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**WORKING TOWARD A GREENER GLOBAL RECOVERY
EXECUTIVE SUMMARY OF THE FINAL REPORT OF OPS7
(Seventh Comprehensive Evaluation of the GEF)
November 2021**

(Prepared by the Independent Evaluation Office of the GEF)

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1. Over the last decade, the world has become more aware of the urgency of the ecological crisis, made manifest through accelerated species and habitat loss, desertification and land degradation induced by unsustainable human activities, and a changing climate with increasingly devastating consequences. The COVID-19 pandemic has further raised awareness of the human-environment nexus: that human activity affects climate change and environmental degradation, which in turn affects human life. In addition to the huge toll on human lives worldwide, the pandemic has been highly disruptive on several fronts and precipitated an economic crisis of massive unemployment, livelihood loss across all countries, and a contraction in global gross domestic product.
2. Multiple market failures, incoherent policies, and governance issues have contributed to these crises, presenting risks not just to the environment but to livelihoods and well-being, particularly to vulnerable sections of society. In addition, institutional failures persist, with governments paying people more to exploit nature than to protect it. The roll-out of several large recovery programs by the world's leading economies includes investments in alternative and renewable energy, the greening of cities, the promotion of the blue economy, and circular economy approaches; this is gratifying but not sufficient.
3. Building back greener is rooted in the social-ecological nexus, where socioeconomic and environmental systems interact. It entails fundamentally transforming existing practices in extraction, production, distribution, consumption, and waste management to avoid perpetuating irreversible habitat and species loss, climate change, land degradation, and increased involuntary migration and inequality. This objective requires well-thought-out policies and investment in nature-based solutions to protect biodiversity, stabilize climate, and manage land, water, and ocean resources sustainably. Commodity and value chains will need to be aligned with principles of circular economy, powered by carbon-neutral energy systems. Fossil fuels will need to be phased out, with major investments made in alternative and renewable energies. In sum, a clear departure from business as usual, with bold reforms and investments, is in order. Transformative change is imperative.
4. Just as the Rio conventions in 1992 were created as an expression of political will, building back greener will require intentional, substantial, and concerted action, engagement, and commitment by governments, development finance institutions, the private sector, and civil society. Clearly, the path to a greener recovery is going to be challenging and will vary based on country characteristics, financial and institutional capacity, and political will. But the situation now differs from the landscape of the early 1990s. The urgency is heightened, our knowledge and capacities have expanded, and our focus has been sharpened. Moreover, today, decision makers can lean into 30 years of Global Environment Facility (GEF) implementation experience.
5. The GEF is the world's only multilateral institution that has addressed—over three decades and across the focal areas of biodiversity, climate change, international waters, land degradation, and chemicals and waste—a broad range of environmental challenges spanning the full spectrum of human-ecological connections. Further, through its multifocal projects and

programmatic approaches, the GEF aims to create interlinkages and synergies across focal areas and planetary boundaries. Since its inception in 1992, the GEF has provided more than \$21.1 billion in grants and mobilized an additional \$117.0 billion in cofinancing for more than 5,000 projects in 170 countries. As the global environmental landscape presages catastrophes to come, the GEF will need to activate the influence promised by its theory of change, and demonstrated in its abundant experience, in leveraging, partnerships, and scaling up, integrating with development policy for increased environmental sustainability.

6. The GEF Trust Fund is replenished every four years; these replenishments are informed by a comprehensive independent assessment of GEF results and performance. This seventh comprehensive evaluation of the GEF (OPS7), conducted by the GEF's Independent Evaluation Office (IEO), aims to provide solid evaluative evidence drawn from 34 separate evaluations conducted since OPS6 to inform the negotiations for the eighth replenishment of the GEF. It also draws on the terminal evaluation reviews of 1,806 completed GEF projects and covers the entire GEF portfolio of 4,786 approved projects from the pilot phase through June 15, 2021.

7. The OPS7 report is organized along three themes: what works in the GEF, how things work in the GEF, and why things work in the GEF. The first theme focuses on the performance, results, and impacts of GEF interventions at the overall portfolio level, in countries, and in the GEF focal areas, with a special focus on the factors influencing long-term sustainability. The second theme on GEF approaches and enablers dives into the mechanisms through which the GEF delivers its interventions, including the Small Grants Programme (SGP), medium-size projects (MSPs), enabling activities, and integrated approaches. The third theme analyzes the strengths and challenges in the enabling infrastructure that supports GEF interventions through GEF support to innovation and scaling-up; the GEF's engagement with the private sector; the design and implementation of the GEF's institutional policies on gender, safeguards, and stakeholder engagement, including with indigenous peoples and civil society; and the management of results and knowledge in the GEF.

