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Strategic issues of the replenishment of the Global Environment Facility– GEF-6

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RE-ASSERTING THE SPECIFIC VALUE OF THE GLOBAL ENVIRONMENT FACILITY

The Global Environment Facility (GEF) is the largest fund dedicated to financing the protection of the global environment. Over the last 20 years it has enabled the distribution of more than $11.5 billion to developing countries, for more than 3,000 projects. Every four years, the GEF Trust Fund must be replenished. Member States are currently involved in discussions for the sixth replenishment of the Facility (GEF-6), for the period from 1 July 2014 to 30 June 2018. As the international financial architecture dedicated to the environment is marked both by the renewal of the sustainable development agenda and the fragmentation and multiplication of International funds for climate change, the challenge for the GEF is therefore to assert its specific value.

DESIGNING STRATEGIC TRANSFORMATIONS

The main innovation contained within the GEF's proposed programming directions for the GEF-6 is the suggestion to implement "signature programs"—both at the global and regional scales—designed to tackle the main drivers of the degradation of the global environment through approaches that are transversal to several environmental objectives and to go beyond the country-based approach. Simultaneously, cross-cutting orientations have been defined in view of a "strategic positioning": diversification of financing methods; adjustment of the system for transparent allocation of resources; strengthening of the results-driven management system and of the knowledge management system; strengthening of links with the private sector; and inclusion of gender issues.

SCALING-UP THE GEF'S TRANSFORMATIONAL OBJECTIVES

The implementation of those strategic shifts raises questions as to the GEF's logic of intervention. How can the right balance be found between an increased strategic programming capacity in order to tackle the different drivers of environmental degradation and the need for country ownership, as the essential role of recipient countries in taking ownership of the resources at their disposal has been reaffirmed? Can bottom-up and top-down approaches be compatible? And, above all, in the light of the transformation of development models towards systemic changes, can the rationale of incremental, additional costs continue to be the backbone of the GEF's interventions?

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About the French Global Environment Facility / Fonds Français pour l'Environnement Mondial (FFEM)
A funding instrument of French bilateral cooperation and development policy dedicated to environmental protection, the FFEM has been involved since 1994 in six areas of the global environment: biodiversity, climate change, international waters, land degradation, persistent organic pollutants and the stratospheric ozone layer. Consistent with French development assistance policy and that of its multilateral counterpart, the Global Environment Facility (GEF), the FFEM finances projects that contribute to achieving the objectives of the international conventions signed by France, by combining the mission of promoting the economic and social development with addressing environmental protection. www.ffem.fr

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INTRODUCTION

Established in 1991, the Global Environment Facility (GEF) is now the largest fund dedicated to financing the protection of the global environment. Over 20 years it has enabled the distribution of more than $11.5 billion to developing countries, for more than 3,000 projects. The first five contributors to the GEF are the United States, Japan, Germany, the United Kingdom, and France.

Every four years, the GEF Trust Fund must be replenished; the levels of contributions and grants allocated to each country are reviewed during negotiations, which also provide the opportunity to adopt major political reforms in relation to the Facility. GEF Member States are currently involved in discussions for the sixth replenishment of the Facility (GEF-6), for the period from 1 July 2014 to 30 June 2018. A first meeting of the GEF Council has already taken place in Paris in April 2013, and a second one in September 2013 in India.

This article highlights major features of GEF's functioning in a context marked by the restructuring of the international environmental finance architecture, then outlines the issues of the sixth replenishment before presenting a detailed study of the most debated elements.

1. THE GLOBAL ENVIRONMENT FACILITY IN A CHANGING STRATEGIC CONTEXT

1.1. International funding of environmental objectives

As an illustration of the order of magnitude of the funds committed to the environment, we can consider the amount of public funds (national and international) that are dedicated to climate change alone: this figure, which varies from one source to another, is between $10 to $23 billion per year,[1] the highest estimates in terms of the mobilization of financial resources (private and public), however, shows that there is a funding need of about $100 billion per year to enable the mitigation of climate change and the adaptation of societies to its consequences.[2] In comparison, public subsidies leading to overexploitation of natural capital (subsidies for energy and agriculture, etc.) amount to more than $1000 billion per year according to the World Bank.[3]

The international financial architecture dedicated to the environment is marked by two significant developments.

1.1.1. The renewal of environmental priorities

Following the "Rio+20" summit in June 2012 and the numerous consultations undertaken by the United Nations regarding the follow-up to the Millennium Development Goals, under the post-2015 Agenda, the role of the GEF in the fight against environmental degradation at the global level has been reaffirmed. Far from being viewed as isolated from the objectives of other international organizations, the report of the High Level Panel on the post-2015 development agenda[4] estimates that the promotion of sustainable development is closely linked to issues of good governance, human rights and development. The form that such links may

1. World Bank, World Development Report, 2010; Climate Policy Initiative, The Landscape of Climate Finance 2012, December 2012.
2. World Bank, Inclusive Green Growth: The Pathway to Sustainable Development, The World Bank, Washington DC, 2012.
3. Ibid.
4. A new global partnership: Eradicate poverty and transfer economies through sustainable development, May 2013

take between the different environmental, social and economic dimensions of the post-2015 development agenda is, however, still at the heart of the negotiations.

In parallel, best practices have been defined regarding the implementation of development policies which also cover environmental conservation policies. In particular, the 2005 Paris Declaration reaffirmed the essential role of recipient countries in taking ownership of the resources at their disposal and the implemented projects.

The five key principles set out in the Paris Declaration (country ownership, alignment with national strategies, harmonization, results-oriented management and mutual accountability) were updated by the 2008 Accra Declaration; without being limited to development aid alone, they are mentioned in the background documents of international climate negotiations (for example, during negotiations on the Bali Action Plan in December 2007).

1.1.2. Fragmentation and multiplication of instruments

Consequently, the GEF is facing a large number of external strategic issues,[5] particularly in relation to the multiplicity of international instruments dedicated to the environment.[6] However, this fragmentation mainly concerns climate change and seems much less problematic regarding other global environmental issues such as biodiversity and the fight against desertification.

