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Implementing the Post-2020 Global Biodiversity Framework: financial mechanism

Lessons learned from the Global Environment Facility and the Green Climate Fund

Juliette Landry, Julien Rochette, Matthieu Wemaëre, Sébastien Treyer (IDDRI)

The third meeting of the Open-ended Working Group (OEWG) on the development of the Post-2020 Global Biodiversity Framework (GBF), held in Geneva in March 2022, showed that while the question of amounts to be mobilized and of North-South flows to fund biodiversity is a tough negotiating point, the nature of the financial mechanism of the Convention on Biological Diversity (CBD) and its post-2020 framework is strategically significant. Some developing countries propose or support creating an *ad hoc* fund in order to implement the global framework and the CBD's three objectives in complementarity with the Global Environment Facility (GEF), which has been the main financial mechanism for implementing the CBD since 1996.

Although recent negotiations over the 8th GEF replenishment led to record funding for biodiversity, reflection on the progress made and the limitations observed in the CBD's financial mechanism is necessary if we are to highlight sound options for funding the post-2020 framework. The present study, which is based on a review of the literature and a series of interviews with stakeholders (developing and developed country representatives, donors, and international experts), focuses primarily on the GEF's experience in resource mobilization for the protection of biodiversity. It highlights lessons learned by the *ad hoc* Green Climate Fund (GCF) and proposes a number of key messages for post-2020 framework negotiators.

KEY MESSAGES

The biodiversity funding architecture has evolved differently from the climate funding architecture. Climate funding works through the combined action of the GEF, the GCF, and other specialized funds, with the GEF as the main financial mechanism for biodiversity and CBD implementation. The proposal to create an *ad hoc* biodiversity fund raises questions, specifically about value added as well as about complexities that may arise for recipient countries. Experience also shows that it takes several years from having the idea of creating a fund to actually establishing it and making it operational. Creation of such a fund would not therefore realistically provide rapid and effective support for implementing the post-2020 global framework.

Negotiations over the 8th GEF replenishment have just led to record funding for biodiversity. Despite acknowledged successes and a capacity for reform responsive to needs, it remains for the GEF to ensure greater support for the most vulnerable countries. Furthermore, while the calculation method, which is based on incremental costs and benefits for the global environment, is pragmatic in calculating the additionality of biodiversity funds, it slows funding for transformative change. Such change will have to rely on funding for key sectors, considering benefits for both development and biodiversity while accounting for local priorities and requirements. The role of multilateral development banks to achieve this is crucial.

Effective implementation of the future Global Biodiversity Framework must necessarily be based on identifying priorities and needs but also on developing or strengthening catalytic tools and mechanisms such as national biodiversity finance plans and existing multilateral funds. However, this principle should not obscure the imperative need to mobilize more funding for biodiversity.

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1. INTRODUCTION

The CBD's Post-2020 Global Biodiversity Framework will include not only a new series of objectives and action targets but also mechanisms designed to ensure effective implementation. This dual approach is particularly necessary since the 2019 Global Assessment Report of the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) and the 2020 Global Biodiversity Outlook 5 have highlighted the significant gap between the Aichi Targets 2011-2020 and their implementation, which remains inadequate for obtaining concrete results.

In this context, resource mobilization is a major challenge, and the Third Report of the Panel of Experts (March 2020)[1] on resource mobilization proposes a strategic approach based on three interconnected components:

- Reducing or redirecting resources causing harm to biodiversity through a variety of actions, including creating synergy between national sector budgets and objectives for protecting living natural resources and eliminating harmful subsidies;
- Generating additional resources from all sources to achieve the CBD's three objectives by, for example, increasing direct and indirect public expenditure to achieve these three objectives or increasing private sector investment;
- Enhancing the effectiveness and efficiency of the use of resources by reviewing and improving public sector governance and planning and improving monitoring and reporting on resource mobilization.

The global framework project currently being negotiated reflects these requirements through: (i) an objective (D) aiming to fill "the gap between financial means (…) and those necessary to achieve the 2050 vision;" (ii) a marker (D.1) on additional resource mobilization by 2030; and (iii) two action targets for aligning resources and financial flows with the objectives of preserving biodiversity (Target 18) and increasing financial resources (Target 19).

1 CBD/SBI/3/5/Add.3, March 18, 2020: https://www.cbd.int/doc/c/5c03/865b/7332bd747198f8256e9e555b/sbi-03-05-add3-en.pdf

In this context, the third OEWG meeting, which was held in Geneva in March 2022, showed that although the questions of mobilizing amounts and North-South remittances for funding biodiversity are tough negotiating points, the nature of the financial mechanism of the CBD and its post-2020 framework is also of major strategic significance. Thus, some developing countries are proposing[2] or supporting[3] the creation of an *ad hoc* fund for implementing the CBD's global framework and its three objectives in complementarity with the GEF, which has been the main financial mechanism for implementing the CBD since 1996. These proposals are echoed in developments in the climate arena, where the GCF was created in 2010 to complement GEF actions. Before seeking to reproduce this institutional innovation, it is important to learn lessons from the experience while considering the differences between the climate and biodiversity areas.

In this context and as negotiations over the 8th GEF replenishment have just been completed with record funding for biodiversity[4], it is necessary to consider the progress achieved and the limitations observed in the CBD financial mechanism in order to highlight sound options for financing the post-2020 framework. The present study, which is based on a review of the literature and on a series of interviews with stakeholders consisting of developing and developed country representatives, donors, and international experts (i) focuses primarily on the GEF's experience in terms of mobilizing funds for protecting biodiversity; (ii) highlights lessons learned from an *ad hoc* fund (GCF); and (iii) proposes a number of key messages for post-2020 framework negotiators.

2 SBI-3, Item 6 – Brazil's Statement of March 14, 2022 and submission of a Non-paper on the implementation of Article 21 of the Convention.

3 Joint statement made at the close of the 3rd Working Group on March 29, 2022 by Gabon on behalf of a group of about 60 developing countries (African group, Argentina, Bolivia, Brazil, Cuba, Dominican Republic, Ecuador, Guatemala, India, Pakistan, Venezuela).

4 USD 1.89 billion, for a total of USD 5.25 billion, or 36 percent of funds. For comparison: GEF 7 – USD 1.28 billion, or 33 percent of anticipated funds of approximately USD 4 billion.

