

GEF/R.08/32

April 4, 2022

Fourth Meeting for the Eighth Replenishment of the GEF Trust Fund
April 7-8, 2022
Virtual Meeting

REVISED POLICY RECOMMENDATIONS
(PREPARED BY THE SECRETARIAT)

TABLE OF CONTENTS

Revised Policy Recommendations	1
I. Overarching Issues	2
II. Concentration	3
III. Results and Monitoring	4
IV. Inclusion Agenda.....	6
V. Sustainability of GEF Investments.....	6
VI. Resource Allocation (System for Transparent Allocation of Resources, STAR)	6
VII. Optimizing the Use of Resources and Ensuring Equitable Access	8
Annex 1: Timeline for Implementation	9

PREAMBLE TO THE REVISED POLICY RECOMMENDATIONS

This final GEF-8 Revised Policy Recommendations document has been updated following the Third Replenishment Meeting and the Interim Replenishment Meeting held in March 2022, taking into consideration statements made during these meetings and written comments received from replenishment participants. This preamble is intended to help the reader by identifying and highlighting the key changes made to the policy recommendations:

- i. Confirmation of the principle of country ownership has been included in the Concentration section and that reporting on concentration will be via GEF's public channels.
- ii. STAR recommendations have been revised as follows:
 - a. Aggregate floors are fixed at US\$ 8 million for SIDS and LDCs; US\$ 5 million for non-SIDS and non-LDCs
 - b. the Vulnerability Index has been removed and replaced with a request to the GEF Secretariat to continue work on options for consideration in subsequent replenishments
 - c. the GDP Index is retained and increased to -0.16
 - d. for the competitive window, the amount is changed from 10% to 8% and a clarification is added that activities funded would be country-driven, reflect the national policy landscape, and align with other national GEF programming
- iii. All other parts of this document are identical to the version presented in the Third Replenishment Meeting.

REVISED POLICY RECOMMENDATIONS

1. This document presents the GEF-8 policy recommendations agreed by Participants. It summarizes the key issues deliberated by Participants during the Replenishment negotiations in a set of recommendations to be included in the GEF-8 package and accompany the GEF-8 Replenishment Resolution. This document is complemented by the separate detailed analyses contained in the Policy Directions, Programming Directions and other GEF-8 Replenishment papers.

2. The GEF-8 policy recommendations are aimed at sharpening the GEF resource allocation process, further refining results measurement and management approaches, enhancing the sustainability and inclusiveness of GEF programming, and striking an appropriate balance in the share of GEF resources implemented by GEF Agencies. The recommendations also mandate cross-cutting efforts to streamline and implement further efficiency measures throughout GEF operations.

3. The policy recommendations are motivated by the need for scaled up ambition across sectors and focal areas, including the most recent guidance provided by the Conferences of the Parties to the multilateral environmental agreements that the GEF serves. They are informed by the OPS7 and inputs from Observers and other stakeholders. Finally, they reflect the outcomes of negotiations among GEF-8 Replenishment Participants on all aspects of GEF programming and strategic directions, and on the specific policy recommendations deliberated by Participants throughout the GEF-8 negotiations.

4. The policy recommendations cover actions in the following areas:

- I. Overarching Issues
- II. Concentration of GEF funding among Agencies
- III. Results and Monitoring
- IV. The Inclusion Agenda
- V. Sustainability of GEF investments
- VI. Resource Allocation (STAR)
- VII. Optimizing the Use of Resources and Ensuring Equitable Access (Including Integrated Programs policy issues)