International funds for climate change are indeed particularly fragmented. In 2010, the World Bank listed 20 bilateral and multilateral funds dedicated to climate change. Calls for consolidation and harmonization[7] remain currently unfulfilled, while the number of international instruments dedicated to sustainable development continues to increase. In addition to the Climate Investment Funds created in 2008, which are directly dependent on the World Bank, the Green Climate Fund that was announced at the Copenhagen Summit (2009) must also be mentioned. In total, more than 15 international financial mechanisms (bilateral, multilateral, innovative...) have been announced since 2007.[8]

The role of multilateral development banks in terms of the environment has also evolved.[9] while the bias of these instruments towards fossil fuels was clear in the past,[10] these goals began to change from 2005 and the G8 Gleneagles meeting, where the multilateral development banks have been encouraged by an action plan to adopt more environmentally friendly initiatives. The integration of the environment into development projects and programmes supported by these banks should therefore already be at the heart of their strategies.

The challenge for the GEF is therefore to assert its specific value, its role and its complementarity with these multiple funds.

Box 1. GEF's Replenishment phases

- Pilot phase: 1991-1994
- GEF-1: 1994-1998
- GEF-2: 1998-2002
- GEF-3: 2002-2006
- GEF-4: 2006-2010
- GEF-5: 2010-2014
- GEF-6: 2014-2018

1.2. The specificity and functioning of the Global Environment Facility

The Global Environment Facility (GEF) was created in 1991; it finances the incremental costs related to the implementation of environmental policies in developing countries. Since its restructuring in 1994, it has been separated from the World Bank (which, however, provides administrative and management capacity).

It is now the largest fund dedicated to financing environmental protection at the global level: since 1991 the GEF has provided grants to developing countries and transition economies totalling approximately $11.5 billion, and has leveraged $57 billion in cofinancing for more than 3,215 projects.

The GEF serves as an instrument for the implementation of four international environmental conventions (which specifies its task as working towards the protection of global public goods,

5. Richard K. Lattanzio, International Environmental Financing: The Global Environment Facility (GEF), Washington DC, Congressional Research Service, June 2013.
6. Gareth Porter, Neil Bird, Nanki Kaur, and Leo Peskett, "New Finance for Climate Change and the Environment", WWF and the Heinrich Böll Foundation, 2008.
7. For example, Frank Biermann, Etienne Rolland-Piègue, Konrad von Moltke, "Créer une organisation mondiale de l'environnement ?", IDDRI Analyses n°1, 2004; Gareth Porter, Neil Bird, Nanki Kaur, and Leo Peskett, "New Finance for Climate Change and the Environment", WWF and the Heinrich Böll Foundation, 2008.
8. Richard K. Lattanzio, op. cit.
9. Smita Nakhooda, Correcting the World's Greatest Market Failure: Climate Change and the Multilateral Development Banks, World Resources Institute, 2008.
10. In 2005, the World Bank lent $2.5 billion for conventional energy projects, compared to $109 million for renewable energy (source: Richard K. Lattanzio, op. cit.).

which requires an international coordination of effort), and is therefore constantly in dialogue with the Conference of the Parties (COP) of these conventions, which must therefore have a decision-making power over the way in which the following funds are directed: the Convention on Biological Diversity, the United Nations Framework Convention on Climate Change, the United Nations Convention to Combat Desertification, and the Stockholm Convention on Persistent Organic Pollutants. Although the GEF is not formally linked to the Montreal Protocol that modifies the Vienna Convention for the Protection of the Ozone Layer, it helps its implementation in transition economies. The GEF is also destined to become the instrument for the implementation of the Minamata Convention on Mercury, which was approved in January 2013 and should be adopted and opened for signature in October.

Relations between the Conferences of the Parties and the GEF have been specified in the "Memorandums of Understanding": the COP regularly provide the GEF (Council and Assembly) with general "strategic guidance", which is translated by the Council into more specific "guidelines" that the Secretariat is responsible for implementing.

1.2.1. GEF governance

The main bodies of the GEF are defined in its "Instrument", a document that establishes the GEF and specifies the rules by which it operates. It was updated in 2011.[11]

The Assembly, which meets every three to four years, is the GEF's governing body, to which 183 Member States participate.[12] It is responsible for the control and evaluation of the general policies of the GEF, the membership issues and the amendments to the Instrument. The Council, the main decision-making body, makes decisions by consensus; it is composed of 32 "constituencies" (16 representatives from developing countries, 14 from developed countries, and 2 economies in transition). The GEF Secretariat, based in Washington, is responsible for the implementation of Council decisions, the current President of the secretariat, Naoko Ishii, took office on 1 August 2012. The Scientific and Technical Advisory Panel (STAP) provides independent advice. Finally, the GEF Evaluation Office (GEFEO), an independent body, is responsible for the evaluation of the projects funded by the GEF and in charge of making recommendations. On its own it accounts for 16% of the GEF's operating costs, which is a significant amount that reflects the emphasis on transparency, accountability and management by results.

The GEF develops its projects through 12 implementing agencies: the traditional partners are UNDP, UNEP and the World Bank, as are the multilateral development banks (African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank) and the various UN bodies (International Fund for Agricultural Development, Food and Agriculture Organization of the United Nations, United Nations Industrial Development Organization).

In May 2011, the GEF entered into a process of diversification in terms of the number of accredited agencies, based on Article 11 of its instrument: it created the category of "GEF Project Agencies" which will have direct access to funds managed by the GEF. Two international NGOs have received the green light from the accreditation panel, but they still have to negotiate a memorandum of understanding (MOU): Conservation International (CI) and WWF-US.