2. THE GLOBAL ENVIRONMENT FACILITY AND BIODIVERSITY: SUCCESSES AND CHALLENGES

2.1. Genesis and General Mechanisms

In 1992 and upstream of the adoption of the CBD at the Rio Summit, the question of resources and financial mechanisms for developing countries was central. The World Bank, the United Nations Development Program (UNDP), and the United Nations Environment Program (UNEP) launched the pilot phase of the GEF, created in 1991 and driven by France and Germany. This progressively became organized around five focal areas: (i) biodiversity loss; (ii) chemicals and waste; (iii) climate change; (iv) international waters; and (v) land degradation. From 1996 on, the GEF became the main financial mechanism for implementing the CBD and today remains the most important facility dedicated to funding the protection of the environment in developing countries.

Since its pilot phase, the GEF, whose general objective is to fund the incremental costs of activities aimed at achieving global environmental benefits, has in 30 years granted up to USD 21.7 billion in financing and mobilized USD 119 billion in co-financing, with 5,000 projects in 170 countries.

GEF funding operates through: (i) large-scale projects (over USD 2 million); (ii) medium-scale projects (below or equal to USD 2 million); (iii) enabling activities for reaching commitments to conventions[5]; and (iv) programs including interconnected subprojects (child projects), called "integrated programs." Half of GEF biodiversity projects involve large-scale projects, mostly implemented by UNPD (**Figure 1**).

The three main focal areas of biodiversity, climate change, and land degradation are organized around a funding allocation system for recipient countries established in 2010 during the GEF's 5th replenishment, namely the System for Transparent Allocation of Resources (STAR). This system for calculating distribution of funds by country involved 80 percent of funds allocated to the three focal areas mentioned above and was designed to provide recipient countries with an overview of the funding envelope allocated to them for each four-year period. The system also provided programming flexibility for countries whose total allocation did not exceed USD 7 million so that they could have flexibility in allocating this envelope to the three focal areas. In the 8th replenishment adopted in 2022, recipients will now have complete flexibility.[6] More precisely, "Participants agree that recipient countries should have full flexibility in the use of their GEF-8 STAR allocations so as to further facilitate the mainstreaming of integrated programming principles and to optimize and maximize investments to increase positive impact."[7]

For the 6th replenishment (GEF-6), the STAR model, which was based on a combination of indexes[8], allocated 7 percent of its biodiversity funding to Brazil (USD 70.07 million), 6 percent to China and Indonesia (USD 58.55 and USD 57.84 million, respectively), 5 percent to Mexico (USD 54.92 million), and 4 percent to Colombia (USD 39.33 million). A floor allocation to eligible countries was set at USD 1.5 million so as to avoid envelopes that did not guarantee preparation of viable projects. The floor concerned 26 countries, allowing them to gain access to this minimum allocation. It was revised upward last June 2022, when GEF-8 was adopted, specifically for least developed countries (LDCs) and for Small Island Developing States (SIDS), as was the share of funds allocated.

5 CBD, and including, for example, the Conventions on Climate Change and Desertification.

6 Updating the System for Transparent Allocation of Resources (STAR), GEF/C.62/04, May 19, 2022

7 Summary of Negotiations over the 8th Replenishment of the GEF Trust Fund, GEF/C.62/03, June 15, 2022 (p. 260).

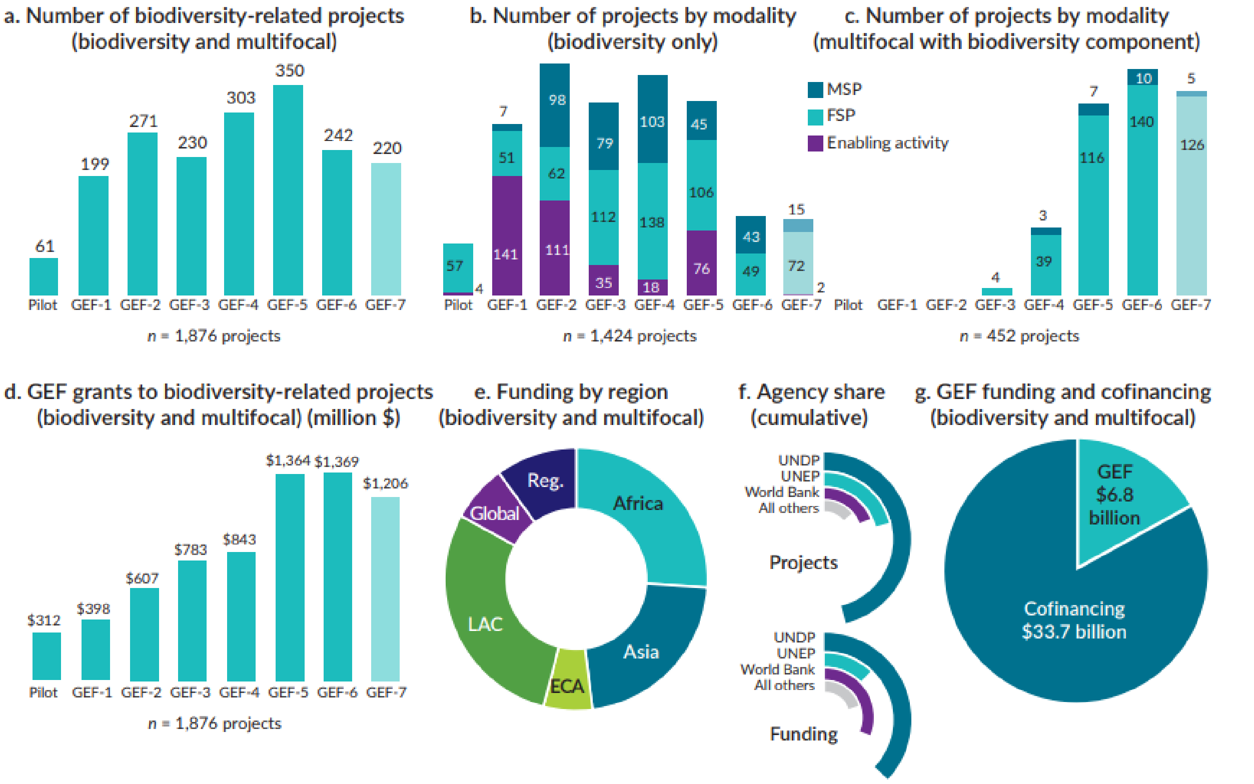
8 GEF benefits index (GBI) and GEF performance index (GPI) based on past GEF and World Bank performance and a social and economic Gross Domestic Product Index (GDPI).

