

**THIRD MEETING FOR THE
EIGHTH REPLENISHMENT OF RESOURCES OF THE GEF TRUST FUND
FEBRUARY 2 – 4, 2022
SUMMARY OF THE CO-CHAIRS**

The third meeting of Participants for the Eighth Replenishment of the GEF (GEF-8) was held virtually on February 2 – February 4, 2022. The meeting was co-chaired by Akihiko Nishio, Vice President, Development Finance, World Bank and Carlos Manuel Rodriguez Echandi, CEO and Chairperson, GEF.

Contributing Participants were joined by non-donor recipient country Participants representing Africa, Asia, Eastern Europe, Latin America and Caribbean, and Small Island Developing States (SIDS), observers from the GEF Agencies, two NGO/CSO observers representing donor and recipient country-based NGOs/CSOs respectively, one representative from the private sector, and a representative from the Green Climate Fund (GCF) and the Adaptation Fund (AF). Representatives from the five global environmental conventions for which the GEF serves as a financial mechanism also attended the meeting as observers.

Mr. Nishio opened the meeting by welcoming all Participants to the third meeting. He noted that GEF-8 comes at a challenging time with unprecedented environmental challenges that require collective efforts and actions from everyone. In this context, he reiterated the importance of the GEF and the opportunity to increase its impact by adjusting its operating modalities and stakeholder engagements, thus to fulfill its obligations and to urgently take on bold, decisive action to build back better and greener. Mr. Nishio noted the significant progress made since the first GEF-8 Replenishment Meeting in April 2021, including finalizing the Seventh Comprehensive Evaluation of the GEF (OPS7), in-depth discussions on programming and policy issues, and rules established on financial matters for the replenishment. Mr. Nishio hoped that agreements on the remaining issues could be reached for a successful conclusion at the final meeting for the Eighth Replenishment scheduled in April 2022, at which Contributing Participants would present their financial commitments and pledges.

Mr. Rodriguez joined Mr. Nishio in opening and welcomed all Participants to the third meeting for the Eighth Replenishment of the GEF Trust Fund. He underscored the urgent need for ambitious GEF-8 strategies to match both current environmental challenges and the evolving ambitions placed upon the GEF that are emerging from the various multilateral environmental agreements. He emphasized the crucial role that the GEF is playing in the global systems-change as the financial mechanism of multilateral environmental agreements and through its increasingly integrated programming approach that aims for a range of co-benefits at multiple thematic, policy and stakeholder levels. He highlighted the GEF's distinctive ability to target inter-related threats through effective integration, building upon both its broad mandate as well as its 30 years of experience and knowledge. Mr. Rodriguez called for Participants' continued support and guidance in finalizing the Programming Directions and policy agenda to achieve concurrence and coherence on key aspects underpinning the GEF-8 Replenishment.

Programming Directions, Programming Scenarios and Global Environmental Benefits Targets:

The GEF Secretariat presented highlights of updates on the Programming Directions and Programming Scenarios documents, noting the key changes and additions made in response to comments from replenishment Participants. There was broad support from Participants on both documents, and a call for the need to ensure coherence between the Programming Directions and the Policy Recommendations, and the relevant decisions taken within them.

There were broad statements made by multiple Contributing Participants on a greater ambition for the GEF-8 replenishment, and wide support of recipient countries for the higher programming scenarios. Participants also expressed strong support for the need to prioritize the most vulnerable, in particular LDCs and SIDS.

Some Participants expressed concerns over the relative shares of several focal areas such as Biodiversity and Chemicals and Waste, as well as the share of the NGI window and Small Grants Programme (SGP). In particular, there were many views expressed on the need to increase the relative share of the Biodiversity focal area in the Programming Scenarios, while keeping the climate-imputed shares at the same or slightly higher level as GEF-7. Participants also raised questions on the varying levels of enabling activities across the various Programming Scenarios.

More specifically:

There was broad consensus that the Programming Directions represent a solid strategy to deliver on the GEF-8 ambition across the mandates of the GEF. This consensus extended to all Focal Area Strategies and all Integrated Programs (IPs). Several Participants recommended the reinstatement of the IP on “Elimination of Hazardous Chemicals from Supply Chains” to better reflect the Chemicals and Waste focal area in the Integrated Programs. Many Participants suggested that the Net-zero Accelerator be redesigned and re-dimensioned to better reflect thematically and financially in the GEF-8 strategy.

All Participants expressed strong support for the proposed SGP 2.0, noting that it continues to be relevant to all developing countries, to deliver high impact and tangible benefits to communities. Participants supported the proposed SGP expansion to invite additional Agencies, particularly already accredited GEF Agencies to act as SGP Implementing Agencies, while strong concern was expressed on the proposal to open SGP-specific accreditation for new agencies.

There was consensus that the new Country Engagement Strategy will bring adequate focus on country demands, and some varying views on the potential placement of GEF staff in regions. Participants expressed strong appreciation for the Country Support Program (CSP), expressed interest in seeing additional support for OFPs and welcomed the CSP initiative to promote the adoption of the steering committee based on successful experience in several countries.

Most Participants welcomed the proposed Innovation funding window in response to the GEF IEO recommendation dedicated to enhancing innovation and risk taking at the GEF, but concerns were raised about the strong research focus of this new funding window. Participants recommended that this window focus on the nexus of risk and innovation to better guide GEF investments.

There was strong consensus on increasing the share of the Biodiversity (BD) focal area (as a function of the total replenishment envelope), and this is reflected in some initial scenarios that will be refined in the coming weeks, with a view to take the BD share to at least 35% of the total replenishment target amount across all scenarios.

There was strong consensus on ensuring that GEF-8 Climate-relevant funding is maintained at the same or at a higher level than in GEF-7.