WHAT WORKS IN THE GEF: PERFORMANCE

8. Cumulatively, 80 percent of all completed GEF projects, accounting for 79 percent of GEF grants, are rated in the satisfactory range for outcomes. Adaptive management, the quality of project design and implementation, country context, and timely materialization of cofinancing in supporting project outcomes are important factors. Eighty percent of completed projects have satisfactory implementation and execution ratings; the quality of monitoring and evaluation design and implementation has improved over time, with more than two-thirds of projects rated in the satisfactory range. Sixty-eight percent of projects approved from GEF-4 onward are more likely to be sustainable at completion, an improvement over earlier GEF periods. Stakeholder and/or beneficiary buy-in, political support including adoption of complementary legal and regulatory measures, financial support for follow-up, materialization of cofinancing, and sustained efforts by the executing agency improve the likelihood of sustainability. Not surprisingly, the COVID-19 pandemic has affected the implementation and performance of 88 percent of GEF projects, according to a recent review conducted by the IEO.

GEF Focal Area Performance

In GEF-7, focal area strategies have continued their strong record of responding effectively to guidance received from the global conventions and international agreements. Achievements against GEF-5 targets present a mixed picture.

9. The strategic objectives in biodiversity, which derive from those of the Convention on Biological Diversity, have evolved throughout the GEF replenishment periods to refine approaches to address the drivers and pressures promoting biodiversity loss. Achievement of projects targeting effective conservation and management of protected areas is falling short of GEF-5 targets, but targets related to sustainable use and management of biodiversity in land and seascapes are likely to be met.

10. The climate change strategy has been guided by three principles: responsiveness to the United Nations Framework Convention on Climate Change guidance, consideration of national circumstances of recipient countries, and cost-effectiveness in achieving global environmental benefits. Adaptation activities have been supported separately through the Least Developed Countries Fund and the Special Climate Change Fund. In GEF-7, the GEF has introduced the Challenge Program for Adaptation Innovation, which aims to strengthen private sector engagement, mobilizing additional resources for technological innovation and adaptation. GEF-5 targets for carbon dioxide-equivalent emissions and demonstration of innovative technologies have been exceeded.

11. Since the international waters focal area does not serve one specific international convention, its strategy has been refined over time in response to emerging understanding and international agreements on critical issues. The GEF-7 international waters focal area brings heightened focus on two critical water-related issues that threaten global sustainability: declining marine fisheries and the growing impacts of socioeconomic development and climate change on freshwater security. Multistate cooperation for large marine ecosystems is close to achieving GEF-5 targets, but falls short of combined intentions in projects. Fisheries, the largest portfolio, is responding effectively to the overexploitation of marine fishery resources, reducing stress reduction on these resources while increasing incomes and food security.

12. A major influence on the land degradation strategy is its role as a financial mechanism of the United Nations Convention to Combat Desertification. In particular, the strategy continues to promulgate technical and financial support for capacity building, reporting, and voluntary national land degradation neutrality target setting and implementation. The strategy also highlights integration through the GEG impact programs and seeks private capital to enhance sustainable land management. The GEF-5 targets were not operationalized effectively with regard to agricultural/rangeland systems under sustainable land management, with the target being achieved in less than 2 percent of GEF-5 projects.

13. The chemicals and waste focal area has moved away from a chemicals-specific approach to a sectoral approach. Large recent investments include the ISLANDS program, which has been designed to reduce and sustainably manage chemicals and waste in tourism, agriculture, and health care; and the Artisanal and Small-Scale Gold Mining program, which focuses on a sector and mercury reduction in artisanal gold mining. Inclusion of chemicals and waste objectives in

the integrated and impact programs has been limited. No results have been reported as yet with regard to the environmentally safe disposal of obsolete pesticides against GEF-5 targets. Progress against the target for disposal/decontamination of PCBs and related wastes has been strong in those projects reporting on this to date, with intended amounts exceeded. However, the overall amount achieved so far is far short of the GEF-5 target.

GEF Performance in Countries

14. The GEF is an important source of funding and support for recipient countries in their efforts to achieve environmental goals and strengthen institutional development and policy through reform.

15. GEF engagement in countries begins with the Country Support Program. This program helps communicate the changing requirements of the GEF and its policies, facilitates dialogue between diverse stakeholders, and assists countries in accessing GEF resources. Efforts are needed to make events more inclusive, enhance country ownership, and improve the timing of the national dialogue or similar mechanism.