TABLE 1. Use of pilot phase funds up to 7th replenishment by focal area in USD million (actual disbursement in 2021)

Focal Area/Theme	Pilot Phase	GEF-1	GEF-2	GEF-3	GEF-4	GEF-5	GEF-6	GEF-7	Total
Biodiversity	312.4	397.8	650.5	832.3	713.7	624.0	328.7	395.8	4,255.2
Climate Change	228.9	358.9	565.0	710.5	749.2	874.2	532.6	332.6	4,351.8
International Waters	118.6	118.8	303.6	364.0	224.1	308.8	189.2	264.0	1,891.2
Land Degradation	N/A	N/A	N/A	177.7	137.4	131.5	94.5	82.1	623.1
Chemicals and Waste	4.2	110.0	71.9	136.8	253.1	365.9	368.3	332.0	1,642.2
Multifocal areas	2.6	24.5	72.6	270.0	397.8	1,021.6	1,520.1	1,096.3	4,405.5
Small Grants Program (SGP)	13.0	25.9	76.9	171.5	175.3	258.2	178.0	128.0	1,026.9
Total	679.7	1,035.9	1,740.6	2,662.7	2,650.6	3,584.8	3,211.5	2,630.8	18,196.5

Note: N/A = Not Applicable. The data are as of June 6, 2021 and exclude projects canceled without any utilization. Project funding excludes project preparation grant (PPG) funding and PPG agency costs. Allocations of the GEF's trust fund to multi-trust fund projects are also included. The intervention field for chemicals and waste was created during GEF-6, replacing the area of persistent organic pollutants (POP), covering substances destroying the ozone layer, POPs, and mercury. The global SGP program includes basic funding and approved resources allocated through the resource allocation framework and funding of the system for transparent allocation of resources but not funding of improved country programs. Source: Independent Evaluation Office of the GEF, 7th evaluation, 2022.

FIGURE 1. **Key elements of biodiversity portfolio (2021)**



Source: GEF Portal.

Note: Data are as of June 16, 2021, and exclude the SGP global program, dropped projects, and projects canceled without any utilization. Project financing excludes Agency fee, project preparation grant (PPG) funding, and PPG Agency fee. The grant amount for programmatic approach is calculated as the sum of child projects to avoid double counting. Cofinancing amount is promised cofinancing reported at project design stage. ECA = Europe and Central Asia; LAC = Latin America and the Caribbean.

Independent Evaluation Office of the GEF, 7th evaluation, 2022

2.2. Governance

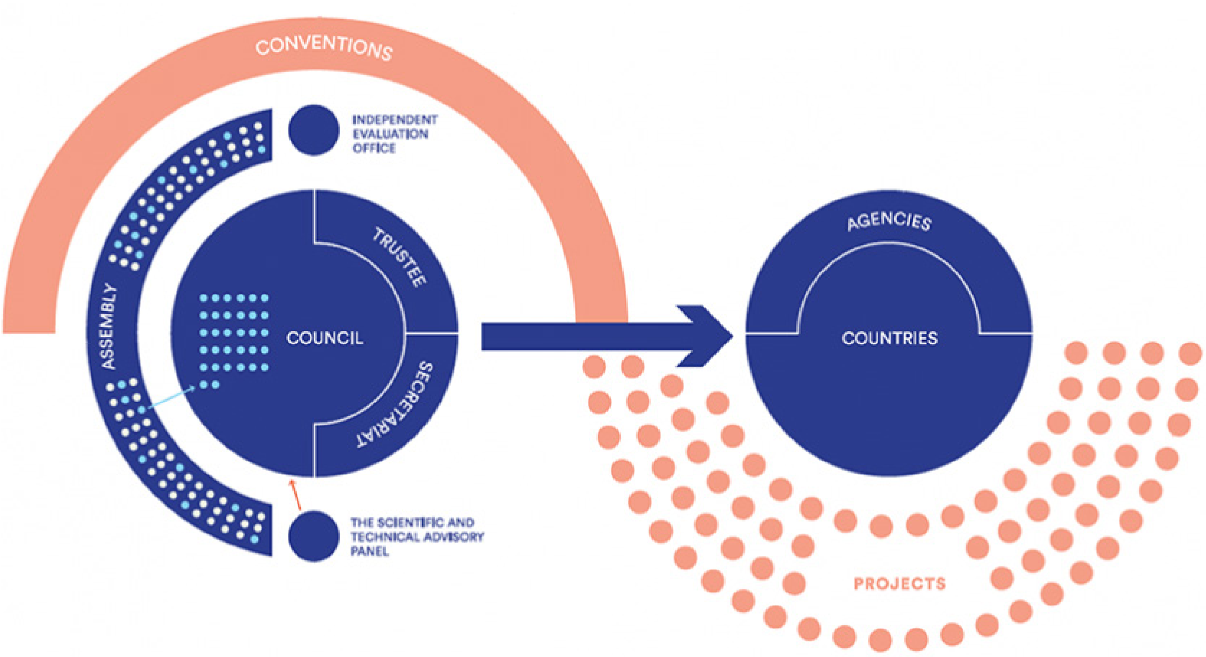
GEF is a multilateral fund with 184 participating countries. Its governance is complex and comprises 6 bodies: (i) the Council; (ii) the Conference of the Parties (COP) of international conventions, including the CBD COP; (iii) the Assembly; (iv) the Science and Technology Advisory Panel (STAP); (v) the Independent Evaluation Office (IEO); and (vi) the Secretariat.

The Assembly and the COP mainly act as supervisors of GEF activities. The Assembly is composed of ministerial representatives from the 184 member countries along with representatives from implementation agencies, conventions, and accredited groups. It is responsible for reviewing general policies and approves by consensus amendments to the Instrument for the Establishment of the Restructured Global Environment Facility, which has regulated GEF operations since 1994. The Assembly meets every three or four years, mainly when the GEF is being recapitalized. The COP of the CBD provides guidelines to the GEF Council along with an assessment of requirements for successive replenishments.

The GEF's main decision-making body is the Council, which is made up of 32 constituency members (states or groups of states), among which 14 represent developed countries, 16 developing countries, and 2 transition countries. Each constituency has a single representative on the Council. For developing countries, the Secretariat organizes meetings to present documents and discuss positions through the Country Support Program (CSP). The GEF Council's mandate is to develop, adopt, and assess operational aspects of the facility's activities in order to ensure that these comply with its objectives and follow the guidelines enacted by the COP and the Assembly. Council decisions are generally taken by consensus despite the possibility of taking a decision by qualified majority of weighted votes. The Council meets every six months.

