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April 7-8, 2022

GEF-8 POLICY DIRECTIONS: THE ENABLING ENVIRONMENT FOR TRANSFORMATION

(PREPARED BY THE GEF SECRETARIAT)

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PREAMBLE TO THE POLICY DIRECTIONS

The STAR Chapter of this Policy Directions 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 Directions paper.

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. Focal Area ceilings are confirmed at 6%.

c. The Vulnerability Index has been removed, with a request being made to the GEF Secretariat to continue working on options for consideration in subsequent replenishments; paragraphs discussing the Vulnerability Index have been deleted.

d. The GDP Index is retained and increased to -0.16.

e. A clarification is added to the Competitive Window to confirm that activities funded would be country-driven, reflect the national policy landscape, and align with other national GEF programming. The amount is changed from 10% to 8% and it is confirmed that details will be articulated in an operational note for consideration by the 62nd Council in June 2022.

f. Reference to further modifications to the model has been deleted, reflecting conclusion of the GEF-8 negotiations.

All other sections are unchanged from the version presented in the Third Replenishment Meeting.

SECTION I: THE CONTEXT FOR GEF-8 – EXTENDING THE AMBITIOUS POLICY REFORMS FROM GEF-7

CHAPTER 1: GEF-8 POLICY DIRECTIONS

1. **This document provides background and analysis to support decisions by Replenishment Participants on the policy directions for the GEF-8 Replenishment period.** Based on the draft considered at the Second GEF-8 Replenishment Meeting, it incorporates inputs from Participants and additional analysis aimed at supporting the decisions to be included in the GEF-8 Replenishment Resolution. These decisions are summarized in the paper, *GEF-8 Policy Recommendations*.[1]

2. **The GEF-8 Strategic Positioning and Programming Directions papers[2] set out the vision for GEF-8 as the achievement of a healthy, productive, and resilient planet that underpins the health and well-being of human societies.** These strategic and programming ambitions of the GEF are enabled by operational practices, partnership activities, and a suite of policies, guidelines and norms that have been shaped over time by Replenishment negotiations and made operational by the GEF Council, Secretariat, Trustee and Agencies. This paper highlights core elements of this framework already in place, and sets out the additional enhancements that will accelerate the achievement of the programming objectives agreed by Participants and enhance the impact of GEF programming. The policy framework also reflects the evolution of guidance from the Multilateral Environmental Agreements supported by the GEF, Partipants' deliberations, and the GEF Management Response to the Seventh Comprehensive Evaluation of the GEF (OPS7)[3,4].

3. **The GEF policy framework is now well established and will be further consolidated and enhanced in GEF-8. To achieve this, specific actions are proposed in the following four areas.** In addition, cross-cutting actions will be developed and implemented across all areas with a view to streamlining GEF processes, improving project cycle and operational efficiency, and reducing transactions costs:

I. Concentration of GEF Support among Agencies

II. The GEF-8 Results Framework

III. Extending the GEF's Inclusion Agenda

IV. Sustainability Considerations in GEF Investments

V. System for Transparent Allocation of Resources (STAR)

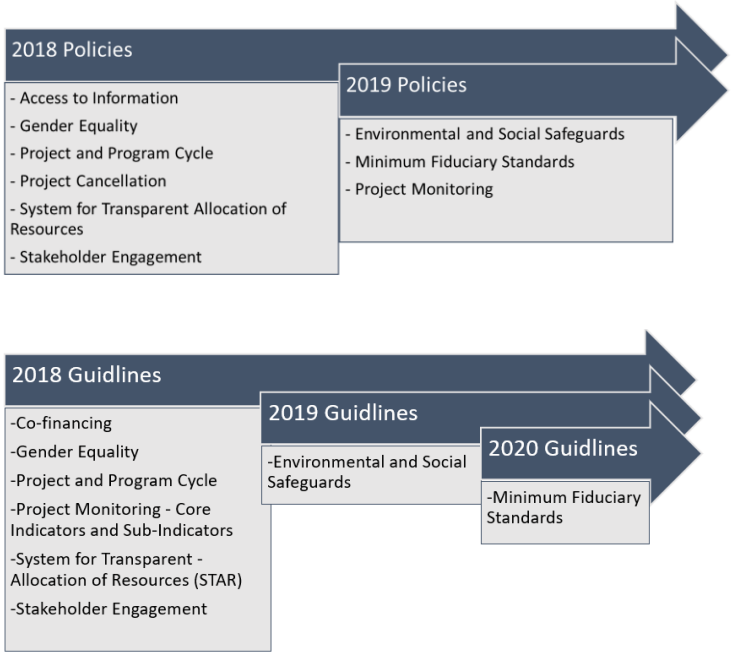
4. **An extensive policy reform agenda has been implemented through the GEF-6 and GEF-7 Replenishment periods, resulting in the updating and upgrading of significant portions of the GEF policy framework**. This exercise is now largely complete, with a focus

[1] [GEF/R.08/16]
[2] [GEF/R.08/11 and GEF/R.08/17]
[3] Global Environment Facility Independent Evaluation Office (GEF IEO), Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery, Washington, DC: GEF IEO, 2021.
[4] GEF/C.61/10

now squarely on implementation of these updated policies, covering all aspects of GEF partnership operations. From minimum fiduciary standards, environmental and social safeguards, gender equality, stakeholder engagement, operational efficiency measures and information disclosure, to monitoring and evaluation and learning, actors across the GEF Partnership are now focused on implementation and sharing knowledge and lessons learned. To accompany these policies, guidelines are now also in place and capacity is being enhanced where needed to support full compliance.

5. **Policies introduced in GEF-7 are providing Agencies, recipient countries, the Secretariat and others across the Partnership with opportunities for incorporating lessons learned to apply during GEF-8.** There are nevertheless opportunities for further streamlining, consolidation and efficiencies, and opportunities for potential collaboration with other organizations and environment and climate funds on policy issues. Additional actions on knowledge and learning, data governance, transparency and the GEF Portal will further enhance data management and the various gateways to the GEF. This will also support achievement of results and greater impact under Corporate Programs such as the Country Support Program (CSP) and Small Grants Program (SGP), serving to further empower country Focal Points and civil society partners.

Figure 1: The Evolution of GEF Policies and Guidelines accelerated during GEF-7



GEF-8 Policy Directions:

6. **This section summarizes the additional policy directions for GEF-8.** Building on the strong foundations of the GEF-7 policy agenda, the expected policy directions for GEF-8 are described below. These are based on positions and feedback communicated by Replenishment Participants, priorities articulated in the Strategic and Programming Directions document, the

findings from OPS7, and Participants' feedback and guidance on the Management Response thereto.

Concentration of GEF Funding Among Agencies

7. **Actions to address the issue of concentration will be implemented by the Secretariat and Agencies**. Four Agencies have accounted for implementation of 86% of GEF resources since inception. While concentration among these Agencies has been largely contained and has declined during recent Replenishments, the Secretariat has explored and proposes measures to further extend this downward trend, including enhancing the monitoring and reporting on the issue, supporting decision making by countries, Agencies and Council during GEF-8. In addition, it is proposed to pursue further efficiency gains in the GEF project and program cycle aimed at incentivizing all GEF Agencies – but particularly Regional Development Banks and those that have been less active in GEF-6 and GEF-7 - to increase their engagement through GEF-financed programs. An increased emphasis on Integrated Programs and Non-Grant Instruments - and the role of multilateral development banks in these modalities - is also expected to provide opportunities to reduce concentration. Additional actions will include amendments to the approval process for Medium-Sized Projects (MSPs) and Enabling Activities (EAs), to include elimination of the two-step modality for MSPs and streamline the process for EAs. Finally - if requested by Participants - to address residual gaps in Agency coverage in a more targeted way, the Secretariat can assess the possibility and implications of adding new Agencies to the Partnership to address residual gaps in coverage.

GEF-8 Results Framework

8. **As the GEF steps up its ambition, it will increase its strategic focus on achieving Global Environmental Benefits and the Results Measurement Framework will be strengthened**. The results framework for GEF-8 will fully reflect the ambitions set out in the GEF-8 programming directions and agenda for transformation. It will use and build upon the 11 integrated Core Indicators set out in GEF-7, with updated targets to reflect the high level of ambition required for the next four years toward a nature positive, carbon neutral and pollution free future. Building on the significant progress during GEF-7, the GEF will also improve its results toolkit to track progress toward reaching this overarching GEF-8 ambition. It will articulate how operational inputs contribute to achieving Core Indicator results. New ways to analyze co-benefits improving human and socio-economic well-being will be introduced. In addition, transparency will be enhanced through activities such as publishing on IATI, reporting to Conventions, and expanding capture of the OECD-DAC Rio Markers to include those specific to Biological Diversity and to Combat Desertification

System for Transparent Allocation of Resources (STAR)

9. **The System for Transparent Allocation of Resources (STAR) will see continued improvements to increase flexibility, support vulnerable countries and maximize the impact of GEF resources**. STAR is the core instrument for allocating GEF financing, covering approximately 50% of programmable resources, across three focal areas – Biodiversity, Climate Change, and Land Degradation.

10. **The GEF-8 STAR model will remain within the context of a set of core principles**. These are: transparency, performance, commitments assumed by the countries in the MEAs for which the GEF serves as a financial mechanism, country ownership and flexibility to strategically direct scarce resources towards the issues and opportunities where highest global environmental impact can be achieved. The GEF-8 STAR Model will also consider countries' diverse capabilities and strengths, building in resource availability and capacity to countries that face significant constraints or particular environmental challenges. All countries will continue to be served and supported in this framework, with an eye to maximizing the potential of countries with higher capacities while at the same time providing predictability and equity across all recipients.

11. **The evolution of STAR has been designed to respond to Participant's objectives.** In response to Participants' feedback at the First and Second Replenishment meetings as well as written comments received, the GEF Secretariat has explored the feasibility of several innovations for the STAR model in terms of critical methodological advancements and options, that are presented here. These include (i) moving to full flexibility, (ii) introducing a vulnerability dimension and (iii) the creation of a small competitive space for a selected group of countries.

Extending the GEF's Inclusion Agenda

12. **The Secretariat will lead a review the Environmental and Social Safeguards, Gender Equality, Stakeholder Engagement, and other policies that could address issues such as human rights, creating a dialogue with youth, and LGBTQ+.** The GEF can play a central role helping countries to restore a healthy environment and to ensure a people-centered post-COVID-19 recovery that focuses on human well-being, improving inclusiveness and reducing inequality. As the GEF has made extensive revisions and updates to these policies, they now embed important principles relating to the promotion of social inclusion. They also serve to advance important human rights principles including non-discrimination, participation, transparency and accountability. A review will identify entry points to further leverage the implementation of these policies, to identify potential key strategic priorities of sustainable recovery and inclusion and place greater attention on inclusion in GEF-8 projects, including efforts to better capture GEF co-benefits including socio-economic benefits. This will reflect findings of the upcoming Third Party Review of Agency implementation experience and include options for further streamlining and coordination with other climate and environment funds.

Sustainability of GEF Investments

13. **The sustainability of GEF investments remains an important issue**. In the last four years, there have been several analyses on this topic by the IEO, STAP, and the GEF Secretariat that continue to inform this critical discussion. Past analyses on sustainability are summarized, present actions being undertaken by the Secretariat to enhance sustainability are reviewed, and various options for deepening this agenda both in GEF-8 and through the GEF's active portfolio are presented.

Streamlining, Transaction Costs and Efficiency

14. **Cutting across all aspects of GEF programming, further analysis and identification of additional actions aimed at streamlining processes, reducing administrative burden, and reducing the transactions costs associated with GEF investments will be undertaken by the Secretariat**. GEF policies and guidelines have been developed with a view to alignment with those of the GEF Agencies. This is important to promote a level playing field among Agencies, facilitate the deployment of their capacities and systems, and avoid duplication and possible conflict with their policies and procedures. Nevertheless, over time and successive Replenishments, the introduction of new and additional norms and procedures aimed at sharpening the impact of GEF investments and safeguarding GEF resources may have also served to add complexity and added transaction costs. Throughout GEF-8, a review of the project and program cycle will seek to identify areas for further streamlining and efficiency. Through consultations with Agencies, recipient countries and others, including STAP and the Trustee, and taking into consideration the findings and recommendations of OPS7, concrete measures will be identified and operationalized by the Secretariat. Issues requiring Council approval will be submitted for deliberation by Council as needed.

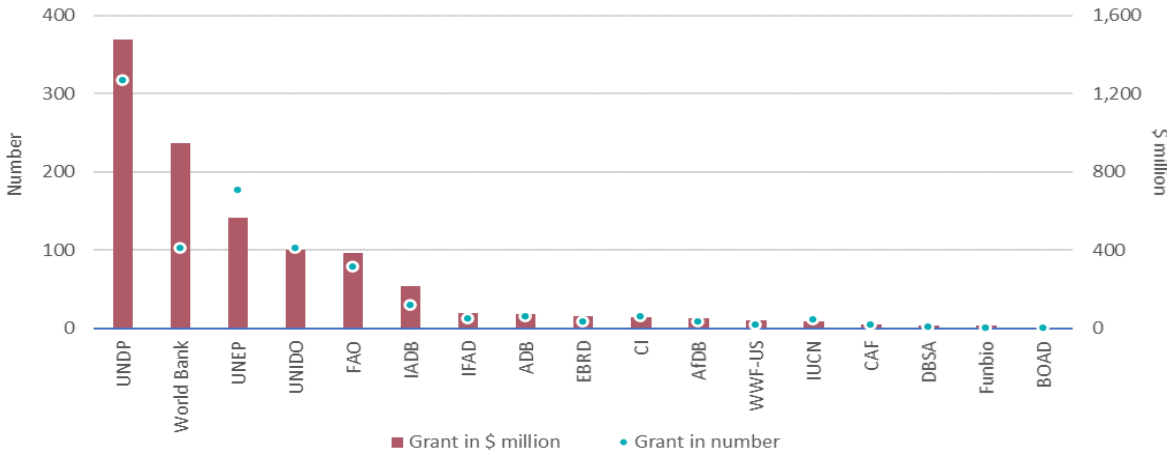
CHAPTER 2: CONCENTRATION OF GEF FUNDING AMONG GEF AGENCIES

The Context for Agency Concentration

15. **Countries benefit most from the GEF Partnership when they have an array of choice among Agencies with deep and varied expertise, experience, and reach. Excessive reliance on one or a handful of Agencies can serve to undermine this benefit.** GEF projects and programs are implemented and supervised by 18 Agencies that share the GEF's mission and meet rigorous minimum fiduciary and safeguards standards. The current cohort of GEF Agencies ranges from large international organizations with global reach to smaller entities with operations limited to a single country, providing an array of choice for recipient countries. Concentration of GEF funding among a small group of Agencies is an issue requiring continued oversight and action when concrete measures are feasible during GEF-8. The relatively low engagement by some Agencies is of concern and also warrants effort on the part of these Agencies, the Secretariat and Council to ensure the Agencies are fulfilling their roles and responsibilities in the Partnership.

16. **Analysis in this section provides the factual context of concentration and explores some factors and motivations behind the current situation in the GEF and what could be done to address it.** The trend in concentration has shown improvement, but GEF funding still remains relatively highly concentrated in a few Agencies, particularly UNDP. The top 4 GEF Agencies have implemented 86% of GEF resources since inception, on a cumulative basis. This figure has declined slightly over time, with the top 4 GEF Agencies currently responsible for 79% of GEF-7 programming. While separate analyses show that none of these agencies – including UNDP - are materially dependent on GEF financing for their day-to-day operations, concentration among a small number of Agencies introduces risks that warrant continued monitoring and mitigation where possible.[5]

Figure 2: Portfolio Distribution of current, operational projects under implementation, by Agency[6]



[5] *The Share of GEF Financing in Agencies' Portfolios*, GEF/C.61/05.
[6] *The GEF Monitoring Report 2020* (GEF/C.59/03/Rev.01)

17. **Actions to limit concentration are possible, notwithstanding the GEF's country-driven model.** GEF recipient countries and Participants alike have confirmed the importance of preserving country choice of Agency and avoiding caps or limits on a particular Agency or group of Agencies. The Secretariat has surveyed recipient countries and Agencies to better understand the drivers of countries' choice of Agency for project implementation and potential impediments, particularly for multilateral development banks. This exercise demonstrated that countries' relationships with the Agencies, track record and experience, and physical presence on the ground were the key determinants behind country choice of Agency. Cost was not cited as a significant issue.[7] Most notably, countries stressed the importance of a country-driven process to select the Agency best placed to implement a GEF project or program. Consultations with Agencies on the issue also revealed that Agencies generally found countries' processes for selection of GEF Agency often complex and highly context specific. The resulting conclusion was that the ability of external parties to direct or otherwise influence that choice was generally limited, however there are entry points for further action to remove potential impediments for some Agencies, and further empower OFPs in the pipeline development process and choice of Agency.[8] Possible measures to address impediments and issues raised are described later in this section.

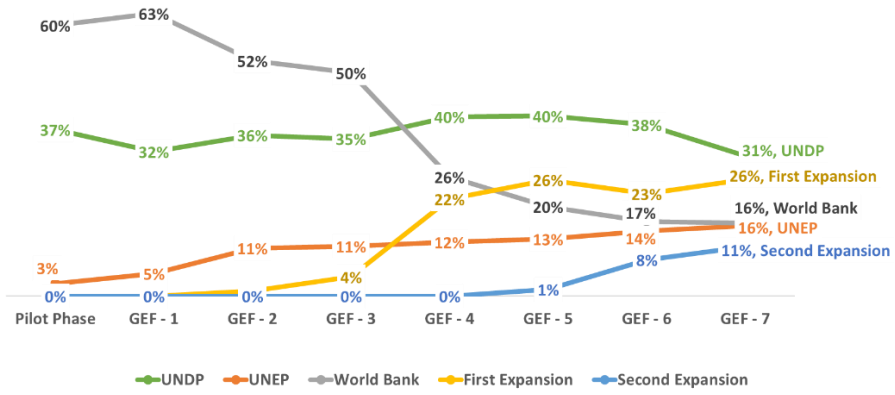
18. **Replenishment and Council deliberations to date have confirmed that implementing a cap or maximum level of concentration for any GEF Agency is not a preferred option**. Reflecting the feedback from countries and Council deliberations during GEF-7, Participants and Council have sought to avoid measures that might serve to limit country choice of Agency and continued access to GEF financing or have other unintended consequences. Guidance from Council has been to adhere to the following principles[9]: i) countries' freedom to choose the GEF Agency for a given intervention, iii) fair treatment among Agencies, such as through an appropriate differentiation depending on the size and specialization of each Agency, iv) the need to continue to monitor concentration, and v) avoidance of any sudden disruption in operations, as a priority.

Evolution of Agencies' Share of GEF Programming

19. **The three original GEF Agencies – the World Bank, UNDP and UNEP – account for over 70% of all GEF projects approved since the inception of the GEF**[10]. The first expansion (1999-2006) added 7 Agencies, which focused on adding regional expertise through addition of four Regional Development Banks and three UN Agencies. The second (2013-2015) continued this deepening of Partnership capacity, adding 8 Agencies comprising two additional regional banks, three International CSOs, and three National Entities.

[7] All Agencies receive the same flat fee of either 9.5% or 9.0% of the project amount.
[8] Report on the Working Group of the GEF Partnership, GEF/C.56/04
[9] Ibid.
[10] All figures net of cancellations. Multi-agency and regional projects are disaggregated to single country and single agency level, when possible. Approval level data is at PIF or PFD approval milestone. Project financing amount, agency fee, PPG and PPG fees are included in amounts.

Figure 3: Share of approvals in each Replenishment Period by GEF Agency Type



20. **During the GEF-7 Replenishment Period, the share of GEF funding implemented by the original Agencies has remained relatively stable, however there has been a considerable shift within this group.** The World Bank implemented 57% of the GEF Pilot Phase resources but has to date secured approval to implement just 16% of the GEF-7 envelope. Similarly, UNDP's share decreased from 40% to 31%, while UNEP's share increased from 3% in the GEF Pilot to 16% in GEF-7. The combined share of the 15 other Agencies has increased accordingly, from just 2% in GEF-2 (i.e. at the time of the first expansion) to 37% in GEF-7.

Figure 4: Share of GEF funding implemented by each GEF Agency in each Replenishment Period from Pilot Phase to GEF-7 (to July 2021)

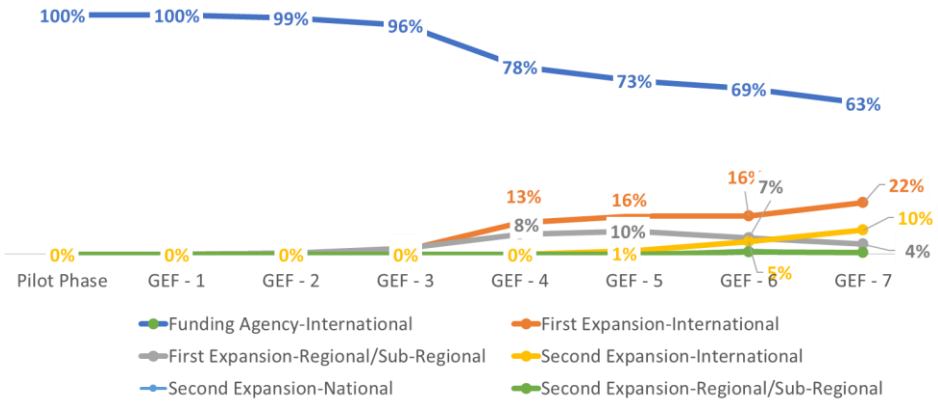
Agency	Total share	Pilot Phase	GEF - 1	GEF - 2	GEF - 3	GEF - 4	GEF - 5	GEF - 6	GEF - 7	Trend from Pilot Phase to GEF-7
Founding Agencies										
UNDP	**37%**	37%	32%	36%	35%	40%	40%	38%	31%	
UNEP	**12%**	3%	5%	11%	11%	12%	13%	14%	16%	
World Bank	**31%**	60%	63%	52%	50%	26%	20%	17%	16%	
First Expansion										
ADB	**1%**	-	-	1%	2%	3%	1%	1%	1%	
AfDB	**1%**	-	-	-	-	0.4%	2%	2%	1%	
EBRD	**1%**	-	-	-	-	1%	1%	1%	1%	
FAO	**6%**	-	-	-	0.5%	3%	8%	7%	16%	
IADB	**2%**	-	-	-	1%	3%	5%	2%	1%	
IFAD	**1%**	-	-	-	1%	3%	0.4%	2%	1%	
UNIDO	**5%**	-	-	1%	0.4%	8%	8%	6%	5%	
Second Expansion										
BOAD	**0%**	-	-	-	-	-	-	1%	-	
CAF	**0%**	-	-	-	-	-	-	0.3%	1%	
CI	**1%**	-	-	-	-	-	1%	2%	5%	
DBSA	**0%**	-	-	-	-	-	-	1%	0.2%	
FECO	**0%**	-	-	-	-	-	-	0.1%	0.1%	
Funbio	**0%**	-	-	-	-	-	-	0.4%	-	
IUCN	**1%**	-	-	-	-	-	0.2%	2%	3%	
WWF-US	**1%**	-	-	-	-	-	1%	1%	2%	

21. **Data presented in Figures 3 and 4 show that concentration levels have declined over recent Replenishments.** During the GEF-7 period, the level of concentration among the top five GEF Agencies, measured by the cumulative share of approvals during the period, has also declined. UNDP has exhibited the sharpest decline relative to its GEF-6 cumulative share with the shares of FAO and Conservation International (CI) increasing most prominently. During the GEF-7 period, CI's cumulative share of approved funding surpassed that of UNIDO from the December 2019 Work Program onwards. Nevertheless, UNDP's share remains almost twice that of the second and third place Agencies.

