



Global Environment Facility

GEF/R.4/10
August 9, 2005

Meeting on the Fourth Replenishment of the GEF Trust Fund
September 2, 2005
Washington, D.C.

PROPOSED POLICY RECOMMENDATIONS FOR GEF-4

INTRODUCTION

- i. The Secretariat has prepared for discussion at the second Meeting on the Fourth Replenishment of the GEF Trust Fund (Washington, D.C, September 2, 2005) the following proposed policy recommendations relating to strategic issues to be addressed by the GEF during the fourth replenishment period.
- ii. The proposed recommendations were prepared taking into account views expressed by Participants at the first replenishment meeting held in Washington, D. C., June 9-10, 2005, the third Overall Performance Study of the GEF (OPS3), Council decisions, and reports and findings of the GEF Office of Monitoring and Evaluation.
- iii. Participants are invited to review and comment on the proposed recommendations. The Secretariat will then prepare a revised proposal for a second review by Participants at their third meeting in October 2005.

PREAMBLE

1. Participants underscore the importance of the Millennium Development Goals adopted by all Member States of the United Nations in September 2000, and the Plan of Implementation of the World Summit on Sustainable Development adopted in Johannesburg in 2002, and recognize that the GEF, as the leading multilateral funding mechanism dedicated to providing financing for global environmental protection, is making a significant contribution to achieving the MDGs and the WSSD agreements. To this end, the fourth replenishment of the GEF is of critical importance.

2. All people depend on nature and ecosystem services to provide the conditions for improving their quality of life as well as improving the prospects for and quality of development. Humans have made unprecedented changes to global, regional and national ecosystems in recent decades to meet growing demands for food, water, fiber and energy. These changes have helped to improve the lives of many, but at the same time they have weakened nature's ability to deliver other key services. The GEF is an essential part of the international community's efforts to protect the quality of the global environment, whose deterioration threatens all countries and the achievement of the Millennium Development Goals to reduce poverty, hunger and disease.

3. GEF is the only existing multi-convention financing mechanism, and it serves the Convention on Biological Diversity, the Stockholm Convention on Persistent Organic Pollutants, the UN Convention to Combat Desertification and the UN Framework Convention on Climate Change. The GEF also supports the Montreal Protocol on Substances that Deplete the Ozone Layer and activities related to international waters. Participants recognize that the GEF is uniquely placed to assist recipient countries to realize and build upon synergies among the global environmental conventions, thereby contributing to the management of the global environment in a holistic manner while strengthening their participation in each convention.

4. Participants note that the GEF is a network organization founded on a partnership among the Implementing Agencies: UNDP, UNEP and the World Bank. This partnership functions at different levels and dimensions, facilitated by the GEF Council, the Secretariat and the Office of Monitoring and Evaluation. Participants reaffirm that the Secretariat and Implementing Agencies are responsible for promoting inter-agency collaboration and communication regarding the implementation of GEF-financed activities. The GEF also relies upon the comparative strengths of the Executing Agencies, governments, NGOs, local communities, the private sector and other stakeholders working collaboratively to accomplish common results. Participants agree that the continued evolution of the GEF should seek to enhance the network's effectiveness.

5. Participants recommend that, during the GEF 4 replenishment period, the GEF undertake the following measures to improve its performance and results.

OPERATIONAL PRINCIPLES

6. Participants reaffirm their full support for the GEF as a mechanism for international cooperation for the purpose of providing new and additional, grant and concessional funding to

meet the agreed incremental costs of measures to achieve agreed global environmental benefits in its six focal areas. The operational principles enunciated in the GEF operational strategy should continue to be fundamental to its operations.

7. Recognizing that the application of the principle of incremental costs continues to be a challenge, Participants recommend that the GEF Secretariat and Implementing Agencies prepare for Council consideration more pragmatic guidelines to apply the incremental cost principle in GEF operations, taking into account past experience and the planned review by the Office of Monitoring and Evaluation.

8. The role of the GEF as a financial mechanism to the multilateral environmental agreements uniquely positions the GEF to strengthen synergies between the conventions. Participants recommend that the GEF seek to optimize global environmental benefits through support to integrated natural resource policy and management processes that address the multiple objectives of the conventions and focal areas consistent with national priorities.

9. Participants note the critical importance of the link between global environmental protection, sustainable development and human welfare, as recognized by the Millennium Development Goals and the World Summit on Sustainable Development. Lack of action to address global environmental challenges will have adverse impacts, particularly on the livelihoods, health and vulnerability of the poor. Participants recommend that the GEF, acting through its Implementing and Executing Agencies, increase their efforts to integrate global environmental challenges into poverty reduction strategies and national sustainable development policies and programs as part of the agencies' country dialogues. In particular, emphasis should be given to harmonizing the GEF's funding strategies, procedures and instruments with those of other international financial institutions. GEF activities should promote the development of markets for global public goods and should positively impact civil society, in particular local and indigenous communities, whose support and cooperation is critical to the success of the GEF.

OPERATIONAL REFORMS

10. Participants request the GEF to make the significant operational reforms required to fully implement the Resource Allocation Framework agreed in GEF-3. These reforms should emphasize better collective business planning among the Implementing and Executing Agencies and the Secretariat as well as information-sharing between the GEF, recipient countries, NGOs, civil society and the private sector. Participants invite the Council to keep the RAF under review so as to ensure that it is contributing to greater results, cost-effectiveness, accountability and transparency at all levels of the GEF system.

