



GEF/R.8/18
January 13, 2022

Third Meeting for the Eighth Replenishment of the GEF Trust Fund
February 2-4, 2022
Virtual Meeting

GEF-8 REPLENISHMENT
DRAFT SUMMARY OF NEGOTIATIONS

(PREPARED BY THE SECRETARIAT
AND
WORLD BANK AS TRUSTEE)

SUMMARY OF NEGOTIATIONS

1. Participants to the Eighth Replenishment of the GEF Trust Fund agreed to this Summary of Negotiations for transmittal to the GEF Council, along with the attached documents: Programming Document for the Eighth Replenishment of the GEF Trust Fund (Annex A), Policy Recommendations for the Eighth Replenishment of the GEF Trust Fund (Annex B), and Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Eighth Replenishment of Resources (Annex C).
2. This Summary highlights the main items that were considered during the replenishment negotiations. It is not a comprehensive report of all the detailed discussions that took place during the negotiating process. The discussions at specific meetings are detailed in the Co-Chairs' summaries of the replenishment meetings.

The Replenishment Process

3. At the December 2020 meeting, the GEF Council requested the Trustee of the Global Environment Facility ("the GEF"), in cooperation with the Chief Executive Officer and Chairperson of the Facility, to initiate discussions on the Eighth replenishment of resources of the GEF Trust Fund ("GEF-8") to fund activities during the four- year period from July 1, 2022 to June 30, 2026.
4. Accordingly, the Trustee and the GEF Secretariat initiated the process by circulating a discussion note to prospective Participants regarding participation, proposed timetable and core GEF-8 replenishment topics. Participants agreed on the preliminary schedule of subsequent replenishment meetings. In addition, agreement was reached on the overall work plan for such discussions as well as the arrangements for participation in the replenishment discussions. Participants agreed to invite the following entities as Observers: five representatives from non-donor recipient countries representing Africa, Asia, Eastern Europe/Central Asia, Latin America, and the SIDS, two NGO/CSO representatives - one representing a donor country based NGO/CSO and another representing a recipient country, one representative of the private sector, one representative from the Green Climate Fund Secretariat and one representative from the Adaptation Fund Secretariat. In addition, participants invited representatives of GEF Agencies and the conventions for which the GEF serves as a financial mechanism as observers. Further, comments were invited from GEF Council Members on policy and programming documents prepared for replenishment discussions. The following replenishment meetings were held in virtual format: April 2021; September 2021; February 2022; April 2022 [format TBD].

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

5. The Independent Evaluation Office prepared OPS7, providing an important context for the discussions.
6. Participants discussed the OPS7 Report and noted its thorough analysis underpinning its findings and recommendations. Participants noted the OPS7 findings with its broad focus, the GEF continues to play an important role as a financial mechanism of important environmental

conventions. The GEF focal area strategies have been responsive to convention guidance even with the increased shift towards more integrated programs. Participants noted the findings that the GEF has a strong track record in delivering overall good project performance, and GEF interventions have contributed to reducing environmental stress in the various country groups including LDCs and SIDS. Participants noted the importance of GEF's interventions in fragile and conflict-affected situations and the importance of addressing country context in GEF projects and programs. Participants noted the sustainability of GEF interventions has improved over time. Participants also noted the importance of the country support programs and recognized the need for addressing the timing of national dialogues. Participants noted the innovation in the GEF has increased through the GEF phases and this support has also often led to transformational change. Participants noted the finding that with their emphasis on integration, early findings suggest that the integrated and impact programs are relevant in addressing drivers of environmental degradation with clear improvements in design between GEF-6 and GEF-7.

7. Participants noted areas for improvement particularly in demonstrating the additionality of integrated programs. Participants noted the important role the GEF plays in strengthening environmental projects in the MSME sector and that operational constraints limit the GEF from fully realizing the potential for successful engagement with the private sector. Participants noted the OPS-7 finding that overall, the GEF partnership is well governed, and further improvements might be possible in terms of improving efficiency in processes such as the two step process for medium size projects, disbursements and follow up processes related to enabling activities and further streamlining the decision making process for the Non-Grant Instruments. Finally, the Participants noted the GEF's policy framework has been strengthened in GEF-7 although further improvements are possible: the GEF Gender Mainstreaming Policy has advanced the GEF's efforts to strengthen gender mainstreaming in GEF programming and operations in a more systematic manner the GEF policies and guidance on safeguards and indigenous peoples have advanced the GEF's efforts in these areas and that some progress has been made with regard to the GEF's Project Management Information System (PMIS), results-based management system, and knowledge management.