Analysis of the Relevant 'Markets' for Assessing Agency Concentration

22. **The overwhelming majority of GEF funding is implemented by Agencies with international reach, from the Pilot Phase through the second round of Agency expansion**. To date, only approximately 5% of all GEF resources have been channeled for implementation through regional and national entities.[11] This continues to reflect the global nature of the Partnership, the experience and credibility of the current cohort of GEF Agencies, and countries' access to Agencies that bring knowledge and lessons learned from their broader operations to the national context.

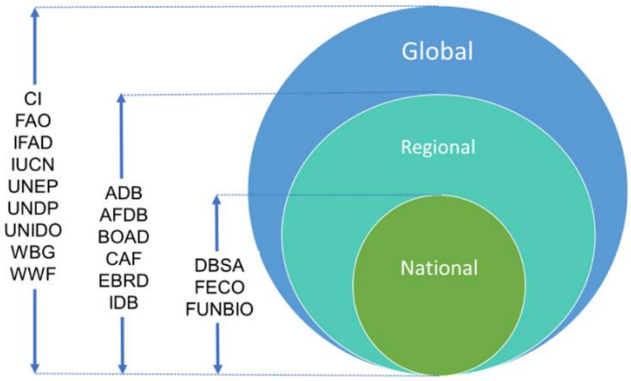
Figure 5: Share of approvals in each Replenishment Period by GEF Agency Type



23. **In assessing the levels of concentration, the Secretariat has analysed concentration measures based on the relevant 'markets' (effectively regions) in which Agencies are active.** Not all GEF Agencies implement projects globally; national and regional Agencies by definition implement only in national and regional contexts, which serves to increase concentration among the global Agencies. The first and second expansion also introduced limits on the geographic scope of GEF programming by these Agencies. However, insofar as all Agencies are required to meet the same minimum fiduciary, safeguard and other standards, national and regional entities could be permitted to use GEF funds in any eligible country in accordance with their respective mandates. This could potentially serve to reduce concentration and could also support the GEF's knowledge and learning agenda by enabling wider sharing of Agency expertise and experience.

[11] Per Figure 5, 4% through regional/subregional and 1% through national entities.

Figure 6: Relevant markets for GEF Agencies



The Drivers of Concentration

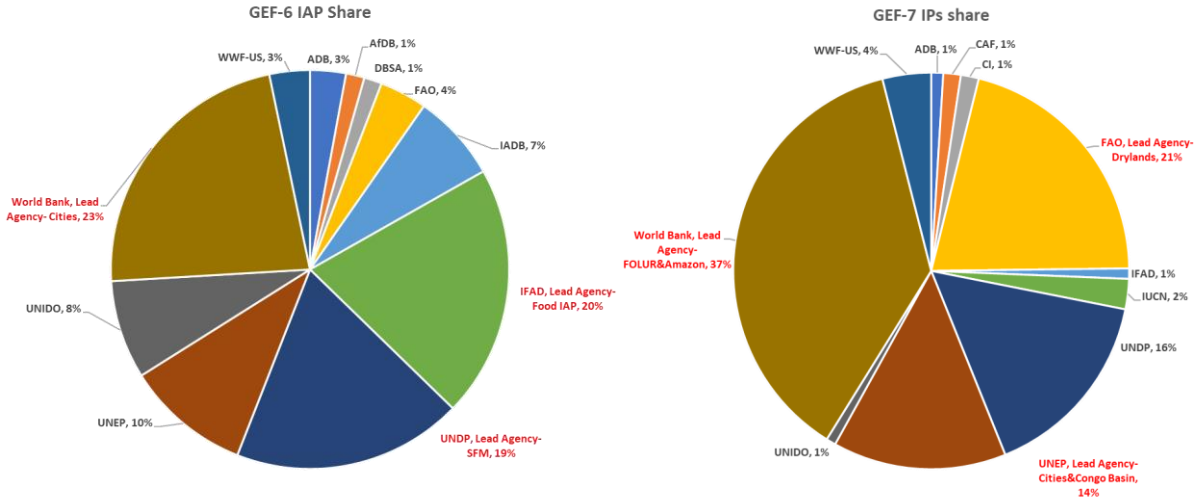
24. **A review of the reasons for high concentration in the GEF portfolio points to some potential additional policy responses during GEF-8**. The OPS-7 suggests that competition among Agencies at the country level has not always been productive, and suggests efforts to increase collaboration are warranted. Some Agencies - particularly UN Agencies – have long-standing relationships and experience with decision makers in environment ministries, where GEF Operational Focal Points are often located. Multilateral Development Banks (MDBs) however tend to interact principally with Ministries of Finance or Planning. A GEF country engagement approach that involves a broader set of government ministries could serve to make financing from a broader set of Agencies possible (this is discussed in greater detail in the Programming Directions paper). Transparency and predictability in pipeline development at the country level would also facilitate earlier identification of opportunities for MDBs to blend GEF funding with larger lending and grant operations, which is often an important requirement for these Agencies. In some cases, the relatively smaller size of GEF projects can be a disincentive, however many Agencies cite other non-financial benefits of working with the GEF, so evidence on the impact of the relative size of GEF projects is inconclusive. Finally, there have been increases in alternative sources of grant funding for MDBs (donor trust funds for climate, environment, etc.) that generally follow existing MDB procedures; in this context accessing external financing from the GEF (or other external fund) that entails a separate review, approval and reporting structure can act as a disincentive. Nevertheless, consultations with multilateral development banks have confirmed that these Agencies remain fully committed to the GEF and interested to pursue additional project and program financing in GEF-8.

25. **Processing time and costs have different impacts on different Agency types.** While all Agencies work to internal deadlines, the need to align with their internal governance (e.g. Board) approval and other milestones can discourage some Agency staff from seeking GEF financing. This dynamic seems most prevalent among MDBs, suggesting that further work by the GEF Secretariat to streamline processes is likely to have greatest impact among this Agency type. For instance, the level of detail required at PIF stage and the need to secure OFP endorsement prior to detailed project planning and internal interim approvals can be an obstacle;

these requirements can be reviewed by the Secretariat and options for greater alignment and streamlining identified.

26. **An increased emphasis on Integrated Programs, Non-Grant Instruments and other programmatic approaches could lead to further reduction in concentration.** Multilateral Development Banks have been active in these programs, funded largely from non-STAR resources. The GEF Integrated Programs tend to be well matched to MDB programs in the relevant sectors, but additional actions could further motivate MDB engagement – specifically, further clarity on the selection process for the Lead Agencies and possibly Co-Lead Agencies with regional experiences as relevant, as well as efforts to minimize additional processing and administrative processes, especially when multiple agencies are involved, each following their own internal approval and other processes.

Figure 7: Volume of IAP and IP financing implemented by Agencies

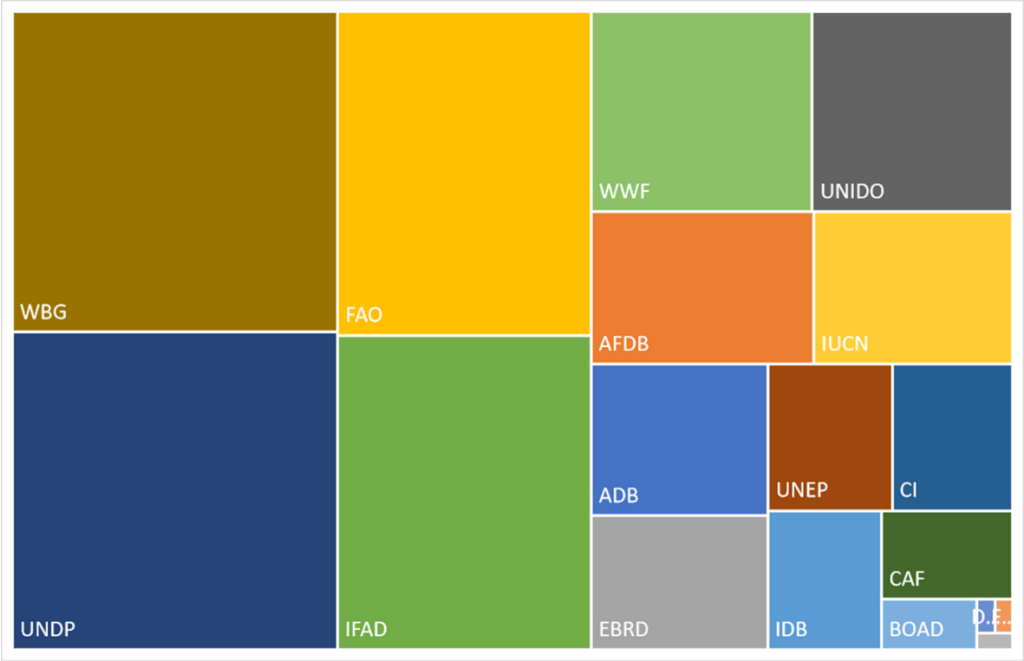


27. **GEF Agencies are engaged in GEF Programs to different degrees.** A review of Agency engagement in GEF Programs during GEF-6 and to date in GEF-7 also shows that, with few exceptions, Agencies are engaged in at least one GEF Program in either a lead or participating role. Generally, however, UN Agencies, MDBs and Agencies with an international reach tend to be more active in GEF Programs.

28. **A country office presence is important, but the composition and nature of counterparts at the country level matter as well.** The Secretariat has analysed the impact on the number of local offices of each of the GEF Agencies; Figure 8 shows the relative number of local or country offices maintained by each of the GEF Agencies in their countries of operations. UNDP, the World Bank, IFAD and FAO have the highest number of country offices among the cohort of 18 Agencies. Consistent with information from OFPs and others, country presence of the GEF Agency is an important factor for the OFP when making a choice of Agency for GEF project implementation. The number of local offices also tends to coincide with the share of GEF resources used by Agencies (e.g. UNDP, World Bank and FAO represent 3 of the 4 top GEF-7 implementers of resources to date), however a clear causal link is not obvious. IFAD has a high local presence but has used just 1% of GEF-7 resources to date - and never more than 3%

per Replenishment since GEF-3. UNEP is also a relative outlier, as it has implemented about the same share in GEF-7 as the World Bank and FAO, but has relatively lighter local office presence. The shares of GEF resources implemented by them therefore appear to be driven by other factors. Finally, some regional development banks have a local presence in virtually all of their countries of operation, but their country office footprint will appear smaller relative to the global agencies.

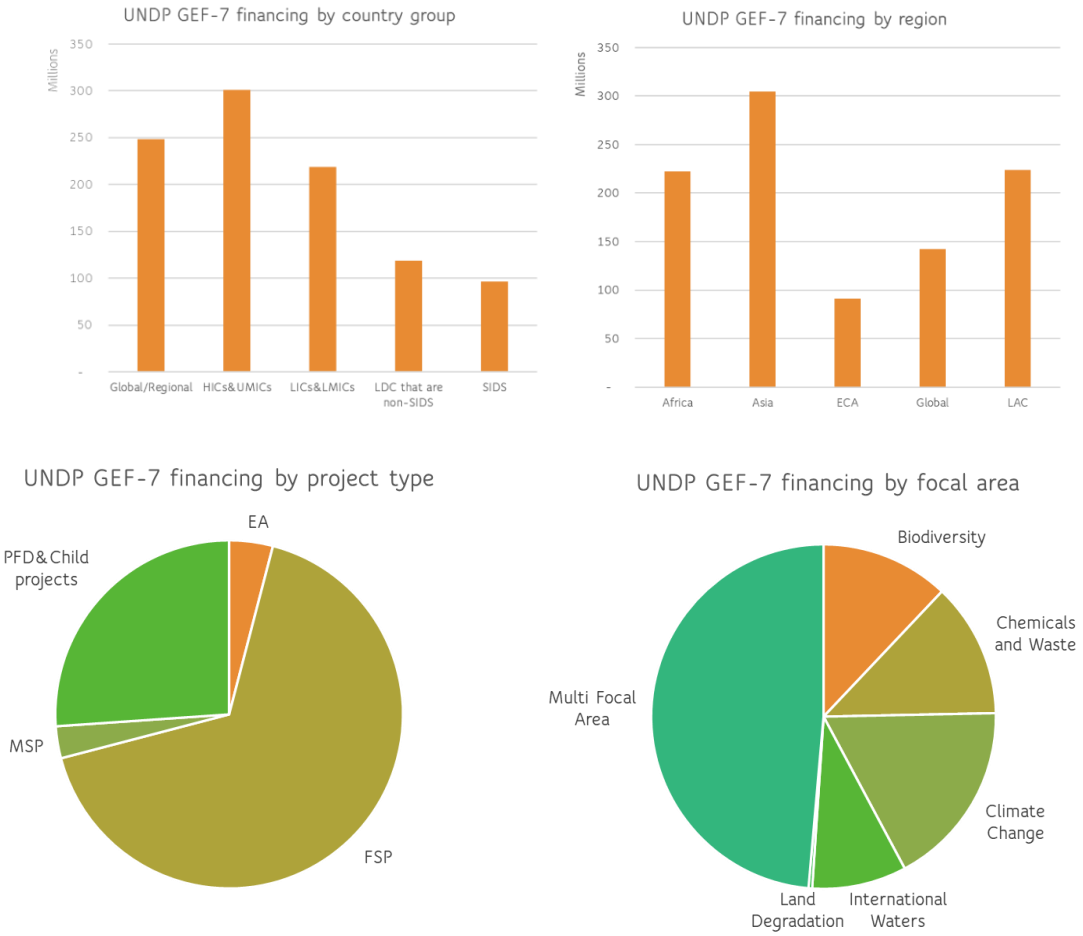
Figure 8: Local Presence of GEF Agencies – relative number of country/regional offices



A Deeper Dive on UNDP

29. **To better understand the drivers of concentration and the role of UNDP, the Secretariat has undertaken some additional analysis specific to UNDP.** This shows that UNDP is involved in all Focal Areas, with the exception of Land Degradation, and tends to implement GEF programming by way of Full-Sized Projects (FSPs).

Figure 9: UNDP financing by country group, region, project type and Focal Area.



30. **In addition, in many countries, UNDP is the only GEF Agency with any approved projects during GEF-7.** In addition to measures of UNDP's aggregate share of GEF programming, the Secretariat reviewed the share of UNDP programming in each recipient country. This has revealed that in over 45 countries, the UNDP is implementing, by volume, over half of the GEF-7 approved amounts in those countries. In addition, in just over 40% of countries, GEF programming is dominated by one Agency - defined as the share of GEF-7 financing volume by one Agency amounting to over 75% of that country's GEF-7 approvals.

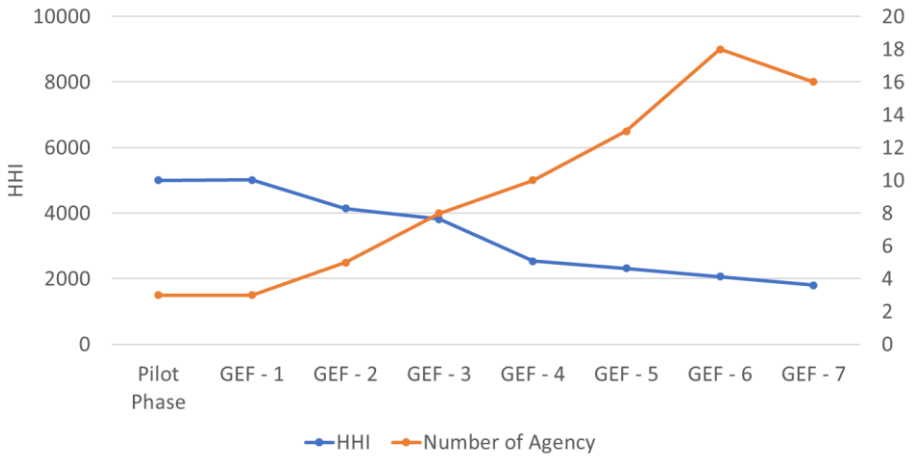
Figure 10: UNDP share of countries' approved GEF-7 financing to November 2021 (USD)

Country	UNDP	All Agencies	UNDP share	Country	UNDP	All Agencies	UNDP share	Country	UNDP	All Agencies	UNDP share
Bangladesh	6,600,000	6,600,000	100%	Vanuatu	6,910,000	7,019,500	98%	Egypt	9,350,000	13,773,795	68%
Cabo Verde	1,781,940	1,781,940	100%	Solomon Islands	8,810,000	9,105,650	97%	Uruguay	3,972,940	5,865,420	68%
Cook Islands	4,000,000	4,000,000	100%	Morocco	10,727,122	11,722,556	92%	Papua New Guinea	15,207,557	23,601,741	64%
Djibouti	3,484,018	3,484,018	100%	Costa Rica	13,762,087	15,308,803	90%	Kyrgyz Republic	3,000,000	4,700,000	64%
Guatemala	14,082,705	14,082,705	100%	Ethiopia	26,760,000	30,450,150	88%	Belize	1,860,000	2,960,000	63%
Marshall Islands	932,940	932,940	100%	Haiti	7,200,150	8,200,150	88%	Belarus	6,637,725	10,637,725	62%
Mauritius	5,091,584	5,091,584	100%	Bosnia-Herzegovina	3,000,000	3,417,534	88%	Tonga	489,000	784,650	62%
Micronesia	600,000	600,000	100%	Honduras	13,620,323	15,620,323	87%	Sri Lanka	6,600,000	10,853,900	61%
Palau	2,200,000	2,200,000	100%	Togo	6,728,793	7,776,293	87%	Benin	6,555,500	11,055,500	59%
Samoa	4,932,940	4,932,940	100%	Malaysia	20,029,940	23,266,858	86%	Kazakhstan	12,505,470	21,544,721	58%
Serbia	3,593,790	3,593,790	100%	Montenegro	4,085,440	4,802,974	85%	Algeria	5,000,000	8,720,000	57%
Suriname	11,666,000	11,666,000	100%	Comoros	5,983,695	7,454,987	80%	Pakistan	6,600,000	12,100,000	55%
Tajikistan	3,000,000	3,000,000	100%	Bhutan	6,000,000	8,000,000	75%	Namibia	8,644,690	16,782,040	52%
Turkmenistan	5,150,000	5,150,000	100%	Viet Nam	17,945,478	23,945,478	75%	Nigeria	15,233,182	29,796,100	51%
				Seychelles	6,089,200	8,182,376	74%	Philippines	24,064,187	47,108,037	51%
				Jamaica	3,902,450	5,402,451	72%	St. Kitts and Nevis	300,000	595,650	50%

Measures of Concentration

31. **The Secretariat has over time used a standard measure of concentration to track and report on this issue.** The *Herfindahl-Hirschman Index* of concentration *(see Box 1)* has been used in previous GEF analyses and reports to Council on GEF Agency concentration, beginning in June 2018. The HHI is a widely used measure of the degree of concentration in a particular market, field, or industry. The Index value ranges from 0 to 10,000, with values close to 0 representing nearly perfect competition (or diversity in use of numerous Agencies in the case of the GEF), and values close to 10,000 representing almost complete lack of competition (or use of only one or two Agencies for all projects in the case of the GEF). The Index is calculated by squaring the percentage market share of each entity (expressed as a whole number) and summing the resulting figures.

Figure 11: Concentration among GEF Agencies as measured by the Herfindahl-Hirschman Index (HHI); and number of Agencies receiving funding approvals during each Replenishment Period

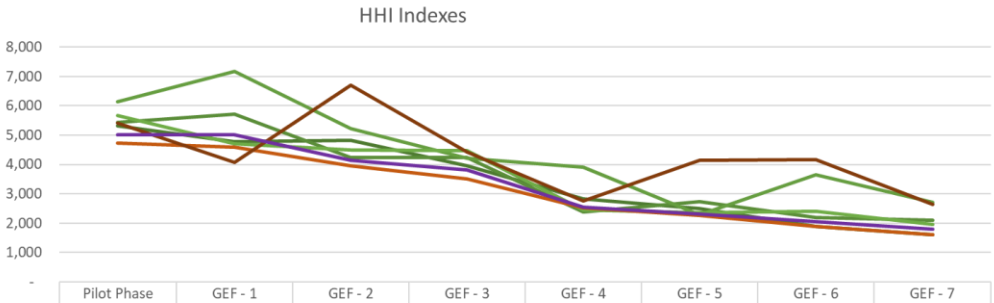


32. **Figure 11 shows that concentration as measured by the HHI has been declining continuously since GEF-1.** Further to analysis presented at the Second Replenishment meeting, the HHI has been re-calculated using the relevant market approach described above (i.e. global, regional, national). As not all Agencies operate in the same 'relevant market space', previous calculations of the HHI may have over or under-estimated concentration depending on the region. In light of the relatively small share of funding to national agencies (FECO, Funbio, and DBSA), the revised indexes by region and for SIDS and LDCs still show the same decreasing trend of concentration across all regions and for both SIDS and LDCs. The Regions and groups of countries with smaller allocations and fewer eligible recipient countries, such as ECA and SIDS, tend to have somewhat higher rates of concentration than other regions and groups, however the trend decline can still be observed across all regional groupings - similar HHI breakdowns for each of the Africa, East and Central Asia (ECA), Asia and Latin America and the Caribbean (LAC) regions are shown below. Notably, the SIDS country group also shows a decline in concentration, particularly since GEF-5 (see figure 12).

Box 1: The Herfindahl-Hirschman Index (HHI) Explained (source: The Economist)

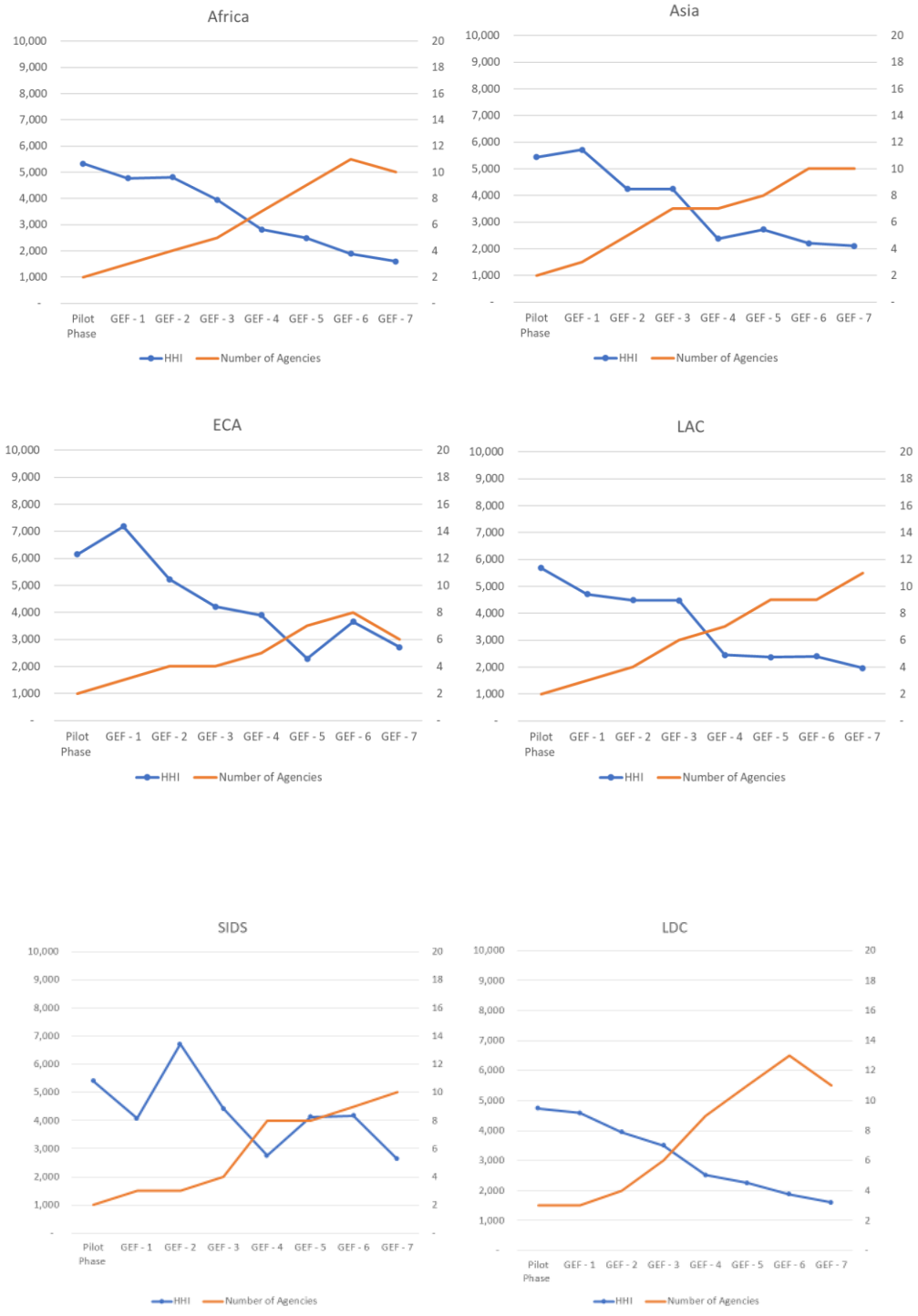
Antitrust economists often gauge the competitiveness of an industry by measuring the extent to which its output is concentrated among a few firms. One such measure is a Herfindahl-Hirschman index. To calculate it, take the market share of each firm in the industry, square it, then add them all up. If there are 100 equal-sized firms (a market with close to perfect competition) the index is 100. If there are four equal-sized firms (possible oligopoly) it will be 2,500. The higher the Herfindahl number, the more concentrated is market power.

