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INTRODUCTION

1. **This paper serves as background for the Council’s discussion of the GEF strategy that has been held annually since the adoption of *GEF2020—Strategy for the GEF* in 2014.** It frames the discussion by summarizing the GEF’s evolving operational context and strategic directions. The paper is not intended to present a detailed analysis of all GEF operational aspects, but rather to highlight a few key issues. The paper suggests that GEF2020 continues to be a helpful guidepost for the GEF, in particular insofar as it (i) encourages a focus on the drivers of environmental degradation, (ii) helps shape the GEF’s role in the rapidly changing global landscape of environmental finance and (iii) promotes continued improvements in GEF efficiency and effectiveness. GEF-7 will be an opportunity to build on the emerging lessons learned from the first three years of GEF2020. No Council decision regarding updates to GEF2020 is contemplated at this time.

2. **The paper is organized in four sections.** The first section briefly summarizes the evolving global context for the GEF’s work. Section two discusses GEF efforts to catalyze systems change by addressing drivers of environmental degradation, with a special focus on describing the GEF’s “influencing models” for achieving change. Section three discusses the GEF’s role in the evolving architecture for global environment finance, with a particular focus on climate finance. Finally, section four briefly describes a few elements of the ongoing work to further strengthen the effectiveness and efficiency of the GEF, including for example the GEF’s focus on climate resilience and on gender issues.

EVOLVING CONTEXT¹

3. **A deteriorating global environment poses significant risks to the prospects for future economic growth and development.** In the World Economic Forum’s 2017 Global Risk report, environment-related risks feature among the top-ranked global risks. Specifically, four of the top five perceived impact risks were environmental risks. Ten years ago, none of the top five risks were related to the environment. Moreover, environmental risks are seen to be closely interconnected with other risk categories.

4. **We are in the process of transgressing key “Planetary Boundaries” that define the stable conditions that have so far underpinned the world’s economies and societies.** In recent years, much scientific progress has been made in terms of understanding the boundary conditions that keep the Earth system in a stable and resilient state—that is, with a stable global climate, abundant ecosystem services, rich biodiversity, fertile soils and oceans and a healthy atmosphere. According to the latest assessment in 2015, four of these Planetary Boundaries have already been breached, namely biodiversity, land-use change, climate, and biogeochemical cycles, while others are at increasingly at risk of being breached.

¹ For a more detailed description of the evolving context see “*GEF-7 Programming Directions and Policy Agenda*”, paper prepared by the GEF Secretariat for the first GEF-7 replenishment meeting. GEF/R.7/02

5. **Pressures on the global environment are set to continue, as the world's growing population pursues its legitimate aspirations for social and economic progress.** From less than 4 billion in 1970 to just over 7.5 billion in 2016, the global population is projected to exceed 9 billion by 2050, with almost half of that growth taking place in Africa. Feeding a growing global population will likely lead to an increased conversion of natural landscapes to agricultural use, when croplands and pastures already occupy some 40% of the land surface of the planet. In parallel, the world economy and the global middle class will expand significantly. The world economy is projected to almost double in size in the next two decades and, at the same time, the global middle class—those with a daily consumption between \$10 and \$100—is expected to grow by 5 billion people by 2050. Moreover, the extraordinary urbanization that has happened in the past 100 years is set to continue. In 1900, about 13 percent of the world's population (about 220 million people) lived in cities, and only 12 cities worldwide had more than 1 million inhabitants. Today, more than half the world's population live in cities, and about 1,000 cities worldwide have more than 1 million inhabitants, of which more than 30 are mega-cities with more than ten million inhabitants. By 2050, about two thirds of the world's population are expected to be living in cities. A growing population and a burgeoning, increasingly urbanized middle class are major factors in a projected increase in demand for a number of key resources including food, energy, buildings and transport.

6. **To stay within Planetary Boundaries, a radical transformation of four key economic systems—the food system, the energy system, the urban system, and the global production/consumption system—will be required.** The global food system is a main driver of biodiversity loss through habitat destruction, and to land degradation, global freshwater withdrawal and the rapid change in the global nitrogen and phosphorous cycles; and agriculture contributes about a quarter of all GHG emissions. Decarbonization of the global energy system—which accounts for 68 percent of global GHG emissions—is of critical importance for a 1.5–2 °C future global temperature increase, in line with the Paris Agreement. The urban system will account for about 70% of new infrastructure to be built during the next 15 years, implying that the battle for low-carbon and resilience development to a large extent will be won or lost in the world's cities. Finally, there is an urgent need to transform today's linear “take-make-waste” production/consumption system to a more circular system that to a much higher degree can decouple material resource use from economic growth.

