



Submission by Hungary and the European Commission on behalf of the European Union and its Member States

Budapest, 12 August 2024

Subject: Guidance regarding the Global Environment Facility

1. The EU and its Member States are of the view that guidance to the GEF should be provided biennially. The arrangements between the COP and the GEF should be amended as contained in Annex I, for consideration and approval by the Council of the GEF before the thirtieth session of the COP, with a view to the next guidance from the COP and the CMA being provided to the GEF at their thirty-first and eighth sessions respectively.
2. The EU and its Member States welcome the approval by the GEF Council of several ambitious work programs, especially the February 2024 work program for the GEF Trust Fund, which is the most ambitious work program to date, building on the second most ambitious work program of 2023. We are pleased that total GEF programming has reached 59% at the mid-period of GEF-8, including 53.5% for the climate change focal area and 69% for the biodiversity focal area (US\$ 1.3 bn). We also recall our welcoming of the successful replenishment of the GEF for its 8th replenishment period (GEF-8), with a total allocation of US\$5.33 bn provided by 29 donor governments, which represents a substantial increase, higher than 30%, and establishes a record pledge compared to GEF-7. In view of GEF-9 replenishment and the kick-off of discussion in early 2025, we call on all countries in a position to do so to contribute to ensure a successful replenishment.
3. The EU and its Member States underline the potential of GEF's funding to contribute to the broader resource mobilization for climate change, including through enhanced mainstreaming of climate objectives, . In this regard, we welcome GEFs efforts to prioritize partnerships with the private sector in GEF-8 to promote technology deployment and transfer, to continue to improve policy frameworks to reduce investment risks and to continue, at transaction level, providing concessional financing through blended finance structures. The EU and its Member States also welcome the GEFs efforts on enhancing coherence and integration between NDCs, NAPs, and LTS's at the national, regional, and local levels and encourage the GEF to continue such efforts.
4. Building on GEF-8 and with a view to GEF-9 replenishment, the EU and its Member States call on the GEF to continue prioritizing its work on improving access and to ensure that recipient countries have appropriate access to the GEF resources through



its diverse network of implementing agencies, and that special attention is given to those most in need, such as LDCs and SIDS. To that end, we stress the importance of coherence and integration at the national and regional levels between the different planning processes, such that the NAPs, NDCs, LTS's, TNAs and TAPs of Parties are aligned and compatible with a 1.5 degree pathway. In addition, we encourage the GEF to continue its work in streamlining the GEF Project Cycle and urge the GEF to assess and limit the risks induced by the current level of funding concentration on some of its Agencies.

5. The EU and its Member States welcome the creation of the “Global Biodiversity Framework Fund” (GBF Fund) by the Council at its 64th meeting in June 2023, its ratification by the Assembly in August 2023 and its full operationalization at its 66th meeting in February 2024 as well as the approval of the first set of projects at its 67th Council meeting in June 2024. The EU and its member states underline the crosscutting nature of the GBF and welcome its co-benefits for climate.
6. Being an important operating entity of the UNFCCC and PA's financial mechanism, but also the operating entity of the financial mechanisms of five other UN Conventions, the GEF is the only multilateral financial instrument covering the various dimensions of the global climate, biodiversity and environmental crisis. The EU and its Member States hence recognize the GEF as a key instrument to support projects benefiting both climate action and action in other key areas, such as biodiversity or land and oceanic degradation. We welcome that the GEF, in its programming directions for GEF-8, promotes and pursues an integrated vision through various integrated programmes and a coherent approach between focal areas. We encourage the GEF to support projects in the area of climate change that also provide co-benefits in the areas of environment preservation, pollution reduction, biodiversity and ocean conservation, and vice versa. We would appreciate further elaboration/discussion about how the integrated programmes will be operationalized.
7. The EU and its Member States welcome the work undertaken by the GEF with the other funding mechanisms and institutions, especially the joint Action Plan on Complementarity and Coherence following the Joint Declaration at COP28 of GEF, GCF, CIFs and AF and urge the GEF to accelerate its efforts in aligning programming, policies and processes with other climate funds, and further strengthening complementarity and coherence with the broader climate finance architecture in order to enhance access to climate finance, improve its impact, play an enabling role in the international financial architecture and jointly work in a cost-efficient manner that increase the amount of climate finance dedicated to action on the ground. We urge the GEF to closely analyse the upcoming G20 Sustainable Finance Working Group's report jointly with the other Multilateral Climate Funds and implement the report's recommendations as appropriate.



8. The EU and its Member States welcome the « Policy on Gender Equality» adopted by the GEF Council at its 53rd meeting and underline our support to its aim to ensure equal opportunities for women and men to participate in, contribute to and benefit from GEF-financed activities in support of the GEF's efforts to achieve global environment benefits. We encourage the GEF to ensure all its implementing partners fully comply with this policy in the implementation of GEF-supported projects for climate action.

9. The EU and its Member States call for enhanced engagement with the Technology Mechanism (TM) to leverage the TM expertise in identifying technology needs and providing policy recommendations.

10. The EU and its Member States reiterate previous guidance from decision 17/CMA.4 and request the GEF to further enhance its reporting annually whether and how Parties have used their System for Transparent Allocation of Resources country allocation for implementing technology needs assessment outcomes and technology action plans.



Annex I - Amended Arrangements between the COP and the GEF

MEMORANDUM OF UNDERSTANDING BETWEEN THE CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE AND THE COUNCIL OF THE GLOBAL ENVIRONMENT FACILITY

This Memorandum of Understanding is concluded between the Conference of the Parties (hereinafter referred to as "the COP") to the United Nations Framework Convention on Climate Change (hereinafter referred to as "the Convention") and the Council of the Global Environment Facility (hereinafter referred to as the "Council of the GEF"), the international entity entrusted on an interim basis with the operation of the financial mechanism referred to in Article 11 of the Convention.