Figure 12: Regional Country Groupings - Concentration among GEF Agencies as measured by the Herfindahl-Hirschman Index (HHI); and number of Agencies receiving funding approvals during each Replenishment Period



	Pilot Phase	GEF - 1	GEF - 2	GEF - 3	GEF - 4	GEF - 5	GEF - 6	GEF - 7
HHI- Africa	5,326	4,775	4,814	3,953	2,818	2,489	1,892	1,601
HHI- Asia	5,443	5,716	4,242	4,244	2,374	2,723	2,205	2,106
HHI- ECA	6,150	7,180	5,226	4,212	3,899	2,291	3,655	2,713
HHI- LAC	5,679	4,711	4,487	4,473	2,449	2,365	2,399	1,963
HHI- LDC	4,735	4,587	3,949	3,501	2,519	2,252	1,880	1,602
HHI- SIDS	5,404	4,071	6,713	4,425	2,751	4,132	4,177	2,633
HHI- Whole GEFTF Portfolio	5,005	5,010	4,137	3,817	2,540	2,313	2,059	1,799

Figure 13: Concentration among GEF Agencies as measured by the Herfindahl-Hirschman Index (HHI); and number of Agencies receiving funding approvals during each Replenishment Period

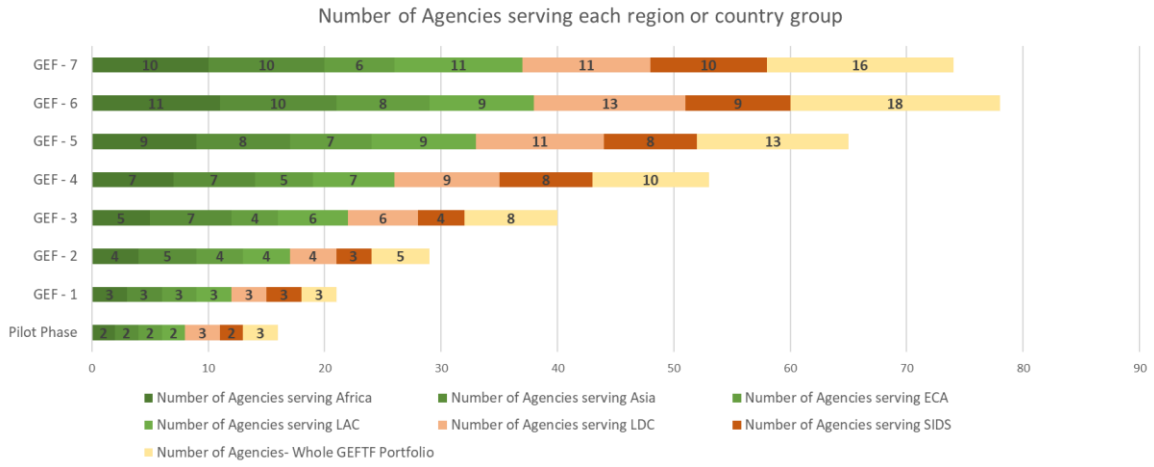


33. **The HHI analysis helps to illustrate the continued improvement in the distribution of GEF projects by Agency.** Coverage and country choice do vary across regions, sub-regions, and groups of countries, but the Partnership continues to provide access to all countries seeking GEF financing. Consistent with past reporting on concentration, the following sections present analyses using the established methodology to monitor this issue across the agreed dimensions, i.e. geographic coverage, thematic coverage, effectiveness and efficiency, and engagement.

i) Geographic Coverage

34. **It is important to maintain and promote the current array of choice countries have when accessing GEF financing.** Analysis of the number of Agencies used by countries to implement GEF projects reveals that, while there are different experiences across country groupings, in most cases countries have a variety of Agency choice across geographic regions and country classifications. The majority of countries classified in the LDC country group and the Africa and Latin America and the Caribbean country group have already used 5 or more Agencies for implementation during the period from the Pilot Phase to GEF-7 to date. Only countries in the SIDS and East and Central Asia categories have not used 7 or more Agencies, while over half of SIDs have made use of 5 or more GEF Agencies to implement projects. This suggests that LDCs and SIDs have a reasonably wide choice of international and regional entities available to them for project implementation and that countries in all regions are exercising extensive choice across Agencies. Consistent with the findings presented in June 2018[12], the current Partnership continues to offer countries considerable choice between different Agencies. At least 91% of countries have used at least two different Agencies, and at least 77% of countries have used at least three different Agencies. The latest data presents progress since June 2018 with respect to the geographic coverage of the current network of eighteen Agencies across all GEF regions and different types of countries.

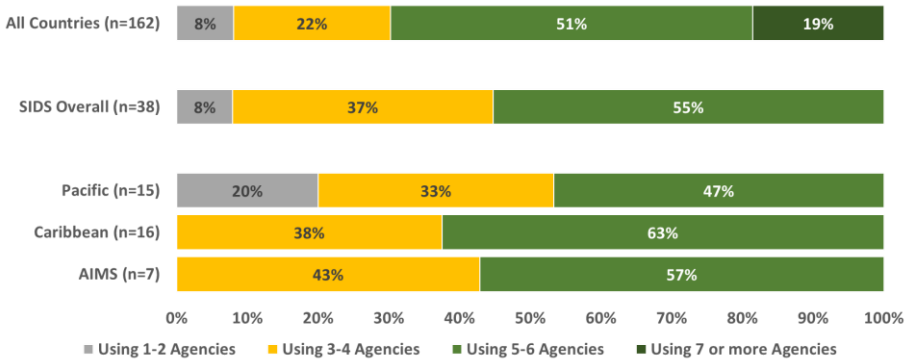
Figure 14: Number of Agencies implementing GEF projects, from Pilot to GEF 7 Period, by Country Grouping



[12] GEF/C.54/08, Strengthening the GEF Partnership, June 2018

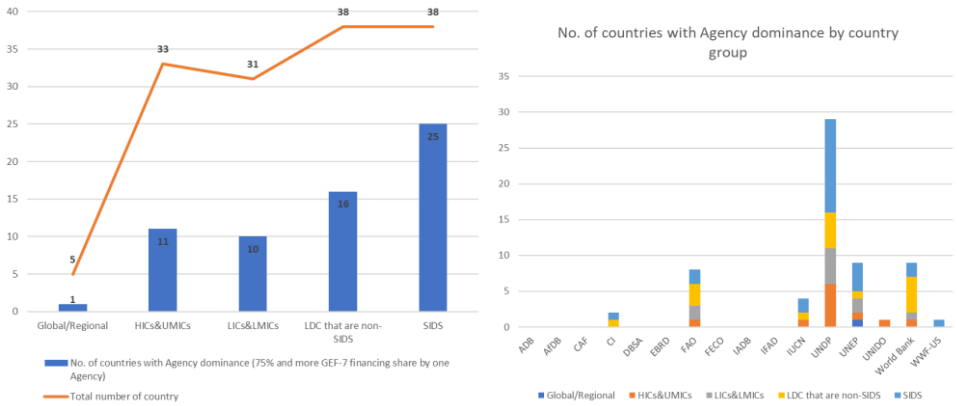
35. **Among Pacific SIDS, the number of countries using just one or two GEF Agencies remains higher than that of LDCs or SIDs overall**. Nevertheless, almost half of the Pacific SIDS have been able to access funding during the GEF 5-7 period from at least five different GEF Agencies. Among Caribbean SIDS this figure is even higher, with almost two-thirds of countries in this category making use of at least five different Agencies during this period, with no country of the 16 in this category using fewer than three.

Figure 15: Number of Agencies implementing GEF projects during the Pilot to GEF-7 Period in SIDS – by sub-group within the SIDs Country Grouping



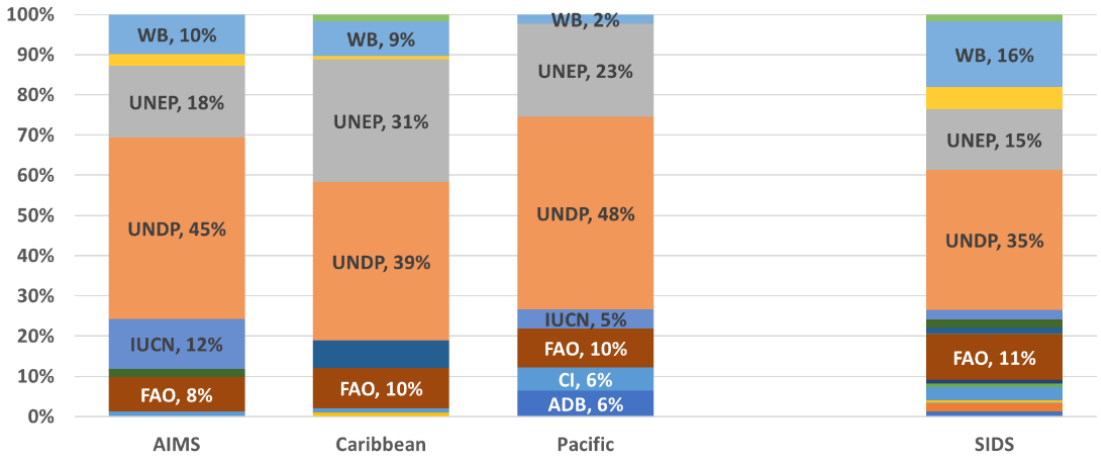
36. **The choice of Agency is still relatively diverse when looking only at SIDS.** A more detailed review of the choice of Agency by SIDS reveals that – while the use of UNDP, UNEP and World Bank remains prominent - there is a significant diversity of Agency use, especially during the more recent GEF 6-7 Replenishment periods. In particular, the use of smaller international Agencies and FAO has shown an increase, while the role of UNDP is far more prominent in ECA than among the SIDS and LDC country groups. Nevertheless, in 25 of the 38 SIDs, there is only one Agency responsible for 75% or more of the country's GEF-7 programmed amount to date. (see figure 16). In 37 of the 38 SIDS, over 50% of their GEF-7 financing is implemented by just one Agency.

Figure 16: Prevalence of Agency dominance among countries – among 38 SIDS, 25 rely predominantly on one Agency (based on Agency share of GEF-7 financing volume > 75%)



37. **Among Pacific Island and Caribbean SIDS, there has been a diversity of GEF Agency use.** This is the case notwithstanding the higher relative shares implemented by UNDP in the Pacific, Caribbean, and countries of the Atlantic, Indian Ocean, Mediterranean and South China Sea (AIMS) grouping.

Figure 17: A breakdown of the SIDS Group by Country Region: Approved Amounts by Agency, GEF-6, and GEF-7 Period

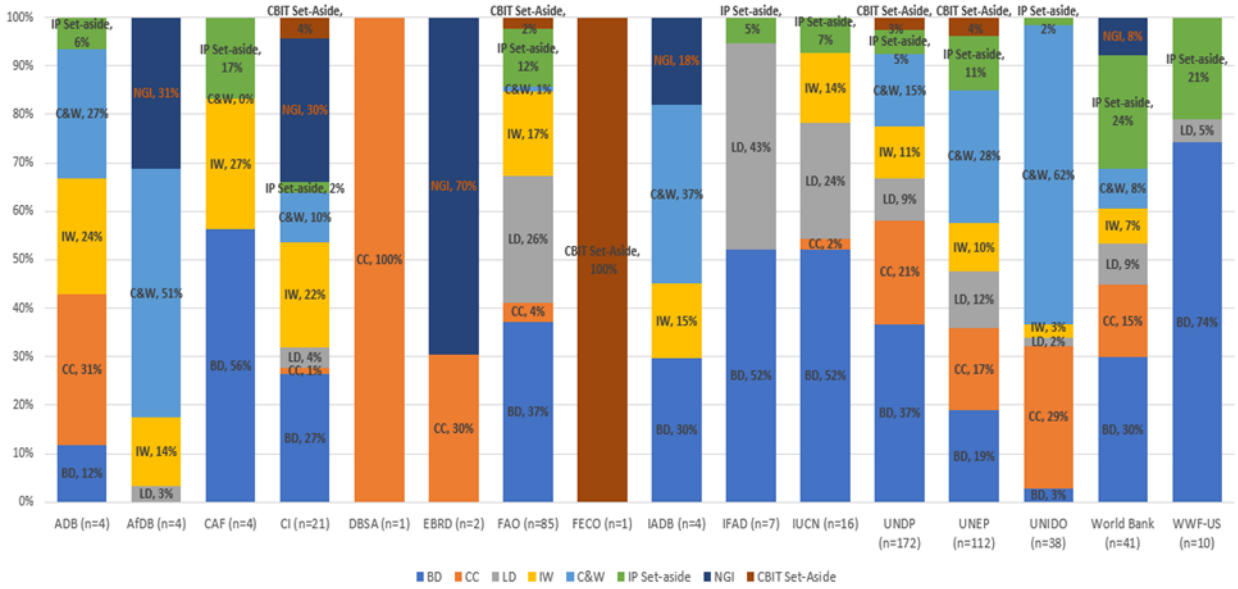


ii) Thematic Coverage

38. **The second dimension that has been used to assess the level of concentration among GEF Agencies is thematic coverage.** This refers to the extent to which Agencies support countries through implementation of projects across a number of different Focal Areas or other objectives. As shown in Figure 18, during GEF-7 to date, larger Agencies have generally been able to offer a more diverse portfolio of thematic options to recipient countries. For some of the newer Agencies, however, the relatively lower engagement to date in GEF-7 projects skews their outcomes dramatically (e.g. DBSA and FECO).[13] By contrast, Agencies with international reach have largely been active in a variety of different Focal Areas. The dimension of thematic coverage arguably has limitations, however, as the relative strengths of the various GEF Agencies, relative STAR allocations and other county-driven factors will determine the level of engagement of a GEF Agency in a particular Focal Area or other GEF-funded activity. Diversity in type of activity or thematic coverage may also be a function of Agency size or regional focus and may not reflect effectiveness with respect to achievement of global environmental benefits and other factors. It should also be noted that for some specific activities, Agency choice may necessarily be limited (e.g. prominent roles played by UNDP, UNEP and Conservation International in CBIT projects).

[13] BOAD and FUNBIO are not included as they do not yet have an approved GEF-7 commitment.

Figure 18: Thematic coverage by Agency, by GEF-7 cumulative approved amounts[14]



iii) Effectiveness and Efficiency

39. **Past measures of effectiveness and efficiency have been complemented with additional metrics now available that provide a more results-level perspective.** Measures of Agency effectiveness have in the past relied on levels of co-financing to provide a proxy indicator for effectiveness in project/program delivery and achievement of GEF objectives. Co-financing generated by projects and programs implemented by MDBs/IFIs and UN Agencies has generally been at the higher end of the Replenishment targets and have been increasing steadily over the previous four Replenishment Periods. Multi-Agency projects have exhibited the highest level of variability, and projects implemented by other Agencies added during the first and second expansions have exhibited slightly lower co-financing ratios.

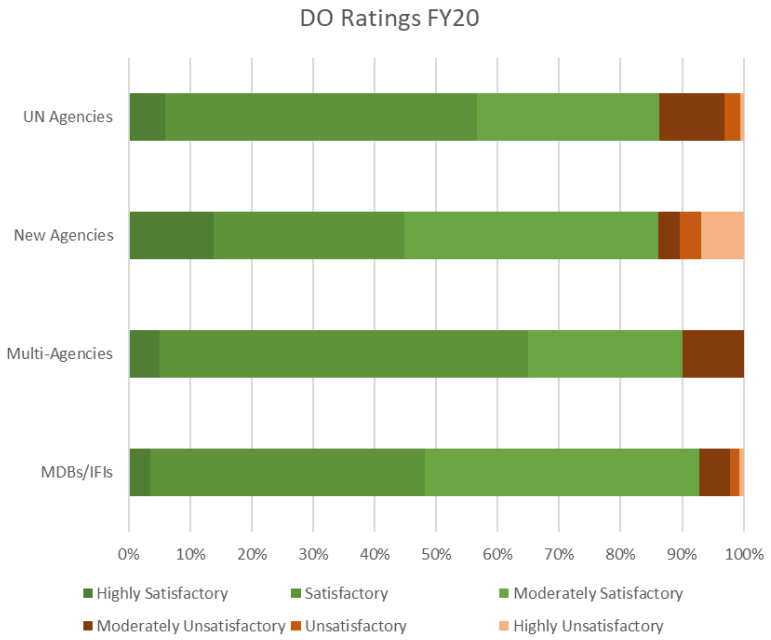
40. **While co-financing ratios have increased over time, they don't provide the best indicator of overall Agency effectiveness from the perspective of results or global environmental benefits achieved**. The use of co-financing as an indicator of effectiveness may provide a window into the relative ability of Agencies to leverage additional resources to achieve project results, however as an input-related indicator of project activity it does not capture the output or outcome-level measure of Agency effectiveness. Additional measures to capture both effectiveness and efficiency at a more results-based level are therefore introduced in this analysis, i.e. the Development Outcome, Implementation Performance, and Disbursement Ratio indicators reported in the GEF's Annual Monitoring Report.

41. **The Development Outcome (DO) ratings provide additional signals with respect to the effectiveness of various Agency groupings at a results level**. Generally, the DO ratings for MDBs/IFIs during FY20 are higher than other Agency groups, as shown in Figure 20. Agencies issue these ratings during supervision in line with their own methodology. This approach

[14] The number of approved GEF-7 projects is included alongside Agency names. Excludes BOAD and FUNBIO.

highlights Agencies' records in using resources effectively and providing the best value to countries.

Figure 19: Development Outcome (DO) ratings in FY20 across Agency Type



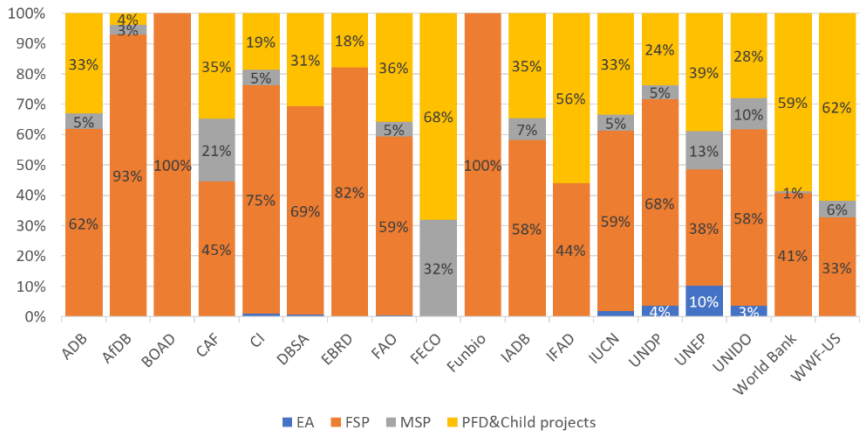
42. **These indicators show that generally, MDB/IFI projects perform at overall ratings of Moderately Satisfactory or above.** They are, however not without limitation, as both ratings rely on Agency self-reporting, and may be impacted by lower sample sizes among those in the New Agency category.

43. **Measures of Agency efficiency have also benefitted from recent improvements in monitoring and reporting by Agencies during GEF-7.** Previous reporting on Agency concentration has also included the composition of GEF project type by Agency. For GEF-6 and GEF-7, use by project type demonstrates: i) preponderance of FSPs, also reflecting larger project sizes; and ii) relatively prominent roles for UNEP, UNDP, UNIDO and IUCN in the delivery of Enabling Activities.

44. **Traditionally it has proven challenging to measure efficiency in delivering GEF financing.** However, the stepwise improvements in the quantification of GEF portfolio progress during GEF-7 have helped expand the scope for measuring this dimension of concentration. In previous analyses on Agency concentration, a proxy of project size has been used to provide an indication of efficiency in providing resources to countries, with the implicit assumption that larger projects (FSPs) provide a more efficient vehicle for achieving value for money. It was recognized that this remains an imperfect measure that will not capture valuable results achieved

by smaller projects, the Small Grants Program, Enabling Activities among others.[15,16] A review of the size distribution of GEF projects nevertheless shows that past expansions of the GEF Partnership have not resulted in meaningful changes in the distribution of the size of GEF projects. Indeed when comparing the cumulative volume of GEF funding implemented by Agencies from the Pilot Phase to GEF-7 to amounts implemented in just GEF6-7, only four Agencies (ADB, AfDB, CI, EBRD) demonstrate an increased reliance on larger FSPs to deliver GEF programming.

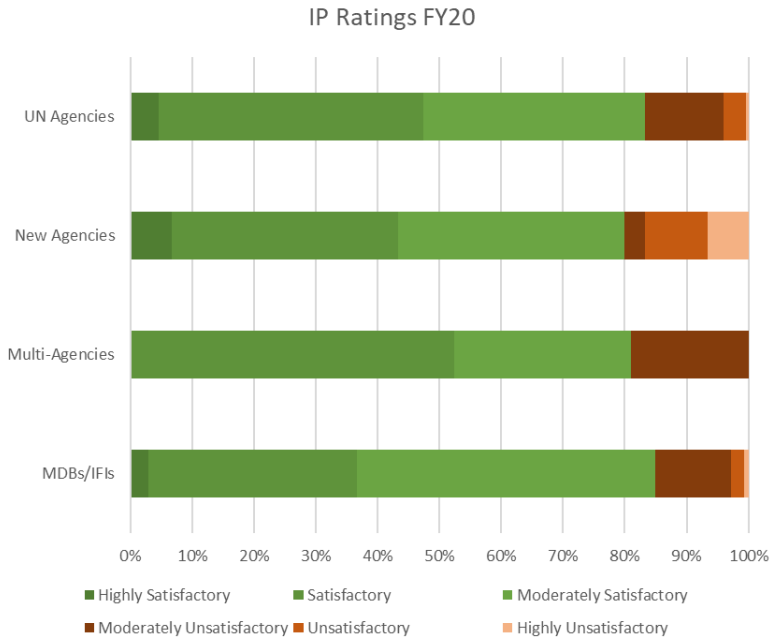
Figure 20: Project Type by Agency: GEF 6-GEF-7 only



45. **Implementation Performance ratings can also provide information on the relative efficiency of Agencies**. As with the introduction of DO ratings for effectiveness, an additional measure to capture efficiency of Agency implementation is now available, in the Implementation Performance (IP) ratings reported in the GEF's Annual Monitoring Report. The IP is an assessment on implementation performance covering key elements tracking the progress of activities and works on the ground, in alignment with each Agency's own methodology. As with the DO ratings, generally the IP ratings in the Moderately Satisfactory category and above are higher for MDBs/IFIs and UN Agencies during FY20, as shown in Figure 22.