This very progressive diversification process was opened to national and regional banks, and to international NGOs. In this first wave, seven applications are still under consideration: national institutions (Brazilian Biodiversity Fund - FUNBIO; Foreign Economic Cooperation Office, China - FECO; VTB Bank - Russian Federation; Development Bank of Southern Africa - DBSA), regional ones (Caja Andina de Fomento, CAF - Development Bank of Latin America; West African Development Bank - BOAD); and an NGO (International Union for Conservation of Nature). It is unlikely that this first wave that was launched in 2011 will be completed before 2014, and it could infringe on the GEF-6. A second wave was originally planned, but has been postponed indefinitely.

In the medium term, the prospect of additional diversification therefore seems unlikely.

1.2.2. Projects funded by the GEF

Since the consolidation (mergers, formal coordination...) of the different international funds dedicated to sustainable development is unattainable in the medium term, the GEF has proposed that a strategic position should be adopted which, in principle, is complementary to other instruments, based on the concept of financing "incremental costs" defined in its mandate[13] that clarifies its role

11. Instrument for the Establishment of the Restructured GEF, 2011. Available at http://www.thegef.org/gef/instrument

12. For a list of the 183 states that participate in the GEF, as well as their date of accession, see http://www.thegef.org/gef/member_countries

13. Article 2 of the restructured GEF Instrument.

vis-à-vis the instruments of general public support for development. Furthermore, to distinguish itself from other instruments dedicated to the environment, the GEF Secretariat highlights several elements:[14] its 22 years of experience as an actor in the fight against environmental degradation; its very strong legitimacy as a financial instrument of many COPs; its very high level of accountability (due to the STAP and GEFEO mechanisms of transparent allocation and evaluation, which are described below); its governance structure that is equitable for all countries and its increasingly important network of implementation agencies.

Given this multiple funders rationale, it is important to clarify the specific role of GEF funding, especially because it often acts alongside others as a co-financier. In this context, the principle of the coverage of the "incremental" costs of the support of global environmental public goods continues to define the GEF's intervention logic. The levels of cofinancing differ according to the type of country concerned (the GEF's share of the total funding can vary from 16% on average in high-income countries to 58% in low-income countries) and, within these cofinancing schemes, there is also variation in the respective input from implementation agencies (multilateral development banks, etc.), bilateral donors, national public funds and private funds. A high level of cofinancing is one of the good performance indicators of GEF funding, but this "leverage effect" on other sources of funding is a subject of discussion, with the aim to clarify the rationale being sought (e.g. finding additional resources, or transforming economic sectors, see below "broader adoption" and a discussion of private funding).

It should be noted that in addition to the GEF Trust Fund, the replenishment of which is the subject of the current negotiations, the GEF manages two other trust funds: the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). In addition, it temporarily provides secretariat services to the Kyoto Protocol's "Adaptation Fund".

Therefore the GEF does not finance only one type of project, but has a broad mandate that is defined in its Instrument. The GEF project portfolio is thus divided into six focal areas, for each of which some major characteristics are described below (the figures in Table 1 represent the cumulative amounts committed since the GEF's creation):[15]

- **Biodiversity:** the Facility is the financial mechanism of the 1992 Convention on Biological Diversity. The programme accounts for nearly $3.3 billion over 20 years, which has leveraged $9.7 billion in cofinancing and participated in the financing of 708 million hectares of protected areas. The GEF also provides assistance in the preparation and implementation of National Biosafety Frameworks in 123 countries under the Cartagena Protocol; it also supports measures for the implementation of the Bonn Guidelines on access to genetic resources.
- **Climate change:** the Facility is the financial instrument of the 1992 United Nations Framework Convention on Climate Change. More than $3.3 billion were mobilized in mitigation and adaptation projects, resulting in a direct reduction of 2 billion tons of CO_2 equivalent, as estimated by the GEF (or 7 billion tons through the indirect transformation of markets). The GEF supports, among other things, the transfer of knowledge and climate-friendly technologies in energy efficiency, renewable energy and sustainable urban transport.
- **International waters:** without being the instrument of implementation of a specific convention, the Facility is associated with regional agreements to target cross-border issues of water management. More than $1.2 billion of direct funds have enabled the leveraging of $7.1 billion in cofinancing to support projects that conserve water, protect the environment and promote the safety of populations in more than 170 countries. The projects are of a transnational nature and focus on 30 river basins, 10 lakes, 6 groundwater bodies and 21 large marine ecosystems.
- **Ozone layer:** the GEF, in conjunction with the 1985 Vienna Convention and the 1987 Montreal Protocol, has invested a total of nearly $200 million in projects to phase out ozone-depleting substances in 18 transition countries in Central and Eastern Europe and the former Soviet Union. These countries were able to reduce their consumption of ozone-depleting substances by 99%, gradually eliminating 296,019 tons of these substances, of which 20,000 tonnes were targeted directly by GEF projects.
- **Land degradation:** in 2002 the Facility's mandate was extended by the Assembly to include land degradation; it has become the implementation instrument of the United Nations Convention to Combat Desertification. In total, the programme amounts to $535 million in funding to support 69 projects and programmes for the promotion of sustainable land management to fight against desertification and deforestation.

14. Global Environment Facility, Strategic Directions, August 2013

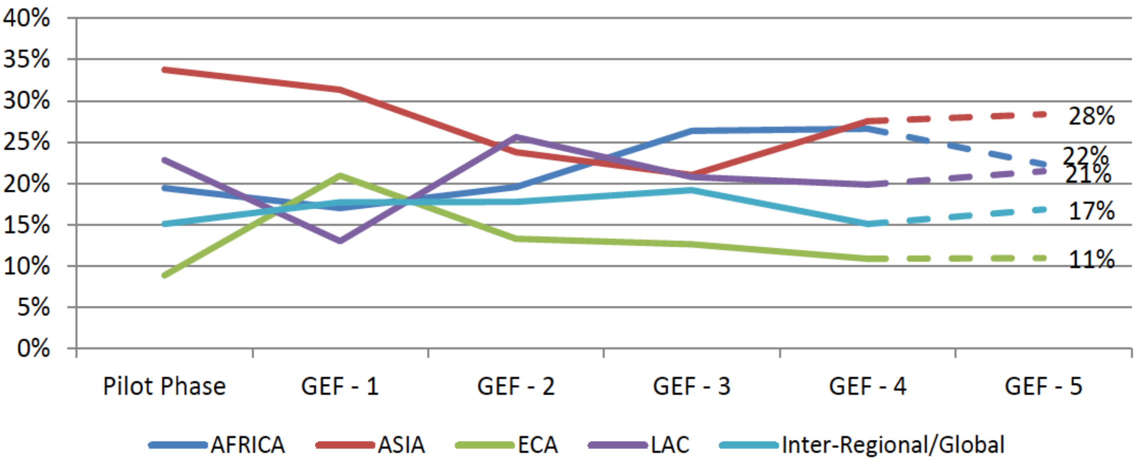
15. Global Environment Facility, Behind the Numbers, January 2013