I. Overarching Issues

- i. Participants, having reflected on the extensive policy reform agenda implemented through the GEF-6 and GEF-7 Replenishment periods, agree that the GEF Partnership should continue to focus implementation of these updated policies, including incorporating lessons learned and tapping opportunities for knowledge and learning across the Partnership, and to identify areas where the GEF may need to strengthen its approach and guidance.
- ii. Participants recognize and encourage the GEF to continue its ongoing work with the Green Climate Fund (GCF), the Least Developed Countries Fund (LDCF), and the Special Climate Change Fund (SCCF) to further improve the coherence and complementarity among these funds and where possible harmonize relevant procedures and guidelines to improve access and reduce transaction costs for recipient countries and Agencies. Participants encourage the GEF to enhance and accelerate collaboration with the Secretariats of other relevant funds, notably the Adaptation Fund (AF), the Climate Investment Funds (CIFs), the Multilateral Fund for the Implementation of the Montreal Protocol, along with other funding facilities, such as the International Development Association (IDA) and those managed by GEF Agencies and that support Global Environmental Benefits. *Participants request the Secretariat to report back to Council no later than its 65th meeting in December 2023 on measures taken to implement this policy recommendation.*

II. Concentration

- i. Participants reaffirmed the importance of country ownership in the GEF and that countries are free to choose their preferred GEF Agency to implement GEF projects.
- ii. Participants agree that active measures are needed to avoid high concentration of funding in a small number of Agencies and to reduce the risks associated with it.
- iii. Participants encourage all Agencies, especially the regional multilateral development banks, to engage in GEF projects, Integrated Programs, the Non-Grant Instrument Window, and other Programmatic Approaches and invite the Secretariat to take into consideration GEF Agency diversification objectives when selecting lead or co-lead roles for the Integrated Programs.
- iv. Participants request the Secretariat to monitor and report on the achievement of an aspirational target for the regional multilateral development banks and IFAD, whose collective share should reach at least 10% of the approved amounts during GEF-8. Participants further request the Secretariat to monitor and report on the achievement of an aspirational ceiling for any one Agency of no more than 30% of approved amounts during GEF-8. These aspirational targets and ceilings would apply at the portfolio level, to accommodate regional differences in Agency availability and the evolution of GEF-8 programming. Recipient countries would continue to exercise choice of Agency in programming their GEF-8 interventions.
- v. Participants request the Secretariat to further empower Operational Focal Points, together with a strong country-driven process through the country engagement strategy, bringing in country stakeholders in making informed decisions on the selection of GEF Agencies. Participants encourage countries to organize national steering committees and develop national strategies where different ministries are involved, and request the Secretariat to support countries in these efforts when requested and within the scope of its mandate, including through the maintenance of public information on the institutional organization of Operational Focal Points and beneficiary-country GEF teams. *Participants request the Secretariat to report back to Council no later than the 63rd Council meeting in December 2022 on measures taken to implement this policy recommendation.*
- vi. Participants request the Secretariat to make available information on GEF Agency availability, capacity, and scope of activities to all relevant stakeholders, including Operational Focal Points *no later than the 63rd Council meeting in December 2022*. This will include information on the geographical presence, past experience in implementing GEF projects, the thematic focus of their activities and internal project cycle procedures of all 18 GEF Agencies. Participants also request the Secretariat to

make this information available during information session(s)¹ open to all interested stakeholders.

- vii. Participants request the Secretariat to emphasize principles of collaboration among Agencies and in their relationship with countries in future updates to the Project and Program Cycle Policy and other relevant GEF Guidelines. Participants request Agencies to actively pursue opportunities for collaboration at the country level.
- viii. Participants request the Secretariat to introduce further streamlining measures aimed at reducing transaction costs for all Agencies, reducing administrative costs, and facilitating increased access by the Multilateral Development Banks (MDBs). *Participants request the Secretariat to begin implementing these actions early in GEF-8 and to report back to the Council on the actions taken and suggest any policy adjustments, as necessary, at its 64th meeting in June 2023.*
- ix. Participants request the Secretariat to include data on concentration measures, including analysis of barriers to participation by Agencies with no or very low shares of GEF financing, in its regular, public annual reporting products such as the Annual Monitoring Report. Participants also request the Secretariat to report on Agency share and performance at the portfolio and regional level and across the different types of Agencies, and to continue to report on the change in Agency concentration with each Work Program in GEF-8.
- x. Participants request the Secretariat to explore possibilities, where necessary, to improve the thematic and geographic coverage of the GEF Partnership. This should include analysis of barriers to participation amongst Agencies with no/very low share of GEF financing and the possibility to accredit additional entities as GEF Agencies if analysis shows that there are geographic or thematic gaps that additional agencies could fill, *for consideration by Council no later than at its 64th meeting in June 2023.*

