 recommendations, Participants request the Secretariat to carry out a review of the feasibility of changing other elements of the STAR system, and the procedures for flexible use of country allocations by May 2014.

15. Participants also recommend that the review of the STAR consider changing the weight of the land use, land use change and forestry (LULUCF) parameter for possible future adjustments.

Seeking Higher Levels of Co-financing

16. Participants acknowledge the history of robust co-financing, and affirm that co-financing plays a critical role in creating strong partnerships on the ground. Participants also acknowledge the roles played by national governments and the private sector in providing significant co-financing. Participants take note that co-financing ratios exhibit high levels of variability both among projects in individual countries and across countries and focal areas.

17. Participants affirm that the GEF should continue to seek high levels of co-financing as a means to achieve greater environmental impact and to encourage country ownership. Participants also encourage greater co-financing in countries with greater capacity for co-financing as a means to achieve even greater impact and broader adoption. Participants request the GEF Secretariat, in consultation with appropriate GEF entities, to develop a policy for Council consideration by May 2014 that seeks to:

⁵ \$3 million in climate change focal area; \$2 million in biodiversity focal area; and \$1 million in land degradation focal area.

- (a) provide clarity in the definitions and approaches to promoting effective co-financing;
- (b) indicate a level of ambition for the overall GEF portfolio to reach a co-financing ratio of at least 6:1 (total co-financing to total GEF resources); and
- (c) create expectations for greater co-financing for upper middle income countries that are not SIDS.

Greater Emphasis on Non-grant Instruments

18. Participants note that the GEF, since its inception, has deployed non-grant instruments, and that the projects utilizing non-grant instruments are designed to leverage substantial capital from the private sector, whether it is through providing funding for first losses in partial guarantee schemes, or providing equity to leverage other kinds of finance. Participants also acknowledge that non-grant instruments, through their potential for generating reflows, could make a contribution to financial sustainability. Participants note that the GEF should do more, including through a pilot to support private sector engagement and incentivize GEF recipient countries' voluntary use of non-grant instruments, including concessional loans.

19. Participants request the Secretariat, in consultation with other entities of the GEF partnership, as appropriate, to present for Council consideration a non-grant instrument pilot proposal to support projects from both the private sector and GEF recipient countries, deployed through non-grant instruments that have possible reflows. Participants also request that the non-grant instrument tools be updated accordingly, recognizing that additional tools are required for the pilot. Participants request that a proposal for a non-grant instrument pilot employing resources from the *non-grant set-aside*, including updated tools, be presented for Council consideration no later than its November 2014 meeting. Participants also request the Secretariat and the Trustee to strengthen the current system for tracking reflows originating from the use of non-grant instruments.

Improving Efficiency of the Project Cycle

20. Participants, while acknowledging the recent set of streamlining measures approved by the Council in November 2012, and work underway to seek further improvements, emphasize that further efficiency improvements are critical to GEF processes as concluded in OPS5. Participants recognize that such progress requires the collaboration of recipient countries, GEF Agencies, and the Secretariat.

21. Participants acknowledge the November 2013 decision by the Council for the Secretariat to prepare for consideration at its November 2014 meeting, a policy for cancellation of projects that exceed time-frame targets for project preparation.

22. Participants request the Secretariat, in collaboration with the GEF Agencies, to continue reviewing performance against the current project cycle time-standard of 18 months between Council Approval and CEO endorsement to identify: (i) more effective measures to expedite project preparation; and (ii) an appropriate project cycle time-standard for GEF-6. Participants further request the Secretariat, in collaboration with the appropriate GEF entities, to submit for Council consideration in November 2014 further measures to improve the policies and

procedures associated with the full project cycle,⁶ including the programmatic approach, and a portfolio management system to keep track of project progress through the partnership. Project cycle reform measures, while aiming for faster processing of proposals should ensure that quality-at-entry is not compromised.

Enhancing Engagement with the Private Sector

23. Participants recognize that it is imperative for the GEF to enhance its engagement with the private sector in addressing global environmental challenges. Participants support a more holistic and comprehensive approach that mainstreams private sector engagement across GEF focal area strategies and proposed Integrated Approaches pilot.

24. Participants request that the Council undertake appropriate actions to facilitate further mainstreaming of the GEFs private sector engagement, based on the GEF's proven intervention models: (i) fostering enabling policy environments; (ii) pioneering risk mitigation and innovative financial products; (iii) forging corporate alliances; and (iv) providing capacity building and incubation, as set out in the programming document. Specific action steps to promote provisions set out in the programming document can begin immediately, such as inclusion of private sector engagement guidelines in NPFES. Additional action steps will include outreach to operational focal points and integration of private sector engagement in the expanded constituency workshops, with an emphasis on focal areas with barriers to private sector engagement.

25. Participants encourage the GEF's private sector engagement to continue to be focused on cutting edge innovation and risk-taking, based on lessons learned from Earth Fund and GEF-5 private sector set-aside.