16. The path to a greener recovery will be different for each country. There is considerable heterogeneity within and across GEF country groups—which include least developed countries (LDCs), small island developing states (SIDS), and GEF high-recipient countries—as well as varying capacities and institutional frameworks, all of which contribute to differences in outcomes and sustainability. Country context, situation, and capacity consequently need to be taken into account in the design and implementation of GEF projects and programs. Other elements to note include financing for long-term sustainability, particularly in LDCs, SIDS, and fragile and conflict-affected situations; building partnerships through effective stakeholder engagement; obtaining strong government buy-in and support; recognizing the environment-development nexus at design and measuring socioeconomic co-benefits; and allowing for adaptive and flexible management in implementation. In high-recipient countries, the path to recovery will require addressing environmental goals alongside inclusive development.

17. To better assist countries in their recovery, a more systematic approach to country engagement would be useful. The national dialogue or similar approach, with the potential to assist countries through a GEF country program strategy or country partnership strategy based on national priorities and convention requirements, would be appropriate. Such a strategy, developed jointly with the country and building on the experience gained with voluntary national portfolio formulation exercises conducted in GEF-5 and GEF-6, would help establish clear goals for GEF country engagement with measurable environmental and socioeconomic indicators. It would also help forge effective partnerships once the strategy is made available to and clarified for public and private stakeholders. Finally, it would ensure more efficient allocation of scarce country resources based on a clear strategy rather than a fragmented project-by-project approach.

18. The GEF shift to integrated approaches has not affected the relevance of GEF interventions in program countries, because they are aligned with national environmental priorities. However, generating environmental and socioeconomic benefits at scale can be challenging, even in countries like the high-recipient countries that have institutional capacity

and experience. Once again, a clear strategy and plan for scaling-up are imperative for realizing the objective of generating environmental benefits at scale.

HOW THINGS WORK IN THE GEF: APPROACHES

Enabling Activities, Medium-Size Projects and The Small Grants Programme

19. The GEF has used a variety of approaches for its interventions, including enabling activities, MSPs, and the SGP. Established in the mid-1990s, these have evolved over time and have each played a specific and important role in the GEF suite of instruments. They have met their intended objectives and, with process improvements, can be further leveraged to enhance impacts.

20. The clear purpose of enabling activities has been to fund the preparation of reports, plans, strategies, and assessments as part of reporting requirements of conventions. This important role should clearly continue. While the approval process is efficient, there are clear inefficiencies in how disbursement and implementation are carried out. Unlike programs of similar size, such as the SGP, enabling activities are not operationalized through a strategic and programmatic approach.

21. MSPs have played an instrumental role in encouraging innovation in the GEF. They appear to be most effective when they are (1) applied to risky projects that test new approaches and leverage more traditional forms of capital, (2) integrated into a larger intervention, or (3) supporting targeted research of global or regional importance. The MSP should continue to be primarily used for developing innovative projects and should be systematically monitored and evaluated to provide lessons for scaling-up or replication. Reducing the administrative requirements for the two-step MSP approval process would make the MSP attractive to all GEF Agencies.

22. The SGP continues to be highly relevant to the GEF partnership, UNDP, and local partners. As a global program that channels GEF and non-GEF resources to civil society and community-based organizations, the SGP is unique and the only window through which small-scale, local organizations can access GEF resources. It has been consistent in contributing to social and environmental benefits in all the countries where it is present. In fact, the SGP's additionality is defined more by its engagement with local partners than in the technologies or approaches it promotes. However, program benefits could be further enhanced with clarity on the strategic vision, simplification of the governance structure and lines of accountability, and improvements in the upgrading process.

Integrated programming

23. The share of integrated programming is increasing in the GEF. More than \$1 billion has been allocated for integrated approach programming in 56 countries via three integrated approach pilots (IAPs) in GEF-6 and five impact programs in GEF-7. These five impact programs account for nearly a fifth of overall GEF-7 funding, and integrated programs feature even more prominently in GEF-8 proposed programming directions, with 11 programs covering all GEF focal areas with different degrees of integration. The principle of integration has merit, but the GEF still needs to demonstrate program-level additionality.

24. Overall, GEF-7 integrated programs represent an improvement over the GEF-6 IAPs in several dimensions. GEF-7 impact programs show evidence of learning and evolution from the pilot phase, including in relevance and coherence of design, process, and results. The GEF-7 impact programs as designed remain relevant to the conventions, national priorities, and drivers of environmental degradation. Compared to the IAPs, impact programs have been designed with stronger theories of change, and lead Agencies are engaging earlier and more intensively to develop common program-level results frameworks. In terms of process, the roll-out of the GEF-7 impact programs was more transparent and inclusive. A stronger role for lead Agencies is envisioned in GEF-7 and shows promise for supporting continued program internal coherence and results achievement. The design of knowledge platforms in GEF-7 impact programs also reflects lessons learned from the IAPs in terms of better tailoring platform offerings for country needs. Finally, cross-cutting issues have received more emphasis in GEF-7 impact programs, with respect to gender mainstreaming, climate resilience, and private sector engagement.