The GEF Council is supported by the evaluation of activities and guidance on project approval provided by STAP and the Independent Evaluation Office (IEO). Comprising 15 expert members in the five focal areas, STAP issues recommendations on the programs and projects submitted. The IEO is an independent body and produces a comprehensive review of GEF

FIGURE 2. GEF Structure



Source: thegef.org, 2022

activities every four years. Finally, the GEF Secretariat is responsible for monitoring implementation of the decisions made by the Council and for general coordination between implementation agencies,[9] GEF members, and the Secretariat (**Figure 2**).

2.3. Acknowledged Successes

Since its creation and its pilot phase, the GEF has shown its effectiveness on several levels.

Firstly, despite a slight fall during the 7th replenishment (2018-2022), funds allocated to the GEF have continued to increase since its pilot phase, specifically in the focal area of biodiversity, which received the major portion of funds in the 8th replenishment (2022-2026), with USD 1.89 billion, or 36 percent of the USD 5.2 billion pledged. Its long experience and expertise in funding and protecting benefits for the environment on a global scale are viewed as centered on the problems of development funding through its connection to the World Bank, which allows the GEF to benefit from the Bank's expertise in financial engineering.

As a facility dedicated to the environment in general, the GEF provides a cross-thematic approach. This can minimize negative collateral effects and maximize synergies between, for example, climate change and biodiversity projects or multi-focal projects combining objectives on land degradation, international waters, biodiversity, climate change, and chemicals and waste. The GEF acts as a catalyst for mobilizing co-financing, specifically from national resources and the private sector. The GEF's development has also allowed its operations to adapt to requests from its members, specifically post-evaluations. For example, the GEF now funds so-called enabling activities, which are needed for developing sustainable projects.

Finally, the accreditation of implementation agencies, which have progressively grown in number to 18, offer comparative advantages depending on the type of project or program and provide stability and expertise in project design and implementation, two areas where national institutions would either be lacking or poorly equipped.

2.4. Challenges

Beyond its acknowledged successes, which are widely celebrated, the GEF faces several challenges. These are raised regularly by some states as well as conservationists.

Governance

Criticism is made, specifically by developing countries, of the challenges facing the GEF over representation and governance. As the CBD's main implementation mechanism, the GEF is not entirely under the authority of the COP, which makes the Council the body with the greatest decision-making power, even though it must respond to COP's guidelines. In this sense, some state representatives consider it a constraint on democratic and transparent decision-making.

Nonetheless, there are no proposals for changing the balance between countries of the North and of the South with respect to representation on the GEF's Council. The balance in terms of governance of the financial mechanism proposed by the Brazilian non-paper is similar to the GCF's governance and not greatly dissimilar from the GEF's governance.

9 The GEF has 18 implementation agencies, the four principal ones being the World Bank, UNDP, UNEP, and the Food and Agriculture Organization of the United Nations (FAO).

Allocation and Predictability

The STAR model for allocating resources is a result of the evolution of the GEF in response to demands from recipient countries and, for many, also represents one of the limitations of its operation. The GEF established this system to provide greater predictability as it allows recipient countries to anticipate what funding will be allocated to biodiversity, climate change, and land degradation. However, as established, the calculation method is of greater benefit to upper middle-income countries (UMICs) than to least developed countries (LDC) or lower middle-income countries (LMICs). Discussion over the allocation model takes place regularly within GEF agencies. As a result, a vulnerability index was suggested in the GEF 8th replenishment negotiations with the aim of redistributing funds more equitably while taking account of performance and global environment benefits. Due to lack of consensus, this opportunity was tabled for consideration in the 9th replenishment negotiations[10]. However, a competitive window was created, amounting to 8 percent of the STAR allocations of the top five recipient countries, excluding LDCs and SIDS[11], in order to increase consistency in national policies as well as the impact of funding received by the GEF. This competitive policy will have to be used for the country-driven investments objective[12] if it is to maximize co-benefits and reduce harmful incentives within middle-income countries (MICs) with greater capacities and resources than others. According to many stakeholders, a further disadvantage of the STAR model is that it does not systematically respond to recipient country priorities and does not promote ownership by them. This forces them to spend the allocated funds in a particular focal area, whereas these funds would have greater value added if they were allocated to supporting a project in another area. Nevertheless, this problem should be partially resolved by the flexibility allowed recipients by the reform (GEF/C.62/04) established in the 8th replenishment.

Project Approach

Another common criticism concerns the project approach generated by the concept of incremental costs adopted since the GEF pilot phase and reflected in the CBD's Article 20.[13] According to this approach, as the CBD's financial mechanism, the GEF funds the difference in costs with respect to a so-called classic development assistance project to protect the global environment. Although it provides structure and is supposed to avoid taking away funds dedicated to economic development, the incremental cost approach has been criticized. For some, the distinction between development assistance and protection of the environment does not allow for incorporating sustainable development challenges indivisibly since they are specifically represented by the consistency and systemic and transformational nature of the 2030 Agenda Sustainable Development Goals (SDGs) adopted in 2015. Incremental cost thinking in relation to a business-as-usual project also encourages short-termism, with large- and medium-scale projects receiving most of the funding distributed[14] to the detriment of funding for institutional capacities, which are essential for generating environmental and local benefits. Moreover, for many, favoring the direct funding of incremental costs that are supposed to lead to global environmental benefits compromises the durability of projects that receive the major portion of GEF funds (**Figure 3**). This incremental cost-project approach therefore becomes an obstacle to considering potential local benefits, to the long-term durability of projects (once the implementing agencies have left), and to ownership by operating agencies, national and subnational authorities, and local communities. Moreover, it neglects aspects such as strengthening institutions and participation compared to, for example, a more qualitative analysis based on environmental, social, and economic costs and benefits. Nevertheless, some projects try to create an interface between biodiversity and development or biodiversity and security.

According to some stakeholders, in practice, the incremental cost approach is only a baseline for recognizing funded projects and programs and for responding to demands for monitoring when it is in fact difficult to set specific categories rigidly. For example, some focal areas such as the fight against land degradation and associated projects also contribute to biodiversity objectives but are not counted as such. To remedy this, the 8th replenishment has adopted reporting based on Rio markers to record key or significant benefits of biodiversity projects. Furthermore, in 2019, noting the challenge presented by project sustainability highlighted by the IEO, the GEF Council adopted a sustainability (or durability) design framework proposed by STAP and the Secretariat and based on four major themes: theory of change, multi-stakeholder processes, stakeholder involvement, and adaptive learning. The plan is to integrate these principles into the entire project portfolio[15].

Finally, a number of experts note that funding incremental costs through public development assistance represents a marginal part of the required resource mobilization. This

10 "Participants take note of the analysis and options to reflect vulnerability and request the GEF Secretariat to continue this work for consideration in subsequent replenishments." Summary of Negotiations of the 8th Replenishment of the GEF Trust Fund, GEF/C.62/03, June 15, 2022.