26. Participants request the Secretariat, in collaboration with Agencies, to present a report on actions taken to enhance private sector engagement in November 2014 with a time-line for future actions on mainstreaming.

Strengthening Country and Civil Society Engagement

27. Participants emphasize the importance of country ownership and also acknowledge the positive and critical roles played by civil society organizations (CSOs), including indigenous peoples in safeguarding the global environment and contributing to the work of the GEF. Participants appreciate the development in 2011 and ongoing implementation of the *Principles and Guidelines for Engagement with Indigenous Peoples* in the work of the GEF, and the current work with the GEF-NGO Network to review the *Policy on Public Involvement in GEF Projects* with a view to formulating public involvement guidelines for information of the GEF Council in November 2014. Participants request the GEF Secretariat to prepare an action plan and clear guidance for the effective implementation and monitoring of the policy as may be necessary.

28. Taking note of OPS5, Participants recognize the importance of the National Portfolio Formulation Exercises (NPFE) in enhancing country ownership and GEF impact and encourage GEF recipient countries to undertake NPFEs as early as possible to facilitate programming of GEF-6 country allocations. Participants further encourage recipient countries to engage a broad

⁶ Project concept, preparation and implementation.

set of stakeholders, including relevant ministries, civil society, indigenous peoples, and the private sector in the programming of GEF-6 resources.

Enhancing Gender Mainstreaming

29. Participants note that OPS5 has found that an increased proportion of projects mainstreamed gender in project design since the adoption of the *GEF Policy on Gender Mainstreaming* in 2011. Participants also appreciate the gender analysis that has been presented to the Council as part of the Annual Monitoring Reviews during FY11 and FY12. While recognizing the recent improvements, Participants agree that more concerted action needs to be taken to enhance gender mainstreaming.

30. Participants welcome and acknowledge the GEF's commitment to engage in and systematically enhance gender mainstreaming at corporate and focal area levels during GEF-6. Participants request the Secretariat, in collaboration with the Agencies, and other relevant partners to develop an action plan, for enhancing gender mainstreaming, including use of relevant gender sensitive indicators and sex-disaggregated data, and to present the action plan to the Council at its November 2014 meeting. Participants further request that the Secretariat ensures that it has the necessary capacity to develop and implement the gender action plan.

Strengthening the Results-Based Management and Knowledge Management Systems

31. Participants commend that results-based management (RBM) has been given a central place in strategy development, and that all focal area and corporate program strategies have been developed with results-frameworks, including output and outcome targets, helping drive reporting. Participants stress the importance of developing a knowledge management (KM) system that aims to improve the GEF partnership's ability to learn by doing and thereby enhance its impact over time.

32. In developing the RBM and KM systems further, Participants request the Secretariat, in consultations with the Agencies, to improve the utility and efficiency of the systems by: (i) rationalizing the indicators in the focal area tracking tools, with particular focus on multi-focal area projects; (ii) improving the uptake of lessons learned in the GEF through the establishment of a learning platform. The Secretariat in consultation with the GEF Agencies, the Evaluation Office, STAP, and other bodies, including the GEF-NGO network, as appropriate, is requested to develop a comprehensive work plan for further strengthening of the RBM system and for building a KM system, supported by a revamped technological platform that is fit for this purpose and present it to Council by November 2014.

TABLE 1: ACTION PLAN FOR IMPLEMENTING GEF-6 POLICY RECOMMENDATIONS

Date	Action
Council meeting in May 2014	<ol style="list-style-type: none"> 1. Council to consider a proposal for updating the STAR for GEF-6, including the following modifications: (i) increasing the weight of the GDP per capita index to 0.08; (ii) lowering the ceilings imposed on each focal area to 10 percent; and (iii) increasing the aggregate floor to \$6 million for LDCs. The Secretariat, in line with the mid-term evaluation of the STAR, and OPS5 recommendations, to include a review of the feasibility of changing other elements of the STAR system, and the procedures for flexible use of country allocations. 2. Council to consider a policy for providing clarity in definitions and approaches to promoting effective co-financing; indicate a level of ambition for the overall portfolio to reach a co-financing ratio of at least 6:1; and create expectations for greater co-financing for upper middle income countries that are not SIDS.
Council meeting in November 2014	<ol style="list-style-type: none"> 1. Council to consider a proposal for a non-grant instrument pilot employing resources from the non-grant set-aside, including updated tools. 2. Council to consider further measures to improve the policies and procedures associated with the project cycle, including the programmatic approach, and a portfolio management system to keep track of project progress through the partnership. 3. Council presented with a report on actions taken to enhance private sector engagement. 4. Council to consider a gender action plan, for enhancing gender mainstreaming, including use of gender sensitive indicators and sex-disaggregated data. 5. Council to consider a comprehensive work plan for further strengthening results-based management system and for building a knowledge management system, supported by a revamped technological platform that is fit for this purpose. 6. Council presented with public involvement guidelines.