25. Challenges remain in design, implementation, and measurement. Five crucial areas will need to be addressed in GEF integrated programs in terms of greater coordination among ministries in recipient countries, greater cooperation among GEF Agencies, clarification of aggregate program-level reporting requirements for lead Agencies, demonstration of the additionality or value added of integration in programs, and greater diversification of countries included in these programs. Addressing the drivers of environmental degradation at scale will need to be balanced against being responsive to the needs of all recipient countries, including LDCs and SIDS.

Innovation and scaling up in the GEF

26. The GEF supports innovation across its portfolio in all focal areas, project sizes, regions, and trust funds, and there is an increasing trend in innovative projects over the GEF replenishment periods. Innovation is associated with higher additionality or value added in almost all projects. It is also associated with transformational change in more than a third of the projects assessed. Projects combining innovations of different types support better sustainability and scaling up of outcomes compared with projects with stand-alone innovations. This is especially so when technological, business, or financial innovations are underpinned by policy and legal frameworks, institution building, and capacity development.

27. The GEF's competitive advantage in supporting innovation lies in its established willingness to provide grant funding, bridging the gap between the proof of concept and demonstrated practical applications. In so doing, the GEF helps bring innovations to the point where the risk of investment is low enough for governments, multilateral development banks, or the private sector to consider lending.

28. Despite the positive experience of the GEF in supporting innovation, some obstacles remain that need to be addressed going forward with GEF-8 and beyond. Since many innovations involve risks, greater clarity is required on acceptable levels of risk for the GEF portfolio. Innovation support programs may mobilize larger sources of risk capital and partnering with them may be a way forward for the GEF. A separate funding window for innovative projects, good monitoring, explicit encouragement of adaptive management, and

flexible funding, such as a contingency component, may create a more favorable environment for innovation. Regular monitoring, midterm reviews, evaluation, and real-time knowledge sharing regardless of project size would provide valuable insights into success and failure prior to scale-up or replication.

29. Over the past three decades, the GEF has gradually shifted its focus from pilots to scaled-up interventions. The extent of GEF support to scale-up and the rate at which outcomes are scaled vary by focal area, but typically take place over more than five years and generate higher outcomes per GEF dollar per year. Operational guidance for scale-up is not consistently clear across all programs and projects, and indicators used are not always consistent between the pilot and scaling-up stages, limiting the ability to track progress.

GEF engagement with the private sector

30. The GEF has a long history of working with a wide range of private sector partners, and engagement with the private sector has been increasing over time. The GEF-7 strategy of engagement rests on two pillars—working with the private sector as an agent for market transformation, and expanding the use of nongrant instruments (NGIs)—both with different objectives, characteristics, and operationalization.

31. Private—as well as public—stakeholders acknowledge the strengths of the GEF in its unique and broad environmental mandate; its flexibility to work across many environmental sectors, which allows for solutions to complex, multifocal environmental issues; the depth of its technical knowledge; and its established relationships with governments through country focal points, which makes the GEF well positioned to build coalitions and partnerships.

32. However, the GEF-7 strategy's success will rely heavily on the GEF's ability to make a few crucial adjustments to its private sector operations and take into consideration private sector actors' fast-paced, focused, results-oriented culture—and their diverse, context-specific needs. At present, the GEF's operational culture, procedures, and decision-making process discourage potential private sector partners from applying for support. If the GEF is serious about private sector engagement, considerable efforts will be needed to educate the private sector about the GEF, work closely with all private entities that play an integral role in value chains, and use a differentiated approach to engage with the heterogeneity across private sector players. Policy and regulatory reform, along with institutional strengthening, will continue to underpin successful engagement with the private sector to address market failures and provide a level playing field for all private enterprises.

33. Given the mismatch between the demand for investment projects with relevant sustainable development impacts and the supply of finance seeking sustainability and market returns, financial instruments such as NGIs are likely to be needed to address market gaps. The GEF NGI program would benefit from a private capital market investment framework that calibrates a better balance between the emerging business opportunities in the climate change and biodiversity/nature-based solutions market space and the investment risks that result from the NGI "first-loss" de-risking market position. There is a strong case to be made for the GEF to undertake a systematic investment risk assessment of its NGI project portfolio at least on an annual basis. In addition, developing a clearer strategic long-term vision for an NGI operational

model; formulating a more effective strategy of communication, outreach, and engagement for NGI project development; and an improved selection process based on industry good practices would strengthen this investment vehicle. Systematic monitoring of results and impacts will be critical in building investor confidence in the GEF's ability to implement NGI projects.