Table 1. Evolution of GEF Funding by Focal Areas (in millions of dollars)

Focal area	Pilot Phase	GEF-1	GEF-2	GEF-3	GEF-4	GEF-5	Total
Biodiversity	323	424	710	867	690	313	3,327
Climate change	231	433	617	901	733	432	3,349
International waters	121	122	301	357	253	77	1,231
Ozone-layer depletion	4	112	42	21	11	5	195
Land degradation	0	0	3	217	264	51	535
Persistent organic pollutants	0	0	27	150	243	174	593
"Multifocal area"	16	51	161	443	559	891	2,121
Total	694	1,143	1,862	2,956	2,753	1,944	11,351

Source: GEFEO, Overall Performance Study of the GEF-5.

Figure 1. GEF funding share by region



Source: GEFEO, Overall Performance Study of the GEF-5

- **Persistent organic pollutants (POPs):** the GEF mandate, which covers all activities and issues related to POPs that are listed in the Stockholm Convention, has enabled the allocation of nearly \$600 million to POP-related projects, helping to leverage \$1.701 billion in cofinancing from public and private partners.

From the beginning, the portfolio of GEF projects has experienced a strong development of "multifocal area" projects, i.e. concerning at least two of the six focal areas or having multiple positive effects. These projects accounted for 46% of the funds committed by the GEF during GEF-5 (\$891m). A total of \$2 billion have been invested directly by the GEF in multifocal area projects over its 20 years of existence.

This trend can be explained by the GEF secretariat's objective, since GEF-3, to exploit potential synergies between different types of programmes, but also by the growth of the "Small Grants Programme". This is particularly the case for projects related to the preservation of forests (SFM/REDD+: Sustainable Forest Management and Reducing Emissions from Deforestation and forest Degradation), which depend on several focal areas.

Geographically, the share of funding directed towards different regions is relatively stable. Asia's share has increased continuously from GEF-3 to GEF-5; the proportion of projects allocated to Latin America and to global or regional projects involving several countries has also slightly increased since GEF-5.

Africa's proportion of GEF financing is given particular attention in discussions on the geographical distribution of these funds. The interpretation of the apparent decrease seen in the GEF-5 diagram (see Figure 1) is questionable because it apparently does not correspond to the reality of allocated funds nor those that are actually engaged.

The average size of the projects funded by the GEF since its inception totalled \$3.6 million across all projects.[16]

16. Calculated from GEFEO data, The GEF Portfolio, March 2013.

Table 2. Respective importance of the different modalities of GEF-funded projects over time

Modality	Pilot Phase	GEF – 1	GEF – 2	GEF – 3	GEF – 4	GEF – 5	All Phases
Full Size Project	648 (93%)	1,040 (91%)	1,569 (84%)	2,517 (85%)	2,346 (85%)	1,686 (87%)	9,806 (86%)
Medium Size Project	(_)	7 (1%)	126 (7%)	142 (5%)	216 (8%)	25 (1%)	516 (5%)
Enabling Activity	34 (5%)	70 (6%)	91 (5%)	132 (4%)	21 (1%)	16 (1%)	364 (3%)
SGP	13 (2%)	26 (2%)	75 (4%)	165 (6%)	169 (6%)	216 (11%)	664 (6%)
TOTAL	694 (100%)	1,143 (100%)	1,862 (100%)	2,956 (100%)	2,753 (100%)	1,944 (100%)	11,351 (100%)

Source: GEFEO, The GEF Portfolio (OPS 5 Technical document #1), March 2013.

It should be noted that GEF-funded projects are divided into four modalities, depending on their size:

- **"Full Size Projects" (FSPs)** are projects involving more than $2 million of GEF funding. Developed by governments, NGOs, the private sector or other civil society entities, they must comply with both national priorities and the GEF's strategic objectives. The eligibility conditions are drawn from the conventions and guidelines provided by the COPs. FSPs are subject to the Council's approval and implemented by the GEF agencies mentioned above.
- **"Medium Size Projects"** are projects of less than $2 million. More limited in scale, they follow a simplified procedure; their approval is delegated by the Council to the GEF's President.
- **"Enabling activities"** are projects related to the conventions on biodiversity, climate change and persistent organic pollutants. They enable the relevant countries to prepare national inventories, strategies, action plans and reports that are required under these conventions.
- Through its **"Small Grants Programme" (SGP)**, the GEF has also awarded more than 16,000 grants to NGOs and civil society organizations, for a total of more than $664 million. SGP grants should not exceed $50,000 (which explains their large number), the grants averaging $25,000. The SGP targets poor communities, but according to a 2013 assessment, more than 70% of the projects funded by the SGP have had a broader impact.

1.2.3. Evaluation elements

There are few independent evaluations of GEF-funded projects; a comprehensive and robust academic study of the impact of GEF projects has not yet been conducted[17]. The main data derive from the GEF Evaluation Office, through its annual impact studies and broader assessments that are carried out during Fund replenishments (see box 2 on OPS 5). No other aid mechanism has developed a comparable evaluation effort to measure the environmental performance of its intervention, although this measurement of results is still a work in progress (see results based management).