7. **The 2030 Agenda sets out ambitious targets for the world in the form of the Sustainable Development Goals.** In September 2015, all United Nations member states adopted the Sustainable Development Goals—the SDGs. Implicit in the landmark agreement is the recognition that social and economic development will not be achievable in the absence of stable and healthy Earth systems. This logic also very much underpinned the historic climate agreement adopted in Paris in 2015, which brought all countries together under a common global framework to reduce emissions and build resilience to climate impacts -99% of global greenhouse gas emissions are covered by the 190 countries that have submitted an INDC.

8. **Other global landmark agreements focusing on the global environment have recently been concluded, underscoring the global momentum.** These agreements include for example the Sendai Framework for Disaster Risk Reduction and the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer. In addition, the imminent entry-into-force of the Minamata Convention on Mercury represents another important development in the multilateral architecture supporting healthy Earth Systems.

9. **Formal, multilateral processes are being complemented by a number of multi-stakeholder initiatives launched in recent years focusing on delivering concrete progress in specific areas.** There has been a rapid proliferation of multi-stakeholder sustainability initiatives. Their emergence has been spurred by, for example, the strong presence of the private sector at Rio+20 in 2012, the 2014 Climate Summit convened by the UN Secretary-General, and the Lima-Paris Action Agenda that created momentum ahead of the 2015 Paris COP. These various initiatives—and the myriad of others established in recent years—offer platforms for action, for the exchange of ideas to accelerate progress, and for private-public collaboration. Fueled by profound advances in digital processing power, technology capabilities and ubiquitous connectivity and communication, these initiatives suggest that there is significant pent-up demand—especially in the private sector—for these types of collaborative platforms, in which networked leadership offer the opportunity to bring about new ways of thinking and long lasting transformational change in our key economic systems.

10. **The “business case” for sustainability is growing stronger, underscoring the importance of the private sector in achieving global sustainability goals.** In January 2017, the Business and Sustainable Development Commission (BSDC) released their report “Better Business, Better World”. It argued that the achievement of the Sustainable Development Goals is crucially dependent on the business sector: unless private companies seize the market opportunities that the SDGs will open up, the goals will not materialize. At the same time, the BSDC also argues that business really needs the SDGs because they offer a compelling growth strategy for businesses, by opening up new opportunities and big efficiency gains; driving innovation; and enhancing business reputations. To provide an order of magnitude of the business opportunities, the BCSD analyzed 47 fast-growing market opportunities within four major systems—food, cities, energy, and materials production and consumption—that would open up by achieving the SDGs. BCSD’s analysis suggests that globally these opportunities could be worth more than \$10 trillion a year for the private sector by 2030, equivalent to close to 10 percent of forecast global GDP in 2030.

CATALYZING SYSTEMS CHANGE BY ADDRESSING DRIVERS OF ENVIRONMENTAL DEGRADATION

11. **GEF2020 emphasizes the importance of addressing drivers as a way for the GEF to help catalyze necessary systems change.** A more “upstream” entry point to tackle global environmental problems allows the GEF to potentially deliver larger impact, as environmental degradation is being addressed at a systemic level, as opposed to addressing immediate environmental pressures or crises—although such immediate actions in certain circumstances

are necessary. Addressing drivers also often enables the GEF to deliver outcomes across a range of environmental domains.

12. **GEF2020 highlighted a number of different influencing models that GEF deploys to maximize impact.** The choice of influencing model needs to be matched to the barriers or challenges that the intervention intend to overcome, such as weak or inadequate policy frameworks, lack of awareness, limited access to finance, technology gaps or coordination failures. GEF2020 noted that most GEF projects rely on one or more of the following influencing models:

- (a) ***Mobilizing stakeholder coalitions:*** At a basic level, many of the global environmental problems that the GEF aims to tackle are collective action problems rooted in the vicious cycle of the tragedy of the commons. Mobilizing broad stakeholder coalitions around common principles, commitments and behavior can be a way of overcoming these problems. A number of GEF-6 projects and pilots put significant emphasis on this aspect in their design; a few examples are summarized below:
 - (i) The Integrated Approach Pilots (IAPs). The IAPs were explicitly designed to engage a wide range of stakeholders around key drivers of environmental degradation²: In this regard, the Commodities IAP aims to strengthen existing platforms of collaboration among countries, the private sector—from small-holder producers, to processors, buyers and distributors—and financial institutions in engaged in global commodity supply chain. In addition, the Commodities IAP seeks to leverage existing platforms for action, including for example the Roundtable for Sustainable Palm Oil, the Soy Traders Platform, the Tropical Forest Alliance and the Consumer Goods Forum. The Food Security IAP has put a particular emphasis on integrating country-level action on drivers of soil degradation with ongoing agriculture sector initiatives in 12 African drylands countries; the IAP “hub” serves to promote learning and knowledge sharing among countries and in the broader region for greater impact across the Africa Drylands. The Cities IAP similarly connects 27 cities in 11 countries and facilitates cross-learning on sustainable city planning through the use common tools and approaches, and by linking IAP cities to broader city network like C40 and ICLEI.
 - (ii) SEforAll’s “energy efficiency accelerators”. Another example of the GEF’s support for multi-stakeholder platforms is our suite of activities associated with the SEforALL global “accelerator” program, which aims to bring policy makers, regulators, the private sector and finance institutions together around high-impact initiatives that can facilitate the energy

² See *Tackling the Drivers of Global Environmental Degradation Through the Integrated Approach Pilot Programs — Progress Report for the GEF Council, October 2016-April 2017*. GEF/C.52/INF.04

transformation. Some of the activities supported under the SEforALL umbrella include efforts with leading manufacturers and civil society organizations to transform markets for appliances and equipment to more energy efficient products. In addition, the GEF has supported work with cities, private sector and finance institutions to enhance energy efficiency in buildings, including expansion of district energy systems. GEF is also working to accelerate access to finance for energy efficiency investments, through platforms of support for local financial institutions, and through the Climate Finance Aggregation Initiative, which aims to scale up finance for small-scale low-carbon investments. Related, the GEF-6 *Leapfrogging Markets for Energy Efficient Appliances and Equipment Program* brings together leading technology companies, international organizations and governments in seven countries to positively transform national and regional markets for energy efficient products.

- (iii) GEF-GOLD. The recently approved program Global Opportunities for Long-term Development in the Artisanal Scale Gold Mining Sector (GOLD)— developed in dialogue with high-end jewelers, electronics manufacturers and gold refiners, and the governments of eight priority countries—aims to reduce the use of mercury in the artisanal gold mining sector, thereby contributing towards reduced health hazards and more sustainable livelihoods.

- (b) ***Demonstrating and piloting innovative approaches:*** The GEF has a long history of providing seed funding for “proof of concept” projects that has the potential to achieve impacts as scale at a later stage, either through replication, mainstreaming or by helping catalyzing market change.³

- (i) Payment for economic system services. The GEF has supported the establishment of water funds in a number of countries, particularly in Latin America. Water funds are based on the principle that investments in natural systems and its services to trap sediment and regulate water often provide a more cost-effective approach than relying solely on grey infrastructure, such as reservoirs and treatment systems. *The Kenya Upper Tana-Nairobi Water Fund Project* (UTNWF)—which is being implemented as part of the Food Security IAP—will be the first of its kind in Africa. The UTNWF as a public-private-partnership of donors and major water consumers “at the tap” will contribute to the initial endowment of the Water Fund (WF) to support water and soil conservation measures “at the top”. These measures benefit local farmers’ livelihoods, food

³ For further discussion of possible “transformation mechanisms”, see “Review of GEF Support for Transformational Change, GEF/ME/C.52/inf.06.

security and resilience by increasing agricultural yields and introducing climate-smart agricultural techniques, thus reducing soil erosion that is so damaging both to crop production and to downstream water quality and supply.