III. Results and Monitoring

- i. Participants agree the GEF should maintain the 11 integrated Core Indicators set out in GEF-7 and update the targets, as necessary, to reflect the high level of ambition required for achieving agreed global environmental benefits in the five focal areas.
- ii. Participants agree that the GEF-8 Results Measurement Framework consists of two tiers of measurement, bringing together the set of Core Indicators and Portfolio Scorecard metrics, and the instrument for reporting shall remain the Annual Monitoring Report.

¹ Virtual or in-person as appropriate.

- iii. Participants request the Secretariat to develop options, *for consideration by Council at the latest at its 65th meeting in December 2023*, to improve the capture of human and socio-economic well-being metrics as well as climate change adaptation co-benefits in the results monitoring and improve their consideration in the design of GEF-funded projects and programs to further support the achievement of Global Environmental Benefits (GEBs).
- iv. Participants request the Secretariat and Agencies to expand capture and reporting of the OECD-DAC Rio Markers to include those specific to Biodiversity and Desertification and report these twice a year in the Corporate Scorecard on the relevant shares of financing (both principal and significant) related to these thematic areas. Participants also support enhanced transparency by publishing through the International Aid Transparency Initiative (IATI) and reporting to Conventions.
- v. Participants request the Secretariat to monitor that GEF investments directly and indirectly related to Biodiversity amount to a minimum of 60% of all GEF funding commitments during the GEF-8 period; that GEF investments directly and indirectly related to Desertification amount to a minimum of 50% of all GEF funding commitments during the GEF-8 period; and that GEF investments directly and indirectly related to climate change amount to a minimum of 80% of all GEF funding commitments during the GEF-8 period. Participants further request that GEF investments directly and indirectly related to climate change adaptation amount to a minimum of 45% of all GEF funding commitments during the GEF-8 period and that GEF investments directly and indirectly related to climate change mitigation amount to a minimum of 65% of all GEF funding commitments during the GEF-8 period.
- vi. Participants request that the Secretariat enhance dialogue with Agencies on implementation challenges, through: a) annual bilateral communications among the Agencies and Secretariat; b) convening Country Performance and Learning Reviews over the GEF-8 period; and c) the use of Mid-Term Reviews (MTRs) across the Partnership.
- vii. Participants request the Secretariat to report, in the GEF Annual Monitoring Report, on results achieved in cross-cutting areas, including on private-sector engagement. In addition, Participants request the Secretariat to add reporting on private sector co-financing in the Corporate Scorecard in GEF-8.

IV. Inclusion Agenda

- i. Participants, considering IEO findings and recognizing the considerable advances made by the GEF through extensive revisions and updates to its policies and approaches related to Stakeholder Engagement, Gender Equality and Environmental and Social Safeguards, support continued implementation of these policies and approaches.
- ii. Participants request the Secretariat to undertake a gap analysis of relevant GEF Policies and Guidelines, *for consideration by Council at its 64th meeting in June 2023*, to identify areas that GEF may need to strengthen its approach and guidance. This will include: a) attention to people marginalized by virtue of their sexual orientation or gender identity and provisions to protecting the rights of LGBTQ+ persons, b) attention to youth as effective change-makers, and c) disability inclusion.
- iii. Participants request the Secretariat to undertake a gap analysis of GEF-funded activity and engagement in fragility, conflict and violence-affected states, *for consideration by the Council at its 64th meeting in June 2023*, to identify areas where the GEF may need to strengthen its approach and guidance.