11 Updating the System for Transparent Allocation of Resources (STAR), GEF/C.62/04, May 19, 2022, p.25.

12 *Ibid*, p.25.

13 "The developed country Parties shall provide new and additional financial resources to enable developing country Parties to meet the agreed full incremental costs to them of implementing measures which fulfill the obligations of this Convention and to benefit from its provisions and which costs are agreed between a developing country Party and the institutional structure referred to in Article 21, in accordance with policy, strategy, programme priorities and eligibility criteria and an indicative list of incremental costs established by the Conference of the Parties."

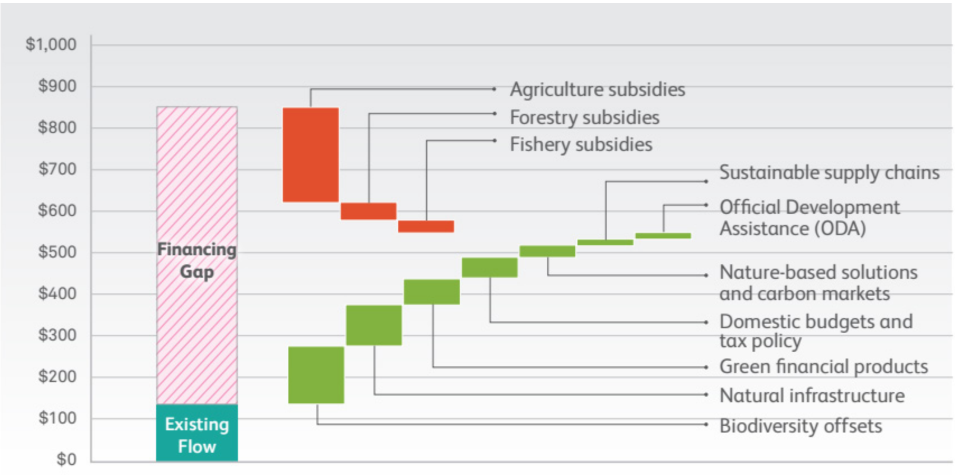
14 Since the GEF's pilot phase, for completed funded activities in the biodiversity focal area or where one of the focal areas is biodiversity, there were 656 large- or medium-scale projects, 244 enabling activities, and 8 project development facilities (PDF). www.thegef.org

15 Towards Greater Durability of GEF Investments, GEF/C.57/08, November 22, 2019.

TABLE 2. Rating of biodiversity projects - Independent Evaluation Office of the GEF, according to the Annual Performance Report (2021)

Projects scored in the Satisfactory/Probable bracket by GEF phase												
GEF Phase	Result	Projects with assessment of results	Durability	Projects with assessment of durability	Monitoring and evaluation design	Projects with assessment of monitoring and evaluation design	Implementation of monitoring and evaluation	Projects with assessment of monitoring and evaluation implementation	Implementation	Projects with assessment of implementation	Execution	Projects with assessment of execution
Pilot Phase	76%	49	48%	44	34%	44	32%	28	55%	42	72%	43
GEF-1	82%	57	53%	53	41%	44	65%	40	84%	25	77%	30
GEF-2	81%	147	55%	137	62%	131	64%	118	75%	87	81%	91
GEF-3	83%	178	55%	171	62%	177	64%	167	81%	176	83%	172
GEF-4	83%	201	64%	190	75%	196	74%	192	87%	193	80%	192
GEF-5	92%	51	67%	49	90%	49	90%	48	96%	47	91%	46
Overall Score	82%	683	58%	644	65%	641	68%	593	82%	570	81%	574

FIGURE 3. Estimate of funding growth resulting from upscaling proposed mechanisms by 2030 (in 2019, USD billion per year)



Deutz, *A. et al.* (2020)

requires a systematic approach that could be based on a do-no-harm principle to ensure that projects do not degrade biodiversity as well as on a transformational approach principle in order to attain biodiversity and development objectives simultaneously. In view of the size of subsidies for agriculture, forestry, and fishing (Figure 3), these principles should also contribute to integrating biodiversity from planning stage to project implementation by bilateral and multilateral development agencies, including at national level.

Accessibility, Coordination Between Administrations, and Appropriation at National Level

Despite some progress in reforming the resource allocation system and adopting reforms aimed at reducing inequalities in funding access, these inequalities persist because of structural challenges linked to national capacities in setting up projects. To this end, national authorities rely on implementation agencies, whose expertise in developing projects represents undeniable value added. Nevertheless, lack of coordination between these agencies and national or subnational authorities can create difficulties in constructing projects anchored in national priorities. Some experts also note a lack of cooperation between focal points (GEF, biodiversity, climate change, etc.), which prevents transmission of focal area priorities to the GEF's discussion forums and vice versa. For many, strengthening coordination, communication, and a participative approach between implementation agencies and national authorities is therefore necessary to better respond to government expectations and priorities and to develop the capacities of national teams by supporting, for example, coordination spaces vis-à-vis the GEF window. This could be applied to the so-called enabling activities projects of the GEF. Nevertheless, these projects will have to provide teams with the means necessary to plan and set up projects anchored in national and local priorities, which could also receive support from other financial institutions. Similarly and upstream, the definition of national priorities will have to represent a priority in the disbursement of biodiversity funding. Nevertheless, the GEF's efforts to remedy this lack of national coordination on request from the countries concerned should be noted. In this respect, a budget has been allocated for national dialogues at the start of the cycle, enabling workshops to be organized

(Expanded Constituency Workshops) with focal points in the context of the CSP, which has allowed projects with more significant impact in benefiting countries. In June 2022, the Council adopted the new, broader Country Engagement Strategy (CES), which should strengthen the decision-making and appropriation capacities of recipients and therefore maximize the impact of GEF funding through upstream support, the CSP, and knowledge and learning exchanges.[16]

Another challenge mentioned by developing country representatives concerns delays in accessing funding. The administrative procedure, deemed heavy and which passes through the intermediary of implementation agencies, creates delay and obstacles to funding as well as a lag between implementation and availability of funds. However, through reform in the 7th replenishment, the GEF took account of this situation by reducing the project approval cycle and establishing a project cancellation policy when procedures take too long, thus making implementation agencies responsible and encouraging rapid submissions. Nevertheless, the global pandemic limited the desired effects since implementation of some projects had to be postponed. Despite this progress, support from experts responsible for identifying and co-developing projects remains necessary. Furthermore, even if implementation agencies are responsible for developing contracts with national agencies, the latter can sometimes face cyclical or structural obstacles that prevent them from signing in a timely manner.