- (ii) Energy transition—piloting biomass. Biomass in many places is an underutilized energy resource, held back by technical and knowledge constraints, inadequate business models and limited access to finance. In GEF-6, the GEF has *supported* a suite of projects aimed at unlocking the potential of biomass-based energy in a range in countries. In larger emerging economies like Brazil and Turkey the GEF has focused specifically on the agro-industry sector that has ample supply of organic waste that can potentially be used in energy production. In small island development states like Samoa, the focus is on smaller-scale, household systems.
- (c) ***Improving public policy and building institutional implementation capacity.*** Public policy can play a critical role in addressing the pervasive market failures that are at the root cause of environmental degradation. For this reason, it is not surprising that the support for strengthened policy framework and improved institutional capacity is the GEF's most-often used influencing model—a cursory review of all full-size projects approved in GEF-6 to date suggest that perhaps half of all GEF projects seek to achieve impact through this channel. There are a multitude of examples across all focal areas, and at both local, landscape, national, and international levels.
 - (i) National-level examples: The *China Protected Area Reform System program*, which aims to transform China's national protected area system through systematic legal and institutional reform of the entire national system. The *Green Agriculture in India projects*, aims to tackle a key driver of biodiversity loss and land degradation in India by strengthening policy frameworks in support of India's National Mission for Sustainable Agriculture.
- (d) ***Supporting blended finance operations to catalyze change in private sector behavior.*** A strong engagement with—and impact on—the private sector is a prerequisite for GEF success. Deploying GEF support to blended finance operations is a way to directly catalyze private investments that generate positive impacts on the global environment, as well as having the potential to generate positive financial returns. The GEF-6 Non-Grant Instrument (NGI) Pilot has been an important vehicle for the GEF to engage in such operations, as exemplified by the GEF's participation in the Meloy Fund for sustainable fisheries or the Protection, Production and Inclusion Fund for sustainable Forestry (see box 1), but there are also a few examples where countries have chosen to utilize

their country allocations in blended finance—one example of the latter is the *Indonesia Geothermal Energy Development Project*, in which GEF funding helps establish a risk sharing facility to accelerate exploratory drilling for geothermal energy through the establishment of a first-loss guarantee facility.

Box 1. The NGI Pilot: Examples of Blended Finance Operations in Forest Protection and Coastal Fisheries

The Protection, Production and Inclusion Fund (PPIF). Through the PPIF, GEF project supports piloting de-risking of commercial financing of deforestation-free land-use through building a finance facility; developing a pipeline of investable projects; and testing it by supporting investments in the selected landscapes in Brazil, Indonesia and Liberia, such that these private investments deliver 1.25 million hectares of forest protection as well as livelihood improvements for smallholders and communities living in those forests. The PPIF is an innovative instrument that has mobilized \$100 million to date from both public (Government of Norway) and private (Unilever) sources; it is managed by Dutch-based IDH.

The Meloy Coastal Fisheries Fund. The Meloy Fund is an \$20 million impact investment fund devoted to providing debt and equity capital into scalable enterprises that can play a key role in incentivizing sustainably managed community small-scale fisheries, processors, sustainable aquaculture farms, contributing to the maintained integrity and functioning of coral reef ecosystems in Indonesia and the Philippines. The Meloy Fund helps provide technical expertise at the community level, and will create financial, social and environmental returns for its shareholders, de-risking community fisheries as a viable market for later stage commercial investment.

13. **The NGI pilot has been successful in a number of aspects:** First, in terms of the high demand for the funding made available in the NGI Pilot, which meant that nearly all available resources programmed during the first half of the replenishment cycle. Second, the NGI Pilot enabled the GEF to demonstrate—using a range of financial instruments—viable business models in areas beyond the more traditional areas of energy efficiency and renewable energy: a significant share of the NGI Pilot’s resources has been deployed to private sector led projects in natural resource management, for example sustainable agroforestry and land restoration. Third—as expected—NGI projects have been considerably more successful in leveraging private sector co-financing than the average GEF portfolio: For NGI projects, the private sector co-financing ratio to day is \$6.7 for each \$1.0 in GEF financing, compared to \$1.7 for the GEF-6 portfolio as a whole (table 1). While being eligible for financing under the terms of the NGI Pilot, demand for NGI resources from the public sector has been limited. However, the GEF was able to provide funding through the NGI pilot for an innovative project to support an attempt to launch a “Blue Bond”, in which the Government of Seychelles would tap international capital markets to raise funding for improving the management of its large marine protected areas.

Table 1. Co-financing (private and total) in NGI Pilot and other GEF-6 Projects (\$ million)

	Total funding approvals	Total co-financing	Private co-financing	Other co-financing	Total co-financing/ GEF project financing	Private co-financing/ GEF project financing	Other co-financing/ GEF project financing
Other GEF-6 projects	583	4,590	1,003	3,587	7.9	1.7	6.2
NGI Pilot ⁴	38	321	255	66	8.4	6.7	1.7

14. **Despite the success of the NGI Pilot, the GEF needs to further strengthen its engagement with the private sector.** Emerging findings from the GEF Independent Evaluation Office's (IEO) Sixth Overall Performance Study (OPS6) on private sector engagement, including findings based on a survey of 60 stakeholders, suggest significant opportunities for strengthened private sector engagement as environmental sustainability is increasingly mainstreamed into private sector strategies and business models. Survey respondents noted that the GEF could strengthen its outreach to potential private sector partners, and also emphasized the potential role of the GEF in terms of removing barriers for "mainstream" capital to be deployed to support sustainable business models. More broadly, while the study indicates that the GEF's private sector portfolio outperforms the non-private sector portfolio in achieving market change, it also points to continued significant constraints for the GEF's ability to engage with the private sector, especially since the introduction of country allocations in GEF-4⁵.