V. Sustainability of GEF Investments

- i. Participants acknowledge initiatives across the GEF Partnership aimed at promoting sustainability, and the recommendations of OPS-7.
- ii. Participants request the Secretariat to further strengthen sustainability at the project design and implementation stages through the following actions: a) continue to monitor the relevant dimensions of sustainability⁴ through project design and implementation; b) develop for consideration by Council *no later than its 63rd meeting in December 2022* and implement a partnership-wide Knowledge and Learning strategy; c) enhance country ownership and engagement through the implementation of the proposed GEF-8 Country Engagement Strategy, d) promote domestic policy coherence as a contextual factor in programming, as appropriate; and e) continue implementation of the sustainability-related recommendations contained in the management responses to the OPS-7 evaluations and assess whether changes are warranted in relevant GEF Policies and Guidelines.

VI. Resource Allocation (System for Transparent Allocation of Resources, STAR)

- i. Participants take note of the key role that the GEF-8 STAR will play in helping countries achieve their global commitments in the next decade.
- ii. Participants agree that recipient countries should have full flexibility in the use of their GEF-8 STAR allocations, to further facilitate the mainstreaming of integrated

programming principles and in order to optimize and maximize investments to increase positive impact. Participants further request the GEF Secretariat to monitor the utilization of STAR resources relative to portfolio-level targets on focal-area financing, monitor achievement of results over the GEF-8 period, and report on progress towards those targets with each Work Program of GEF-8 and in the semi-annual Corporate Scorecard. Participants also request that the Secretariat organize a mid-term review to enable Participants to assess portfolio performance under full flexibility, and to identify potential measures if portfolio-level focal area financing are not progressing to meet the agreed targets.

- iii. Participants agree with the increased share of allocated funds to SIDS and LDCs in the GEF-8 STAR.
- iv. Participants support the harmonization of the SIDS floors with the LDC floors, and further support the raising of these aggregate floors to US\$ 8 million. Participants also support the raising of the floors for non-SIDS and non-LDCs to US\$ 5 million.
- v. Participants support the lowering of the focal area ceiling to 6 percent.
- vi. Participants support the raising of the weight of the GDP Index to -0.16.
- vii. Participants take note that the introduction of a Policy Coherence Index into the GEF-8 STAR is not feasible at this time, and request the GEF Secretariat to develop options *for consideration by Council at the latest at the 64th meeting in June 2023*, to enhance the policy coherence through GEF operations, as appropriate, to increase the efficiency of global environmental benefit production.
- viii. Participants support the creation of a competitive window in STAR, amounting to 8 percent of the STAR Allocation of the 5 top STAR recipient countries². This window will have a thematic focus and will aim at encouraging country-driven investments that enhance domestic policy coherence while reflecting the national policy landscape and aligning with other national GEF programming. Participants take note that the operational details of the competitive window will be further articulated in the operational guidelines of STAR that will accompany the GEF-8 STAR proposals *for approval at the 62nd Council in June 2022*.
- ix. Participants take note of the analysis and options to reflect vulnerability, and request the GEF Secretariat to continue this work for consideration in subsequent replenishments.

² Country list to be confirmed in the GEF-8 STAR proposals for approval at the 62nd Council in June 2022, to exclude SIDS and LDCs.

