



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET



GEF/R.6/26
March 28, 2014

Fourth Meeting for the Sixth Replenishment of the GEF Trust Fund
April 16-17, 2014
Geneva, Switzerland

**DRAFT SUMMARY OF NEGOTIATIONS
SIXTH REPLENISHMENT OF THE GEF TRUST FUND**

**(PREPARED BY THE GEF SECRETARIAT
&
WORLD BANK AS TRUSTEE)**

Table of Contents

Summary of Negotiations	1
Annex A: GEF-5 Programming Document	5
Annex B: Policy Recommendations for the Sixth Replenishment of the GEF Trust Fund	x
Annex C: Draft World Bank Resolution No. _____, Global Environment Facility Trust Fund: Sixth Replenishment of Resources	x
Attachment 1: Table of Contributions	x
Attachment 2: Instrument of Commitment	x
Attachment 3: Indicative Encashment Schedule	x
Attachment 4: Revised Contribution Amounts.....	x

SUMMARY OF NEGOTIATIONS

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

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

The Replenishment Process

3. At the November 2012 meeting, the GEF Council requested the Trustee of the Global Environment Facility ("the GEF"), in cooperation with the Chief Executive Officer and Chairperson of the Facility, to initiate discussions on the sixth replenishment of resources of the GEF Trust Fund ("GEF-6") to fund activities during the four- year period from July 1, 2014 to June 30, 2018.¹

4. Accordingly, the Trustee and the GEF Secretariat initiated the process by circulating a discussion note to prospective Participants regarding participation, proposed timetable and core GEF-6 replenishment topics.

5. Participants agreed on the preliminary schedule of subsequent replenishment meetings.² In addition, agreement was reached on the overall work plan for such discussions as well as the arrangements for participation in the replenishment discussions. Participants decided that the meetings would benefit from the participation of non-donor recipient country representatives, one representative for each of the four regional groupings (Africa, Asia, Eastern Europe, Latin America and Caribbean). Participants also agreed that two NGO representatives would participate in an observer capacity.

6. It was agreed that the GEF-6 replenishment discussions should include the following subjects: (i) the Fifth Overall Performance Study of the GEF ("OPS5"); (ii) strategic positioning for the GEF-6; (iii) programming of resources for the GEF-6; (iv) policy recommendations for the GEF-6; and (v) financial arrangements for the GEF-6.

¹ Joint Summary of the Chairs, GEF Council Meeting, November 2012.

² The following replenishment meetings were held: April 2013, Paris; September 2013, New Delhi, India; December 2013, Paris; April 2014, Geneva.

Fifth Overall Performance Study of the GEF

7. The Evaluation Office prepared the OPS5, providing an important context for the discussions. Participants noted the OPS5 findings that GEF is achieving its mandate and objectives; that it continues to be highly relevant and successful in its interventions, and that added value of the GEF is found in its unique position as a financial mechanism of the multilateral environmental agreements. Participants confirmed that the GEF business model remains relevant, and encouraged continued efforts to improve efficiency and cost-effectiveness of the project cycle and the National Portfolio Formulation Exercises. Participants stressed the need for an evidence-based approach to decisions regarding the GEF that was firmly grounded in results and on the need for strong results-based management (RBM) systems to monitor and report on environmental, developmental, and institutional level results, with selectively chosen indicators that “measure what matters. Participants requested that in the future the OPS studies be delivered earlier in the replenishment process to increase their value in informing the discussions.

Programming of Resources under the GEF-6

8. Participants considered a proposal for the programming of resources in the sixth replenishment period to cover four years (FY15 – FY18) of GEF operations and activities in its six focal areas. Participants noted that programming is developed in the context of a long-term strategic exercise (GEF2020) that lays out the case for higher and more systemic impacts at scale and explores the means to achieve those goals, recognizing that human demands on 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. 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. 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. Participants note that GEF-6 programming introduces selected integrated approach pilots to keep the GEF on the leading edge of innovation and enhance the GEF’s responsiveness to regional and global issues. Participants also noted the need to program activities in support of the new Minamata Convention on Mercury. The *GEF-6 Programming Document* is attached as Annex A to this Summary.

9. In reviewing the programming of resources for the GEF-6, Participants agreed to the indicative distribution of resources among the GEF focal areas, corporate programs, and other activities set forth as Table 1 in the programming document attached as Annex A to this summary.

10. In discussions on programming areas, Participants reiterated support for a robust GEF replenishment.

Policy Recommendations for the GEF-6

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

12. The policy recommendations for GEF-6 include a package of updates to the STAR allocation methodology, providing an appropriate framework for meeting the objective of allocating an increased share of resources to lower-income recipient countries, ambitions for seeking higher levels of co-financing, project cycle enhancements, further work on gender mainstreaming, engagement with the private sector, strengthening results based management and knowledge management, strengthening country and civil society engagement, and expanded use of non-grant instruments while maintaining the grant-based character of the GEF.

GEF-6 Financing Framework and Final Pledging

13. The financing framework for the GEF-6 was agreed over the course of the replenishment meetings, resulting in a replenishment level for programming in the amount of SDR [xxx] million (USDeq. [xxx] billion).

14. Participants agreed on the six-month averaging period for setting reference exchange rates (April 1, 2013 to September 30, 2013) for use in the GEF-6. These exchange rates are used to translate GEF-6 donor contributions between SDR values and national currency values.