11. Participants note that the strategic direction and coherence of focal area programs should be clarified and improved. The GEF Secretariat, in collaboration with the Implementing Agencies, is requested to take steps to revise existing focal area strategies, based on an analysis of, and lessons learned from, existing operational strategies, evolving guidance from the conventions and past experience reviewed in the Office of Monitoring and Evaluation studies, evaluations and overall performance studies. On the basis of these strategies, the GEF

Secretariat and Implementing Agencies, together with the Council, should determine the need to rationalize and simplify the operational programs and strategic objectives so as to increase the responsiveness and impacts of the GEF.

12. In order to measure the results of GEF activities and evaluate its performance, Participants recommend that the GEF Secretariat, Implementing Agencies, and the Office of Monitoring and Evaluation collaborate in developing performance indicators and tracking tools in all focal areas to facilitate synthesis of results at the country and program level.

13. Participants recommend that the GEF Secretariat, the Office of Monitoring and Evaluation, and the Implementing and Executing Agencies collaborate to better define their roles in the GEF project cycle by emphasizing: the Secretariat's responsibilities for strategic portfolio review, analysis and monitoring; the responsibility of the Implementing and Executing Agencies for technical quality and management of the projects; and the responsibility of the Office of Monitoring and Evaluation in establishing and overseeing monitoring and evaluation standards, so as to avoid duplication of reviews and evaluations, increased transaction costs, and delays in project processing.

14. Participants urge that streamlining of the project cycle be a high priority in GEF-4, and that steps to streamline the project cycle be proposed to the Council by the Secretariat and the Implementing and Executing Agencies, taking into account the planned joint evaluation by the Office of Monitoring and Evaluation and the Implementing and Executing Agencies of the GEF activity cycle and modalities.

15. Participants request the GEF Secretariat and the Implementing and Executing Agencies to improve pipeline management to reduce processing times and free up resources by eliminating inactive project concepts, proposals and projects.

IMPROVED INFORMATION

16. Participants recognize the need for strengthened information management processes in the GEF, including network systems for information management and knowledge management, to provide transparency at all levels of the partnership network and to more closely involve member countries, NGOs, civil society and the private sector.

17. Effective management of the GEF project cycle and pipeline, implementation of the Resource Allocation Framework, enhanced collaboration of GEF partners, and strengthened country ownership, require a reliable and sound information management system. Participants recommend that the GEF establish a more robust information management system in GEF-4.

18. The Participants further recommend that the Secretariat, the Implementing Agencies, and the Office of Monitoring and Evaluation jointly establish a knowledge management system to systematically capture and disseminate lessons learned from GEF activities over time in order to improve GEF performance and promote sustainability and replication.

19. Even after a decade of operations, the GEF continues to be relatively unknown. Participants request the Secretariat and Implementing Agencies to collaborate on the development of a corporate communications strategy in order to better inform governments, NGOs, civil society, private sector and other stakeholders of the goals, objectives, policies, procedures and results of the GEF.

CAPACITY BUILDING

20. Participants are fully aware of the need to provide financing for strengthening the capacity of recipient countries to manage the global environment and to integrate global environmental objectives into their poverty reduction strategies and national sustainable development plans. Participants welcome progress made in implementing the *Strategic Approach to Enhance Capacity Building*, and recognize the importance of addressing cross-cutting capacity building needs as highlighted by the global environmental conventions. Participants request the Secretariat and Implementing and Executing Agencies to continue to implement the approach, focusing on capacity building that is linked to on-the-ground achievements. The Secretariat and agencies are also requested to take into account the special needs of Least Developed Countries and Small Island Developing States, especially through the LDC/SIDS programs for capacity building. Participants also recognize the importance of South-South collaboration in promoting capacity building.

MONITORING AND EVALUATION

21. Participants welcome the establishment of an independent Office of Monitoring and Evaluation in GEF-3 and the GEF policy on monitoring and evaluation based upon: (a) an evaluative function (to independently evaluate the effectiveness of GEF programs and resource allocations on project, programs, country and portfolio and institutional levels); (b) a normative function (setting minimum monitoring and evaluation standards within the GEF family); and (c) an oversight function (to provide quality control in full cooperation with relevant units of the Implementing and Executing Agencies, to help ensure that their monitoring and evaluation practices are in accordance with minimum GEF standards).

22. Participants recommend that the Office of Monitoring and Evaluation formalize the recently initiated consultative process with GEF partners to harmonize monitoring and evaluation processes and goals across the GEF while avoiding duplication with existing monitoring and evaluation systems in the agencies.

23. Participants also recommend that the GEF Implementing and Executing Agencies ensure quality project level monitoring and evaluation and proactively engage project proponents in reporting on results with a view to making available data necessary for monitoring and analyzing GEF results and performance.

STAP

23. Participants agree that the role of STAP should be better articulated, its scientific and technical advice should be more integrated into the work of the Council, the Secretariat, the

Implementing Agencies, and the Office of Monitoring and Evaluation, and its relationship with the outside scientific community should be strengthened. Participants invite the Council to consider STAP's proposals to enhance its role with a view to improving its effectiveness and enhancing its scientific and technical contribution to GEF operations and policies.

EFFECTIVE ENGAGEMENT OF PRIVATE SECTOR

24. Participants, cognizant of past efforts by the GEF to engage the private sector, recommend that the GEF continue its efforts to identify appropriate means and modalities to more effectively promote private sector investments for global environmental protections. In this context, the GEF's focal area strategies should emphasize assistance to design and implement investment climate improvements in recipient countries. Those efforts should be complemented by support provided directly to firms and transactions, while ensuring a competitive business environment. In preparing proposals, the GEF is requested to consult with various private sector actors around the world. The Participants recognized that streamlining operational modalities will provide a positive incentive for greater partnership between the GEF and the private sector.