The various national assessments available for the assistance to multilateral programmes are generally positive about the GEF. The UK's National Audit Office scored the GEF as "satisfactory" (2.7/5) both for its "organizational skills" and for its involvement in the UK's development goals, including its humanitarian ones.[18] Similarly, the Australian development agency Ausaid considers that the GEF has a "strong" impact on sustainable development, and is particularly positive about its transparency and accountability.[19]

Other assessments are, however, more critical regarding the operation of the GEF itself. In particular, the low level of funding from donor countries should be noted, which is due to the conception of "incremental costs" that has been inherent in the GEF since its inception.[20] Other criticisms have been made concerning:

- the virtual hegemony of subsidization tools within GEF programmes (an absence of loans, unlike in Climate Investment Fund programmes);
- the difficulty of defining the concept of incremental or additional costs;
- the complicated relationship between the

17. Robert L. Hicks, Bradley C. Parks, J. Timmons Roberts, and Michael J. Tierney, *Greening Aid?: Understanding the Environmental Impact of Development Assistance,* New York: Oxford University Press, 2008.
18. National Audit Office, The Multilateral Aid Review by the DFID, March 2011
19. Ausaid, The Australian Multilateral Aid Assessment, March 2012
20. Richard K. Lattanzio, op. cit.

Box 2. "Overall Performance Study 5"

The GEF Evaluation Office (GEFEO) issues an overall performance report prior to each replenishment of the fund. The latest report is the Overall Performance Study 5 (OPS5).

The main findings of OPS5 are generally positive for the GEF:

- More than 70% of GEF-funded projects during GEF-5 had a positive environmental impact, mostly at the local level (see Table below).
- Out of 210 projects, nearly 80% are "satisfactory", i.e. more than the international benchmark of 75%.
- The GEF is very effective in its responses to the COP "guidelines", although the GEFEO denounces the accumulation of directives, their imprecise nature and the ambiguity of their formulation.
- GEF-funded projects generally adhere to the guidelines defined in the 2005 Paris Declaration and enable true "country ownership".

Regarding the environmental performance of GEF projects, the OPS5 report distinguishes between those that have had a local impact and those that have had a more systemic impact, and in each case identifying projects that have reduced environmental pressure and those that have led to genuine change in the state of the environment itself, concluding that 71% of projects have been effective in achieving the environmental objective.

OPS5 recommendations are mainly to promote projects that lead to a broader adoption. The concept of broader adoption refers to the idea of enabling a transformation that is not limited to project objectives developed in isolation, and takes four main forms:

- "Mainstreaming": information, lessons and results from the GEF are incorporated into the mandates of other actors and initiatives.
- "Replication": GEF-supported projects are adopted or replicated elsewhere in areas of similar size.
- "Scaling-up": GEF-supported initiatives are extended to larger geographical scales, often taking into account new political, administrative and ecological dimensions.
- "Market change": GEF-supported initiatives catalyse transformations affecting market supply and demand for goods and services that contribute to global environmental benefits.

Consequently, the GEF Evaluation Office is advising participants to the Facility's sixth replenishment to focus on a more programmatic multifocal approach. The GEF has responded to these concerns and those of the STAP with the proposal of five multifocal "signature programs"; the modalities of such strategic programming and its implications with regard to the system of resource allocation between countries, however, remains under discussion (see below).

Environmental impact	Number of projects	Percentage of total projects
Local impact:	189	51
> Stress reduction	127	34
> Environmental status change	62	17
Systemic impact:	73	20
> Stress reduction	59	16
> Environmental status change	14	4
Total	262	71

two decision-making levels (GEF/Implementation Agencies);

- the slow pace of procedures,[21] which has led to calls for the reform of the instrument towards a situation where the Council would not be obliged to validate all projects, but could instead assume a broader vision by addressing "portfolios" of projects.[22]

21. Richard K. Lattanzio stated that in 2006, a period of 66 months elapsed between the time of a project's design to its effective implementation. Currently, this time period has been reduced to between 16 to 22 months.

22. Gareth Porter, Neil Bird, Nanki Kaur and Leo Peskett, "New Finance for Climate Change and the Environment", WWF and the Heinrich Böll Foundation, 2008

2. ISSUES OF THE SIXTH GEF REPLENISHMENT

Within the framework of the sixth GEF replenishment, the Council's participant States have been invited to comment on both the strategic guidelines for the next 4 years (GEF-6), and in the longer term on the "GEF 2020" strategy.

To prepare for the next meeting in September, the GEF Secretariat has asked members to express their views on two key strategic documents that detail the envisaged changes to the funding of the GEF.

2.1. "Programming directions"

The GEF Secretariat has recently published the details of its proposals for each of the various sectoral programmes which make up the GEF portfolio.

The proposed programming directions are geared mainly towards the integration of the recommendations of the various COPs that are within the Facility's remit. The strategic directions are specified by a number of major programmes for each "focal area". It is important to note that the increases in resources that are mentioned below would only be possible under a scenario of an overall increase in resources, which is far from the only possible scenario.

- For **biological diversity**, the main goal is the integration of the Aichi objectives and those of the 2010 Nagoya Protocol, which explains the significant increase in contributions proposed by the GEF's secretariat (+40% in comparison with GEF-5)
- For **climate change**, the GEF has tried to identify areas where it can offer added value in comparison to the Green Climate Fund, while it has also been applying the guidelines established by the UNFCCC COP 18, agreed at Doha in 2012. In this context, the three main objectives of the GEF are: supporting innovative projects; supporting systemic impacts of "mitigation" projects; and supporting projects designed to "mainstream" mitigation solutions.
- For **persistent organic pollutants (POPs)**, the GEF has integrated pollutants that were identified by the most recent COP of the Stockholm Convention, and anticipates the imminent coming into force of the Minamata Convention on mercury. The GEF is therefore calling for an increase of 41%, compared to GEF-5, in the GEF-6's budget for chemical products.