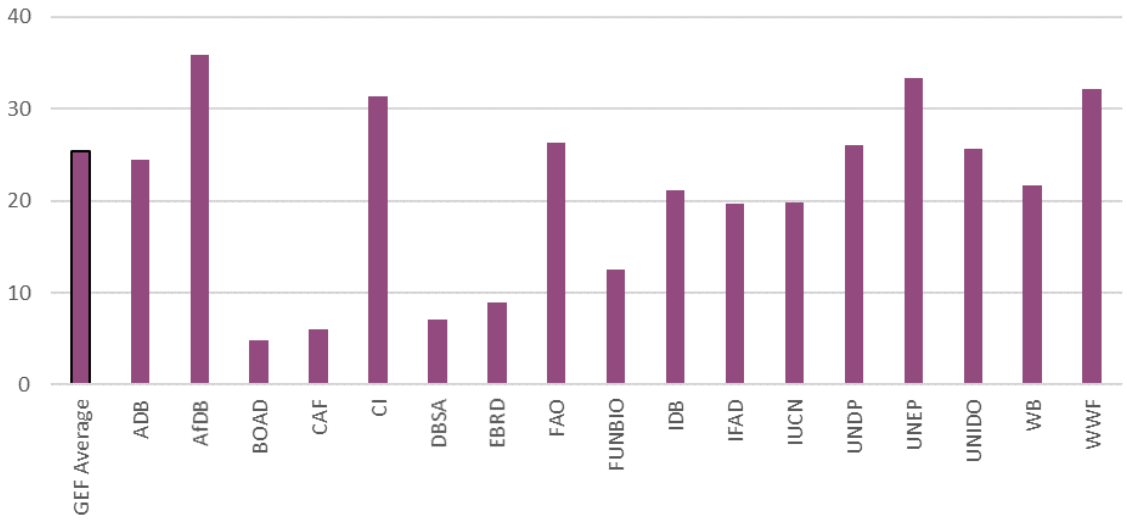
[15] GEF/C.50/07 Future Direction on Accreditation – A follow-up (https://www.thegef.org/sites/default/files/councilmeeting-documents/EN_GEF.C.50.07_Accreditation_0_0.pdf)
[16] GEF/C.54/08 Strengthening the GEF Partnership (https://www.thegef.org/sites/default/files/council-meetingdocuments/EN_GEF.C.54.08_Strengthening_the_GEF_Partnership_1_0.pdf)

Figure 21: Implementation Performance Ratings by Agency Grouping, FY20.



46. **As reported in the GEF's Annual Monitoring Report, disbursement ratios provide an indication of implementation progress at the portfolio level.** By measuring the pace at which Agencies make resources available to countries, this indicator provides a measure of Agencies' speed of implementation. The improvement in the overall level for the GEF in recent years is due in part to large disbursement amounts from FAO, UNDP, UNEP, UNIDO and the World Bank.

Figure 22: Disbursement Ratios by Agency in FY20, percent of total approved project amounts (total portfolio from Pilot to GEF-7)

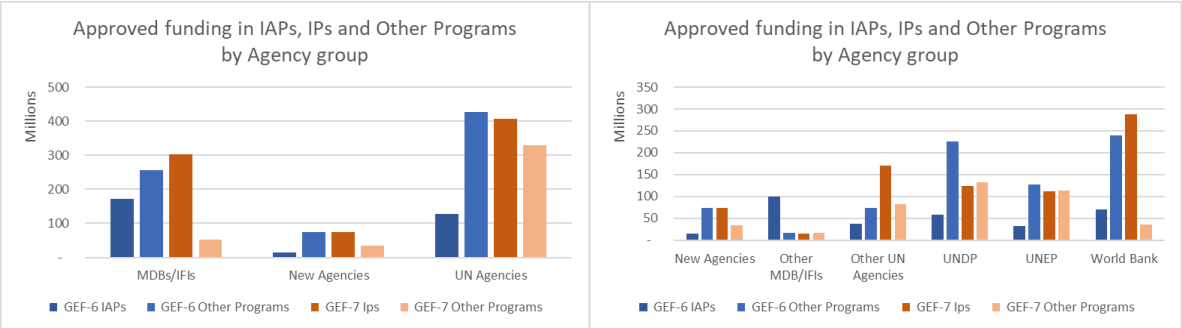


47. **Finally, a more comprehensive picture of trends in Agency performance from both an efficiency and effectiveness perspective may be available via the Portfolio Scorecard, where this information is presented for each Agency**. As this tool has been recently enabled by improvements in monitoring and reporting practices and systems, trends may only be visible in the coming years; nevertheless, the recent Scorecard provides a snapshot of the performance of all Agencies, to inform countries and the Council of the respective progress made by Agencies in implementing their portfolio of projects. [17]

iv) Engagement

48. **Engagement by Agencies at the country and GEF Partnership level has both a quantitative and a qualitative component**. An objective review of the number and type of projects submitted for approval and CEO endorsement provides an indication of the engagement of Agencies in recipient countries. Other indicators related to proactivity on operational projects, timeliness of achieving milestones in the project cycle, and overall responsiveness to country needs provide further insights. Beyond these, the level of engagement in the GEF Partnership overall, through the sharing of knowledge and lessons learned, the development, implementation and review of various shared GEF strategies, policies and guidelines is manifested through close partnership and frequent communication among Agencies and with recipient countries, the Secretariat, Council Members and others. These inter-relationships have over time fostered commitment, strategic alignment and predictability and have been facilitated by improvements in IT systems (e.g. GEF Portal) and project monitoring and project cycle efficiencies. Agencies participate in Council and other GEF governance meetings and processes and engage in Expanded Constituency Workshops and similar events at the country level. Agencies have also contributed to enhancements in the GEF-7 core indicators and the development of policies and procedures across a range of issues, including gender equality, stakeholder engagement and implementing environmental and social safeguards.

Figure 23: Agency Engagement in GEF6-7 Programs



49. **Previous expansions in the number of Agencies in the Partnership were motivated by objectives related to both qualitative and quantitative elements**. Almost a decade after the second round of Agency expansion, the evidence on engagment suggests that the experience has been mixed; while international agencies have engaged in both projects and programs and

[17] GEF/C.59/03/Rev.01, Monitoring Report 2020.

account for approximately 10% of GEF approvals to date, there has been more limited take-up from the national and regional entities added during this phase. As continued engagement in the Partnership has both costs and benefits for all parties, efforts may be necessary to encourage full participation in both elements: in knowledge, learning, and other activities for the achievement of shared objectives on the one hand, as well as active project and program preparation and implementation in support of countries' financing objectives.

Summary and Way Forward for GEF-8

50. **Consistent with previous reports on the issue of concentration, there is evidence that Agency coverage has improved in many key areas over the GEF6-7 period, with continued improvement in country choice of Agency and a decline in the concentration of GEF funding implemented by UNDP**. The current cohort of 18 Agencies continues to offer wide coverage over regions and country categories. Available data also demonstrates that, with few exceptions, engagement within and across the current Agency network and the Secretariat remains strong and that the current Agency network continues to provide the depth and breadth of capabilities required to serve the GEF's mandate.

51. **Nevertheless, four Agencies account for 80% of implementation so far during GEF-7, notwithstanding two phases of Agency expansion and representing a relatively modest decline when compared with their cumulative share since the Pilot phase.** Continued monitoring and more active management of the concentration of GEF funding is therefore warranted to, at a minimum, manage any associated risks. In addition, SIDs and LDCs with relatively fewer choices of GEF Agency may benefit from more active engagement by the current GEF Agencies that have hitherto not been active in these countries. Finally, Agencies that were added in the First and Second Expansions but who have been relatively less active in GEF-6 and GEF-7 could be encouraged to step up their engagement in GEF programming commensurate with their status as full members of the Partnership.

52. **Lower engagement by some Agencies warrants additional action**. Some Agencies – particularly the multilateral development banks – are interested in making greater use of GEF funding but experience structural or procedural impediments that prevent projects from being submitted. Potential actions to address these have been identified and proposed as policy recommendations. For other less-active Agencies, the opportunities for additional programming may be more limited and the cost of continued engagement as a full member of the Partnership may over time outweigh the benefits. Specific measures have not been proposed for GEF-8 to address these relatively inactive Agencies, but could be considered in the future.

53. **Additional actions to address concentration of funding will be implemented, and are summarized in the Policy Recommendations paper.** These actions include**:**

(i) **Upstream support:** In light of the significant planning and other commitments already made by countries and their respective selected Agencies at this decision point, efforts to influence concentration through Agency choice will be implemented earlier in the GEF project cycle. Instruments to implement this include the Country Support Program, active engagement among the Secretariat and

OFPs in the review process, knowledge and learning activities, and enhanced country engagement activities.

(ii) **Enhanced monitoring and reporting on concentration:** Current reporting on cumulative Replenishment-level shares will continue to be included in the Semi-Annual Work Programs. Additional reporting along the agreed five dimensions (geographic coverage, thematic coverage, effectiveness, efficiency, and engagement) can also be regularized and included in the GEF's current reporting framework and/or Scorecards. This would enable corrective action to be taken earlier in the Replenishment Cycle in the event concentration measured through any of these dimensions were to reverse course and begin to increase.

(iii) **Further work on streamlining, including coordinating and synchronizing Agency and GEF approval processes:** Further efforts will be pursued among the Secretariat and the Agencies aimed at improving efficiency, lowering transaction costs, and avoiding duplication of processes, for the purpose of further incentivizing the engagement of all Agencies and improving the efficiency of working with the GEF.

(iv) **Opening eligibility for Small Grants Program (SGP) funding to other Agencies:** This would serve to diversify implementation that is currently the responsibility of just one Agency (UNDP). While this amounts to a relatively modest share of the total Replenishment amount (e.g. currently 3-4%) and therefore could have only a marginal impact on concentration in the near term, it could lead to scale-up activities or other programs implemented by a larger pool of Agencies. Details on this option are provided in the separate section on the SGP included in the Programming Document.

(v) **Exploring options to add more Agencies to the GEF Partnership:** There is a potential to address specific gaps in thematic and geographic coverage for recipient countries through the addition of new Agencies to the GEF Partnership. While the most recent Agency expansion has demonstrated a limited impact on concentration, Participants could request the Secretariat to prepare a proposal for Council to include the modalities to invite additional GEF Agencies to the Partnership to address these gaps.

CHAPTER 3: THE GEF-8 RESULTS FRAMEWORK

Enhancing Linkages Across Results Areas in GEF-8

54. **Over the past four years, the GEF has developed tools, practices and systems to measure its effectiveness by assessing how well it supports countries in achieving global environmental benefits.** It pivoted from an attempt at monitoring a large number of indicators through focal area tracking tools up until GEF-6 to gauging progress against a lean set of more relevant and integrated Core Indicators. Moving to these 11 Core Indicators and 33 sub-indicators also allowed streamlined reporting on project and program-level results. In the fourth year of the Core Indicators' use, GEF partners recognize the strength of this set of indicators in enhancing their ability to harness data and information on results for evidence-based decision-making and learning. This has translated into clearly articulated results at project and program level, grounded in consistent results measurement standards. These expected results provide the basis to report twice a year on aggregate progress in the Corporate Scorecard, also supporting the Secretariat in programming projects and programs to meet targets.

55. **This progress will become even more evident in GEF-8 as the Secretariat will report on actual results from a larger pool of projects and programs, underlining the importance of retaining current Core Indicators to build historical data trends.** As it adopted Core Indicators, provisions of the results architecture included a commitment to map GEF-6 projects to the new set of indicators. This commitment is starting to yield fruit as projects report on actual results when reaching mid-term (MTR) and terminal evaluation (TE) stages; milestones that many GEF-6 projects are expected to meet over the next two years. Already the 2020 and 2021 editions of the Monitoring Report started to report on actual results for the first cohorts of projects using Core Indicators. In this context, retaining the current set of Core Indicators will allow to identify data trends, analyze progress and contain the burden of reporting. Therefore, only minor adjustments will be made to the structure of Core Indicators. This is also in line with the continuity in strategic priorities since GEF-7 and mindful of the time lag to report on any new indicator.

56. **The Secretariat now leverages this data to provide robust analytics to Council, countries and Agencies on portfolio progress, for the 900 projects under implementation in 143 countries.** Strong systems and data governance overhauled in GEF-7 underpin programming, portfolio and results monitoring analysis through the GEF Portal. Over the past few years, the Secretariat has transformed its ability to inform the GEF Partnership on implementation progress and challenges. This is evident through the GEF-7 Scorecard published twice a year and the stronger analytical focus of the Annual Monitoring Report. Better systems also allowed the design of the Portfolio Scorecard introduced over two years ago, which assesses the effectiveness and efficiency of the portfolio under implementation through a set of metrics capturing complementary performance measures. The Secretariat is also empowering countries with the data they need to program projects and monitor implementation through Country Factsheets. This tool also provides a useful way to conduct dialogue with countries based on evidence. Within this environment, the Secretariat monitors the progress of high-quality projects and programs to detect challenges early on and promote proactive resolution.

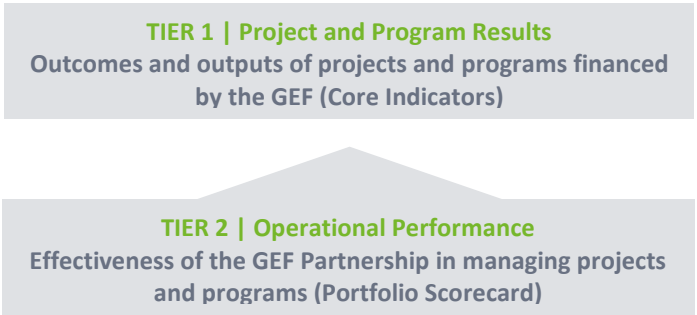
A Results Measurement Framework to Assess the GEF's Contribution to the Environment

57. **Building on its current results architecture, the GEF will continue to improve its results toolkit further to better reflect and address the complexity of tackling global environment challenges.** It is not easy to report on the impact of GEF-financed projects and programs effectively, as environmental progress is complex and not linear. It is also challenging to attribute large scale transformation to GEF activities and to grasp how global environmental benefits help improve people's well-being. Of course, each GEF project has a results framework collecting quantitative and qualitative data on outcomes, but this is not enough to account for the broader impact of the GEF. This is where Core Indicators are so important as they allow aggregation of information across projects and programs. In some cases, quantitative data needs to be complemented by qualitative stories about how GEF-financed activities contribute to outcomes. In this regard, the Good Practice Briefs prove useful tools to tell broader, more impactful stories.

58. **As GEF-8 is poised to begin, the GEF intends to adopt a comprehensive results framework that will help it meet its environmental goals and measure its performance.** It is challenging to report the breadth of GEF's work effectively—partly because of the many existing objectives to reverse environmental degradation, and partly because the GEF is a complex partnership of many moving parts and accountabilities. Therefore, this GEF-8 Results Measurement Framework will bring to the fore evidence of progress as it happens. It reflects the implementation pathways articulated in GEF-8's theory of change.

59. **A Results Measurement Framework will capture the GEF-8 value proposition; disentangling the way the GEF aims for operational results (Tier 1) from operational inputs (Tier 2).** Tier 1 measures the GEF's contributions in achieving global environmental benefits, through aggregated and already existing Core Indicator data. Tier 2 assesses the GEF Partnership's progress in implementing operations, along the already existing Portfolio Scorecard indicators. The two tiers describe the GEF's ability to transform its financing into global environmental benefits. By vertically aligning the two tiers of measurement, the Results Measurement Framework establishes stronger conceptual linkages between the GEF's outcomes (Tier 1) and the inputs, processes and activities (Tier 2) that helped lead to them. This architecture also makes it easier to analyze each field, learn from implementation and report on progress.

Figure 24: Two Tiers of the proposed GEF-8 Results Measurement Framework



Additional Measures to Enhance the GEF's Results Focus

60. **Priorities to better manage for results in GEF-8 encompass the GEF-8 Results Measurement Framework and additional areas.** Just measuring the positive impact of GEF investments is not enough: the GEF needs to constantly increase its impact in achieving meaningful environmental outcomes. To do so, the Secretariat is suggesting actions within the scope of GEF-8, presented here and detailed further in this section:

- *Improving the tracking of the GEF's contribution to system change.* The GEF needs a results framework that promotes transformative impact in the systems it is targeting. It also introduces measures in Impact Programs capturing the achievement of key levers leading to system change.
- *Better measuring co-benefits in improving human well-being.* As the relationship between the environment and society is becoming ever more important, it is instrumental for GEF projects to explicitly consider social co-benefits. This includes improving people's quality of life and ensuring gender equality to enhance the impact in delivering global environmental benefits.
- *Deepening the assessment of GEF operations' impact on the economy.* Building on recent work quantifying the value of nature in the economy, the GEF Secretariat intends to use tested methodologies that estimate the return on investment of its investments. This will take place as a research agenda that explores ways to enhance data accuracy and estimates.
- *Strengthening the monitoring and evaluation frameworks of projects and programs.* High-impact projects and programs require a robust results framework and Monitoring and evaluation (M&E) plan. The GEF will continue to strengthen the use of theories of change for projects and programs, as well as ensure impact programs develop M&E plans that reflect its full impact.
- *Supporting the implementation of the GEF's delivery model.* As the financial mechanism to five conventions, the GEF will continue to enhance its reporting to conventions on the flow of funds and results supporting conventions' objectives. It will also extend the set of Rio Markers it covers and refine its Portfolio Scorecard to emphasize learning and adaptation during implementation.

61. **Achieving these five mutually reinforcing objectives requires actions that will take place both during the replenishment negotiations and in the GEF-8 programming period.** These actions include conceptualizing the overall GEF-8 Results Measurement Framework architecture, piloting new methodologies to deepen the assessment of GEF's impact, strengthening business processes to track and report on results, and reinforcing project and program design with clear theories of change and M&E plans.

62. **This GEF-8 Results Measurement Framework will build on recent years' experience in strengthening the focus of the GEF on results, as well as from both internal and external analyses.** It draws on similar endeavors in international financial institutions and is informed by discussions led by the GEF and sister organizations as part of the Climate Funds Collaborative

Platform on Results set up in 2020. Those actions also continue address findings from the GEF Independent Evaluation Office's 2017 Review of Results-Based Management, as well as its 2021 update in OPS-7. Studies from the GEF's Scientific and Technical Advisory Panel also provided elements that fed in the design of the following priorities.

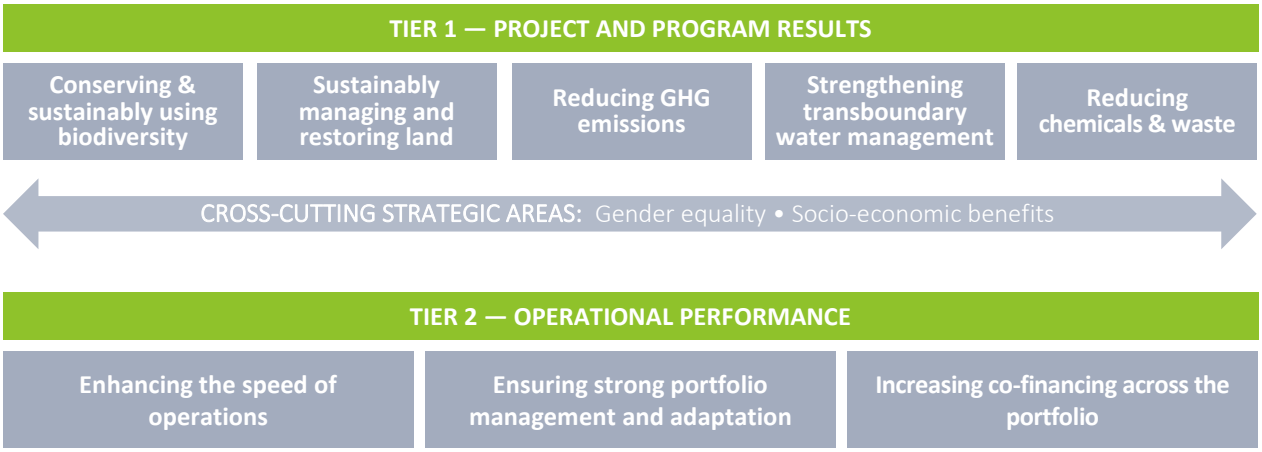
Actions to Increase the GEF's Impact

Improving the Tracking of the GEF's Contribution to System Change

63. **The proposed Results Measurement Framework integrates the Global Environmental Benefits it targets in a comprehensive vision of what the GEF aims to achieve, assessing how change is taking place.** The Framework's vertical architecture highlights the causal chain across GEF operations. It presents how major operational achievements at Tier 1 materialize through Agencies' activities in Tier 2 by grouping metrics focused on the drivers of operational change.

64. **Each tier of the GEF-8 Results Measurement Framework includes a relevant and contained set of metrics.** Figure 26 shows these clusters of indicators for each of the two tiers of the Results Measurement Framework. Existing indicators for Tier 1 and Tier 2 will be used, drawing respectively from the set of Core Indicators and the Portfolio Scorecard. The full list of Tier 1 and Tier 2 indicators, structured around the RMF groupings of indicators, is appended at the end of this section and highlights changes from the currently used indicators. The order of the indicators reflects the approach adopted to develop the new grouping of indicators, which is based on environmental themes, rather than on source of funding.

Figure 25: Two tiers capturing the GEF's aspirations, results, and operational effectiveness



■ *Tier 1* — Outcomes and outputs of projects and programs financed by the GEF (Core Indicators)

65. **The GEF-8 Results Measurement Framework maintains the set of Core Indicators introduced in GEF-7, as minor changes are introduced.** Taken together, the Core Indicators constitute Tier 1 metrics that report the aggregated environmental outcomes supported through GEF-financed operations. They cover all key Global Environmental Benefits targeted across

programming priorities that are aggregable and used across a large enough number of projects. Minor changes to the structure of Core Indicators and sub-indicators address issues that emerged during GEF-7. These changes improve the capture of environmental results vital to the achievement of GEF-8 Programming Directions. This includes minor changes in the structure of Core Indicators to better account for integrated results achieved in different focal areas. The extent of changes is limited given the continuity in strategic priorities since GEF-7 and to avoid disrupting existing data trends. For these reasons and mindful of the time lag to report on actual results, the introduction of entirely new Core Indicators is not considered.

66. **Additional work will take place to ensure that Impact Programs will embed into their design key levers for change that put them on the path to enable transformation in a sustainable manner.** These levers leading to system change will be integral to each Impact Program's theory of change and are presented in detail in the separate document on programming directions. They cover the following levers: governance and policies, innovation and learning, financial leverage and multi-stakeholder dialogue. In doing so, the GEF adopts and adds onto the measures amenable to improving the impact and durability of GEF investments, including using a theory of change, engaging in multi-stakeholder processes, involving stakeholders and implementing adaptive learning[18].

67. **Informed by the GEF-7 experience and IEO findings in OPS-7, the RMF will refine a few indicators and update results guidelines.** As new investment areas warrant new metrics, an indicator assessing the amount of avoided plastic entering the non-recycled waste stream will be tracked[19], replacing the current sub-indicator on the amount of Marine Litter Avoided. This is based on the recognition that waste needs to be assessed beyond marine areas only and in a way that focuses on the breadth of environmental impacts throughout the plastic value chain. The Secretariat will work with Agencies to ensure projects currently using the Marine Litter Avoided indicator will transition to tracking the amount of avoided plastic entering the non-recycled waste stream at the next opportunity available, MTR or TE. Likewise, a new sub-indicator to the core indicator tracking the reduction of chemicals of global concern will be added with a focus on Highly Hazardous Pesticides eliminated. It will capture results around sustainable agricultural management in operations. In addition, minor updates to the guidelines will clarify methodological matters. This will take place in line with GEF-7 experience and IEO findings in OPS-7. Likewise, the label of the Core Indicator named "Area of land restored" will be updated to clarify that land restoration is a process and sub-indicators will better qualify the types of ecosystems – and areas under restoration, including for biodiversity benefits.