VII. Optimizing the Use of Resources and Ensuring Equitable Access

- i. Participants recognize the importance of sound institutional policies and guidelines for the effective operation of the GEF, achievement of results, and safeguarding resources and people. Participants also acknowledge the risk of increased complexity in GEF operations and request the Secretariat and Agencies to identify opportunities for possible further streamlining, consolidation and efficiencies, beginning implementation of these actions early in GEF-8, *reporting back to the Council on the actions taken at its 64th meeting in June 2023* and suggesting any policy adjustments, as necessary.
- ii. Participants agree that the GEF should aim to increase Global Environmental Benefits through enhanced integrated programming, including through the Integrated Programs and multifocal area projects and programs.
- iii. Participants request the Secretariat to develop lead agency or co-lead agency and country selection criteria for each Integrated Program, *for consideration by Council at its 62nd meeting in June 2022*, promoting equitable access by countries, including SIDS and LDCs, and taking into account the comparative advantage of GEF Agencies.
- iv. Participants agree that the financial incentive for the integrated programs should be 3:1. Participants request the Secretariat to calculate an appropriate cap on the amount any individual recipient country can receive in financial incentives, to ensure equitable access, *for the Council's consideration at its 62nd meeting in June 2022*. Further, participants request setting the minimum threshold to participate in an Integrated Program at US\$ 2 million.
- v. Participants request the Secretariat to develop a proposal for discussion on higher resource allocations to SIDS and LDCs by introducing indices on the availability of commercial capital flows and access to external financial markets.
- vi. Participants request the Secretariat to analyze options for additional Non-Grant Instruments, such as non-concessional options, for countries that have high income and financial capacity.

ANNEX 1: Timeline for Implementation

Date	Action
GENERAL	
June 2023	Report on actions taken by the GEF Secretariat and the Agencies to identify further streamlining, consolidation and increased efficiency of GEF operations.
December 2023	Identify measures to enhance coherence and complementarity with other environment-related funds and harmonize, where possible, procedures and guidelines
CONCENTRATION	
December 2022	Presentation of information on the institutional organization of Operational Focal Points and beneficiary-country GEF teams.
December 2022	Presentation of information on agency presence, capacity, past experience in implementing GEF projects, the thematic focus of their activities, and internal project cycle procedures.
December 2023	Updated Project and Program Cycle Guidelines and other GEF Guidelines, to include streamlining measures to reduce transaction costs for Agencies, reduce administrative costs, and facilitate increased access for the multilateral development banks and enhanced Agency collaboration
June 2023	Discussion paper with possibilities to improve the thematic and geographic coverage of the GEF Partnership including the possibility to accredit additional organizations as GEF Agencies
RESULTS AND PORTFOLIO OVERSIGHT	
November 2022	Annual Monitoring Report to report on progress against the GEF-8 Results Measurement Framework
December 2022	GEF-8 Corporate Scorecard expanding regular reporting on the Biodiversity and Desertification Rio Markers, as well as on private sector co-financing
December 2022	Annual bilateral communication sent from GEF Secretariat to each Agency identifying investments facing implementation challenges and seeking prompt progress.
December 2023	Discussion Paper for Council containing options to improve the capturing of human and socio-economic well-being co-benefits, as well as climate change adaptation co-benefits in the results monitoring and improve their consideration in the design GEF-funded projects and programs to further support the achievement of Global Environmental Benefits (GEBs)
INCLUSION AGENDA	
June 2023	Review complementarities across policies Gap analysis of existing policies and guidelines to identify potential for areas of further work

June 2023	Gap analysis of work in terms of conflict sensitivity and engagement in fragile states
SUSTAINABILITY OF GEF INVESTMENTS	
December 2022	Partnership-wide Knowledge and Learning Strategy for Council Decision
RESOURCE ALLOCATION (STAR)	
June 2022	GEF-8 STAR Policy for Council Decision, including the further articulation of the operational details of the competitive window
July 2022	GEF-8 STAR Country Allocations made public
June 2023	Options Paper for Council decision, aiming at enhancing policy coherence in GEF operations
December 2024	GEF-8 Midterm Review on Performance of Full Flexibility
OPTIMIZING THE USE OF RESOURCES AND ENSURING EQUITABLE ACCESS	
June 2022	Agency and Country Selection Criteria for the IPs for Council Decision