WHY THINGS WORK IN THE GEF: POLICIES AND SYSTEMS

GEF policies

34. The GEF Stakeholder Engagement Policy, Policy on Gender Equality, and Policy on Environmental and Social Safeguards are contemporary, aligned with relevant global strategies, and well supported by the GEF Secretariat. Significant progress has been made on gender, and the GEF Gender Partnership is a strong knowledge-sharing, knowledge exchange, and capacity development forum with considerable potential for replication across other policies within the GEF. The updated Policy on Environmental and Social Safeguards has increased coverage of previously identified gaps, but would benefit from a knowledge-sharing effort that leverages expertise within the GEF partnership to highlight approaches for addressing safeguard implementation issues related to the updated policy.

35. With respect to stakeholder inclusion, the GEF has a long-standing commitment to engage civil society and indigenous peoples in GEF policies, strategies, programs, and projects—and this has been reinforced by the policies. The Indigenous Peoples Advisory Group has gained credibility as a knowledge resource and could be leveraged further. The position of the GEF–Civil Society Organization Network has unfortunately weakened over the past four years and has not demonstrated its value proposition in a way that attracts donor resources. The GEF should consider rethinking its approach for how best to meaningfully engage civil society, learning from other organizations navigating similar challenges.

GEF systems for results-based management and knowledge management

36. The GEF is continuously working to improve its results-based management system. Tracking tools and indicators have been streamlined and the indicators revised. Agency self-evaluation systems support accountability and the reporting of results on GEF projects. The system to capture data, the GEF Portal, has improved its reporting and data quality. In GEF-8, there are further opportunities to strengthen the GEF results-based management system by incorporating indicators that capture results related to integrated approaches and pilots as well as socioeconomic co-benefits. The Agency self-evaluation systems generally provide credible information, but there are gaps in submission of project implementation reports and midterm reviews, and reporting is sometimes less than candid. Self-evaluation products are currently not leveraged sufficiently for cross-Agency learning.

37. Knowledge is an important resource of the GEF and requires a common approach to leverage the potential across the partnership through integration and easy access. Over the last two replenishment periods, the GEF has recognized the relevance of knowledge management to its mandate and has launched several knowledge management initiatives. The integrated approach pilots and impact programs have increasingly used knowledge platforms that have been effective in fostering learning and exchange.

38. A clear knowledge management strategy, supported by an action plan, would help set the priorities and define roles and responsibilities for knowledge management and learning across the GEF partnership. At the operational level, a technical solution would help capture and store project and program knowledge and present them in usable and accessible formats for internal and external users. At the policy level, GEF guidance on incorporating knowledge management in projects or programs can be further strengthened by including a realistic and clear link between knowledge management activities and project objectives. Knowledge platforms and communities of practice could effectively use global knowledge and country context to provide more tailored assistance to GEF recipient countries.

CONCLUSIONS

39. **Conclusion 1:** The GEF continues to be a relevant financing mechanism of numerous conventions and multilateral environmental agreements, while advancing integrated programming on priority environmental issues and systemic transformation. At its core, the GEF is the sole financing mechanism of five global conventions and multilateral environmental agreements, mobilizing environmental finance in pursuit of global environmental benefits, nature-based solutions, and transformational change. Given this mandate, the GEF has an important competitive advantage in enabling programmatic approaches across complex systems. Building on its success with multifocal projects and the IAPs, the GEF has pursued a trajectory of integration with the design and implementation of impact programs grounded in a systems change–based approach. Nevertheless, it has yet to address fragmentation in the delivery of its integrated approach programs and to demonstrate the additionality of integration. Focal area and impact program–related integration in GEF programming and project development has not been robustly translated into country-level action across ministries and sectors. Also, although there is some participation of priority country groups—specifically, LDCs and SIDS—in the impact programs, there is scope for the programs to be more inclusive.

40. **Conclusion 2:** The GEF has a strong record of performance. Over its 30-year history, the GEF has demonstrated improvements on all performance measures. Cumulatively, 80 percent of all completed GEF projects, accounting for 79 percent of GEF grants, are rated in the satisfactory range for outcomes. Since it takes time to observe outcomes, currently outcomes on GEF-5 indicators are being observed. The GEF is on track to meet the GEF-5 replenishment targets for 7 of 13 results indicators. Sustainability of outcomes has improved in recent GEF periods.