However, the main innovation contained within the GEF's proposed programming directions for the GEF-6 is the suggestion to implement "signature programs", in accordance with the STAP and GEFEO recommendations. The objective would be to benefit from the synergies identified upstream between several environmental objectives and to go beyond the country-based approach to allow greater environmental gains.

Several outlines of "signature programs" have been suggested:

- global programmes:
  - *"Taking Deforestation out of the Commodities Supply Chain",*
  - *"Rebuilding Global Fisheries",*
  - *"Sustainable Cities";*
- and programmes more focused on regional issues:
  - *"Sustainability and resilience for food security in sub-Saharan Africa",*
  - *"Amazon Basin".*

The resource envelope amounts proposed by the GEF are shown in the table below.

Box 3. Timetable for the negotiations on the sixth GEF replenishment

- April 2013: first meeting; decision on reference exchange rate to be adopted for GEF-6; review of an initial OPS5 report and of preliminary versions of the "Draft positioning" and the "Programming Directions".
- September 2013: second meeting, decision on the financing modalities of the GEF-6; review of the above-mentioned GEF strategic documents.
- December 2013: final OPS5 report; adoption of policy recommendations and programming documents, review of funding arrangements.
- February 2014: adoption of the funding pledges of participants and of the GEF financial framework.

2.2. "Strategic positioning"

This second document for discussion amongst participating States establishes major cross-cutting strategic orientations. A number of issues have been identified by the GEF:

- **the diversification of financing methods:** towards a model of loans for example. The secretariat appears rather reticent on the issue. Several options can be envisaged: maintaining the status quo, i.e. strong restrictions on so-called "non-grants", as requested by a number of countries; differentiation between countries according to their financing capacity in order to provide them with the most appropriate financing method (loan or grant); creating a pilot project for middle-income countries;
- **the adjustment of the system for transparent allocation of resources (STAR, see below):** participating States disagree on this issue, some advocating a decrease in the proportion of financing that is directed towards the largest recipients (primarily China) in favour of poorer countries; others want above all to highlight the global ecological effects of GEF-financed interventions;
- **the strengthening of the results-driven management system and of the knowledge management system:** this involves the enabling of the aggregation of the different results at the portfolio level in order to understand the added value of the GEF; with ultimately the possibility of gaining a thorough understanding of the quantifiable impacts of GEF projects;
- **the strengthening of links with the private sector.** To achieve this, the following options are being considered: improvement of the regulatory environment of the countries concerned (to enable green innovations, for example); the opportunity to finance innovative projects that require such support (commercial projects that

Table 3. Proposed indicative resource envelopes for GEF-6

Focal Areas / Themes	GEF-5 Programming Targets ($ million)	GEF-5 Programming Targets ($ million)			
		Status Quo	Increase over GEF-5	Enhanced Impact	Increase over GEF-5
BIODIVERSITY					
Focal Area Strategic Priorities	1,080	960		1,395	
Contribution to Sustainable Forest Management	130	130		155	
Contribution to Signature Programs	0	140		140	
Total -Biodiversity	1,210	1,230	2%	1,690	40%
CLIMATE CHANGE					
Focal Area Strategic Priorities	1,260	1,000		1,300	
Contribution to Sustainable Forest Management	100	100		120	
Contribution to Signature Programs	0	120		120	
Total – Climate Change	1,360	1,220	-10%	1,540	13%
INTERNATIONAL WATERS					
Focal Area Strategic Priorities	440	390		470	
Contribution to Signature Programs	0	60		60	
Total – International Waters	440	450	2%	530	20%
LAND DEGRADATION					
Focal Area Strategic Priorities	385	335		410	
Contribution to Sustainable Forest Management	20	20		25	
Contribution to Signature Programs	0	60		60	
Total – Land Degradation	405	415	2%	495	22%
CHEMICALS					
Focal Area Strategic Priorities	425	500		575	
Contribution to Signature Programs	0	25		25	
Total – Chemicals	425	525	24%	600	41%
Total – Focal Areas/Themes	3,840	3,840		4,855	
Corporate Programs	70	50		70	
Small Grants Program	140	140		155	
Contribution to Signature Programs	0	20		20	
Total – Corporate Programs	210	210	0%	245	17%
Outreach to the Private Sector	80	70		80	
Corporate Budget	120	130		140	
TOTAL GEF Replenishment	4,250	4,250	0%	5,320	25%
Sustainable Forest Management	250	250		300	
Signature Programs	0	425		425	

are beneficial to the environment, which otherwise would not receive funding); developing partnerships with representative professional groups (for the dissemination of best practices, standards and certifications);

- **the inclusion of gender issues** in GEF-supported projects ("mainstreaming gender").

3. KEY POINTS FOR DEBATE

This section illustrates the main issues for debate, which have been identified in GEF publications or mentioned in other publications by NGOs or experts.

The main points of entrance into the discussion are relatively technical, focusing on the tools and mechanisms developed by the GEF (in the same way as the documents that the secretariat submitted for discussion); but these points also raise more general questions on long-term strategy and on innovative modalities that could potentially be developed to implement these strategic shifts.

3.1. The STAR: country ownership and the distribution of funds between countries

The STAR is the "system for transparent allocation of resources", which was created in 2010 with the GEF-5. It currently concerns three GEF sectoral programmes: the Climate Change, Biodiversity and Land Degradation programmes. Once the envelopes for each sectoral programme have been determined by the replenishment negotiations, 80% of the envelopes for these three sectoral programmes are subject to the STAR system which divides these funds into allocations for the different recipient countries. This system is essential for achieving country ownership, by giving countries a form of autonomy in terms of establishing projects within this envelope. It should be noted that the remaining 20% of funds allocated to each of the three sectoral programmes affected by STAR are known as "set aside" and are not subject to the STAR system. The other sectoral programmes are also considered as "set aside". In total, however, nearly 70% of GEF funds are subject to the STAR system. Given its recent creation (with GEF-5), the STAR could also be considered an ongoing experiment, generally viewed as positive for its enabling recipient countries to plan on a four-year basis given their envelope. Nevertheless, evaluations also show that country ownership and capacity to formulate a national portfolio of project still have to be improved, for instance for what concerns national consultations between governments, economic sectors and civil society.