■ *Tier 2* — Effectiveness of the GEF Partnership in managing projects and programs (Portfolio Scorecard)

68. **Metrics under the recently introduced Portfolio Scorecard provide progress updates on operational progress assessing how projects and programs perform in delivering results.** This tracking framework helps understand portfolio progress through different dimensions. Established within the context of the COVID-19 pandemic marked by heightened project implementation challenges, this framework provides a consistent approach to reporting progress

[18] GEF/C.57/08, *Towards Greater Durability of GEF Investments*, 2019.
[19] This builds on STAP's analysis available at: GEF/STAP/C.54/Inf.05, *Plastic and the Circular Economy*.

over time, with indicators that allow for comparability across Agencies, reinforced by the use of a traffic-light system. The 2020 and 2021 editions of the Monitoring Reporting present how the three groups of indicators track different aspects of the GEF business in the Portfolio Scorecard. The first assesses the speed of projects throughout their lifecycle. The second measures key portfolio management indicators, and the third monitors the materialization of project co-financing. Taken together, these groups of metrics provide a picture of how well implementation is taking place.

69. **A new indicator tracking the timely completion of Terminal Evaluations will be introduced, along with an improved way to assess co-financing materialized.** Much learning occurred through analyzing the first three years of Portfolio Scorecard data. Presenting performance data by region and Agency is valuable in understanding patterns and driving actions. Narrative assessments also allow for a nuanced understanding of the performance of projects under implementation and to identify changes in data trends. In this context, Tier 2 indicators track project effectiveness and efficiency from inception to completion. A new indicator tracking the timely submission of Terminal Evaluation reports will complement this set of indicators. Developed in consultation with IEO, it aims to assess the share of completed projects submitting Terminal Evaluation reports on time, in alignment with the GEF Evaluation Policy standard and practice. In addition, improvements will take place to improve the methodology assessing co-financing materialization as the current indicator has reached 100 percent during two consecutive fiscal years. Instead, it will focus on the share of projects that have materialized at least 80 percent of co-financing at completion.

70. **A new Tier 2 indicator will monitor how projects adapt to improve implementation.** Adaptive management emphasizes key tenets of project success: learning, responding and adapting. Being able to assess if a project takes measures to overcome current challenges matters. This is particularly important for projects that are rated in the unsatisfactory range or have persistent low disbursement, for which more proactive implementation is required. A new Tier 2 indicator, named the Proactivity Index, will be introduced to gauge progress for these projects, checking if a year after they have either upgraded project ratings, held a mid-term review or conducted changes to the project structure, either minor or major ones. This indicator is currently used in Agencies, such as the World Bank and IFAD.

Better Measuring Co-Benefits Improving Human Well-Being

71. **In meeting its mandate to deliver global environment benefits, the GEF also assesses how projects and programs improve people's lives to strengthen environmental results.** Since GEF-7, this is tracked at the corporate level by a Core Indicator measuring the number of people directly benefiting from a specific project's intervention, disaggregated by gender. Initial analysis indicates GEF-7 projects and programs benefit a high number of people and with an overall gender balance. Reporting on this Core Indicator comes in addition to the myriad of socioeconomic co-benefits directly tracked by projects[20]. Separately, the gender analysis and action plan designed during project preparation is also ensuring that projects advance gender equality as a central element to achieving environmental progress (see Box 2). Likewise, projects

[20] See for a review of these benefits: IEO, Evaluation of the Multiple Benefits of GEF Support through Its Multifocal Area Portfolio, 2018; IEO, Evaluation of GEF Engagement with Micro, Small, and Medium Enterprises, 2021.

and programs promote stakeholder inclusion as well as protection of vulnerable groups and individuals.

Box 2. The implementation of the Gender Policy promotes gender equality in projects and programs

At the onset of GEF-7, the implementation of the Gender Equality Policy built upon previous enhancements and has yielded gender equality results in GEF projects and programs, as attested by IEO's 2020 Evaluation of Institutional Policies and Engagement of the GEF, as well as the Secretariat's 2021 Progress Report on the GEF Gender Implementation Strategy. These analyses show that gender dimensions are now considered early in project design and that plans are incorporated to carry out gender analyses and develop gender actions plans and sex-disaggregated and gender sensitive indicators during project development. They also indicate that GEF-7 projects that have reached CEO Endorsement/Approval have used gender analyses to identify risks and barriers to address gender gaps; inform project components and the development of gender action plans and project specific indicators to monitor and report on activities and gender equality results. The initial analysis shows that GEF-7 projects and programs incorporate a wide variety of important gender-responsive measures, projecting positive results on gender equality and women's empowerment.

72. **As the interplay between the environment and humans becomes ever more evident, the GEF will follow two tracks to reinforce its assessment of socioeconomic benefits—by disaggregating Core Indicator data and enhanced attention in project review.** While retaining the overarching Core Indicator on direct beneficiaries, the implementation of the GEF-8 results architecture will identify ways to better qualify project beneficiaries by programming areas. Reporting on the number of beneficiaries by areas of investment will provide a more granular and relatable way for assessing the contribution of the GEF investments to improving people's well-being. Data will be disaggregated by sex systematically for five indicators, drawing from the current indicator on beneficiaries tested in GEF-7. This will strengthen the focus on gender across focal areas. Separately, continuous focus will be put to ensuring projects and programs root the achievement of socio-economic benefits in the design of theories of change and track progress during implementation, where appropriate. This enhanced attention during project and program review will be informed by Agencies' own experience and analysis from STAP and IEO, suggesting concentrating on co-benefits that are requisite to the achievement of Global Environmental Benefits[21]. It will aim to better track the many socio-economic benefits taking place in projects and programs, including through the design of custom indicators specific to the context of each activity supporting the achievement of environmental objectives.

Deepening the Assessment of GEF-financing on the Economy

73. **Recent reports have made forays into estimating the value of nature in economic terms and the cost of inaction, while partners are scaling up initiatives to value ecosystem**

[21] This builds on STAP guidance: GEF/STAP/C.61/Inf.03, *Enabling Elements to Achieve Durable Benefits: A Synthesis of STAP Guidance for GEF Project Investment*.

services and assets in countries. These efforts aim to disentangle the often-elusive nature of ecosystem services in relation to markets and economic actors.[22] In parallel to these analytical efforts, the just-released System of Environmental-Economic Accounting—Ecosystem Accounting (SEEA EA) provides an innovative and UN-vetted approach valuing ecosystem services and assets to ensure that natural capital — forests, wetlands and other ecosystems — are recognized in economic reporting. It is now rolled out in countries to make visible the contributions of nature to the economy and people. Already, over 90 countries have compiled SEEA accounts in some forms under the system's pilot phase and many more countries are planning to compile the accounts under the fully vetted approach.

74. **These efforts are nevertheless at the macro level; calling for a deeper understanding of how GEF-financed outcomes are delivered.** This can be achieved through a better understanding of the economic value that projects and programs bring to countries. The full effect of GEF-financed interventions does not stop at the delivery of global environmental benefits. They include socio-economic benefits and also have economy-wide impact. Beyond measuring the direct effects of GEF investments, existing approaches and economic models allow to assess the indirect and further ripple effects through countries' economies, although data gaps remain. Those methodologies apply with a different level of reliability in the context of different focal areas of intervention.

75. **The GEF will explore tested methodologies in GEF-8 as part of an exploratory and light research agenda that attempts to push the boundaries of results measurement.** The Secretariat will assess the merits of each methodology further and consider piloting effective and least time or resource-intensive methodologies. This could include estimating the return on investment of projects or tracing the flow of GEF's investments through an economy and subsequent impacts. This could also involve leveraging work conducted by partners and promoting knowledge sharing on efforts to conduct impact assessments that estimate environmental projects.

Strengthening Monitoring and Evaluation Frameworks

76. **Recently issued GEF guidelines have clarified the focus on results of GEF-financed projects and programs and harmonized further the capture of results data from identification to completion.[23]** They bring together key elements from existing guidelines, policies and project documents that help strengthen the results focus of GEF-financed operations along the project life cycle. This includes using Core Indicators, but also designing a results framework and a monitoring and evaluation plan. The guidelines also highlight how projects report on implementation progress and results. A checklist appended to the guidelines helps Agencies ensure that critical M&E and results dimensions are considered when preparing and implementing projects. Altogether these changes have enhanced the GEF's ability to harness data and information on results for evidence-based decision-making and learning.

[22] See for example: Partha Dasgupta, *The Dasgupta Review on the Economics of Biodiversity*, 2021; Paulson Institute, *Financing Nature: Closing the Global Biodiversity Financing Gap*, 2020; McKinsey & Company, *Valuing Nature Conservation*, 2020. Separately, a recent analysis estimates the economic cost of a potential collapse in select nature services: World Bank, The Economic Case for Nature, 2021.

[23] See Annex 3 in: Guidelines on the Project and Program Cycle Policy (2020 Update), GEF/C.59/Inf.03

77. **Efficient project delivery starts with ensuring readiness for implementation at the design stage.** The GEF strives for **i**nterventions that achieve their intended environmental objectives on time. In this connection, the results logical framework and theory of change help Agencies and countries think through project design by clarifying the objectives and the logic of intervention that guide project design. The logical framework is therefore the centerpiece of a well-designed project. Going forward, the GEF will continue to enhance its focus on ensuring that projects and programs effectively capture the logic of intervention. This will also include ensuring that implementation arrangements are sound, clear and in line with good practices, allowing for effective implementation of the M&E plan. This effort is supported by the fact that the GEF is now consistently budgeting for results at the project level, linking outcomes to expenditure categories. Bringing intended results and financial resources in one table as is now the case allows for heightened financial management analysis. In future, the GEF will continue to improve the recording of project budgets to generate more accurate information about expenditures and to improve the value for money of the activities it finances.

78. **The use of theories of change in projects and programs has strengthened design and will continue to enhance learning and measurability of results.** Theories of change have been used across projects and programs more consistently in the second part of GEF-7, in part motivated by STAP's work in this area.[24] They not only articulate what outcomes the project aims to change and how (causal pathway), but also build into them the critical assumptions and barriers that could impact the achievement of expected results. This includes possible constraints or risks, so that those risks can be better managed. Altogether, theories of change help articulate core design elements, promote learning and enhance measurability of results at the time of evaluation. Promoting the development of effective theories of change will continue in GEF-8.

79. **Program M&E frameworks will be reinforced in GEF-8 to enhance coordination, learning and results across child projects so that programs deliver more than the sum of their parts.** Experience from the implementation of the Integrated Approach Pilot programs indicates the key role of coordination child projects to assess results across child projects. For example, the Resilient Food System program established an M&E plan during implementation that also provided an opportunity to reflect on ways to monitor resilience. There is scope to enhance the use of the coordination child projects, as articulated in the Management Response to IEO's 2021 evaluation of GEF Integrated Approach to Address the Drivers of Environmental Degradation. This includes designing the global coordination project alongside the Program Framework Document. This will ensure that program priorities including the theory of change, results framework, and governance mechanisms are well established at the time of the PFD submission. Recognizing the core role of coordination child projects matters as they serve as anchors for knowledge exchange, learning and catalyzing systemic change through the program. Learning will also be enhanced by encouraging mid-term systems-based workshops to review drivers and barriers—and adapt accordingly.

Supporting the Implementation of the GEF's Delivery Model

80. **A coherent set of policy measures and tracking mechanisms underpin the goal of delivering results on time and with quality, across a portfolio of 900 projects under**

[24] STAP, *Theory of Change Primer*, 2019.

implementation in 143 countries. Over the past few years, the GEF Secretariat has initiated several measures to strengthen the quality and speed of project and program implementation. In particular, the adoption of the 2018 policy measures to enhance operational efficiency, accountability and transparency helped support the GEF's responsiveness to the needs of countries and ensure that GEF-financed interventions lead to better and faster results. Those policy objectives also form the rationale for selecting many of the metrics in the recently introduced Portfolio Scorecard, as well as for empowering countries with the data they need to program projects and monitor implementation through Country Factsheets. Within this environment, the Secretariat monitors the progress of high-quality projects and programs to detect challenges early on, conduct analysis, disseminate findings broadly and learn lessons.

81. **The GEF established strong systems for capturing progress data through its Portal and continued refinement of data quality and governance is taking place.** The Portal tracks key information during project implementation, including progress in achieving expected results and materialized co-financing, speed in reaching project milestones, and implementation of core GEF Policies on Gender Equality, Stakeholder Engagement and Environmental and Social Safeguards. Agencies also provide narrative updates on project progress and challenges during implementation. This effort to translate results, knowledge and policy requirements into the GEF Portal helps enhance data capture and effective reporting, in a way that allows continued improvements in analysis. It takes place through dedicated online modules for Project Implementation Reports, Mid-Term Reviews and Terminal Evaluation reports, with data and information tailored along these project milestones' respective monitoring requirements. With this progress, the Portal has transformed the GEF's ability to leverage data for robust analytics.

■ *Ensuring Stronger Project and Program Delivery*

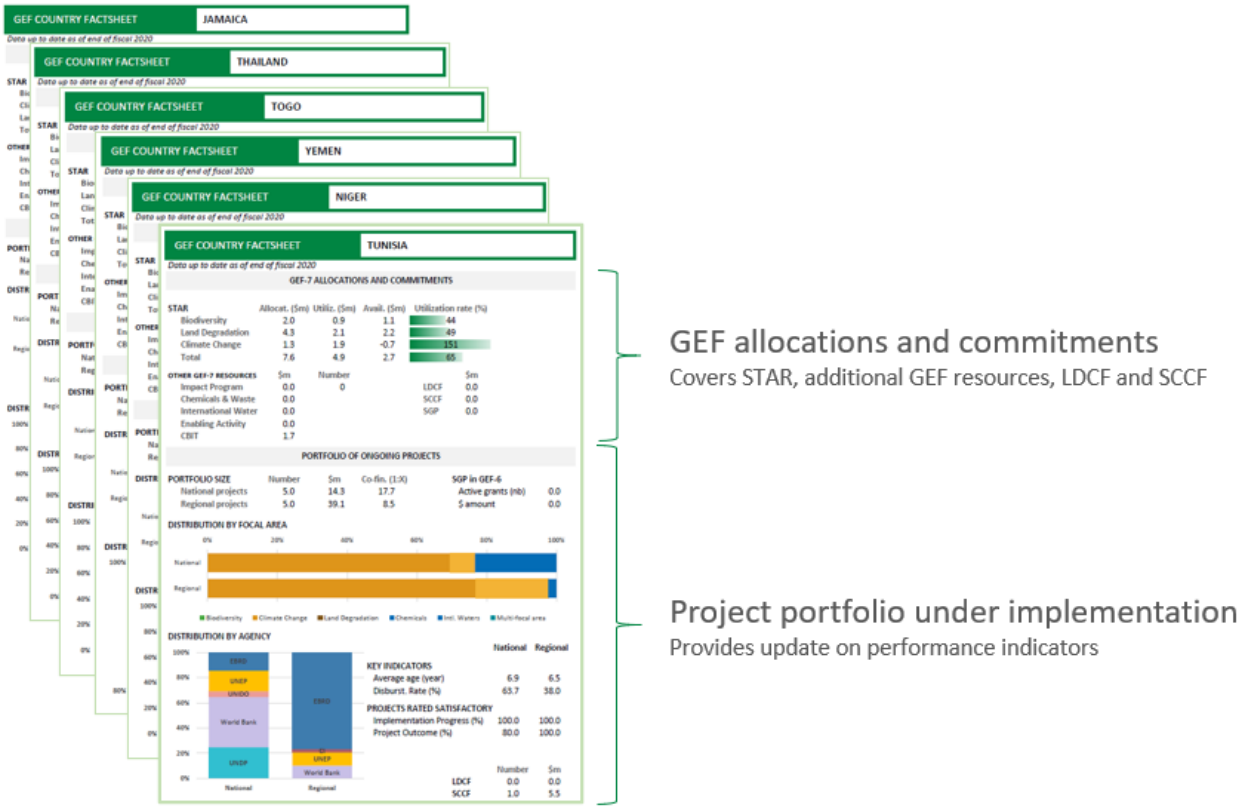
82. **The recently established Portfolio Scorecard is articulating and tracking project progress and quality along a set of metrics.** These indicators include measures of the speed of projects, quality during implementation, disbursement progress and the materialization of project co-financing. By incorporating both objective measures of performance, such as the disbursement ratio, and performance ratings issued by Agencies during supervision, the Portfolio Scorecard aims to overcome the lack of candor and comparability challenges identified in recent evaluations.[25] The Portfolio Scorecard provides a consistent approach to reporting progress over time covering the full project life cycle, with indicators that allow for comparability across Agencies, reinforced by the use of a traffic-light system. As a "living document", this framework will evolve and improve over time as the GEF's ability to track progress expands. It will include metrics that track adaptation during implementation. This framework is being translated into a fully automated performance system at the project level to be made available through the Portal to Agencies and countries, acting as an early warning system to promote progress.

83. **Separately, the Country Factsheets empower Operational Focal Points and countries with data to program new projects and track the progress of their ongoing portfolio.** In doing so, the GEF promotes accountability and transparency with countries. Designed to highlight areas of progress and challenges, the Country Factsheet is part of a process

[25] IEO, *Results-Based Management — Evaluations of the Agency Self-Evaluation Systems and the GEF Portal*, 2021, GEF/E/C.60/07.

where engagement and discussions are held with countries. First piloted at the February 2020 Expanded Constituency Workshop held in Kenya, this tool has fast become a key instrument to consult on programming plans, review progress in implementing projects and seek actions to improve portfolio performance (see examples in Figure 27). Factsheets are now made available ahead of Constituency Meetings and National Dialogues, leading to evidence-based exchanges. Plans are at advanced stages to automate the preparation of Country Factsheets, providing real-time data to countries. Taken together, these recent improvements in tracking the health of the portfolio have transformed the way the GEF helps countries, agencies and the partnership-at-large understand what progress projects and programs under implementation are making.

Figure 26: Country Factsheet Examples



■ *Promoting Learning and Adaptation*

84. **Results ultimately depend on effective implementation.** Fostering a culture of proactive implementation support and adaptive management is therefore vital. Promoting a safe adaptive management environment leads to greater flexibility and effectiveness in reaching quality results. It also means recognizing and learning from less successful projects. Encouraging such an approach would build upon the use of existing tools and leverage lessons learned. Taken together, the way forward outlined in the next paragraphs will improve the quality of implementation, enhance the understanding of progress and increase impact through implementation. This will take place to a large extent through dialogue with Agencies and countries.

85. **The GEF will continue refine the assurance framework for supervision and oversight to nurture a partnership culture centered on quality implementation and results.** Paying a close look at the portfolio under implementation matters more than ever in the context of the ongoing COVID-19 pandemic, which disrupts implementation on the ground and prompts adaptation measures. Effective project implementation provides the foundation to achieve the project environmental objectives, when supported by high quality design, risk assessment and M&E plans. The use of Mid-Term Reviews (MTRs) and yearly Project Implementation Reports (PIRs) helps identify emerging challenges and find solutions to address them. As the Secretariat continues to track compliance in submitting PIRs and MTRs with reporting standards, it will also ensure that these documents are used for proactive implementation support, with due engagement of Operational Focal Points.

86. **Engagement with Agencies around findings from the Portfolio Scorecard enhanced the shared focus on performance, paving the way for more evidence-based exchanges in GEF-8.** Developed as a GEF-wide portfolio oversight tool, the Portfolio Scorecard provides an overview of progress across the partnership, with data available by region, country group and Agency. The upside is significant to identify trends and challenges, but more needs to take place to strengthen its role as a management tool. In this direction, the GEF Secretariat will share bilaterally with each Agency an annual letter listing all projects identified by the Portfolio Scorecard as not meeting metrics' thresholds and inviting to address the identified challenges. The development of a live dashboard will complement this exercise.

87. **Promoting problem-solving dialogue at country level can take place through GEF-facilitated portfolio performance and learning reviews.** The dissemination of Country Factsheets already addresses the high demand from countries for evidence on programming and portfolio progress. Leveraging country factsheets and data alone will not solve portfolio challenges. In this context, holding Country Performance and Learning Reviews would provide a framework for dialogue on implementation issues and priorities, and help identify actions to enhance performance. This review could involve all relevant government, Agency and executing entity representatives. It would allow to take stock of progress and identify areas to enhance implementation progress, building on the experience of GEF Learning Missions focused on environmental areas. This tool will be piloted in GEF-8 on a select number of countries identified based on demand and specific challenges faced in the portfolio.

88. **A renewed focus on the Mid-Term Review (MTR) milestone will take place in GEF-8, encouraging its timely use as a forward-looking tool for learning and solving challenges.** The Secretariat will continue to monitor the time it takes to reach MTR as a way to ensure that this milestone takes place early enough in the project life to allow for adaptation measures and learning as a result of MTR findings. Beyond measuring timeliness and compliance in preparing MTRs, the Secretariat has committed to identify and disseminate existing good practices used by Agencies when preparing MTRs[26]. This endeavor is one part of the broader focus improving the quality of the portfolio under implementation through MTRs and learning from this progress. The Secretariat has already started to collect lessons learned from implementation at MTR review and completion. As it garners a high enough number of lessons, the Secretariat will curate

[26] GEF/E/C.60/09, Management Response to: Results-Based Management — Evaluations of the Agency Self-Evaluation Systems and the GEF Portal, 2021.

and disseminate this information in a way that enhances learning and adaptive management. These efforts build on analyses of MTRs provided by the Secretariat in the 2021 Monitoring Report and by IEO in OPS-7, and to be conducted on a more systematic basis going forward.

89. **The GEF will continue to promote a results-based culture**. Instilling a culture of proactive implementation support and adaptive management matters and requires a delicate balance between accountability and learning. Promoting a safe adaptive management environment leads to greater flexibility and effectiveness in reaching quality results. It also means recognizing and learning from less successful projects. This will complement the use of existing tools and leverage lessons learned. Taken together, these improvements will improve the quality of reports, enhance the understanding of progress and increase impact through implementation.

Accountability on Implementation Progress and Results

Reporting on the Results Measurement Framework and Progress in GEF-8

90. **Two complementary and distinct corporate performance reports guide directions, and promote learning and accountability to the Council, countries, Agencies and other stakeholders.** The Annual Monitoring Report is the GEF Secretariat's flagship report on the partnership's achievement of results and portfolio performance. It focuses on ongoing projects and programs financed by the GEF and includes a deep dive analysis each year. Meanwhile, the Corporate Scorecard provides twice a year a strategic overview of the progress made in the ongoing GEF cycle. It highlights the programming status by region, focal area, program and Agency, as well as provides an assessment of cross-cutting policies and corporate programs. Updates to the Corporate Scorecard in GEF-8 include reporting on private sector co-financing.

91. **Systematic reporting on actual results is set to take place in a way that highlights the GEF's increasing impact over the GEF-8 cycle.** Results reported in Tier 1 include aggregate latest achievement values from MTR and completion stages, as well as average achievement rates where appropriate. The Secretariat identified its approach to report on results going forward further to an analysis of the various ways through which Agencies report on results[27]. To demonstrate the extent of impact in GEF-8, reporting will be cumulative adding each year the level of results achieved during the previous year. This means Tier 2 results will first report progress achieved during FY22 (in the 2022 Monitoring Report); followed by FY22 and FY23; then FY22, FY23 and FY24; and finally, FY22, FY23, FY24 and FY25 covering the full GEF-8 cycle. This approach, which will highlight increased results achievement over time, is consistent with the approach adopted by the World Bank to report on results. The GEF Portal will continue to serve as the system to provide results by Agencies. Accountability will be focused on the main core indicators, with the addition of sub-indicators when projects start reporting on sub-indicators.