Programming Directions

8. Participants considered a proposal for Programming Directions in the Eighth replenishment period to cover four years (FY23 – FY26) of GEF operations and activities in its five focal areas and other programming areas.

9. Participants noted the GEF-8 replenishment comes at important moment in time. The world's ecosystems, biomes and processes that regulate the stability and resilience of the Earth system are being put under increasing strain, with pressures set to increase in the future unless a major transformation of key economic systems to reduce the global environmental footprint is achieved. Participants also noted the enhanced global momentum through international processes that have been building in recent years, complemented by action from the private sector, sub-national governments, international finance, and other actors. Participants noted the importance of maximizing the potential of the GEF's unique position as financial mechanisms of

several multilateral environmental agreements: The GEF occupies a unique space in the global environmental financing architecture derived from its formal mandate as a financing mechanism under several; multilateral environmental agreements: CBD, UNCCD, UNFCCC, the Minamata Convention, the Stockholm Convention, the Montreal Protocol (where the GEF supports countries with economies in transition), in addition to targeted support for transboundary freshwater and marine issues. Participants noted the scope for enhancing the GEF's value-for-money through integrated programming, supported by complementary focal area strategies. Participants also noted GEF's proven record in funding demonstration and pilot activities with a potential for being an incubator to test and refine approaches that can subsequently be funded at larger scale from other sources. Moreover, participants noted the GEF is well-positioned to provide support for institutional strengthening to help lay the foundation for enhanced action. Participants emphasized the importance of the GEF in helping to catalyze private sector action, building on the successful two past replenishment cycles (GEF-6 and GEF-7) of blended finance investments through its dedicated Non-Grant Instrument window that is helping to unlock private finance for the environment. The approval of the Private Sector Engagement Strategy will create additional opportunities for a greater and more focused involvement of private actors in GEF-funded projects and programs. For GEF-8, a strengthened SGP strategy has been welcomed by Participants, as well as the expanded Country Engagement Strategy that includes a more robust Country Support Program. Finally, a new dedicated window on Innovation and Targeted Research has been welcomed by Participants to keep the GEF in the leading edge of innovation and better prepared to continue being a trail blazer in identifying solutions for the global environment.

10. The GEF-8 Programming Directions is attached as Annex A to this Summary.

GEF-8 Policy Recommendations

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

12. The GEF-8 policy recommendations include: measures intending to foster an appropriate balance in the share of GEF resources implemented by different GEF agencies to avoid excessive concentration; further refining of results measurement and portfolio management approaches; continued commitment to enhancing the sustainability and inclusiveness of GEF programming; and updates to the country allocation methodology (STAR) to ensure, in particular, that the needs of the poorest and most vulnerable GEF-recipient countries are further in focus. The recommendations also mandate cross-cutting efforts to streamline and implement further efficiency measures throughout GEF operations.

GEF-8 Financing Framework

13. In reviewing the programming of resources for the GEF-8, Participants agreed to the indicative distribution of resources among the GEF focal areas, corporate programs, and other activities set forth as Table 1 in the programming document attached as Annex A to this summary.

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

14. The financing framework for the GEF-8 was agreed during the course of the replenishment meetings, resulting in a replenishment level for programming in the amount of SDR [xxx] million (USDeq. [xxx] billion).

15. Participants agreed on the six-month averaging period for setting reference exchange rates (July 1, 2021 to December 31, 2021) for use in the GEF-8. These exchange rates are used to translate GEF-8 donor contributions between SDR values and national currency values.

16. Donors supported a strong and effective GEF-8 replenishment. While many Contributing Participants faced challenging national circumstances, significant efforts were made to achieve the highest possible GEF-8 replenishment level.

17. Pledged contributions to the GEF-8 are reflected in Attachment 1 in Annex C: Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Eighth Replenishment of Resources. These pledged contributions amount to SDR [xxx] million (USDeq. [xxx] million) and also reflect credits for accelerated cash payments and note encashments in the amount of SDR [xx] million (USDeq. [xx] million). Additional resources that may become available for programming during the GEF-8 replenishment period include projected investment income to be earned during the GEF-8 replenishment period (FY2023 – FY2026) in the amount of SDR [xx] million (USD [xx] million), carryover of previous GEF replenishment resources in the amount of SDR [xx] million (USDeq. [xx] million), and reflows from Non-Grant Instruments in the amount of SDR [xx] million (USDeq. [xx] million).