41. **Conclusion 3:** The GEF is a robust and adaptable partnership, comprising environmental, development, and financial expertise, convening multistakeholder programs and projects at multiple levels. The GEF partnership comprises some of the world’s leading development finance, development practice, and environmental organizations. However, evidence of continued—and not always healthy—competition persists between GEF Agencies at the project and country levels. As a consequence, the partnership is not making the best use of its Agencies in supporting countries to realize their environmental ambitions and commitments.

42. The GEF continues to play a critical role in convening different stakeholders, including governments, multilateral development banks, nongovernmental organizations, civil society organizations, international organizations, and the private sector. The Private Sector Engagement Strategy and the NGI have allowed the GEF to make important improvements in this regard, although the NGI still needs to address constraints in terms of available expertise in the partnership in its design and implementation and administrative process issues.

43. The partnership has adapted its processes, mechanisms, and schedules during the pandemic to ensure continued pipeline development and project implementation. On the ground, GEF executing agencies and partnering civil society organizations have continued their efforts, despite the challenges of lockdowns, curfews, and stakeholder and colleague accessibility.

44. **Conclusion 4:** The GEF is a source of predictable environmental finance, enabling the mobilization of cofinancing and project scale-up. The GEF's System for Transparent Allocation of Resources (STAR) provides predictable environmental finance for countries to meet their commitments and obligations to the conventions and multilateral environmental agreements through focal area and multifocal projects as well as integrated programming. Such predictability, however modest, is a major advantage of the GEF, as it results in actions, practices, projects, and programs across the broader field of environmental sustainability—not only by the GEF but by other organizations as well.

45. The merit of retaining specifically designated STAR portions in line with the conventions remains unclear, given that global environmental challenges are multifaceted and related to entire commodity chains and complex biomes, largely situated at the social-ecological nexus. Furthermore, the shift toward integrated programming has not reduced the GEF's ability to help countries to deliver on their convention commitments.

46. While GEF resources are relatively modest compared to some more recent and much larger climate funds, these resources have mobilized up to nearly 10 times the GEF's contribution. The GEF still has an unrealized potential for mobilizing additional resources in strategic and complementary ways. Possibilities include partnering with financing institutions—such as the Green Climate Fund, multilateral development banks, bilateral donors, foundations with complementary visions, and the private sector—to pursue synergies.

47. **Conclusion 5:** The GEF supports upstream policy work and the development of enabling environments at the country level, and its projects have contributed to building stronger country institutions; however, the GEF's ability and effectiveness in promoting policy coherence and institutional synergy will require substantial efforts by the GEF, together with complementary efforts in enforcement within countries. The GEF is valued for its focus on upstream work and its support in the creation of enabling environments to encourage public and private investments in environmental projects through policy, legal, and regulatory reform. The GEF is well situated to support the development of government institutions and other national actors' capacities, concurrently raising the profile of the environmental sector in the wider institutional and political economy landscape. GEF enabling activity support is an important competitive advantage in this regard, as it helps countries comply with their reporting and other obligations to the conventions/multilateral environmental agreements.

48. Many countries lack coherence between sectoral economic plans and environmental objectives. Prevailing contradictory or even perverse financial instruments, fiscal incentives, and public investments are the main barriers to transformational change and sustainable recovery. However, the GEF partnership will have to address the challenges associated with driving policy coherence in recipient countries, including but not limited to, governance, oversight, and the control of public spending. Thus, even when projects manage to align with good policies, their enforcement is not always within the GEF's control.

49. GEF projects have also contributed to institutional strengthening and capacity building in member countries and have been widely recognized for being effective in delivering both. Focal ministries have reportedly been strengthened with technical capacity, materials, and policy support. The bulk of such institutional strengthening, however, is mostly restricted to the environmental sector; with few exceptions, little capacity was created in other sectors.

50. **Conclusion 6:** The GEF has a tried and tested set of implementation mechanisms, and each is effective in realizing its stated purposes—albeit with scope for increasing efficiencies in terms of time and financial resources. The GEF uses a range of mechanisms to address its various priorities and target groups, delivering projects of different sizes and approval requirements. The GEF and its partners are thus able to tailor projects to specific needs, obligations, and circumstances. GEF enabling activities have provided invaluable support to countries in enabling timely compliance and reporting to the conventions and multilateral environmental agreements. Relatively smaller and newer GEF partner Agencies see MSPs—and potentially the SGP—as strong entry points to engage with the GEF. MSPs support pilots and innovative projects that can then be scaled up; SGP grants, awarded at the grassroots level, can support the development of a dynamic civil society movement locally and globally. However, limited SGP budgets constrain the ability of civil society organizations to contribute significantly in transformative ways. And the administrative requirements associated with the MSP approval process and enabling activities are disproportionate to the level of resources associated with these modalities.