[27] This includes as examples: three-year rolling average (AfDB), annual aggregate results and achievement rate (ADB), annual aggregate results (IADB), cumulative across fiscal years of funding cycle (World Bank).

Enhancing Transparency and Information Disclosure

92. **With strong systems in place, the GEF is delivering on initiatives making its data available to a large public, underlining transparency in managing its business.** Since the launch of the Policy on Access to Information in 2018, the GEF has strengthened its disclosure of information to make it easier for countries, Agencies, conventions, partners, stakeholders, and researchers to remain up to date about the grant and blended finance support it provides. For example, Operational Focal Points can track project progress and results through the Portal as the data become available. The GEF's external website also makes available detailed information and documents on GEF-financed projects, including progress updates. Importantly, stronger systems have also provided the foundation to release data on the International Aid Transparency Initiative (IATI) registry in an automated way, directly extracting and exporting data from the GEF Portal. This has allowed in August 2021 to provide the first mass publishing of GEF project data to IATI, fulfilling a commitment made during the seventh GEF replenishment.

93. **Looking ahead, the GEF will continue enhance quality data publishing on IATI, leading to a greater ability to map the geographic location of project activities.** As new ways to connect projects in IATI become available, the GEF will explore ways to link its project update to the one conducted by GEF Agencies also reporting to IATI. This will provide greater clarity on the role of each organization in the GEF partnership. The GEF will also expand both the frequency and scope of its reporting to show more timely and comprehensive picture of GEF-financed operations. It will include data on results and the geographic location of project sites, leading in turn to the development of an interactive online platform mapping the geographic location of project sites.

Strengthening Reporting to Conventions

94. **In its role of financial mechanism to conventions, the GEF provides accountability through regular reports to MEAs on its activities and financing.** Memoranda of Understanding agreed between the Conferences of the Parties (COPs) and the GEF Council govern the frequency and scope of the reporting. These reports include how the GEF has responded to COP guidance and decisions of relevance, syntheses of projects approved by the Council and under implementation, including data on financial resources, as well as monitoring and evaluation activities.

95. **Reporting mechanisms will continue to account for integrated projects and programs that receive funding from multiple focal areas and achieve integrated results.** For these projects and programs, the GEF is tracking both the overall GEF financing amount across all focal areas, as well as the specific contribution of focal area elements in the context of each individual report to conventions.

96. **Building on its experience in tracking the share of climate-related finance, the GEF will expand its capture of the OECD-DAC Rio Markers in its reports to conventions to include markers on biodiversity and desertification.** In doing so, the GEF will contribute to bringing the measurement of environmental financing on par with its ongoing efforts to assess climate finance as currently reported to the OECD. This also responds to calls to better track support to nature and biodiversity in countries. Akin to the approach adopted for coding projects

and programs along the climate change Rio Markers, data on the Rio Markers on biodiversity and desertification will be provided at the time of project submission and assessed by the GEF Secretariat. To make this a reality, the Portal will set up appropriate data entry fields in time for the submissions of first GEF-8 projects and programs. Altogether this approach will further strengthen the GEF's ability to trace its financing toward the conventions it serves. Reporting through the Corporate Scorecard on the Rio Markers will include a focus on financing that contributes to both the Climate and Biodiversity markers. It will be assessed under the lens of minimum expected levels of financing specific to Climate and Biodiversity, in line with the GEF-7 approach.

97. **In setting goals and measuring progress—for itself and for the world's environment — the GEF helps ensure projects and program move in the right direction.** Time is ripe for the GEF to build on its progress in tracking project progress and results, learn from its experiences and build on its successes. The GEF-8 Results Measurement Framework will be a management tool that enables the GEF to carry out this learning process and supports the achievement of its goals.

Figure 27: List of Tier 1 Indicators — Project and Program Results

Indicator	GEF-7 Indicator Number[28]	New or retired	Sex disaggregation
CONSERVING & SUSTAINABLY USING BIODIVERSITY			
Terrestrial protected areas created or under improved management for conservation and sustainable use (hectares)	1		
– of which terrestrial protected areas newly created (hectares)	1.1		
– of which terrestrial protected areas under improved management effectiveness (hectares)	1.2		
Marine protected areas created or under improved management for conservation and sustainable use (hectares)	2		
– of which marine protected areas newly created (hectares)	2.1		
– of which marine protected areas under improved management effectiveness (hectares)	2.2		
Area of landscapes under improved practices (hectares; excluding protected areas)	4		
– of which area of landscapes under improved management to benefit biodiversity (qualitative assessment, non-certified)	4.1		
– of which area of landscapes that meet national or international third-party certification and that incorporates biodiversity considerations (hectares)	4.2		
– of which area of High Conservation Value forest loss avoided (hectares)	4.4		
Area of marine habitat under improved practices to benefit biodiversity (excluding protected areas) (million hectares)	5		
Number of fisheries that meet national or international third-party certification that incorporates biodiversity considerations	5.1		
People benefitting from the conservation, sustainable use, and/or restoration of biodiversity (hectares)	Subset of 11	✓	✓

[28] Following the numbering of Core Indicators and Sub-Indicators available in: ME/GN/02, *Guidelines on Core Indicators and Sub-Indicators*.

Indicator	GEF-7 Indicator Number[28]	New or retired	Sex disaggregation
SUSTAINABLY MANAGING AND RESTORING LAND			
Area of land under restoration (hectares)	3		
– of which area of degraded agricultural lands under restoration (hectares)	3.1		
– of which area of forest and forest land under restoration (hectares)	3.2		
– of which area of natural grass and shrublands restored (hectares)	3.3		
– of which area of degraded ecosystem types under restoration for global biodiversity benefits	3.4		
Area of landscapes under sustainable land management in production systems (hectares)	4.3		
People benefiting from sustainable land management and restoration investments (number)	Subset of 11	✓	✓
REDUCING GHG EMISSIONS			
Greenhouse gas emissions mitigated (metric tons of carbon dioxide equivalent)	6		
– of which carbon sequestered, or emissions avoided in the sector of Agriculture, Forestry and Other Land Use (AFOLU) (metric tons of carbon dioxide equivalent)	6.1		
– of which emissions avoided outside Agriculture, Forestry and Other Land Use (AFOLU) sector (metric tons of carbon dioxide equivalent)	6.2		
Energy saved (megajoules)	6.3		
Increase in installed renewable energy capacity per technology (megawatt)	6.4		
People benefiting from climate change mitigation support (number)	Subset of 11	✓	✓
STRENGTHENING TRANSBOUNDARY WATER MANAGEMENT			
Number of fisheries that meet national or international third-party certification that incorporates biodiversity considerations	5.1		
Number of Large Marine Ecosystems with reduced pollution and hypoxia	5.2		
Number of shared water ecosystems (fresh or marine) under new or improved cooperative management (number)	7		
Level of Transboundary Diagnostic Analysis and Strategic Action Program formulation and implementation (rating)	7.1		
Level of regional legal agreements and regional management institution(s) to support its implementation (rating)	7.2		
Level of national/local reforms and active participation of Inter-Ministerial Committees (rating)	7.3		
Level of engagement in IW:LEARN through participation and delivery of key products (rating)	7.4		
Globally over-exploited fisheries moved to more sustainable levels (metric tons)	8		
People benefiting from transboundary water management (number)	Subset of 11	✓	✓
REDUCING CHEMICALS AND WASTE			
Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials, and products (metric tons)	9		

Indicator	GEF-7 Indicator Number[28]	New or retired	Sex disaggregation
– of which solid and liquid Persistent Organic Pollutants (POPs) removed or disposed (POPs type) (metric tons)	9.1		
– of which quantity of mercury reduced (metric tons)	9.2		
– of which hydrochlorofluorocarbons reduced/phased out (metric tons)	9.3		
– of which Highly Hazardous Pesticides eliminated (metric tons)		✓	
Number of countries with legislation and policy implemented to control chemicals and waste (number)	9.4		
Number of low-chemical/non-chemical systems implemented, particularly in food production, manufacturing, and cities (number)	9.5		
Quantity of products/materials containing POPs/Mercury directly avoided (metric tons)	9.6		
Reduction, avoidance of emissions of POPS to air from point and non-point sources (grams of toxic equivalent gTEQ)	10		
Number of countries with legislation and policies implemented to control emissions of POPs to air (number)	10.1		
Number of emission control technologies/practices implemented (number)	10.2		
Amount of avoided plastic entering the non-recycled waste stream (metric tons) [Replacing 5.3 Amount of marine litter avoided (metric tons)]	5.3	✓	
People benefiting from reduced exposure to hazardous chemicals (number)	Subset of 11	✓	✓

List of Tier 2 Indicators — Operational Performance

Indicator	In the Portfolio Scorecard	New
ENHANCE THE SPEED OF OPERATIONS		
Time from CEO endorsement (FSP) or CEO approval (MSP) to first disbursement below 18 months (%)	✓	
Time from CEO endorsement to mid-term review below 4 years (%)	✓	
MSP age below 4 years (%)	✓	
FSP age below 6 years (%)	✓	
Completed projects with timely submission of Terminal Evaluation (%)		✓
ENSURE STRONG PORTFOLIO MANAGEMENT		
Disbursement ratio of ongoing portfolio (%)	✓	
Projects rated in the satisfactory range for both Implementation Progress and Development Outcome (%)	✓	
Projects rated in the satisfactory range for Implementation Progress (%)	✓	
Projects rated in the satisfactory range for Development Outcome (%)	✓	
Project with disbursement in the past year (%)	✓	

Over 50% disbursed balance 3+ years into MSP implementation (%)	✓	
Over 50% disbursed balance 5+ years FSP implementation (%)	✓	
Projects with financial closure after Terminal Evaluation submission (%)	✓	
Projects financially closed on time in the last year (%)	✓	
Proactivity Index (%)		✓
INCREASE CO-FINANCING ACROSS THE PORTFOLIO		
Projects with co-financing materialized higher than 35% at MTR (%)		
Projects with co-financing materialized higher than 80% at TE (%) [Replacing Co-financing materialized at Terminal Evaluation (%)]	✓	

CHAPTER 4: EXTENDING THE GEF'S INCLUSION AGENDA

98. **Governments and stakeholders negotiating the 2030 Agenda for Sustainable Development backed the ambition of leaving no one behind.** Their pledge to leave no one behind is perhaps more relevant now than before, and to the overall policy ambitions for GEF-8. The COVID-19 pandemic has not only exposed the human pressure on nature and natural systems but has also revealed vulnerabilities and inequalities within and among countries – and exacerbated them. The pandemic has rolled back decades of development success and threatens to continue to impede SDG achievement, deepen pre-existing inequalities and further disproportionally affect the more vulnerable and marginalized people. Lessons learned and financing through the GEF portfolio on safeguarding vulnerable people and groups, addressing gender inequalities and engaging local actors and civil society can help countries build back better – and more equitably - from the COVID-19 pandemic.

99. **Leading up to GEF-7, the GEF made extensive revisions and updates to its Policies and approaches related to Stakeholder Engagement[29], Gender Equality[30] and Environmental and Social Safeguards**[31,32]. These policies embed important recognition and principles relating to the promotion of social inclusion and implicitly also respond to important human rights principles including: (1) non-discrimination, (2) participation, (3) transparency and (4) accountability. Together they bolstered a range of new and existing standards and requirements linked to inclusion and human rights such as:

(a) strengthened provisions regarding meaningful consultations with stakeholders ensuring rights linked to stakeholder participation

(b) promoting gender equality and women's empowerment

(c) ensuring that adverse impacts do not fall disproportionately on "disadvantaged or vulnerable groups,"

(d) ensuring that disadvantaged or vulnerable groups do not face discrimination, particularly regarding access to development resources and project benefits

(e) addressing the special needs and circumstances of disadvantaged and vulnerable groups

(f) providing opportunities for persons with disabilities to participate in and benefit from projects and programs on an equal basis with others

(g) targeted provisions against gender-based discrimination and the need to respond to potential incidences of gender-based violence

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[29] GSD/PL/01: https://www.thegef.org/sites/default/files/documents/Stakeholder_Engagement_Policy_0.pdf
[30] SD/PL/02: https://www.thegef.org/sites/default/files/documents/Gender_Equality_Policy.pdf
[31] SD/PL/03: https://www.thegef.org/sites/default/files/documents/gef_environmental_social_safeguards_policy.pdf
[32] GEF Guidance on Gender Equality:
https://www.thegef.org/sites/default/files/publications/GEF%20Guidance%20on%20Gender.pdf
GEF Guidelines on Stakeholder Engagement:
https://www.thegef.org/sites/default/files/documents/Stakeholder_Engagement_Guidelines.pdf
GEF Guidelines on Environmental and Social Safeguards:
https://www.thegef.org/sites/default/files/documents/guidelines_gef_policy_environmental_social_safeguards.pdf

(h) respect for Free, Prior and Informed Consent of Indigenous Peoples

(i) recognition and protection of the fundamental rights of workers (including freedom of association and collective bargaining, nondiscrimination and equal opportunity in employment, prevention of child labor and forced labor.

100. **The recent GEF IEO Evaluation "*Institutional Policies and Engagement of the GEF*" [33], broadly concluded that the GEF policies are contemporary in formulation and align with relevant inclusion-oriented global strategies, including the SDGs and Agenda 2030 and policies of peer institutions.** The Secretariat concurs with the IEO findings that in many cases it is too early to evaluate actual results of these new policies and fully agrees on the need to focus on implementation. Nevertheless, the Secretariat will be working during GEF8 in the mechanisms and methodologies to assess and evaluate results from these policies. In line with these findings, the Secretariat will extend activities to further support the continued effective implementation of the policies and explore new opportunities to strengthen and realign the GEF approach to inclusion including, as needed, development of a practical narrative to extend the GEF inclusion agenda. This would also incorporate findings from the Agency self-assessments and Third Party Review of Agency implementation and include identifying options for streamlining and coordination of approaches with other funds (e.g. Green Climate Fund, Climate Investment Funds, Adaptation Fund, etc.).

101. **As such, the focus for GEF-8 will be to further this agenda by building upon the solid foundations that have already been established with the recently-approved Policies on Stakeholder Engagement, Gender Equality and Environmental and Social Safeguards, with no revisions or updates anticipated.** Leading into GEF-8, the Secretariat will review and identify entry points to further leverage the implementation of these Policies. Such effort is expected to identify potential key strategic priorities of sustainable recovery and inclusion and place greater attention on inclusion in GEF-8 projects, including efforts to better capture GEF co-benefits including socio-economic benefit. Specifically, the Secretariat proposes to:

1. Review complementarities across the three policies in terms of principles and requirements related to social inclusion, to identify potential areas where the GEF can strengthen and streamline its guidance to support more effective implementation of an inclusive agenda across GEF projects and programs.
2. Undertake a gap analysis to identify areas that GEF may need to strengthen its approach and guidance further. Potential areas may include: i) attention to people marginalized by virtue of their sexual orientation or gender identity and provisions to protecting the rights of LGBTQ+ persons, and ii) attention to youth as effective change-makers if given proper rights to participate and provisions to promote greater youth engagement.

102. **New directions will be guided by emerging information throughout the portfolio**. The Secretariat will simultaneously explore cost-effective ways to take advantage of its position as knowledge broker, utilizing existing platforms such as the Country Support Program, GEF

[33] https://www.gefieo.org/sites/default/files/documents/reports/gef-policies-2020.pdf

Agency Retreats, virtual courses and learning events to leverage existing knowledge and facilitate learning across Agencies and the GEF Partnership more broadly.

CHAPTER 5: SUSTAINABILITY CONSIDERATIONS IN GEF INVESTMENTS

Introduction

103. **Since OPS-6 was presented to the participants of the Seventh Replenishment,[34] there has been considerable deliberation amongst GEF stakeholders on the sustainability of GEF investments**. Several subsequent analyses by the IEO, STAP, and the GEF Secretariat have continued to inform this important discussion. Most recently, the OPS-7 report currently being presented to the participants to the Eighth Replenishment[35] offers an updated and valuable focus on sustainability. These ongoing discussions continue to be of critical importance to both the design of the GEF-8 strategy and the ongoing implementation of the current GEF portfolio. This section summarizes the past analyses on sustainability, highlights the sustainability-related recommendations resulting from the ongoing OPS-7 studies of the IEO, discusses present actions being undertaken by the Secretariat to enhance sustainability, and outlines next steps on this vital dimension.

Past Analyses on Sustainability

104. **The IEO's OPS-6 Report presented to the second GEF-7 replenishment meeting and to the 53rd Council found that 63% of the OPS-6 cohort was likely to be sustained**.[36] The IEO brought a further analysis of sustainability to the 54th Council which showed that this sustainability performance was comparable with other multilateral organizations.[37] Furthermore, it was found that the sustainability of outcome ratings had improved over the GEF replenishment periods, and that outcomes of most of the GEF projects were sustained during the post completion period. The analysis determined that likelihood of outcome sustainability at project completion is influenced by the quality of project preparation, country context, government support, quality of implementation and execution, and materialized co-financing. While there was scope for improvement in the extent to which GEF projects are designed for sustainability, the analysis found that, overall, the GEF portfolio did indicate an improving trend in the quality of project design, which may influence sustainability in the longer term.

105. **The policy recommendations of the GEF-7 Replenishment requested the Secretariat to undertake further analysis on sustainability, in particular with respect to concrete measures that could be undertaken to increase sustainability**.[38] In response to this request,

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[34] GEF/ME/C.53/Inf.01, *Sixth Comprehensive Evaluation of the GEF (OPS6)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf

[35] Global Environment Facility Independent Evaluation Office (GEF IEO), *Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery*, Draft Report, Washington, DC: GEF IEO, 2021.

[36] GEF/ME/C.53/Inf.01, *Sixth Comprehensive Evaluation of the GEF (OPS6)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf

[37] GEF/ME/C.54/Inf.02, *Annual Performance Report 2017*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_.02_Annual_Performance_Report_2017_0.pdf

[38] GEF/C.54/19/Rev.03, Summary of Negotiations of the Seventh Replenishment of the GEF Trust Fund, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_.03_Replenishment.pdf

the Secretariat presented an analysis to the 55th Council[39] that further explored the available evaluative evidence on the sustainability of GEF projects and programs, considered the associated limitations and areas for further analysis, and identified challenges and opportunities to enhancing sustainability going forward, also drawing upon consultations with Agencies. The main findings of this paper were that the evidence provided limited grounding for concrete measures that would allow for increased sustainability. Furthermore, it recognized the need to examine Agencies' approaches to performance ratings with a view to ensuring a reasonable degree of consistency. Finally, it identified the need for more frequent and more systematic post-completion field verification in order to assess actual performance on sustainability, whether project outcomes were in fact sustained, and what factors influence sustainability.

106. **Discussions in the 55th Council revolved around the need to better understand the factors behind the GEF's track record on sustainability, to monitor and regularly report on sustainability across the portfolio, and to take concrete measures to enhance performance; the Secretariat therefore presented an analysis to the 56th Council[40] that attempted to further decompose this complex topic.** This paper focused on the definitions and approaches related to sustainability across the GEF Partnership, if Agencies' GEF-financed projects differ from other projects in terms of their performance on sustainability, and if there were lessons from across the GEF Partnership that could inform the GEF's efforts to enhance the sustainability of its projects and programs. The overview of definitions, approaches, performance, and lessons learned on sustainability suggested a reasonable degree of convergence across the GEF Partnership. Whilst divergent trends were found across Agencies in terms of the sustainability ratings of their GEF-financed projects, these could not be ascribed to fundamental differences in either definitions or assessment methodologies. Furthermore, this analysis did not deem it possible to meaningfully compare the sustainability ratings of GEF projects with the equivalent ratings of Agencies' non-GEF projects. Finally, the factors behind Agencies' performance on sustainability identified by this analysis overlapped to a significant extent with the findings of the IEO's 2018 APR.[41]

107. **In response to these ongoing sustainability discussions at the Council and within the GEF Partnership, STAP simultaneously presented a substantive study to the 56th Council (where the concept was now renamed as "durability").[42]** This analysis built upon STAP's own earlier work on integration,[43] offered an extensive literature review on achieving project

[39] GEF/C.55/Inf.14, *Measures to Enhance the Sustainability of GEF Projects and Programs*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.55.Inf_.14_Sustainability.pdf
[40] GEF/C.56/Inf.08, *Further Work on the Sustainability of GEF Projects and Programs*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.56.Inf_.08_Further%20Work%20on%20the%20Sustainability%20of%20GEF%20Projects%20and%20Programs_3.pdf
[41] GEF/ME/C.54/Inf.02, *Annual Performance Report 2017*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_.02_Annual_Performance_Report_2017_0.pdf
[42] GEF/STAP/C.56/Inf.04, *Achieving More Enduring Outcomes from GEF Investments: A STAP Document*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.STAP_.C.56.Inf_.04_Achieving%20more%20enduring%20outcomes%20from%20GEF%20investment_0.pdf
[43] GEF/STAP/C.54/Inf.03, *Integration: to Solve Complex Environmental Problems*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.STAP_.C.54.Inf_.03_Integration.pdf

outcomes and impact, and presented a systematic review of success factors focused specifically on durability. Principles for securing durability in project outcomes and impacts were outlined around four themes: (i) engaging the right stakeholders; (ii) building the incentives for these key actors to act; (iii) incorporating adequate diversity and flexibility in project design and implementation; and (iv) underpinning it all with a systems-thinking approach. Based on these themes, STAP suggested a series of sustainability-related actions that included the articulation of an explicit risk appetite, the use of systems thinking and theories of change, a focus on innovations, analyzing factors of scaling and transformation, intensifying integration and synergies, the use of multi-stakeholder platforms, and the establishment of improved monitoring, evaluation, and learning.