The STAR system entails a complex calculation method, which is summarised in Figure 3.

Thus, through STAR, the GEF uses a GDP per capita indicator for each country to increase the relative share of funds to the poorest countries.

To this mechanism are added some threshold levels and lower limits per country and per sectorial programme, to avoid an excessive appropriation of funds by a small number of beneficiaries.

However, the STAR is subject to a number of criticisms and controversies:

- It does not enable the targeting of the poorest communities within each country;[23]
- STAR may not be sufficient to target the poorest countries in terms of sustainable development/co-benefits (over and above the environmental benefits). According to Oxfam International,[24] the 49 poorest countries have only received an eighth of the GEF funds (even though they represent more than a quarter of its members);
- Other indicators could be considered, like the human development index, or indications of environmental vulnerability or dependence on natural resources of the economy;
- Although considered as a positive progress in terms of country ownership, there might be a risk of a reduction of the funds submitted to STAR , given the increasing weight of multifocal projects, which the Secretariat seeks to increase even more with the "signature programs".

The GEF Secretariat has proposed the following reform options for STAR:

- to increase the weight of the GDP/capita indicator;
- to reduce the maximum limits per sectoral programme/country;
- to increase the threshold levels per sectoral programme/country;
- to establish a competitive system for certain groups of countries (major recipients), that would compete to share a "pool" of common funds.

These different incentives would enable specific groups of countries to be favoured (emerging countries or Africa, for example). The targeting of these priority countries within the STAR framework for the coming period is also at the heart of discussions.

Furthermore, what modalities could encourage countries to jointly use their allocated envelopes in the development of cross-border projects?

3.2. GEF governance issues

3.2.1. Recipient country ownership

The GEF Evaluation Office estimates that the projects financed by the Facility comply with the five principles outlined in the 2005 Paris Declaration on Aid Effectiveness (see figure below).

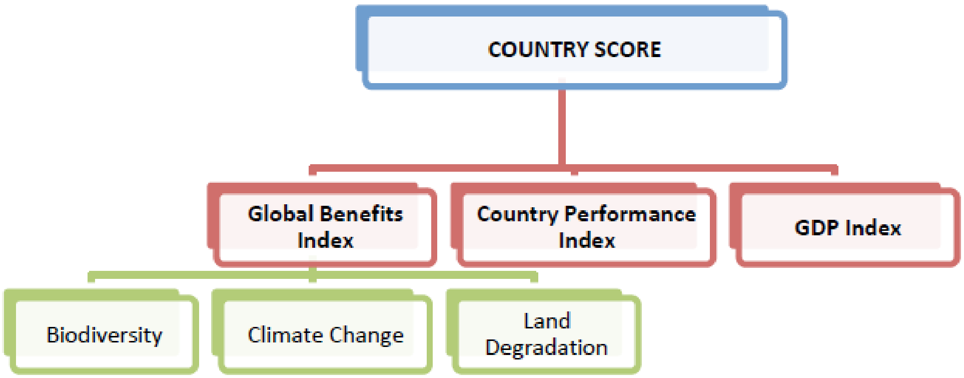
However, the nature of the creation of "Signature" programs, which the Secretariat and the GEF Council would define in a much more "top-down" manner, may challenge these achievements. How can the right balance be found between an increased strategic programming in order to tackle the drivers of environmental degradation, and the need for country ownership? How can the right balance between bottom-up and top-down approaches be obtained? The role given to implementing agencies in the definition of each signature program appears particularly critical. Considered as a pilot experiment, signature programs might nevertheless encompass 8 to 10% of GEF 6 funds : clarifying the governance of how these programmes will be defined and implemented appears to be key in order to ensure country ownership.

3.2.2. The network of GEF project implementation agencies and the issue of direct access

As discussed above, in May 2011, the GEF entered into a process of diversification in the number

23. As highlighted by Ausaid, The Australian Multilateral Aid Assessment, March 2012.
24. Oxfam International, "Righting two wrongs", October 2010.

Figure 2. STAR system's calculation method



Source: GEF, Strategic Positioning, August 2013. Country score Global Benefits Index / Country Performance Index / GDP Index Biodiversity / Climate Change / Land Degradation

of accredited agencies, based on Article 11 of its instrument: it created the "GEF Project Agencies" category that will benefit from direct access to the GEF-managed funds. Two NGOs have so far benefited from this policy of openness and are about to be accredited: WWF-US and Conservation International.

How far could this dynamic of diversification progress? Could national NGOs (from the South and from the North), or bilateral financing tools become GEF implementation agencies?

The slow pace of the first wave of the diversification of implementation agencies, launched in 2011, means that there is only a limited chance that this diversification can continue to expand in the medium term.

3.3. Strategic renewal and project portfolio

In a context of potential changes in the post-2015 sustainable development agenda, the GEF secretariat has proposed, based on the proposals of the STAP, the further adjustment of tools that are already in place, so that performance in terms of improvement of environmental status is not the only objective, but a change of developmental trajectories is also sought. The translation of this fundamental strategic reorientation in the form of project portfolio management tools (see below) could be subject to discussion. Is this the right strategy for the GEF in the changing context of the development agenda? What other changes should or could GEF actions undergo to implement such a strategy? Can the rationale of incremental costs, for example, continue to be the backbone of GEF interventions, in the current logic of the transformation of development models?

3.3.1. "Signature programs"

The "broader adoption" concept, as advanced by the STAP and GEFEO amongst others (see box on OPS5 above), consists of searching for initiatives with an impact that goes beyond the project boundaries, according to different modalities ("mainstreaming" in the agenda of other institutions; "replication" in other situations of a similar scale; "scaling-up" to reach other geographical scales but also by taking into account new political, economical and ecological dimensions...; "market change" to influence the factors that structure supply and demand in the market, such as standards, etc.).