51. **Conclusion 7:** The GEF is recognized as more innovative than other environmental funding institutions, balancing the pursuit of innovation with risk and performance considerations in its selection of projects, and preparing the groundwork for other donors to scale up its successful pilots. The GEF understands innovation to entail technological advances, increased efficiency of project management, and governance improvements. Technological advances primarily have been introduced for renewable energies and, more recently, methods for nature-based solutions. Management innovations mostly concern the IAPs and impact programs, which introduced a new scale and complexity in terms of the number of Agencies, countries, and stakeholders involved. Governance innovations are related to integrated approaches, and include efforts to increase policy coherence and eliminate obstacles for private sector initiatives. Projects of different sizes—including SGP projects and MSPs—also advance technical, institutional, and social innovations.

52. The GEF is moderate in its risk taking, but valuable and useful in allocating its grant funding for pilot and innovative activities, including for new technologies such as solar and wind energy. Its willingness to fund less-established technologies and enabling the piloting of

innovations is an important advantage compared to other funding agencies. The approach to innovation, piloting and scaling up is not very clear and systematic.

53. **Conclusion 8:** GEF policies and systems are generally consistent with global good practice and provide opportunities for the GEF to strengthen inclusion. The policies on safeguards, gender, and stakeholder engagement are generally well addressed in the GEF's vision, strategic priorities, and operational principles. These policies have contributed toward further strengthening GEF Agency policies, making them consistent with good practice as well. Policy implementation needs to be strengthened and monitored to be able to assess their effectiveness. There is scope for more knowledge sharing and learning from Agency exchange on implementation of policies.

54. With regard to GEF systems, both results-based management and knowledge management have improved significantly in GEF-7. Gaps to be addressed include articulation of a clear framework for reporting on all aspects of integrated programming; this should focus on demonstrating the additionality of the approach and the inclusion of indicators to capture policy reform and socioeconomic co-benefits in the results framework. The development of a clear knowledge management strategy that is designed to effectively collect, store, and share knowledge would help consolidate progress to date and address gaps.

RECOMMENDATIONS

55. The GEF's clearly impressive project performance at the micro level is playing out against a deteriorating environmental, biodiversity, and climate situation at the macro level. GEF programming will need to be acutely cognizant of this micro-macro disconnect, as it directly compromises the GEF's core mission. In response, the GEF should actualize its theory of change, which recognizes that micro-level project performance, while necessary, is not sufficient; it takes leveraging, mainstreaming, and risk taking to move the needle on macro impacts. Project success, as measured, remains valuable; but greater impact can be triggered through risk taking—notably, by engaging with crucial stakeholders like green enterprises, private innovators, and indigenous interests—even if means some project failures.

56. Acknowledging the significant progress made during GEF-7, several areas involving the implementation of projects, programs, policies, and systems can be further strengthened, developed, and redirected to ensure the GEF becomes an even more effective organization operating synergistically within the current challenging landscape. High-level strategic recommendations aimed at helping the GEF progress toward this goal follow; these are not presented in a hierarchical order but rather are organized by theme: GEF strategy, processes, engagement, innovation, and policies and systems.

Integrated programming

57. The GEF should continue pursuing integration in programming but should clearly demonstrate the additionality of this approach in terms of environmental benefits, socioeconomic co-benefits, policy influence, and inclusion. The impact programs should be maintained along current themes, but with a greater emphasis on nature-based solutions to

challenges at the social-ecological nexus. Complementarities between existing and proposed projects should be more clearly sought and articulated to support a systems-oriented approach.

58. Establishing clarity on roles; coordination among Agencies; and monitoring, reporting, and knowledge management responsibilities across the partnership are imperative for program success. The GEF should provide guidance and support to operational focal points for the realization of cross-government, multi-ministry leadership groups on GEF projects. It should also clearly articulate socioeconomic co-benefits and policy reforms in its results framework. The path to a greener recovery will require integrated programs to ensure the inclusion of civil society and indigenous peoples as well as other diverse stakeholders; and attention to cross-cutting issues such as gender, resilience, and engagement with the private sector.

Small Grants Programme

59. The GEF should reappraise its vision for the SGP in order to expand its purpose and potential for impact. The SGP has been widely appreciated as enabling civil society participation in the GEF partnership. It can play a critical role in the post-pandemic green recovery, since it provides resources that are accessible to grassroots communities, enabling them to actively participate in rebuilding a sustainable and inclusive local economy. However, different partners hold diverging and sometimes competing visions of how the SGP could further build upon its results and social capital, which has an impact on its governance and policies. The perverse incentives under the upgrading policy should be reviewed so the SGP's nature as a community-based program is not compromised. The GEF could also consider drawing on the expertise of its expanded Agency network to deliver projects under the program.