108. **The GEF Council has maintained an interest in this issue**. Discussions surrounding these two papers at the 56th Council resulted in a Council request to the Secretariat to present at the 57th Council a summary of key factors that influence the sustainability of GEF projects and programs, and how such factors are taken into account and may be strengthened in current GEF operations.[44] As a result, the Secretariat presented an analysis to the 57th Council[45] that proposed an overall framework for sustainability design, incorporating all previous analyses and using the STAP analysis as its foundation. The Secretariat collaborated with STAP in this work and also facilitated a cross-agency dialogue on sustainability to further inform the discussion. This framework centered around four interconnected themes: (1) theory of change, (2) multi-stakeholder processes, (3) stakeholder involvement and (4) adaptive learning. The paper suggested that these four durability themes can be interwoven into the life cycle of every GEF project and program through a series of underlying programming choices, policies, strategies, and actions. To this end, the analysis found that the Secretariat was already putting into place many elements that address these themes, in particular through critical strategic choices of the GEF-6 and GEF-7 cycles. These included a greater focus on programmatic approaches and integrated programming, as well as a series of policies and strategies aimed at strengthening engagement, implementation, and oversight.[46]

Sustainability-Related Recommendations of the IEO OPS-7 Evaluations

109. **In parallel to the above analyses, several of the OPS-7 component studies coming for discussion at Council meetings over the last three years have contained explicit recommendations that relate to sustainability.** The *Evaluation of GEF's Support to Mainstreaming Biodiversity*[47] recommended biodiversity mainstreaming interventions be designed with a longer-term perspective and a resource envelope to ensure sustainability. The

[44] GEF 56th Council Meeting, *Joint Summary of the Chairs*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.56_Joint_Summary_of_the_Chairs_1.pdf
[45] GEF/C.57/08, *Towards Greater Durability of GEF Investments*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.57_08_Towards%20Greater%20Durability%20of%20GEF%20Investments_0.pdf
[46] Further to this analysis and as part of the Secretariat's ongoing monitoring of this issue, the Annual Performance Monitoring Report to the 59th Council discussed the GEF-6 IAPs in the context of these four durability actions. GEF/C.59/03/Rev.01, *The GEF Monitoring Report 2020*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.59_03_Rev.01_The%20GEF%20Monitoring%20Report_1_0_0.pdf
[47] GEF/ME/C.55/inf. 02, *Evaluation of GEF's Support to Mainstreaming Biodiversity*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.55.inf_.02_Biodiversity_Mainstreaming_Evaluation_Synthesis_Report%20Nov_2018.pdf

Strategic Country Cluster Evaluation of The Small Island Developing States[48] recommended that integrated interventions should be a prioritized model with an eye to sustainability, and that institutional capacities should be strengthened with sustainability considerations in mind. The recommendations of the *Strategic Country Cluster Evaluation: Sahel and Sudan-Guinea Savanna Biomes*[49] requested that project and program design in the biomes include a discussion on sustainability, with attention paid to the synergies between socio-economic and environmental objectives. Similarly, the *Strategic Country Cluster Evaluation of the Least Developed Countries*[50]recommended the continued strengthening of project design to improve sustainability of outcomes in LDCs, as well as the strengthening of climate resilience considerations, also taking into account the socio-economic and political context. The *2020 Program Evaluation of the Least Developed Countries Fund*[51] recommended that the likelihood of the sustainability of outcomes must continue to be enhanced, with specific reference to the Secretariat's proposed sustainability framework to the 57th Council.[52] Finally, and most recently, the *Third Joint GEF-UNDP Evaluation of the Small Grants Programme*[53] recommended that the approach to and measurement of sustainability in the SGP should be improved to capture both tangible and intangible benefits. Going forward, the Secretariat will be working on the implementation of all of these recommendations, and progress to this end will be tracked as usual through the IEO's annual Management Action Record.[54]

110. **The overall OPS-7 study currently under discussion by replenishment participants (into which these and other component studies contributed) contains a substantive analysis on sustainability**.[55] This analysis shows that project sustainability outcomes have improved over time: "*Cumulatively, 63% of completed projects are rated in the likely range for sustainability. 65% of the completed projects of the OPS-7 cohort are rated in the likely range for sustainability, which is similar to the 63% for the OPS-6 cohort*."[56] Replenishment-period based

[48] GEF/ME/C.57/02, *Strategic Country Cluster Evaluation of The Small Island Developing States*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C57_02_IEO_SCCE_SIDS_Dec_2019_F.pdf
[49] GEF/E/C.58/Inf.02/Rev.01, *Strategic Country Cluster Evaluation: Sahel and Sudan-Guinea Savanna Biomes*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E.C.58.Inf_.02.Rev_.01_SCCE_Sahel_Sudan_Guinea_Savanna_Biomes.pdf
[50] GEF/E/C.58/Inf.03/Rev.01, Strategic Country Cluster Evaluation of the Least Developed Countries, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E.C.58.Inf_.03.Rev_.01_Strategic_Country_Cluster_Evaluation_LDCs.pdf
[51] GEF/LDCF.SCCF.29/E/01, 2020 Program Evaluation of the Least Developed Countries Fund, https://www.thegef.org/sites/default/files/council-meeting-documents/LDCF%20SCCF_29_E_01_LDCF_Program_Evaluation_Council.pdf
[52] GEF/C.57/08, *Towards Greater Durability of GEF Investments*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.57_08_Towards%20Greater%20Durability%20of%20GEF%20Investments_0.pdf
[53] GEF/E/C.60/01, *Third Joint GEF-UNDP Evaluation of the Small Grants Programme*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_01_Third_Joint_GEF-UNDP_Evaluation_of_the_Small_Grants_Programme.pdf
[54] The GEF Management Action Record (MAR) tracks the level of adoption of GEF Council and LDCF/SCCF Council decisions that are based on the recommendations of the evaluations conducted by the GEF Independent Evaluation Office (GEF IEO). The latest MAR to the 60th Council can be found here: https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_Inf.01_Management_Action_Record.pdf
[55] Global Environment Facility Independent Evaluation Office (GEF IEO), Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery, Washington, DC: GEF IEO, 2021.
[56] Ibid.

analysis shows that projects approved after GEF-3 have higher sustainability ratings than those approved in the preceding periods, indicating an improvement over time in the likelihood of sustainability for completed projects. Factors affecting the likelihood of sustainability included stakeholder and/or beneficiary buy-in, political support including adoption of complementary legal and regulatory measures, financial support for follow-up, and sustained efforts by the executing agency. Furthermore, projects that are assessed as likely to be sustainable at implementation completion are also observed to be actually sustainable. The analysis found that the outcomes of most GEF projects are indeed sustained during the post-completion period, where for at least two years after implementation completion, a vast majority of projects both sustained their results and progressed further in achieving their long-term impacts. Influencing factors to this outcome including financial support for follow-up, political support, stakeholder buy-in, follow-up by and capacities of the executing agency, consideration to sustainability-related arrangements in project design, and country context.

Present Actions on Sustainability

111. **The GEF Secretariat is committed to exploring ways of further strengthening and enhancing sustainability**. The multitude of analyses in the last three years, including the component and umbrella OPS-7 studies, are continuing to enrich the Secretariat's portfolio-wide progress on sustainability and also informing several dimensions of the proposed GEF-8 Programming and Policy Strategy. At the core of all GEF activities, impacts and outcomes is its direction of programming, and this is increasingly speaking to the sustainability elements discussed above. In line with the GEF 2020 Strategy,[57] and together with the STAP's recommendations on durability,[58] the GEF has been increasingly moving in the direction of large-scale, integrated programs that follow a drivers-based approach to reversing the course of environmental degradation and embody the sustainability principles outlined in earlier studies; this is recognized by the OPS-7 evaluation which highlights that the GEF-6 Integrated Programs (IPs) and the GEF-7 Impact Programs (IPs) are incorporating sustainability-related factors in project design.[59] In particular, these programs were designed to help countries pursue holistic and integrated approaches to push transformational change in the key economic systems; the proposed GEF-8 Integrated Programs seek to intensify action along this path.

112. **Beyond the integrated approaches, the Secretariat has adopted a series of procedures, policies and approaches that speak directly to sustainability principles.** Theories of change are being increasingly incorporated into strategy, policy, and project design. Multi-stakeholder processes, platforms and coalitions, an essential component of sustainability, are particularly a feature of the GEF programmatic approaches. Stakeholder involvement is critical to the success and sustainability of GEF-financed projects, and the GEF continues to update its policies and strategies and intensify its targeted outreach activities in order to better

[57] GEF/C.46/10/Rev.01, *GEF2020 - Strategy for the GEF*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.10.Rev_.01_GEF2020_-_Strategy_for_the_GEF_4.pdf
[58] GEF/STAP/C.56/Inf.04, *Achieving More Enduring Outcomes from GEF Investments: A STAP Document*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.STAP_.C.56.Inf_.04_Achieving%20more%20enduring%20outcomes%20from%20GEF%20investment_0.pdf
[59] Global Environment Facility Independent Evaluation Office (GEF IEO), *Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery*, Draft Report, Washington, DC: GEF IEO, 2021.

engage with key stakeholders through the enhanced engagement with Civil Society, Indigenous Peoples and the Private Sector, a commitment to Stakeholder Engagement, and the integration of Gender Mainstreaming.

113. **While concerted efforts to promote sustainability have begun through the GEF-6 and GEF-7 programmatic approaches and is further anticipated through GEF-8 programming, there is also a need to mainstream these principles across the active GEF portfolio**. The Secretariat continues to learn from these integrated programs as their implementation provides us with key lessons on sustainability principles that can be incorporated into other projects and programs. Sustainability principles in implementation are being intensified through an increased focus on monitoring and reporting, co-financing, and environmental and social safeguards. The Secretariat recognizes that knowledge is a critical tool for sustainability, and continues to enhance efforts in this regard, particularly following the recommendations of the recent IEO Evaluation on Knowledge Management.[60] At the foundation of all of these elements is the ongoing development of the GEF Portal, which is enabling significant improvements in data integrity and consistency.[61]

114. **Country engagement and ownership is a critical element of sustainability. This is reflected in** the ambitious GEF-8 Country Engagement Strategy, which is intended to enable countries to maximize expected outcomes, take ownership in design and implementation, and by extension positively impact sustainability of outcomes beyond project completion. As an ambitious GEF-8 programming proposal is presented with integration at its core, it is equally essential to promote the same dynamic at a country level through the facilitation of a more holistic approach to country programming. The intensification of a country's engagement and ownership of its GEF portfolio along these lines will inevitably, and positively, impact sustainability.

115. **Domestic policy coherence is a critical, and hitherto unmentioned, component of the conversation on sustainability.** Closing the "Nature Financing" gap requires a two-pronged approach: increasing financial flows from multiple sources, and reducing financial needs.[62] Policy coherence refers to the reduction/elimination of perverse incentives that exist for nature conservation - improved policy coherence can therefore increase the impact per unit of GEF investments which can otherwise be diminished due to contradictory domestic policies. Policy coherence can also be seen as a "whole of government" approach, and as such is fully integrated into the dynamic Country Engagement Strategy being proposed for GEF-8. A more holistic approach to country programming will mean an increasingly effective coordination of national

[60] GEF/E/C.59/04, *Evaluation of Knowledge Management in the GEF (2020)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C59_04_evaluation_of_KM_GEF_2020.pdf

[61] Further development of the GEF Portal will be informed by the recent IEO evaluation, GEF/E/C.60/07, *Results Based Management – Evaluations of the Agency Self-Evaluation Systems and the GEF Portal*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_07_RBM_SES_Portal_Combined_Report_FINAL.pdf

[62] Deutz, A., Heal, G. M., Niu, R., Swanson, E., Townshend, T., Zhu, L., Delmar, A., Meghji, A., Sethi, S. A., and Tobin-de la Puente J. (2020), *Financing Nature: Closing the global biodiversity financing gap*, The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability, https://www.paulsoninstitute.org/wp-content/uploads/2020/10/FINANCING-NATURE_Full-Report_Final-with-endorsements_101420.pdf

environmental strategies, objectives, and activities. This will help to strengthen domestic policy coherence across different sectors of government, and therefore aid in ensuring the sustainability of all investments into nature at the country level (GEF and otherwise). In this context, it should be noted that "governance and policies" is one of the targeted levers for systems transformation in the accompanying GEF-8 programming strategy.

116. **A dimension related to sustainability that must be simultaneously considered is that of scalability.** While sustainability refers to impact over time, environmental effectiveness can be maximized from both sustainability of impact over time and from an increased lateral impact of these outcomes through the scalability and replicability of results. As the Secretariat progresses on strengthening and enhancing sustainability through its component factors discussed above, this dimension of scalability will also be examined and reinforced where possible.

Next Steps

117. Moving forward, the Secretariat proposes that the following efforts could be taken to initiate and strengthen the (sometimes-interrelated) actions to address sustainability

i. *Project Design*: further strengthening at the project design stage of the component dimensions of sustainability along the lines identified by previous analyses, including funding activities in support of policy, legislative and other reforms, and the exploration of an overall cross-cutting requirement (where relevant) to establish a set of policy-oriented outcomes and outputs.

ii. *Project Implementation*: continuing to monitor these component dimensions through implementation phases, particularly through an enhanced focus of mid-term reviews,[63] and reporting as needed to Council through the GEF Monitoring Reports

iii. *Knowledge and Learning*: facilitating knowledge exchange and learning throughout the Partnership via the development and implementation of a partnership-wide Knowledge Management strategy[64] from the multi-stakeholder platforms of the programmatic approaches

iv. *Country Engagement*: enhancing country ownership and engagement through the implementation of the proposed GEF-8 Country Engagement Strategy

v. *Policy Coherence*: promoting the dimension of domestic policy coherence as a contextual factor in both new and ongoing GEF programming

vi. *IEO Recommendations:* continuing the implementation of the suite of sustainability-related recommendations from the IEO OPS-7 studies

[63] This was also recommended by the recent IEO Evaluation: GEF/E/C.60/07, *Results Based Management – Evaluations of the Agency Self-Evaluation Systems and the GEF Portal*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_07_RBM_SES_Portal_Combined_Report_FINAL.pdf

[64] This was one of the recommendations of the recent IEO evaluation: GEF/E/C.59/04, *Evaluation of Knowledge Management in the GEF (2020)*, https://www.thegef.org/sites/default/files/council-meetingdocuments/EN_GEF.E_C59_04_evaluation_of_KM_GEF_2020.pdf

118. **Finally, it should be recognized that demonstrating sustainability takes time, with very long feedback loops.** While the effects of the steps being taken may not be able to be assessed in the near term, the Secretariat is indeed intensifying action along a number of key dimensions. It is instructive to note that IEO's present positive findings on sustainability are by definition based on GEF investments that concluded implementation, and were therefore not subject to these recent strategies, principles, policies, and directions of programming that speak directly to sustainability. As implementation of these measures continues, it is expected that these will greatly enhance the future sustainability of the outcomes of ongoing, present, and future GEF investments, even though the tangible, reliable metrics to demonstrate this may not be available for some time to come.

SECTION II: A PROPOSAL FOR THE GEF-8 STAR MODEL

Introduction

119. **A healthy environment is the foundation for economic and social development.** This foundation is now facing interrelated threats and nearing key tipping points that require urgent attention. Without a healthy environment, human health and well-being will be inevitably compromised. For this reason, the GEF-8 programming strategy and accompanying Theory of Change has "Healthy Planet, Healthy People" at its core, and is promoting the adoption of development pathways that are sustainable, inclusive, resilient, low-carbon, low-polluting, nature-positive, and circular economy-based – in other words, a blue, clean, green, and resilient recovery.

120. **This coming decade will be a crucial one to achieving the ambitious goals and commitments that are being embraced by countries and the international community.** The GEF will be a critical factor in the realization of these global commitments, with a focus on transformational change to key economic systems and environmental restoration at scale. In this context, it is important to not only improve the levels of GEF financing and strategic investments, but also to improve the ways in which these investments are deployed to countries and within countries. The GEF-8 System for Transparent Allocation of Resources (STAR) will therefore play a key role.

121. **To this end, preliminary policy options for the GEF-8 STAR model were introduced to the first GEF-8 replenishment meeting, and deeper analysis was conducted for the second GEF-8 replenishment meeting.**[65] The feasibility of these innovations for the STAR model were explored in terms of critical methodological advancements and options. Preliminary analyses indicated that there was a growing increase in both the demand for and usage of flexibility across focal areas by recipient countries in GEF-7, with a proposed move to full flexibility. There was discussion on the potential introduction of a "vulnerability" component into the STAR allocation formula, as well as potential changes to floors and ceilings. While policy coherence was recognized as an essential aspiration of GEF programming, the introduction of a policy coherence index into the formula was not deemed to be feasible and it was instead determined that other programming entry points would be sought for this dimension through project design and implementation. The use of non-grant instruments was encouraged in an aim to support private sector engagement and thereby mobilize resources towards a further narrowing of the nature financing gap. Finally, preliminary options for the creation of a small competitive space within the STAR were explored, with an aim to harnessing the higher capacity of selected countries for greater effectiveness and impact.

122. **The IEO's OPS-7 Report**[66] **and many of its underlying component evaluations gives high-level strategic emphasis to several of these proposed enhancements.** Though there was no targeted evaluation of the STAR allocation system itself in OPS-7, several of its evaluations

[65] GEF/R.08/06, *GEF-8 Policy Directions: The Enabling Environment for Transformation*, https://www.thegef.org/sites/default/files/2021-11/EN_GEF.R.08.06_GEF8_Policy_directions.pdf

[66] GEF/E/C.61/Inf.01, *Global Environment Facility Independent Evaluation Office (GEF IEO), Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery, Washington, DC: GEF IEO, 2021,* https://www.thegef.org/sites/default/files/2021-11/EN_GEF.E.C.61.Inf_.01_OPS7_Final_Report.pdf

are highly relevant to the thematic dimensions introduced for greater focus in the GEF-8 STAR. One of the OPS-7 recommendations[67] explicitly states that the GEF should increase its support to LDCs and SIDS in order to have greater impact in these priority countries, and further notes that GEF resources allocated to these countries are too limited to have impact at a sufficiently large scale in addressing environmental problems. Similarly, both the Strategic Country Cluster Evaluations (SCCE) on LDCs[68] and SIDS[69] point to the impact of the GEF's work in these countries and the importance of a deepened strategic focus, particularly with respect to integration. The increasing pursuit of integration itself as a general programming principle in addressing major drivers of environmental degradation is highlighted as one of the GEF's competitive advantages[70]; this is relevant to the new STAR features given that enhancing integration was the main premise for moving to full flexibility.

123. **The GEF-8 STAR Model also comes in the context of various relevant international dialogues.** Several outcomes of the recently-concluded UNFCCC COP26 emphasize the need for increased financial resources to countries particularly affected by climate change through a reflection of climate considerations in the provision of financial support. The Glasgow Climate Pact itself reflects the consideration of the needs and priorities of developing country Parties in the allocation of resources. More specifically, it re-emphasizes the need for financial resources to countries that will be particularly impacted by climate change".[71] Similarly, the importance of policy coherence is being progressively recognized and mainstreamed in global dialogues. The recent G7 2030 Nature Compact[72] explicitly recognizes the need to reform national policies with recognized negative impacts on nature, and for an integrated approach or a "whole of government" basis as a necessary condition for a world that is nature-positive. Relatedly, the first draft of the post-2020 Global Biodiversity Framework[73] includes as an enabling condition integrative governance and "whole-of-government" approaches to ensure policy coherence and effectiveness.

124. **Building on both Participants' ongoing feedback through the GEF-8 replenishment process as well as current international dialogues, this paper presents the features of the GEF-8 STAR Model.** The GEF Secretariat has continued to work on analyses related to flexibility and competition, and now presents concrete recommendations to each of these dimensions in the construction of the GEF-8 STAR Model. In addition, the Secretariat has been

[67] Ibid.
[68] GEF/E/C.58/Inf.03/Rev.01, Strategic Country Cluster Evaluation of the Least Developed Countries, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E.C.58.Inf_.03.Rev_.01_Strategic_Country_Cluster_Evaluation_LDCs.pdf
[69] GEF/ME/C.57/02, Strategic Country Cluster Evaluation of the Small Island Developing States, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C57_02_IEO_SCCE_SIDS_Dec_2019_F.pdf
[70] GEF/E/C.60/09, *Management Response to: Formative Evaluation of the GEF Integrated Approach to address the Drivers of Environmental Degradation*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E.C.60.09_Evaluation_Integrated_Approach.pdf
[71] Decision -/CP.26, Glasgow Climate Pact, https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf
[72] *G7 2030 Nature Compact*, https://www.g7uk.org/wp-content/uploads/2021/06/G7-2030-Nature-Compact-PDF-120KB-4-pages.pdf
[73] CBD/WG2020/3/3, *First Draft of the Post-2020 Global Biodiversity Framework: Note by the Co-Chairs*, https://www.cbd.int/doc/c/abb5/591f/2e46096d3f0330b08ce87a45/wg2020-03-03-en.pdf

conducting routine data updates and enhancements across the existing indices of the STAR Model, which now enable the presentation of preliminary STAR simulations across selected financing scenarios[74] for key country groups.[75] Final policy decisions will be presented in the GEF-8 STAR Policy Paper to the 62nd Council, and the GEF-8 country allocations will be released on 1 July 2022 as per usual practice.

Moving to Full Flexibility in the GEF-8 STAR Model

125. **Flexibility of STAR resources measures the ability of countries to move their allocated resources across their focal area lines.** All STAR recipient countries are defined as receiving either full flexibility or a marginal adjustment. Full flexibility allows countries with total STAR allocations under a certain threshold to program their allocations across focal areas without restrictions, while all other countries are permitted limited marginal adjustments to do so.[76]

126. **Since it was introduced in GEF-5,[77] the flexibility of STAR resources has been a core feature of the allocation system, with an increasing magnitude across every successive GEF cycle**. While the threshold which delineates countries with full flexibility from countries with marginal adjustments was set at US$7 million (Mn) in GEF-5 and has remained at US$7 Mn in the successive cycles, the bands for marginal adjustment have structurally changed in the intervening replenishment cycles. This has led to successively increasing amounts of STAR resources allowed for flexible use (Table 1).

Table 1: Flexibility Allowances across GEF phases (US$)

Total Country Allocation	GEF-4	GEF-5	GEF-6	GEF-7
Up to $7 Mn	$0	Full Flexibility	Full Flexibility	Full Flexibility
$7 Mn to $20 Mn	$0	$0.2 Mn	$2 Mn	$2 Mn or 13% of total country allocation, whichever is higher
$20 Mn to $100 Mn	$0	$1 Mn		
$100 Mn or more	$0	$2 Mn		
Share of total STAR allocations	***0%***	***16%***	***20%***	***30%***

127. **At the 61st Council in December 2021, the Secretariat provided a detailed review and analysis of the GEF-7 experience of increased STAR flexibility.** Given the increased

[74] GEF/R.08/15, *Programming Scenarios and Global Environmental Benefits Targets*, GEF-8 Replenishment (Third Meeting), February 2022.
[75] These simulations are labelled as "preliminary" as the Secretariat will continue to undertake quality checks on the model and its data.
[76] GA/PL/01 and GA/GN/01: *Policy & Guidelines on System for Transparent Allocation of Resources (STAR)*, (https://www.thegef.org/sites/default/files/documents/STAR_Policy_Guidelines.pdf)
[77] GEF/C.38/9/Rev.1, *GEF-5 Operational Procedures for the System for a Transparent Allocation of Resources (STAR)*, https://www.thegef.org/council-meeting-documents/gef-5-operational-procedures-system-transparent-allocation-resources-star

flexibility in GEF-7, [78] participants to the Seventh Replenishment of the GEF Trust Fund recommended that "…*the Council review, at the end of GEF-7, experiences of the increase in flexibility with a view to informing future deliberations on the matter*".[79] The Secretariat responded to that request in *GEF/C.61/Inf.08: The Use of Flexibility of STAR*.[80] This section summarizes the findings of this paper.

128. **The detailed analysis points to an increasing demand for, and use of, flexibility in STAR resources.** The increase in flexibility provisions across GEF phases has been accompanied by a simultaneous increase in countries' utilization of their allowed flexibility. As of November 2021 (with half a year still left in GEF-7) the use of flexibility in GEF-7 already largely exceeds the flexibility utilization levels at the end of GEF-5 and GEF-6,[81] with the expectation that this will further increase to the end of GEF-7 given that the use of flexibility typically increases exponentially at the end of a GEF cycle.

129. **Countries with higher allocations are more greatly utilizing their flexibility provisions.** Countries with allocations in the US$ 7 - 20 Mn range have the highest flexibility utilization rate, followed by countries with allocation in the US$ 20 -100+ Mn range. These findings also largely support the assessment of the Mid-term Evaluation of the STAR in GEF-5[82] that the non-fully flexible countries with smaller country allocations (in the range of US$ 7-20 Mn) have a greater need for cross-focal area marginal adjustment, and that when sufficient marginal adjustment is provided, they are more likely to use it. Furthermore, the evidence is strong that countries with larger STAR allocations (in the range of US$ 20-100+ Mn) make full use of their increasing flexibility provisions, even if their focal area resources may be sufficient for programming; the analysis suggests that when participating in Integrated Approach Programs, some countries with large STAR allocations used their flexibility features to adjust focal area contributions towards the relevant global environmental benefits associated with the program objectives.

130. **The Land Degradation focal area (traditionally the smallest recipient of STAR resources) is benefiting the most from the GEF-7 flexibility allowances.** In GEF-7 to date, land degradation both received the largest amount of flexibility for cross-focal area use among the three STAR focal areas, and contributed the smallest amount. This is also consistent with the IEO overall observation that *"… land degradation tends to be the net recipient of the cross-focal*

[78] GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR),* (https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_.01_STAR.pdf)
[79]GEF/C.54/19.Rev.03, *Summary of Negotiations of the Seventh Replenishment of the GEF Trust Fund*, (http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_.03_Replenishment.pdf)
[80] GEF/C.61/Inf.08, *The Use of Flexibility of STAR*, https://www.thegef.org/sites/default/files/documents/2021-12/EN_GEF.C.61.Inf_.08_Use_Flexibility_STAR.pdf
[81] GEF-7 data in the referenced paper includes a cut-off date of November 3rd, 2021, including the December 2021 Work Program. GEF-5 and GEF-6 numbers are at the end of the respective replenishment cycle.
[82] GEF/ME/C.45/05, *Midterm Evaluation of the System of Transparent Allocation of Resources,* (https://www.thegef.org/council-meeting-documents/management-response-mid-term-evaluation-system-transparent-allocation)

utilization of resources." [83] Given that land degradation is indeed a cross-sectoral focal area, it is encouraging to see that countries prioritize the usage of the flexibility feature for this focal area.