More broadly, the GEF's intervention logic should aim for a genuine transformational change so that it can have an impact directly on the drivers of resource and ecosystem deterioration, which requires that each thematic environmental priority (climate change, biodiversity...) is not considered independently. The actual effectiveness of the multifocal area projects that have already been developed is controversial as they do not seem to have risen to the challenge.

One solution offered by the GEF secretariat to address these considerations are the signature programs. This emphasis on programmes of a "multifocal" and if possible cross-border nature, which are defined upstream by the GEF, raises a number of questions:

- Is the GEF's "top-down" definition of programmes compatible with the principles outlined in the Paris Declaration? In particular, does it enable the country ownership/alignment of GEF priorities with national priorities? The relationship between signature programs and STAR appears complicated, partly because these programmes cannot be assigned unambiguously

Figure 3. The 2005 Paris Declaration's principles on aid effectiveness

Ownership	Existence of operational strategies in the environment sector both for national and international funding Existence of reliable country systems for environmental management and monitoring Existence and effectiveness of coordinated forms of support
Alignment	GEF support is aligned to national priorities GEF funds are channelled through country public financial management systems GEF support uses country procurement systems
Harmonization	Evidence of strengthened capacity by avoiding parallel implementation structures in GEF projects GEF support is predictable (through the use of resource allocation systems as the RAF and the STAR)
Managing for results	The country uses a set of common arrangements or procedures for GEF support The country has and uses its own results oriented framework for managing GEF support
Mutual accountability	The country and the GEF share accountability toward each other for the achievement of results from GEF support

Source: OPS 5.

to the traditional focal areas, and also because some have a cross-border nature.

- More generally, can the effectiveness of such programmes be guaranteed when they try to maximize several objectives at the same time?

However, it should be noted that the funds requested by the GEF for signature programs, although important, remain relatively limited in relation to the total GEF budget (€425 million , i.e. between 8% and 10% of the budget for the GEF-6, depending on the scenario); in its presentation of the signature programs, the GEF states that it is primarily an experiment, the effectiveness of which should be evaluated.

3.3.2. Distribution of funds among the different focal areas

The issue of the distribution of funds among the different focal areas is also raised (see table above for the GEF proposal). In addition to some increases in resources for thematic programmes which appear a priority, it is important also to symmetrically identify the programmes for which it is possible to envisage reductions, in the event of a status quo scenario for GEF's global resources.

For instance, the International Waters envelope, that has been presented as under-funded during GEF-5, could also be presented as another priority for resources increases (given the importance of marine protected areas in the Aichi objectives or the importance of freshwater for food security). Would it be possible to identify another focal area for which a decrease in resources might be acceptable?

3.3.3. What role for the Small Grants Programme

Through the SGP, the GEF has also made more than 16,000 grants to local NGOs and civil society, for a total of more than $664 million; these grants targeted the poorest communities and seek to have a local impact that is additional to regional and/or global projects.

The GEF-6 strategy, proposed by the GEF for the SGP consists mainly of: 1) better targeting of ecosystems that are recognized as critical to the environment; 2) establishing an institutional system of innovative financing, in particular through partnerships with networks of selected communities and NGOs. The development of microcredit (or projects that combine grants and microcredit) is thus considered.

However, the increase in SGP funds that is proposed by the GEF, appears limited: only an additional $15 million, compared to the GEF-5 target, for a total amounting to $155 million.

3.4. Accountability and transparency of results

The GEF has recently reformed its policy of accountability by establishing a "results-based management framework" (RBM). The RBM, which started operating in 2007, allows the monitoring of GEF activities at three levels: institutional (at the organization level); programmatic (per focal area); and by project. The GEF, however, points to the current limitations of the RBM, especially the lack of feedback and information to the Secretariat and agencies once the project has been implemented. The evaluation by the GEFEO is also essential in this context, but it already uses 16% of the GEF's own operating resources.

The strategy proposed by the GEF (in the "strategic positioning" document) is twofold:

- **To improve the evaluation methods and objectives through an update of the Results-based Management:** this would allow the aggregation of different results at the portfolio level (with improved feedback through the Project Management Information System and the choice of a smaller number of indicators) in order to understand the added value of the GEF; with ultimately the possibility of an improved understanding of the quantifiable consequences of GEF projects, in terms of the fight against climate change for example (CO_2 reduction due to GEF). But this refinement of the measurement of results might also complexify even more the procedure for recipient countries or NGOs to formulate projects;
- **To improve the dissemination of knowledge accumulated by the GEF through the reform of the Knowledge Management System**, proposed by the Secretariat in June 2011. Beyond the technical issues regarding information systems, the objective is to define genuine learning processes. For now, the documents issued by the GEF are essentially internal documents (with the exception of IW:LEARN for the international waters programme and the documents of the Adaptation Learning Mechanism). However, the GEF has a significant potential for analysis, particularly at the global level, which could enable a real learning process at the level of its overall strategy, and not only at the level of projects.

Analyses and proposals from NGOs on accountability for both development aid in general and for sustainable development issues in particular could help put into perspective the achievements and limitations of the systems established by GEF, which are generally considered as relatively exemplary, but where room for improvement could still be identified.

3.5. Leveraging and innovative financing

GEF claims to have a good ability to raise additional financing on top of public support. However, the coming period requires the re-examination of the co-financing capacity of projects, both to successfully identify new sources of funding for the environment (this is, for example, one of the key issues of the Convention on Biological Diversity) and to cause a knock-on effect that reaches the various economic sectors involved. Attractive possibilities have already been developed (e.g. the combination of microcredit and Small Grant Programme funding). What could or should be the mechanisms that combine GEF funding and private funding? Should the GEF provide support to projects carried solely by private actors, and under what conditions and controls? What other innovative methods of financing should be explored? Should a specific envelope devoted to the private sector be maintained as such, or should the private sector rather be included as a target and a possible co-funder in the other programmes?

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