Administrative processes

60. The GEF should review its requirements, processes, and procedures to allow countries, Agencies, and the private sector to secure GEF resources and move to implementation and execution more quickly in the post-pandemic period. The preparation and approval of GEF projects can take many years, given the concomitant substantial requirements, processes, and procedures. To be more dynamic and transformative, the GEF will need to adjust these processes so funds can be accessed, and projects move toward implementation, more readily—particularly in the post-pandemic period. The GEF will thus be able to support a green, blue, clean, and resilient recovery with efficiency and alacrity. For one thing, the administrative requirements for the two-step MSP process should be streamlined so it does not limit the use of the MSP, which is a useful mechanism for innovation. The NGI approval process should be reviewed for consistency and to reflect industry good practice standards. And the GEF partnership must address delays in implementation of enabling activities after approval.

Synergies and cooperation among Agencies

61. The GEF should establish clear ground rules for GEF Agency interactions with respect to project development and implementation, and in terms of engaging with operational focal points and executing agencies. Ground rules should provide guidance to the Agencies about what is—and is not—acceptable at the country level. Efforts should be made to minimize certain types of competition, favoring the selection of Agencies that have demonstrated a clear comparative advantage for certain project types and locations. Potential synergies should be

cultivated between Agencies, drawing on the respective strengths of the various Agency types. GEF Agencies should be allowed to execute their own projects only on an exception basis to encourage more national organizations to undertake project execution.

Country engagement

62. The GEF should develop and implement a more strategic and coherent approach to engagement at the country level to better address varying country needs and capacities. To this end, the GEF should work proactively with countries to develop tailored strategies for engaging with the GEF, taking into consideration the programs of and possible synergies with other environment and climate funds. The operational focal points would be essential in the preparation of such a country strategy, as they engage with a range of ministries, the convention focal points, and the focal points of other key environmental and climate finance mechanisms and can thus ensure the development of synergies across the different funds. If well designed, the country strategy would help encourage cross-institutional collaboration and foster greater policy coherence. The GEF should leverage the Country Support Program to enable greater capacity building and strengthening of operational focal points and other national institutions in line with ensuring more coherent delivery of programming.

Priority country groups

63. The GEF should increase its support to LDCs and SIDS to have greater impact in these priority countries. GEF resources allocated to LDCs and SIDS are too limited to have impact at a sufficiently large scale in addressing environmental problems. Moreover, few LDCs and SIDS have participated in the IAPs and impact programs. The GEF should continue to address capacity building in these groups through the Country Support Program or through synergies with other capacity-building programs. Across all country groups—particularly in fragile and conflict-affected situations—special attention must be paid to country context in project design and implementation.

Private sector engagement

64. The GEF should strengthen private sector engagement with targeted support. To increase the efficiency and effectiveness of its private sector engagement, the GEF should consider (1) defining a narrower focus and specific targets; (2) clearly communicating its identity, value proposition, and processes of project design, development, and implementation to potential private sector partners; (3) seamlessly integrating financial and nonfinancial support to private sector partners, including micro, small, and medium enterprises; (4) ensuring that selected projects (and Agencies) have adequately researched and generated a pipeline of investment projects; and (5) supporting a comprehensive review and adjustment of its operational procedures to address constraints, including the possible development of a two-stage process for NGI approval.

Innovation and risk

65. The GEF should continue to pursue innovative projects to advance transformational change. GEF project review mechanisms should incentivize innovative projects across the

partnership. The preparation process should explicitly allow for consideration of the risk associated with these projects and be streamlined.

Since innovation is associated with some level of risk, the GEF Council, together with the GEF Secretariat and the GEF Scientific and Technical Advisory Panel, should clearly articulate the level of acceptable risk across the various instruments and approaches for clarity across the partnership and to encourage innovation through a managed approach. The GEF could consider establishing a specific window for financing innovation with a higher risk tolerance.

Policies and systems

66. Monitoring implementation of GEF policies needs to be continued and done better. The recent GEF policies on safeguards, gender, and stakeholder engagement will need to be monitored with adequate data and evidence to be able to assess their effectiveness.

67. The GEF's results-based management and knowledge management systems should adapt to the shift to integration. The results-based management system should be structured to enable reporting on the overall performance of each IAP and impact program through aggregation of results across child projects, as well as demonstrate the additionality of the integrated approach. Core indicators should be developed to capture socioeconomic and policy co-benefits. Knowledge management efforts need to be coordinated across the partnership, with a focus on promoting South-South learning.