SUMMARY KEY INNOVATIONS OF GEF-8

- Biodiversity funding: 36 percent of funds, or USD 1.89 billion.
- Full flexibility in the use of STAR allocations.
- For LDCs and SIDS, share of funding and minimum floor for allocated funding increased.
- Competitive window for the top five recipient countries.
- Integration planned for GEF-9 and based on options proposed by the Secretariat of a vulnerability index as part of the STAR methodology.
- Reporting based on Rio markers to account for biodiversity co-benefits.
- Creation of a design framework for project durability based on proposals by the STAP and the Secretariat.
- Creation of integrated programs to follow up on multi-focal programming (GEF-4, GEF-5), integrated approach programs (GEF-6), and programs with impact (GEF-7). These integrated programs focus on food, energy, urban, health, and natural systems, which form the basis of human development, with the objective of a post-pandemic green and blue recovery.

16 GEF-8 Country Engagement Strategy Implementation Arrangements, GEF/C.62/Inf.11, May 27, 2022.

2.5. Implementing the Post-2020 Global Biodiversity Framework

To support the implementation of the Global Biodiversity Framework, which is expected to be adopted at COP 15 in Montreal in December 2022, the Global Environment Fund (GEF) has planned a number of support activities for developing countries to the tune of approximately USD 1 million per country, in particular relating to monitoring, planning, and reporting:

- The 7th replenishment (2018-2022) had already anticipated support for action following the adoption of the framework, which was originally due to take place in 2020. This Early Action Support (EAS) empowering activity, which was launched and approved prior to COP 15 in 2022, supports the financing of consultations and experts and concerns 139 countries to a value of approximately USD 300,000 per country. Recipients are offered a menu of actions: webinars and methodological support for the alignment of National Biodiversity Strategy and Action Plans (NBSAP) with the global framework, the monitoring framework, or biodiversity finance plans. Implementing agencies are the UNDP and the UNEP.
- As part of the 8th replenishment, recipients will receive specific funding for the development of biodiversity finance plans. However, they will have to use their allocation for their implementation.

Still covered by the 8th replenishment, an enabling activity will be put in place to develop NBSAPs as well as national reports, taking into account the guidelines established by COP 15. A USD 50 million reserve is planned to exclusively support the development of biodiversity finance plans.

3. ESTABLISHMENT OF *AD HOC* FUND COMPLEMENTING THE GEF: LESSONS LEARNED FROM THE GREEN CLIMATE FUND

For nearly 20 years, developed countries have provided voluntary contributions in response to their obligations under Article 4 §3-5 of the United Nations Framework Convention on Climate Change (UNFCCC), applying the principle of common but differentiated responsibility and respective capabilities. Following initial announcements of collective commitments amounting to USD 450 million made at COP 7 in Marrakesh in 2001, at COP 15 in Copenhagen in 2009, developed countries considered the mobilization of a much larger amount of "climate finance" from various sources to the tune of at least USD 100 billion per year from 2020 along with the establishment of a multilateral climate fund ("the Copenhagen Green Climate Fund")[17] through which to channel a large part of this funding. Although the Parties to the UNFCCC did not reach consensus at COP 15 so as to enable the adoption of a new international framework for cooperation post-2012, they nevertheless took up the collective commitment proposed in Copenhagen and decided to create the Green Climate Fund (GCF) in 2010 with the adoption of the Cancún Agreements at COP 16,[18] with operating methods and tasks specified at COP 17 in 2011. Designated as an operational entity responsible for ensuring the functioning of the financial mechanism (Article 11) of the UNFCCC along with the GEF with balanced governance between developed and developing countries (in equal numbers among the 24 members of the Board of Directors), the GCF was initially designed as the largest multilateral fund for channeling climate financing commensurate with the challenges, treating mitigation and adaptation on an equal basis and allowing developing countries direct access without necessarily having to go through executing agencies. This fund became fully operational in 2015 before COP 21, which took the decision that together with the GEF, the GCF should serve to implement the Paris Agreement.

3.1. Guiding Principles and Operating Procedures

With Decision 3/CP.17, the Parties approved the so-called governing instrument of the GCF (see Annex to this decision), specifying its objectives, guiding principles, and operating procedures. The goal of the GCF is to make an ambitious contribution to the efforts deployed on a planetary scale to achieve the objectives set by the international community to combat climate change. It must therefore contribute to fulfilling the ultimate objective of the UNFCCC as set out in Article 2 of the Paris Agreement. This governing instrument specifies that the GCF must work to "*promote the paradigm shift toward low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change*." Finally, it states that the fund plays a central role in making "*new, additional, adequate and predictable financial resources*" available to developing countries and that it must catalyze funding from both public and private sources for climate action at the international and national levels. While the Parties have never succeeded in agreeing on a definition of "climate financing" that would reflect the characteristics of the resources to be provided to developing countries, the fact that such resources are provided by a multilateral fund governed in a balanced and transparent manner in order to respond to the common challenge of climate change reassures them that these resources will not be double-counted by developed countries, in particular as development aid.

While the GCF receives financial contributions from developed countries, it can also receive such contributions from other sources, whether public or private. The GCF accepts contributions in the form of grants, concessional loans (mainly from France and Canada), and contributed capital. It uses these contributions to finance projects or programs through grants, concessional loans, subordinated debt, funds, guarantees, etc. Starting with pledges worth a total of USD 10.3 billion following its launch, the GCF stands as the largest multilateral climate finance mechanism following the conclusion of the process of its first formal replenishment (GCF-1) for the 2020-2023 period, with 34 contributors pledging just under USD 10 billion, of which 96 percent has already been formalized.

Two types of entities may have direct access to GCF resources:

- "Direct" entities specified by the Designated National Authority (DNA) or the Focal Point with the GCF and eligible for the Readiness Program with a view to obtaining accreditation with the Fund;
- "International" entities such as UN agencies, multilateral development banks, and regional organizations, which must obtain accreditation from the Fund.

Accreditation with the GCF requires demonstrating the ability to meet both environmental and social safeguards but also and above all to comply with fiduciary standards. The level of requirements varies according to the level of financing sought by the entity (micro: < USD 10m; small: USD 10-50m; medium: USD 50-250m; large: > USD 250m) and according to the level of environmental and social risks of the projects (Categories A, B, and C). The highest level of requirements therefore concerns large projects, which present the most risk (Category A). Accreditation is valid for five years, and entities must apply for re-accreditation when this expires (though the Council has granted an extension due to the Covid-19 crisis). To help countries meet these requirements, the GCF has set up a "Readiness Program,

17 UNFCCC COP 15 Decision 1, Paragraph 8 of the Copenhagen Accord: "New multilateral funding for adaptation will be delivered through effective and efficient fund arrangements, with a governance structure providing for equal representation of developed and developing countries. A significant portion of such funding should flow through the Copenhagen Green Climate Fund."

