

**SECOND MEETING
FOR THE EIGHTH REPLENISHMENT OF RESOURCES
OF THE GEF TRUST FUND
SEPTEMBER 29 – OCTOBER 1, 2021
SUMMARY OF THE CO-CHAIRS**

The second meeting of Participants for the Eighth Replenishment of the GEF (GEF-8) was held virtually on September 29 – October 1, 2021. 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 second meeting for the Eighth Replenishment of the GEF Trust Fund. He noted that GEF-8 comes at a challenging time in the face of unprecedented environmental challenges ahead. In this context, he underscored the importance of the GEF adjusting its modalities and engagements for it to fulfil its obligations and urgently take on bold, decisive action to build back better and greener. Noting the opportunity presented by these replenishment meetings, Mr. Nishio invited the Participants to review the findings of the Seventh Overall Performance Study of the GEF, continue the discussion on the programming strategies and policy directions, and review the financial structures for the GEF-8 replenishment. Mr. Nishio also noted that the session on GEF-8 programming scenarios will facilitate receiving early feedback and guidance from the Participants.

Mr. Rodriguez opened the meeting by welcoming all Participants to the second meeting for the Eighth Replenishment of the GEF Trust Fund. He noted the increasing need for ambitious GEF-8 strategies underscoring the need to match both the current environmental challenges and the evolving ambitions placed upon the GEF that are emerging from upcoming negotiations under the various multilateral environmental agreements. He highlighted the GEF's unique ability to respond to these ambitions. He emphasized the key part that the GEF is playing in the needed global systems-change through its role as the financial mechanism of multilateral environmental agreements and through its increasingly integrated approach to programming that is resulting in a range of co-benefits at multiple thematic, policy and stakeholder levels. Mr. Rodriguez underscored 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. He highlighted the GEF's multiplier role in narrowing the nature financing gap through the impact of its strategic programming and policies, and noted the need for policy coherence, political consistency, and good governance as key variables to reducing the amount of

global funds needed for nature-financing. Mr. Rodriguez emphasized the need for a strong GEF-8 replenishment to help move the world towards a carbon-neutral, nature-positive, and pollution-free future through a rights-based approach, and thanked Participants for their continued support and commitment to the GEF.

Seventh Overall Performance Study of the GEF (OPS-7)

Participants received the IEO presentation and the OPS7 report favorably and agreed with the recommendations of the report. They expressed strong appreciation for the detailed coverage and the thorough analysis underpinning the recommendations of the report. Participants recognize that GEF-7 had to face the context of COVID-19 which brought many different challenges but also the opportunity to reinforce our compromise with the environment. Overall, GEF-7 performance has been satisfactory, but participants stressed the need for greater Agency co-operation, increasing the engagement with the private sector, ensuring greater diversity in Agency and country participation, and increasing country support in accessing financing for the integrated and impact programs. Participants expressed concern over the low level of support to LDCs, SIDS and fragile countries and the need for ensuring open and transparent access to programs to all countries. Some participants were concerned about the number of programs presented considering the limited information on the value added of integrated programs which is not yet evident. Participants pointed to the need for strengthening the Operational Focal Points (OFPs) to diversify, avoid competition and foster synergies among Agencies, more broadly and not limited to the impact programs, and expressed support for the recommended country strategy approach to GEF engagement. Participants also expressed the need for improving the OFP understanding of the Non-Grant Instrument (NGI). Participants noted the important role of innovation in the GEF and encouraged the continuation of innovative activities. Many Participants were supportive of STAR reforms with a move towards increasing flexibility, competitive and vulnerability elements. Participants expressed the need for continuing the measurement of post completion sustainability and assessing how sustainability considerations are taken into account at design stage. Participants also pointed to the importance of measuring socio-economic co-benefits of GEF interventions. Participants expressed support for the expansion of the Small Grants Programme (SGP) to more Agencies. Participants encouraged GEFSEC to address the recommendations in the GEF-8 programming directions. There were no changes proposed to the OPS7 report which will proceed to be finalized by the GEF Council meeting in December 2021.

Financial matters

The Trustee presented key elements of the GEF-8 Financial Structure including a quick recap of the decisions made at the first meeting regarding the minimum contribution of SDR 4 million to participate in GEF-8 discussions, and the reference exchange rate period for use in GEF-8. The Trustee highlighted the burden sharing principles and the flexibility afforded by the framework as per individual Participants' budgetary circumstances and priorities. The Trustee explained the donor payment modalities noting that these discussions will help frame the drafting of GEF-8 replenishment resolution for discussion at the third meeting. Participants appreciated the clarity on the Financial Structure and commended the support provided by the Trustee to the GEF-8 replenishment discussions. Responding to an inquiry regarding supplemental contributions through separate windows in the GEF, the Trustee clarified that the GEF Instrument does not allow

earmarking of funds. Trustee further noted that Contributing Participants who wish to provide additional contributions can do so by depositing supplemental Instruments of Commitment at any time during the GEF replenishment period. The Trustee also thanked the United States for its additional contribution towards GEF-7 replenishment in March 2021. A few Participants expressed concern over Arrears and asked whether it might cause a shortfall for GEF-7 programming. The Trustee clarified that the risk of a shortfall remains minimal underscoring the concerted efforts by Contributing Participants to reduce their arrears. In the same respect, Participants expressed broad support to drop the pro-rata provision from the GEF-8 financing structure.

Acknowledging the need expressed by Participants to redouble efforts to broaden the donor base, the GEF Secretariat and Trustee will continue to reach out to potential donors to the GEF. The Trustee also requested the Participants to share any potential leads to facilitate broader outreach efforts. The Trustee will review the possibility of accepting contributions from non-sovereign entities recognizing the provisions of the GEF Instrument.