131. **The Climate Change focal area is benefiting the least from the GEF-7 flexibility allowances, and yet continues to achieve its targets through integration.** In GEF-7 to date, climate change has received the smallest amount of flexibility for cross-focal area use and contributed the largest amounts, notwithstanding its decreased allocation in GEF-7. Despite this fact, the climate change core indicator (Greenhouse Gas Emissions Mitigated) was well on its way to achieving its GEF-7 target (96.4%) as of November 2021.[84] Furthermore, although CCM comprised only 18% of GEF-7 programmed resources, 80% of GEF-7 financing is to date climate related, as indicated by the analysis of the Rio markers.[85] This is a clear demonstration of the effectiveness of the multiple benefits framework that was initialized in GEF-7 programming. It also shows that integrated programming lessens the sometimes-expected relationship between source and amount of funding, and focal area results.

132. **Based on the evidence to date, the Model therefore includes that recipient countries be provided full flexibility to program resources across the three STAR focal areas.** Relevant analyses confirm that the increase in flexibility provisions across GEF phases has been accompanied by a simultaneous increase in countries' utilization of their allowed flexibility – in other words, countries have both the demand for full flexibility and the capacities to absorb it. Countries with marginal adjustment (with STAR country allocations exceeding US$ 7 Mn) have the greatest need for flexibility and have absorbed more flexibility than fully flexible countries, notwithstanding the larger flexibility provisions of fully flexible countries. In particular, examples show that when countries with larger allocations participated in IAPs, some used the flexibility provisions to adjust their focal area contributions to strengthen the relevance of focal area resource use with the expected global environmental benefits of the country projects.

133. **In light of the full flexibility feature, the Secretariat will expand the use of the Rio Marker methodology to include biodiversity-related and land degradation-related financing.** The Rio Markers were introduced by the OECD-Development Assistance Committee (DAC) in 1998 to monitor development finance flows targeting the objectives of the Rio Conventions on biodiversity, climate change and desertification.[86] Rio-markers can play an important role in tracking the total amount of funds that contribute towards global environmental benefits in a particular focal area. Based on the request of Participants to the GEF-7 Replenishment,[87] the Secretariat has throughout GEF-7 already been using Rio Markers to routinely monitor the share of climate-related financing. This expansion would therefore ensure that the objectives from the three Rio Conventions (the Convention on Biological Diversity, the

[83] GEF/ME/C.53/Inf.10, *Evaluation of the GEF's System for Transparent Allocation of Resources,* (https://www.thegef.org/council-meeting-documents/review-gefs-system-transparent-allocation-resources)
[84] GEF/C.61/Inf.04, *GEF-7 Corporate Scorecard - December 2021*, https://www.thegef.org/sites/default/files/documents/2021-12/EN_GEF.C.61.Inf_.04_Corporate_Scorecard_0.pdf
[85] Ibid.
[86] *OECD DAC Rio Markers for Climate Handbook*, https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf
[87] GEF/C.54/19/Rev.03, *Negotiations of the Seventh Replenishment of the GEF Trust Fund,* (https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_.03_Replenishment.pdf)

United Nations Convention to Combat Desertification, and the United Nations Framework Convention on Climate Change) are systematically traced under a system of full flexibility. [88]

134. **The deepened strategic GEF-8 focus to where the GEF can achieve the highest impact, with integration as a core principle, necessitates a move to full flexibility.** Integration is one of the competitive advantages of the GEF,[89] and limited flexibility can act as a constraining factor to the ability of countries to prioritize their investments towards maximizing their contributions to global environmental benefits. Under the assumption of project size as a proxy of fragmentation of resources, evidence also shows that the increasing level of flexibility allowance in GEF-7 has enabled the GEF to pursue a more effective model that helps reduce fragmentation of GEF resources. A model of full flexibility will remove thematic constraints, allowing funding to target maximum impact whilst simultaneously maintaining the traditional system of predictable and transparent resource allocations to recipient countries.

135. **In GEF-8, the Secretariat will monitor the use of Rio Markers and the relevant shares of financing directly and indirectly related to these thematic areas.** The Secretariat will also track the utilization of STAR resources to maintain portfolio-level targets on focal-area financing and monitor results met over the GEF-8 replenishment period, and report on progress towards those targets with each work program of the GEF-8 cycle through the semi-annual Corporate Scorecard. The Secretariat will organize a mid-term review to review and report on the experience of GEF-8 approvals under full flexibility, and to identify potential measures if portfolio-level focal area financing is not progressing to meet the agreed targets.

Increasing Resources to SIDS and LDCs

136. **Over time and in past replenishment periods, the GEF has received guidance from various COPs regarding the least developed countries (LDCs) and small island developing states (SIDS).** Guidance from the UNFCCC,[90,91] the Stockholm Convention,[92] and the CBD[93]

[88] Rio Markers are a well-used tool across the donor world - DAC members are in fact requested to indicate for each development finance activity whether or not the activity targets the respective environmental objectives of the Rio Markers.

[89] GEF/E/C.60/09, *Management Response to: Formative Evaluation of the GEF Integrated Approach to address the Drivers of Environmental Degradation*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E.C.60.09_Evaluation_Integrated_Approach.pdf

[90] "*Requests the Global Environment Facility, as an operating entity of the Financial Mechanism of the Convention, in its seventh replenishment programming, to continue to assist developing countries, in particular the least developed countries and small island developing States, in accessing resources in an efficient manner" (Decision 11/CP.22, paragraph 3)*, https://unfccc.int/sites/default/files/resource/docs/2016/cop22/eng/10a01.pdf

[91] "*Requests the Global Environment Facility to give due consideration in its sixth replenishment period to funding for small island developing States and least developed countries in order to enable them to address their urgent needs and to comply with their obligations under the Convention*" (Decision 6/CP.19, paragraph 10), https://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=17

[92] The Stockholm Convention COP included the following decision on LDCs and SIDS, in its annex to decision on guidance to the financial mechanism: *The entity or entities entrusted with the operations of the financial mechanism should take full account of the specific needs and the special situation of the least developed countries and small island developing States in their actions with regard to funding (Annex to decision SC-1/9, http://chm.pops.int/Convention/ConferenceofthePartiesCOP/COPDecisions/tabid/208/Default.aspx*

[93] CBD's consolidated previous guidance to the financial mechanism includes the following paragraph on the special needs of the LDCs, SIDS, and economies in transition in programme priorities: *"The Global Environment Facility*

have all articulated the special circumstances of these countries and the need to enhance their access to resources.

137. **The GEF-8 STAR Model therefore enhances resources to these countries through: (i) harmonizing the SIDS floors with the LDC floors, (ii) increasing this newly defined floor, (iii) reducing the focal area ceilings, and (iv) increasing the weight of the GDP Index.** When introduced into the GEF-4 allocation system, the focal area allocation floors were set at aggregate levels of US$ 2 million,[94] doubled to US$ 4 million in GEF-5,[95] and in GEF-6 increased for LDCs only to aggregate US$ 6 million.[96] These differential floor amounts for LDCs and non-LDCs were maintained for GEF-7 (although they were rebalanced among focal areas to reflect the changing focal area distributions).[97] The GEF-8 STAR Model would feature a harmonization by raising the SIDS floors to the level of the LDC floors. This would therefore result in two categories of floors: "SIDS and LDCs", and "Other Countries". Furthermore, aggregate LDC floors (US$ 6 million) have not increased since GEF-6, and the aggregate SIDS floors (US$ 4 million) have not increased since GEF-5. Therefore, the GEF-8 STAR Model will increase this newly-defined aggregate "SIDS and LDCs" floor to US$ 8 million and increase the Non-SIDS/LDCs aggregate floor to US$ 5 million.

138. **The model also reduces focal area ceilings to 6%**. The focal area ceilings were initially introduced in GEF-4 at 15% of focal area allocations for climate change and 10% for biodiversity, modified in GEF-5 to 11% for climate change and 10% for both biodiversity and land degradation, and then harmonized to 10% across all three focal areas in GEF-6. In GEF-8, the focal area ceilings will be further reduced to 6%.

139. **Finally, the model will increase the weighting of the GDP Index from -0.12 to -0.16**. As early as 2009, it was suggested that the GEF consider adding a social and economic component to its resource allocation, intended to help distribute resources to poorer countries to build their capacities in implementing GEF projects.[98] In GEF-5, the GDP Index was therefore introduced to the model. Since then, the weight of GDP Index has been a core feature of increasing resources to SIDS and LDCs, with an increasing magnitude across every successive

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should provide financial resources to developing country Parties, taking into account the special needs of the least developed countries and the small island developing States, as well as Parties with economies in transition, for country-driven activities and programmes, consistent with national priorities and objectives and in accordance with the following programme priorities, recognizing that economic and social development and poverty eradication are the first and overriding priorities of developing countries, and taking fully into consideration all relevant decisions from the Conference of the Parties" (Decision XIII/21), https://www.cbd.int/decisions/cop/13/21

[94] GEF/C.27/Inf.8/Rev.1 *The GEF Resource Allocation Framework,* https://www.thegef.org/council-meeting-documents/gef-resource-allocation-framework

[95] GEF/C.36/6, *System for a Transparent Allocation of Resources (STAR): Options and Scenarios*, https://www.thegef.org/council-meeting-documents/system-transparent-allocation-resources-star-options-and-scenarios

[96] GEF/C.46/05/Rev.01, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6,* https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.05.Rev_.01_Proposal_for_the_System_of_Transparent_Allocation_of_Resources_%28STAR%29_for_GEF-6_May_19_2014_5.pdf

[97] GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR),*

[98] GEF/C.36/6, *System for a Transparent Allocation of Resources (STAR): Options and Scenarios*, https://www.thegef.org/council-meeting-documents/system-transparent-allocation-resources-star-options-and-scenarios

GEF cycle. From GEF-5 to GEF-6 the weight of the GDP Index was doubled from -0.04 to -0.08, as recommended by IEO[99] and in GEF-7, the weight was continuously increased to -0.12. The GEF-8 model features a further increase of the GDP Index weight, at -0.16.

Creating a Competitive Space

140. **One of the core principles of the STAR allocation system is that it should continue to adequately serve all recipient countries, catering appropriately to different needs, capabilities and contexts that evolve over time.[100]** One of the ways this manifests itself is in the continued focus on the respective shares of GEF resources that are provided to LDCs and SIDS. Another consideration is the share of resources that flows to countries with higher capacities.

141. **To this end, a small competitive window is introduced, for a selected cohort of countries.** This would be targeted to the top 5 STAR recipient countries (excluding any SIDS or LDCs), with 8% of their individual STAR allocations put into a competitive pool that they could all access. This would enable the potential for the selected countries to achieve higher impact, capturing more resources than they would otherwise have received with full individual allocations. To ensure equitable access across the competitive cohort, a ceiling structure would be put into place, with no one country able to receive more than a particular percentage of the competitive pool of funds.

142. **The competitive pool would be used by these countries for country-driven investments enhancing policy coherence**, which is an important programming objective of GEF-8. Improving coherence within the set of national policies relevant to the global environment can considerably increase both national and global environmental benefits. Improved policy coherence can also greatly enhance domestic resource flows towards the investment required to achieve critical environmental goals and eliminate perverse incentives that conflict with nature conservation efforts. Domestic policy coherence is an essential component of maximizing the benefits of GEF investments, and in the sustainability of those benefits.

143. **Domestic policy coherence is not a new concept to the GEF but calls for further strengthening.** The GEF has, since its inception, been consistently and progressively working in this space, with support to countries' efforts to strengthen national environmental policies an increasing feature of GEF strategies. The IEO recently assessed that, while the GEF is making good progress on the policy front, additional efforts are needed. [101] Relatedly, the IEO's OPS-7

[99] *Mid Term Evaluation of the System for Transparent Allocation of Resources*, https://www.gefieo.org/sites/default/files/documents/star-2014-approach-paper.pdf
[100] GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_.01_STAR.pdf
[101] GEF/E/C.60/Inf.01, *Management Action Record 2021*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_Inf.01_Management_Action_Record.pdf

Report underscores the importance of the GEF expanding reach into the policy coherence space, while also recognizing the challenges in doing so. [102]

144. **This small competitive window would be used in the GEF-8 STAR for a series of country-driven projects that positively impact domestic policy coherence in the selected group of high-impact countries.** Creating this dedicated funding space would allow for a series of strategic pilot investments focusing on policy coherence in the selected countries in which a high percentage of GEF programming lies. While the introduction of a policy coherence index into the STAR formula was not deemed to be feasible at this time,[103] the use of this competitive space for policy coherence objectives is one of the ways in which this critical dimension can begin to be more systematically internalized. In high-impact, high-recipient countries with large GEF programming portfolios, progress on policy coherence can have demonstration effect on other and therefore be particularly impactful on global environmental benefits. Projects funded through this window will continue to be country-driven, fully reflecting the particular national policy landscape. It can also be expected that they would be aligned with other national GEF projects and programs which may act as demonstrations from which outcomes and results may be able to be scaled up.

145. **Full details of this window will be articulated in an operational note of the GEF-8 STAR Policy that will come for discussion to the 62nd Council in June 2022.** Procedures for access and competition would be based upon other such programs that already exist in the GEF architecture, such as the GEF-7 competition for Impact Programs, the LDCS/SCCF Challenge Program, and the proposed GEF-8 competition for Integrated Programs.[104] The operational note would provide preliminary information and guidance on how this window would be operationalized to maximize the potential for achieving the specified outcomes, including the process and options for the selected countries to participate.

STAR Data Updates

146. **As is done in every GEF cycle, the Secretariat has undertaken extensive data updates for the existing STAR indices and sub-indices**. Data was updated to the latest available data as of June 2021, as follows:

- all country categories were updated, including income and LDC categories,
- all components of the Global Benefits Index for Climate Change were updated, inclusive of the sub-indices on (i) Greenhouse gas emissions and (ii) Forestry,
- all components of the Global Benefits Index for Land Degradation were updated, including drylands data which had not previously been updated since the first Land Degradation datasets of GEF-5,

[102] GEF/E/C.61/Inf.01, *Global Environment Facility Independent Evaluation Office (GEF IEO), Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery, Washington, DC: GEF IEO, 2021,* https://www.thegef.org/sites/default/files/2021-11/EN_GEF.E.C.61.Inf_.01_OPS7_Final_Report.pdf
[103] GEF/R.08/06, *GEF-8 Policy Directions: The Enabling Environment for Transformation*, https://www.thegef.org/sites/default/files/2021-11/EN_GEF.R.08.06_GEF8_Policy_directions.pdf
[104] GEF/R.08/12, *Updated Note on Operationalizing the GEF-8 Integrated Programs*, GEF-8 Replenishment (Third Meeting), February 2022.

- the Portfolio Performance sub-index of the Country Performance Index was updated, and a further data change was undertaken to restrict PIR ratings to projects under implementation in the last 5 years, as per the findings of the IEO's 2017 STAR Evaluation,[105]
- the Institutional Assessment sub-indicator of the Country Performance Index was updated, inclusive of its components of (i) the Country Environmental Policy and Institutional Assessment, and (ii) the Broad Framework Indicator.

147. **The data for the Global Benefits Index for Biodiversity is retained from the GEF-7 STAR Model.** A rigorous methodological analysis and data update was undertaken for this Index in 2017,[106] and its results were deemed still valid and applicable for the GEF-8 STAR Model. The Secretariat plans to undertake another extensive update of this Index for GEF-9.

148. **Details of all data updates undertaken for the GEF-8 STAR Model will be provided in the GEF-8 STAR Policy Paper that will come to the 62nd GEF Council in June 2022**. This will include the specific years of update, public data links where applicable, and all appropriate calculation protocols for any missing data.

Simulations on Country Groups

149. **Along the lines of the approach adopted for the GEF-7 replenishment,[107] preliminary GEF-8 STAR Model results are presented across the following three mutually exclusive groups of countries**:

- *SIDS/LDCs*: This group comprises 76 SIDS/LDCs, of which 38 are SIDS,[108] 46 are LDCs,[109] and 8 are both SIDS and LDCs.[110]
- Upper Middle-Income Countries (UMIC) and High-Income Countries (HIC) that are not SIDS or LDCs (henceforth referred to as "*UMICs and HICs that are not SIDS and LDCs*"): This paper applies the Fiscal Year 2022 World Bank lending groups.[111] This group comprises 39 countries.

[105] GEF/ME/C.53/Inf.10, *Review of the GEF's System for Transparent Allocation of Resources*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.10_Eval_of%20GEF_System_for_transparent%20alloc_of_Resources_Nov_2017.pdf

[106] This is described in detail in the GEF-7 STAR Policy Paper: GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_.01_STAR.pdf

[107] GEF/R.7/10, *GEF-7 Policy Agenda: Analysis in Support of the Proposed GEF-7 Policy Recommendations*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20-%20Policy%20Agenda%20-%20GEF_R.7_10.pdf

[108] https://sustainabledevelopment.un.org/topics/sids/list

[109] https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/ldc_list.pdf

[110] Solomon Islands, São Tomé and Principe, Timor-Leste, Haiti, Kiribati, Comoros, Guinea-Bissau and Tuvalu

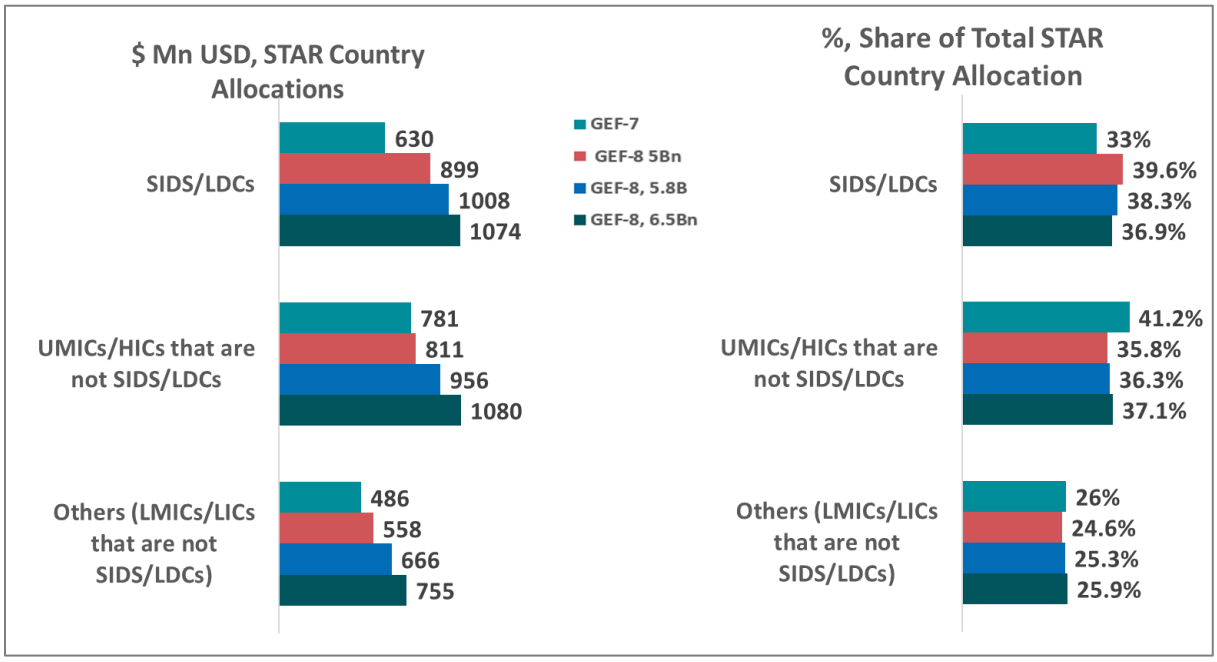
[111] https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

- Low Income Countries (LIC) and Lower Middle-Income Countries (LMIC) that are not SIDS or LDCs (henceforth referred to as "*Others*"): Based on the World Bank's Fiscal Year 2022 lending groups, this group comprises 29 countries.

150. **The preliminary GEF-8 STAR Model results presented below are based on the following parameters:**

- The STAR focal area allocations are based on the US$ 5Bn and $6.5Bn financial scenarios presented to the fourth replenishment meeting[112] (the STAR focal area allocations remain the same between the US$ 6.5Bn and the $7Bn financial scenarios and therefore an additional simulation is not necessary),
- All weights for existing indices remain the same as GEF-7,
- The focal area ceilings are lowered from 10% to 6%,
- The aggregate non-SIDS/non-LDC floors are raised to US$ 5 Mn across all scenarios,
- The SIDS/LDCs floors are harmonized, resulting in two categories of floors: "SIDS/LDCs", and "non-SIDS/LDCs",
- The aggregate SIDS/LDCs floors are raised to US$ 8 Mn across all scenarios,
- The weight of the GDP Index is increased from -0.12 to -0.16.

Figure 28: GEF-8 STAR Simulations (US$)



[112] GEF/R.08/30, *GEF-8 Programming Scenarios and Global Environmental Benefits Targets*, GEF-8 Replenishment (Third Meeting), March 2022.

151. **Key observations of preliminary simulations across the specified country groups relative to GEF-7 are as follows**:

- All three country groups will experience increasing aggregate amounts (depending on the financial scenario, this impact will vary in both magnitude and direction for the specific countries within these groups),
- SIDS/LDCs will receive a greater percentage of resources,
- UMICs and HICs (that are not SIDS or LDCs) will experience a reduction in the percentage of resources,
- The "Other" countries (LMICs/LICs that are not SIDS/LDCs) will experience a small reduction in the percentage of resources.

152. **The proposed formulation is based on detailed analyses to ensure balance across a range of needs, with changes to allocations resulting from a number of factors that are both exogenous and endogenous to the model**. The STAR model is an interlinked and complex system with a variety of parameters and levers. Exogenous parameters include data updates and aggregate focal area allocations - in the absence of any other changes, the extensive data updates described above that were undertaken for the existing indices and sub-indices relative to GEF-7 will on their own cause changes, while the focal area amounts of the GEF-8 replenishment will ultimately determine the aggregate amounts that are used by the model to simulate to the respective country allocations. In terms of parameters that are endogenous to the STAR model, the respective floors and ceilings (their magnitudes, absolute values, and disaggregation across focal areas), and all of the STAR indices (their construction and respective weights at all levels) will impact the distribution of resources across country groups and countries.

Conclusions and Next Steps

153. **This paper outlines the Secretariat's proposal for the GEF-8 STAR Model.** Based on the ongoing replenishment discussions to date, the GEF-8 STAR Model includes: (i) full flexibility, (ii) increasing floors for SIDS and LDCs, (iii) reducing the focal area ceilings, (iv) increasing the weight of the GDP index, and (iv) the introduction of a competitive space for a selected group of countries focused on the thematic area of policy coherence.

154. **It is important to note that the simulations presented here are to be considered preliminary only.** The final GEF-8 STAR model, and the resultant country allocations, will be adjusted to reflect the final programming scenarios that will result from the Fourth Replenishment Meeting.

155. **In line with the practice adopted for past replenishments, the GEF-8 STAR Policy will be presented for decision at the 62nd Council meeting in June 2022, and individual country allocations will be published on 1 July 2022.** The STAR Policy will be reflective of the replenishment discussions and guidance on the GEF-8 model parameters, will contain operational guidelines, and also an operational note on the rollout of the competitive window.