18 Decision 1/CP.16.

with a cumulative budget of close to USD 350 million in grants to date, which has already benefited 140 countries.

Despite the Covid-19 crisis, the level of GCF activity has been maintained, with 173 projects approved (for a total amount of USD 8.4 billion) and over 100 projects under review through the project preparation facilities, with a strong predominance of projects in the public sector (102 projects versus 27 in the private sector). These are mostly large-scale projects, with an average budget of USD 172 million and a variable level of co-financing (from 1 to 100 percent), even if there is a tendency to target contributions in the order of USD 30-50 million. This level of co-financing also depends on the mix of financial tools (even if classic grants and loans each represent 44 percent of the amounts committed) over a project duration, ranging from 4 to 40 years. While the Board of Directors is committed to respecting equal treatment between adaptation and mitigation, at least in terms of the number of projects, this is not the case in terms of funding value due to the fact that fewer adaptation projects are presented to the Board of Directors for approval. In terms of geographical distribution, in 2021, Africa led the way (38 percent), followed by the Asia Pacific region (36 percent).

3.2. Governance

While the GCF is designated as an operational entity responsible for ensuring the functioning of the financial mechanism (Article 11) of the UNFCCC with the GEF, it has its own legal personality and financial autonomy and therefore the independence and capacity to perform its own duties. This distinguishes it from the Kyoto Protocol Adaptation Fund, which is placed under the authority of the COP/MOP and which therefore has direct decision-making power over the members of its Board of Directors. This independence has been accepted by developing countries because they are represented in equal numbers on the GCF board.

The GCF has operated with its own secretariat from its headquarters in Songdo, South Korea since 2014. It should be noted that its operating budget is substantial: USD 83.5 million for 2021.

However, the GCF must comply with the principles and provisions of the UNFCCC and the Paris Agreement. Processes have been agreed between the GCF and the COP, firstly for the latter to report on its activities to the former each year, and secondly so that it operates according to its directives, in particular on questions related to policies, program priorities, and eligibility criteria as well as related aspects of support for projects, programs, policies and other activities affecting developing countries. Each year, the GCF reports on its activities to the COP (and the CMA for the Paris Agreement), which provides it with instructions for the coming year.

Note that in parallel with the process of the first formal replenishment (GCF-1), the GCF strategic plan was updated at the end of 2020 so as to revise the programming orientations, taking into account an in-depth review of the GCF's performance carried out by the Independent Evaluation Office (IEO) as well as recommendations from contributing countries. The question of how to reflect the results of this review and the recommendations of contributors revealed the problems raised by developing countries, in particular the difficulties they still face accessing it today or the insufficient share of adaptation measures in GCF funding.

3.3. Major Advances

The establishment of the GCF represents a major step forward in the financing of climate action in a number of ways. In addition to being able to access funding directly, it makes it possible to intervene in a much broader manner (fields of intervention), with much larger means (amounts), and with a veritable panoply of instruments that can be combined. This compares favorably with the Kyoto Protocol Adaptation Fund, a pioneer in terms of direct but limited access to adaptation and funded in theory by revenue from the sale of emission reduction credits generated under the Clean Development Mechanism (CDM), which gradually fell into disuse after 2013.

With project eligibility criteria that aim for a transformational impact and equipped with a results management framework equipped with performance indicators, the GCF possesses the tools for characterizing the paradigm shift toward low-carbon, resilient development. In particular, thanks to certain instruments and guarantees, it makes it possible to de-risk certain investments and to raise private capital. In this regard, it should be noted that the GCF maintains a separate mechanism for the private sector and that it has set up a Private Sector Consultative Group that provides guidance on financing allocated to the private sector (which represented 38 percent of the nominal value of the portfolio in 2020).

Despite the difficulties still encountered today by developing countries with accrediting entities and while the slowness of the accreditation process (a minimum of 18 months) can only be regretted, it should be recognized that the commitment to respect environmental and social safeguards as well as fiduciary standards has made it possible to strengthen the capacities of a large number of implementing entities in developing countries via accreditation and to strengthen the level of trust between contributors and recipients of funding.

3.4 Challenges

Governance

Like that of any multilateral mechanism, governance of the GCF faces the challenges of reconciling swift and efficient processes with quality projects and evaluations.[19] Furthermore, according to the Independent Evaluation Office (IEO), the consensus-based decision-making process and a lack of agreement among members affect the proper functioning of the Council despite the establishment of a voting system. The IEO also notes

19 SPR Synthesis Topical Brief: Programming—Independent Evaluation Unit of the GCF.

procedural and substantive management issues[20] complicated by often lengthy procedures for defining general policies and guidelines.

Coherence and Coordination

Given the low proportion of GCF financing relative to total climate finance flows, it is important to strengthen its capacities for mobilization. However, according to the IEO, the GCF is not yet fully exploiting its potential, above all its role as a catalyst, in strengthening coordination and disseminating good practices. The GCF must therefore avoid duplication as well as discrepancies with other climate finance actors at the international level, for example with the GEF or the Adaptation Fund. At the national level, the IEO finds that the GCF does not appear to consistently take a coherent approach to supporting the implementation of Nationally Determined Contributions (NDC), national plans, or sector strategies.

Accessibility and Accreditation

The length of the accreditation process is considered excessive by the IEO, with the median time for receiving accreditation having climbed to 1,321 days (**Figure 4**). In addition, though Direct Access Entities (DAE) receive 61 percent of accreditation approvals, funding for these entities represents 23 percent of the total. Instead, investments are turning increasingly to International Accredited Entities (IAE). Only 37 percent of eligible countries have DAEs

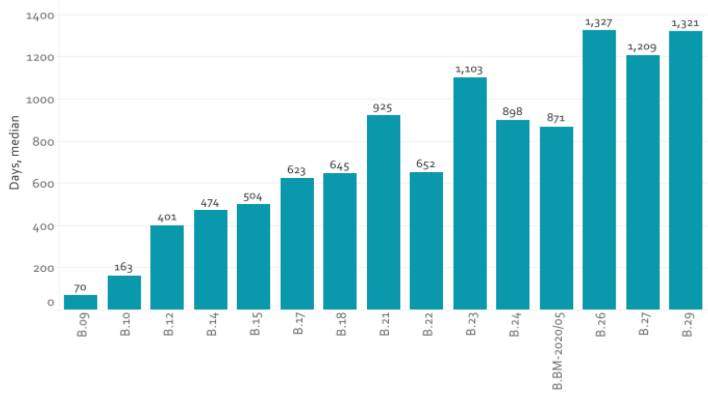
Despite the support provided to accreditation candidates, the question of direct access has become a focus of political tension because the level of requirements is such that it prevents many developing countries, in particular the least developed, from having accredited entities. For many, therefore, GCF guidance should be streamlined and aligned with country capacities.