Some Participants indicated a preference for an increase of the Chemicals and Waste Focal Area across all scenarios compared to the GEF-7 levels. There was also an emerging consensus that the Enabling Activities

should be increased to ensure compliance with the Guidance from the Conventions, for which the GEF is part of the financial mechanism.

There were several views on the level of STAR to incentive ratio. There was broad consensus on the need to ensure easier access to the incentive resource for all countries. A few Participants expressed concern about the impact of the incentive ratio on LDCs and SIDS and call for the introduction of an “incentive CAP” to prevent countries with large allocations from depleting the incentive mechanism.

Policy Recommendations

Participants welcomed the key policy issues described in the Policy Directions document and summarized in the Policy Recommendations paper, in particular the increased ambition for Results measurement, inclusion, and sustainability, building on the strong policy agenda of GEF-7. Some also proposed an additional set of recommendations be added on Efficient Use of Resources, including increased co-financing ambition, streamlining through guidelines updates, and collaboration with other funds.

Introducing full flexibility in the STAR allocation system was welcomed by many Participants though some raised concerns on the potential impact on Focal Area allocations and supported the proposal for a mid-term stock-taking exercise to address this concern. There was broad support for adjusting indicators to better reflect vulnerability, raising floors, lowering the focal area ceilings, and establishing a competitive window. Not all Participants agreed with the introduction of the vulnerability index, and it was requested that further simulations be prepared and shared to assess the allocation impact of the above measure. Some Participants also asked for more detail on the data and the methodology used to construct the new index. Regarding the competitive element, some Participants asked for more information on the proposed operational process.

Participants welcomed the new GEF-8 results framework and the approach retained to measure results and reporting on the Rio Markers.

On concentration, Participants expressed concern with the high share of GEF funding implemented by UNDP and the low level of involvement of Regional Development Banks (RDBs). Some Participants indicated a preference for setting a target of GEF-8 programming to be implemented by RDBs (including IFAD), alongside the suite of measures already proposed in the Policy Recommendations. There was some support for considering the addition of new GEF Agencies but only after a further gap analysis could be undertaken.

There was support for further work on streamlining project and program approval processes and procedures to enhance efficiency, to further increase transparency, and to increase the level of ambition for co-financing.

Financial Considerations

Participants acknowledged the Trustee’s presentation of the Replenishment Process and the overall GEF-8 financial structure. Consistent with previous replenishments, Participants agreed on the sources of funding for GEF-8 which would consist of four buckets, i.e., new donor funding, funds carried over from the GEF-7, projected investment income over the GEF-8 period, and projected reflows from non-grant instruments during GEF-8. Participants also noted that most key financial elements have been finalized, including the reference exchange rates based on the average exchange rates from July 1, 2021 to December 31, 2021,

projected investment income for the GEF-8 period, the indicative encashment schedule running from July 1, 2022 (FY2023) through June 30, 2032 (FY2032), and the discount rate for use in the GEF-8 Replenishment associated with accelerated cash payments or promissory note encashments. The Trustee informed Participants that the funds to be carried over (including both unpaid and unallocated resources) as part of the GEF-8 funding envelope will be finalized before the pledging session at the fourth meeting. Participants appreciated donors' efforts in clearing their arrears from previous replenishments.

While acknowledging the progress made by the Trustee in fulfilling the GEF-7 policy recommendation of developing options for a responsible investment strategy for the financial management of the GEF Trust Fund, some Participants expressed their desire for a more ambitious allocation (higher than the projected 12%) to Model Portfolio 8, which was set up specifically for sustainability-themed investments since June 2021. Participants requested the Trustee to continue its efforts on the sustainability themed investments and continue to report to the GEF Council through the GEF Trust Fund Financial Report.

Participants broadly supported the proposed draft Replenishment Resolution for the GEF-8 and noted the proposal to drop the pro-rata provision. While most Participants agreed to drop the Pro-rata provision noting that it had limited effect on the timely clearance of arrears and that it had not been widely used, one Participant expressed a strong preference to continue the provision. On balance, Participants supported the removal of the pro-rata provision. The final GEF-8 Replenishment Resolution will be presented for the Participants' consideration at the fourth meeting in April 2022.

Summary of Negotiations

Participants noted that the Draft Summary of Negotiations is an early draft of the document that will consolidate all of the approved replenishment documents: namely, the Policy Recommendations, the Programming Document, and the Replenishment Resolution which will include the final GEF-8 Contribution table once agreed at the end of the replenishment process. The Trustee acknowledged Participants' written comments on the draft Summary of Negotiations and requested all Participants to share their comments, if any. The Trustee and GEF Secretariat will further develop the Summary of Negotiations weaving in all comments received from GEF Participants and present the final document at the fourth meeting.

Next steps

Written comments: As indicated during the last day of the third meeting by the Co-Chairs, Participants were encouraged to send any remaining comments on the Programming Directions, Policy Recommendations, and Draft Summary of Negotiations in writing to the Secretariat and Trustee by February 18, 2022.

The GEF Secretariat will continue to refine the GEF-8 Programming Scenarios taking into account the inputs and feedback received from Participants and based on the financing projections by the Trustee.

Interim meeting: To facilitate closure on a few priorities identified in the GEF-8 Policy Recommendations as well as Revised Financial Scenarios and, in preparation for a smooth pledging session in April, a two-day meeting is proposed to be held on March 8-9, 2022.

Fourth meeting: The fourth meeting of GEF-8 is scheduled to be held on April 6-8, 2022 [TBC], by which time agreements on the Programming Directions and Policy Recommendations are expected to be reached,

permitting the contributing Participants to provide their financing support and pledges. The meeting format (virtual or in-person) will be carefully assessed against potential risks and challenges posed by COVID-19. Participants will be notified of the final arrangements once available.