18. Participants also confirmed that new or additional pledges to the GEF-8 not reflected in Attachment 1 of Annex C, Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Eighth Replenishment of Resources, would also be welcomed.

Replenishment Resolution

19. Participants approved the Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Eighth Replenishment of Resources, which is in the form of a World Bank resolution and attached as Annex C to this Summary of Negotiations, to be considered by the GEF Council and submitted to the World Bank, as Trustee of the GEF Trust Fund, for adoption by the World Bank Executive Directors.

Financial Issues for GEF-8

20. Participants agreed to a minimum contribution of SDR 4 million to participate in the GEF-8 negotiations. The minimum contribution was calculated using the methodology agreed during the GEF-6 replenishment negotiations, whereby the minimum contribution amount for Contributing Participants will be adjusted, at the beginning of each replenishment cycle for

inflation, measured using the SDR deflator for the four calendar years prior to the start of the replenishment discussions.

21. Participants noted all Contributing Participants to the GEF-8 should make their best efforts to deposit their Instruments of Commitment or Qualified Instruments of Commitment by October 31, 2022. At every Council meeting, the Trustee will inform the Council of the status of Instruments of Commitment and Qualified Instruments of Commitment deposited with the Trustee.

22. Participants agreed that contributions made without qualification shall be paid in four equal installments by November 30 of each replenishment year as set out in the replenishment resolution or as agreed with the Trustee, provided that GEF-8 becomes effective by October 31, 2022. Participants further agreed that Contributing Participants depositing Qualified Instruments of Commitment shall use their best efforts to unqualify sufficient amounts of their contributions to pay their installment amounts by November 30 of each replenishment year.

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

24. The Advance Contribution Scheme for GEF-8 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [xx] million. GEF-8 will become effective on the date when the Trustee has received Instruments of Commitment or Qualified Instruments of Commitment from Contributing Participants whose contributions aggregate not less than SDR [xx] million.

25. Participants made consistent efforts towards clearance of their arrears and agreed to continue to encourage all countries to make timely payments to the GEF. During the third meeting of the GEF-7 replenishment negotiations, there was consensus among the Contributing Participants to remove the pro-rata provision given its limited use and efficacy in timely clearance of arrears. At that time, the provision could not be dropped due to the lead time required by a Contributing Participant in seeking internal approval towards dropping this clause before the GEF-7 pledging meeting. Reflecting the consensus reached among the Participants during the GEF-7 discussions, Trustee presented the proposal to drop the pro-rata provision for consideration by the GEF-8 Participants.

26. In addition, consistent with the practice in the previous replenishments, the following means of deterring arrears should apply under the GEF-8: Continuation of the requirement, first introduced in the GEF-3 Replenishment Resolution, and set out in Paragraph 4(a) of the GEF-7 Replenishment Resolution, that if a Contributing Participant does not make a scheduled payment to the GEF-7 or a Contributing Participant that has deposited a Qualified Instrument of

Commitment is unable to unqualify a scheduled contribution to the GEF-7, then such Contributing Participant shall provide the Council with a written explanation from its Minister stating the reason for the arrears or delay and the steps being taken to resolve it; Confirmation of the provision in the Instrument that voting rights accrue only for the actual contributions paid to the GEF, which confirmation is set out in Paragraph 4(b) of the GEF-7 Replenishment Resolution.

27. Noting that funding decisions made by the Council or the GEF CEO are based on available resources in the GEF Trust Fund at the time of the decision, Participants requested the Secretariat to use the full replenishment amount, including arrears, as the target programming level at the outset of the GEF-8 replenishment period, consistent with current practice.

Steps towards Concluding the Process of the Eighth GEF Replenishment

28. Participants requested the CEO/Chairperson of the GEF to forward this Summary, including the attached Annexes, to the GEF Council for review at its meeting in [June 2022]. The GEF Council is invited to take note of the Summary, and to endorse the draft Replenishment Resolution, the policy recommendations, and programming document including the allocation of resources set forth in [Table 1] of the programming document.

29. Participants also invited the GEF Council to request the CEO/Chairperson of the GEF to transmit this Summary to the World Bank, with a request that the World Bank Executive Directors be invited to adopt [Annex C] to this Summary, Draft World Bank Resolution No. [____], Global Environment Facility Trust Fund: Eighth Replenishment of Resources, thereby authorizing the World Bank, as Trustee of the GEF Trust Fund, to manage the resources made available under the GEF-8.