INTRODUCTION

The Parties to this Memorandum of Understanding, Recalling Article 11 of the Convention and recognizing that the financial mechanism is to provide financial resources on a grant and concessional basis, including for the transfer of technology, and is to function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria related to the Convention,

Recalling Article 11.1 which states that the operation of the financial mechanism shall be entrusted to one or more existing international entities,

Recalling also the decision of the first session of the COP on the maintenance of the interim arrangements referred to in Article 21.3 that the restructured GEF shall continue, on an interim basis, to be the international entity entrusted with the operation of the financial mechanism, referred to in Article 11,

Recalling further the willingness of the GEF to serve for the purposes of the financial mechanism of the Convention as provided in paragraph 6 of the Instrument for the Establishment of the Restructured Global Environment Facility (hereinafter referred to as "the Instrument"),

Recalling that, in accordance with Article 11.3, the COP and the entity or entities entrusted with the operation of the financial mechanism shall agree upon arrangements to give effect to Article 11.1 and 11.2,

Recalling further that, in accordance with paragraph 27 of the Instrument, the Council of the GEF is to consider and approve cooperative arrangements with the COP,

Have agreed as follows:

Purpose of arrangements



1. The purpose of this Memorandum is to give effect to the respective roles and responsibilities of the COP, the supreme body of the Convention, and the GEF, the international entity entrusted with the operation of the financial mechanism and to provide for the required interaction between them under Article 11 of the Convention and paragraphs 26 and 27 of the Instrument.

Determination and communication of guidance from the COP

2. The COP will, pursuant to Article 11.1, decide on policies, programme priorities and eligibility criteria related to the Convention for the financial mechanism which shall function under the guidance of and be accountable to the COP.
3. The COP will, after every second session, communicate to the Council of the GEF any policy guidance approved by the COP concerning the financial mechanism.
4. The Council will ensure the effective operation of the GEF as a source of funding activities for the purposes of the Convention in conformity with the guidance of the COP. It will report regularly to the COP on its activities related to the Convention and on the conformity of those activities with the guidance received from the COP.

Reconsideration of funding decisions

5. The funding decisions for specific projects should be agreed between the developing country Party concerned and the GEF in conformity with policy guidance from the COP. The Council of the GEF is responsible for approving the GEF work programmes. If any Party considers that a decision of the Council regarding a specific project in a proposed work programme does not comply with the policies, programme priorities and eligibility criteria established by the COP in the context of the Convention, the COP should analyse the observations presented to it by the Party and take decisions on the basis of compliance with such policies, programme priorities and eligibility criteria. In the event that the COP considers that this specific project decision does not comply with the policies, programme priorities and eligibility criteria established by the COP, it may ask the Council of the GEF for further clarification on the specific project decision and in due time may ask for a reconsideration of that decision.

Reports from the GEF to the COP

6. Annual reports of the GEF will be made available to the COP through its secretariat. Other official public documentation of the GEF will also be made available to the COP through its secretariat. In order to meet the requirement of its accountability to the COP, the Annual Report of the GEF will cover all GEF-financed activities carried out in implementing the Convention, whether such activities are carried out by the GEF Implementing Agencies, the GEF Secretariat or by executing agencies implementing GEF-financed projects. To this end, the Council of the GEF will require all such bodies, with respect to GEF-financed activities, to comply with GEF policy on disclosure of information.
7. In its reporting on GEF-financed activities under the financial mechanism, the GEF should include specific information on how it has applied the guidance and decisions



of the COP in its work related to the Convention. This report should be of a substantive nature and incorporate the programme of GEF activities in the areas covered by the Convention and an analysis of how the GEF, in its operations related to the Convention, has implemented the policies, programme priorities and eligibility criteria established by the COP. In particular, a synthesis of the different projects under implementation and a listing of the projects approved by the Council in the climate change focal area as well as a financial report with an indication of the financial resources required for those projects should be included. The Council should also report on its monitoring and evaluation activities concerning projects in the climate change focal area.

8. The Council of the GEF may seek guidance from the COP on any matter it considers relevant to the operation of the financial mechanism of the Convention. Determination of funding necessary and available
9. In accordance with Article 11.3(d) of the Convention, which calls for arrangements to determine in a predictable and identifiable manner the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed, the COP and the Council shall jointly determine the aggregate GEF funding requirements for the purpose of the Convention. Procedures to facilitate such a joint determination will be developed by the COP and the Council and annexed to this Memorandum.

Cooperation between secretariats

10. The secretariats of the Convention and of the GEF shall cooperate and exchange on a regular basis views and experiences necessary to facilitate the effectiveness of the financial mechanism in assisting Parties to implement the Convention.

Representation in meetings of governing bodies

11. The participation of representatives of the Council of the GEF in meetings of the COP and of its subsidiary bodies will be governed by the rules of procedure of the COP. Likewise, the participation of representatives of the Convention in meetings of the Council of the GEF will be determined in accordance with the rules of procedure of the Council of the GEF. In formulating and applying its rules, each organization will make every effort to accord the other organization reciprocal representation privileges.

Review and evaluation of the financial mechanism

12. The COP will periodically review and evaluate the effectiveness of all modalities established in accordance with Article 11.3. Such evaluations will be taken into account by the COP in its decision, pursuant to Article 11.4, on arrangements for the financial mechanism.

Modification of the Memorandum of Understanding

13. This Memorandum of Understanding may only be modified in writing by agreement between the COP and the Council of the GEF.



Entry into effect

14. This Memorandum of Understanding shall come into force upon its approval by the COP of the Convention and the Council of the GEF.

Termination

15. This Memorandum of Understanding may be terminated by either Party giving six months' notice in writing to the other.