Responding to the question related to higher actual investment income than projected during the GEF-7 cycle, the Trustee clarified that higher income arose from larger liquidity balances and investments made in a long-term model portfolio. Participants welcomed the update on implementation of the Sustainability Themed Investments Strategy which started in June 2021, after being approved by the GEF Council in December 2020. Participants were supportive of the strategy and encouraged the Trustee to broaden the scope and update the GEF Council.

Trustee noted that at the third meeting in February 2022, it will present the draft replenishment resolution for discussion, and will also share the GEF-8 exchange rates (July 1, 2021 - December 31, 2021) to be used for translating GEF-8 contributions between national currency values and SDR values. The Trustee will also present, for Participants' consideration, the financial scenarios, and the indicative schedule for the encashment of Promissory Notes for GEF-8 over fiscal years 2022-2032. The Trustee will continue to engage in bilateral discussions with the Contributing Participants in the run up to the third meeting to address any specific questions and clarifications.

Programming Priorities

Participants welcomed the comprehensive programming directions. The presentation introduced the revised GEF-8 Programming Directions, stressing that the strategy has the ambition to set the foundation for much higher impact and be relevant all the way until 2030, and will hopefully be applicable for both the GEF-8 and 9 cycles. It was noted that the overall architecture of the GEF-8 Programming Directions with Integrated Programs (IPs) and Focal Areas has remained the same as in the previous version. In general, the comments that have been received indicated support for all proposed IPs in one form or another. Some Participants asked for additional clarifications on the justification for a few of the proposed IPs and possible options for efficiently incorporating them into focal area strategies. Participants requested further detail on the criteria and rules for operationalizing the IPs in GEF-8. Participants acknowledged and supported the ambition and vision presented in the Strategic Positioning Paper and also provided overall general support to the GEF-8 Programming Directions document. Participants also acknowledged the Note on Operationalizing the GEF-8 Integrated Programs and supported providing more detail on many

aspects of this Note in the next meeting. Many Participants reiterated the importance of providing increased support to LDCs and SIDS in GEF-8 and especially ensuring equal access for these countries to the Integrated Programs. Participants also requested increased detail on the engagement of the private sector as part of the revised document to be presented in the next meeting. Participants noted that the selection and role of the Lead Agencies needs to better reflect the findings of the IEO in terms of key aspects of “program leadership”. Participants supported the new strategic directions proposed for the two corporate programs, the Country Support Program (CSP) and the Small Grants Programme (SGP), including in particular the CSP renewed focus on supporting OFPs to identify priorities for GEF financing, and the recalibration of key SGP modalities. They invited more detailed elaborations on the proposed directions for change in the next iteration of the document.

Programming Scenarios

Participants welcomed the presentation on programming scenarios. The discussion centered around the level of ambition that Participants indicated would be realistic, but in general there was strong support for an ambitious scenario. Some Participants reiterated the importance of Biodiversity as the prime focal area for the GEF to focus on in the context of the expected adoption of the post-2020 Global Biodiversity Framework at COP15, without negating the obligations that the GEF has to serve other Multilateral Environmental Agreements (MEAs). Some Participants highlighted the need for ensuring that a significant fraction of GEF-8 financing is climate relevant, as determined through the use of the OECD Rio Markers. Several Participants also noted the need for robust support for the Chemicals and Waste Focal Area. Many Participants also requested that the financial scenarios be accompanied with the proposed results for each scenario so that Participants can see what they are getting as the ambition increases. More specifically, Participants asked the Secretariat to take a modular approach regarding IPs, specifically identifying results and funding levels to each IP in each financial scenario. There was strong support for all focal areas and for ensuring that GEF tracks the STAR Rio Markers in GEF-8.

Policy Priorities

Participants welcomed the comprehensive policy package. The discussion centered on elements of the STAR Framework, in particular the inclusion of flexibility and a competition element; they generally supported the introduction of a vulnerability index to facilitate access to resources for LDCs/SIDS and requested clarifications on the vulnerability index in particular. Participants noted the importance of discussing Agency concentration, supported the Partnership principles for engagement established by the Council Working Group earlier, and invited provision of further analyses on agencies’ performance and participation in the Partnership. They also expressed strong support for the two-tier approach to measuring results, strengthening reporting, use of Rio markers, introducing portfolio scorecards, and monitoring of co-benefits.

Next steps

In preparation for the next meeting, GEF Secretariat will continue developing the GEF-8 Programming Directions and Policy recommendations documents, addressing questions and comments raised by Participants as summarized above, taking into account the findings and recommendations of IEO. GEF Secretariat will continue developing the GEF-8 Programming Scenarios, taking into account inputs and feedback received from Participants. The Trustee will prepare the draft GEF-8 replenishment resolution, as well as financing scenarios for discussion at the third meeting.

Participants have been requested to submit written comments on the GEF-8 Programming Directions and Policy Directions document by October 22, 2021 to facilitate the preparation of the updated version to be presented at the third meeting. Technical briefing sessions on select priority topics will be held prior to the third meeting.

In anticipation of holding the third meeting in hybrid mode, with both in-person and virtual participation, it was communicated that the dates will most likely be moved from January 17-19, 2022 to February 2-4, 2022. The meeting details, including venue will be updated as soon as the logistic arrangements are confirmed, to help Participants to plan their participation in-person or virtually. **Participants were requested to kindly block calendars for February 2-4, 2022.**

Fourth meeting -The Government of Rwanda has kindly offered to host or co-host the fourth meeting/pledging meeting in Kigali. Trustee and the Secretariat will explore this option and update the Participants during the third meeting.