15. Donors supported a strong and effective GEF-6 replenishment. While many Contributing Participants faced challenging national circumstances, significant efforts were made to achieve the highest possible GEF-6 replenishment level.

16. Pledged contributions to the GEF-6 are reflected in Attachment 1 in Annex C: *Draft World Bank Resolution No. [_____], Global Environment Facility Trust Fund: Sixth Replenishment of Resources*. These pledged contributions amount to SDR [xxx] million (USDeq. [xxx] million) and also reflect credits for accelerated cash payments and note encashments in the amount of SDR [xx] million (USDeq. [xx] million). Additional resources that may become available for programming during the GEF-6 replenishment period include projected investment income to be earned during the GEF-6 replenishment period (FY2015 – FY2018) in the amount of SDR [xx] million (USD [xx] million) and carryover of previous GEF replenishment resources in the amount of SDR [xx] million (USDeq. [xx] million).

17. Participants also confirmed that new or additional pledges to the GEF-6 not reflected in Attachment 1 in Annex C, *Draft World Bank Resolution No. [_____], Global Environment Facility Trust Fund: Sixth Replenishment of Resources*, would also be welcomed.

Replenishment Resolution

18. Participants approved the *Draft World Bank Resolution No. [_____], Global Environment Facility Trust Fund: Sixth Replenishment of Resources*, which is in the form of a World Bank resolution and attached as Annex C to this Summary of Negotiations, to be considered by the

GEF Council and submitted to the World Bank, as Trustee of the GEF Trust Fund, for adoption by the World Bank Executive Directors.

Financial Issues for GEF-6

19. Participants noted that all Contributing Participants to the GEF-6 should make their best efforts to deposit their Instruments of Commitment or Qualified Instruments of Commitment by October 31, 2014. At every Council meeting, the Trustee will inform the Council of the status of Instruments of Commitment and Qualified Instruments of Commitment deposited with the Trustee.

20. Participants agreed that contributions made without qualification shall be paid in four equal installments by November 30 of each replenishment year as set out in the replenishment resolution or as agreed with the Trustee, provided that the GEF-6 becomes effective by October 31, 2014. Participants further agreed that Contributing Participants depositing Qualified Instruments of Commitment shall use their best efforts to unqualify sufficient amounts of their contributions to pay their installment amounts by November 30 of each replenishment year.

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

22. The Advance Contribution Scheme for the GEF-6 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [xx] million. The GEF-6 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [xx] million.

23. Participants discussed a proposal to adjust the minimum amount to participate in subsequent replenishment negotiations. Recognizing the importance of all GEF contributions, Participants agreed that the minimum contribution amount to participate in the replenishment negotiations would remain unchanged for GEF-6, but an adjustment should be made beginning with GEF-7, reflecting inflation observed since GEF-6.

Availability of Resources

24. During the replenishment process, some Participants expressed concern about the status of arrears by some Contributing Participants at the close of the GEF-5 commitment period.

25. Participants confirmed the importance of clearing arrears and agreed that the pro-rata provision did not serve well as an instrument for timely payment. However, in the absence of a more effective instrument, Participants agreed to maintain the pro-rata provision, as set out in

Paragraph 8(c) of the GEF-6 Replenishment Resolution, and continue to encourage all countries to make timely payments to the GEF.

26. In addition, consistent with the practice in the previous replenishments, the following means of deterring arrears should apply under the GEF-6:

Continuation of the requirement, first introduced in the GEF-3 Replenishment Resolution, and set out in Paragraph 4(a) of the GEF-5 Replenishment Resolution, that if a Contributing Participant does not make a scheduled payment to the GEF-5 or a Contributing Participant that has deposited a Qualified Instrument of Commitment is unable to unqualify a scheduled contribution to the GEF-5, then such Contributing Participant shall provide the Council with a written explanation from its Minister stating the reason for the arrears or delay and the steps being taken to resolve it;

Confirmation of the provision in the Instrument that voting rights accrue only for the actual contributions paid to the GEF, which confirmation is set out in Paragraph 4(b) of the GEF-5 Replenishment Resolution.

27. Noting that funding decisions made by the Council or the GEF CEO are based on available resources in the GEF Trust Fund at the time of the decision, Participants requested the Secretariat to use the full replenishment amount, including arrears, as the target programming level at the outset of the GEF-6 replenishment period, consistent with current practice.

Steps towards Concluding the Process of the Sixth GEF Replenishment

28. Participants requested the CEO/Chairperson of the GEF to forward this Summary, including the attached Annexes, to the GEF Council for review at its meeting in May 2014 in Cancun, Mexico. The GEF Council is invited take note of the Summary, and to endorse the draft Replenishment Resolution, the policy recommendations, and programming document including the allocation of resources set forth in Table 1 of the programming document.

29. Participants also invited the GEF Council to request the CEO/Chairperson of the GEF to transmit this Summary to the World Bank, with a request that the World Bank Executive Directors be invited to adopt Annex C to this Summary, *Draft World Bank Resolution No. [_____], Global Environment Facility Trust Fund: Sixth Replenishment of Resources*, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-6.

ANNEX A: GEF-6 PROGRAMMING DOCUMENT

**ANNEX B: POLICY RECOMMENDATIONS FOR THE SIXTH REPLENISHMENT
OF THE GEF TRUST FUND**

**ANNEX C: DRAFT RESOLUTION NO. [____], GLOBAL ENVIRONMENT FACILITY
TRUST FUND
SIXTH REPLENISHMENT OF RESOURCES**