Obviously, direct access does not systematically solve the issue of appropriation. Rather, it is necessary to sustainably support and strengthen the financial development and absorption capacities of national and sub-national authorities. Nevertheless, it will be necessary to wait for the results of the re-accreditation evaluations to observe the successes and failures of the capacity-building activities.

A Complex Architecture

The GCF is not the only climate fund. There are several variously specialized multilateral funds (the GEF, the Adaptation Fund, the LDC Fund, etc.) as well as national and regional funds. As a result of the proliferation of such funds[21] with multiple sources and standards, this architecture has gradually become more complex and is adding difficulties for countries with limited resources and capacities. Even if this multiplicity of funds makes sense when it comes to specialization, including the objective of adaptation or mitigation, scale of intervention, and targeted countries, to date, the benefits have not been obvious.[22] The WRI recommends improving coordination between the funds as well as increasing specialization but also considering the closure and merger of some funds, thereby simplifying access to funding.

FIGURE 4. Median duration of accreditation approval by the Committee (from 9th to 29th meeting)



Source: Tableau server iPMS data, as of B.30 (8 Oc 2021), analysed by the IEU DataLab.
Note: A total of 113 entities have been accredited as of B.30. Duration of each stage: stage I – submission of accreditation application to close of stage I; Stage II – close of stage I to close of stage II (including steps 1 and 2).

GCF Independent Evaluation Office (SPR Synthesis Topical Brief)

20 SPR Synthesis Topical Brief: Institutional Architecture and Performance.

21 See Amerasinghe, N. M., Thwaites, J., Larsen, G., & Ballesteros, A. (March, 2017). *Future of the Funds: Exploring the Architecture of Multilateral Climate Finance*. World Resources Institute.

22 *Ibid.*

4. KEY MESSAGES AND REFLECTIONS FOR THE IMPLEMENTATION OF THE POST-2020 FRAMEWORK

I. For several years, the GEF has been a key financial player in the protection of biodiversity and the implementation of CBD actions. Its successive replenishments have led to a steady increase in overall funding and to an increasingly large share allocated to biodiversity. Meanwhile, the climate arena has developed according to a different architecture, based on the combined actions of the GEF and the Green Climate Fund. We are therefore justified in taking an interest in these two methods in order to draw lessons from them about expectations and the solutions that have been found.

II. The acknowledged successes of the GEF in terms of financing biodiversity should not hide certain challenges to be met, particularly relating to the methods of accessing funds and allocating them between countries. In this regard, efforts to further integrate a vulnerability index into the System for Transparent Allocation of Resources (STAR) method should be continued.

III. The advisability supported by certain developing countries of establishing an *ad hoc* fund for biodiversity must be evaluated regarding pragmatic elements such as temporality. Experience shows that several years are needed between the idea of creating a fund, its establishment, and its operational implementation. Therefore, the establishment of such a fund for biodiversity would probably not provide rapid or effective support for the implementation of the post-2020 global framework. Moreover, the need to simplify the financial architecture highlighted by many countries cannot be met through the creation of an additional source of funding, which would generate additional complexity for project promoters and recipient countries alike as well as additional running costs. If such a path were to be chosen, lessons should be drawn from preexisting experiences—such as the creation of the Green Climate Fund—to avoid certain pitfalls and to consider the specialization of a new fund for biodiversity and its complementarity with the GEF.

IV. Furthermore, an effective implementation of the post-2020 framework for biodiversity must necessarily be based on the identification of national needs and priorities as well as the development of national biodiversity financing plans to strengthen the GEF's catalytic role as a financial mechanism to mobilize resources at all scales (multilateral, bilateral, national, local, and private) while reducing harmful subsidies and increasing the effectiveness and efficiency of expenditures. It is precisely in all these areas that all the funds (GCF and GEF) stumble today, and this is one of the key areas ripe for improvement independently of the question of the creation of an *ad hoc* fund or the use of existing funds. It is therefore necessary to launch an in-depth discussion on the type of instruments to be mobilized and on the areas covered by the financing of biodiversity.

V. It is also crucial to mobilize additional financial flows for developing countries and to further reform the existing mechanism since its limitations are a hindrance to cooperation based on trust and mutual responsibility. Though requiring conditions of access to funds is inevitable in order to guarantee accountability and effectiveness, at the same time it will be necessary to respond to the difficulties and expectations of recipient countries, with an emphasis on the most vulnerable countries, to ensure that they meet their priorities and strengthen their institutional capacities.

VI. The approach involving incremental costs and benefits for the global environment permits a method of calculation for the financing of projects and makes it possible to demonstrate the additionality between this financing and financing in terms of development as well as climate). However, from a perspective of transformative change, it is now necessary to assess local and national needs more clearly, identify priorities, and integrate them into project design. One option could be the adoption of a qualitative approach in order to evaluate submitted projects in the light of their benefits on a global scale but also for local development.

VII. Rather than the incremental cost approach, which is supposed to ensure additionality between financing dedicated to biodiversity and that dedicated to development, accountability in biodiversity financing must be ensured by a monitoring mechanism that also includes the mobilization of resources for biodiversity through other bilateral and multilateral instruments. It is therefore essential that an agreement be reached on how to account for funding of a transformational nature in key sectors, for example in agriculture, if this offers a dual benefit for biodiversity and development. This is a key factor in ensuring progress in terms of mobilizing multilateral development banks in the service of CBD ambitions.

VIII. More broadly, the issue of the CBD financial mechanism must be seen through the objective of its mobilization for the implementation of the post-2020 global framework for biodiversity. To this end, this mechanism should not only support resource mobilization targets and strategies but also be anchored within the planning, reporting, and review mechanisms of the transparency and accountability framework. The establishment of National Biodiversity Financing Plans (NBFP) could be the first step in this anchoring, drawing inspiration and examples from the approach taken by the BIOFIN initiative.[23]

23 https://www.biofin.org

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Implementing the Post-2020 Global Biodiversity Framework: financial mechanism

Lessons learned from the Global Environment Facility and the Green Climate Fund

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