GEF'S ROLE IN THE ENVIRONMENTAL FINANCING ARCHITECTURE

15. **The GEF has a unique role in the global environment financing architecture as financial mechanism for five multilateral environmental conventions.** The GEF mandate across the CBD, UNCCD, UNFCCC, the Stockholm Convention, and the Minamata Convention makes the GEF uniquely placed to harness synergies across the different multilateral environmental agreements (MEAs) in line with a more holistic, systemic approach when providing countries with support to translate these agreements into national action. This is also in line with a growing body of recent GEF guidance coming from various COPs requesting the GEF to foster integration as well as to promote synergies among actions and strategies, and with the GEF's role supporting SDG planning and implementation as recognized by multiple conventions, reflecting the integrated nature of the SDGs (Box 2).

⁴ The sample is based on four NGI projects that had received CEO Endorsement/ Approval as at January 12, 2017. As the remaining projects are Endorsed/ Approved, the level and composition may change.

⁵ See GEF/ME/C.51/01, *Semi-Annual Evaluation Report October 2016 by the GEF Independent Evaluation Office*.

Box 2. Rio Conventions Guidance to Promote Integration

At the **CBD's** most recent Conference of the Parties (COP13), held in December 2016, the value of synergies among MEAs and for the SDG implementation was recognized. It was included in guidance to the GEF as follows: "The framework recognizes the opportunities for synergy, inherent in the unique institutional design of the Global Environment Facility, with related multilateral environmental agreements, as well as synergies with the implementation of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals, in particular Sustainable Development Goals 14 and 15." The recent CBD COP guidance also includes firm support for developing integrated approaches and collaboration among national focal points of different MEAs: "...framework encourages integrated approaches to project design as well as global and regional projects, noting that regional approaches are indispensable for addressing certain elements of the biodiversity agenda...". It encourages collaboration at the national level among national focal points of the Convention and its Protocols, of related environmental agreements, and of GEF, including through GEF-supported projects."

In the **UNCCD**, the COP has made key decisions that underscore the cross-cutting nature of the land and desertification agenda. For instance, the CCD COP adopted a new organizing principle of land degradation neutrality (LDN) in 2015. As the LDN concept encompasses trends in carbon stocks above and below ground, land productivity, and land cover, its adoption as the Convention organizing principle signaled the readiness of the Convention and Parties to address the land issue together with biodiversity and climate agenda. The GEF was also invited by the COP to continue its support for the implementation of the Convention in light of the 2030 Agenda for Sustainable Development. With COP guidance to support the national target setting exercise for the LDN, the GEF has been entrusted with additional mandates to support activities that facilitate synergy.

Finally, with the **UNFCCC's** Paris Agreement going into effect, the UNFCCC COP in 2016 provided various guidance to the GEF to help countries towards implementation of action. Specifically, the GEF was encouraged to continue its efforts to facilitate countries to align their GEF programming with priorities as identified in their nationally determined contributions (NDC), which in the vast majority of countries include actions that cut across all three Rio Convention's objectives.

16. The international landscape for environmental finance is evolving rapidly. Climate finance illustrates just how rapidly the landscape can shift: private investment in renewable energy grew by 26 per cent in 2014, reaching \$243 billion. Public climate financing from developed countries to developing countries represents a small share of global investments in climate change mitigation and adaptation, but it is also expected to grow, from \$44 billion in 2014 to \$67 billion in 2020. Of this, some 44 per cent would be provided through multilateral channels. Privately-driven conservation finance is gradually emerging as an important source of funding for investments in conservation, compatible with generating financial rates of return. It is estimated that privately-sourced conservation finance could potentially help quadruple the current level of conservation finance of about \$50 billion per year, although there remains significant work among a broad set of stakeholders to unlock these opportunities.

17. The financial sector itself is also gradually changing. The growing recognition that the response to environmental challenges cannot be delivered by international agencies and governments alone is also reflected in developments in the financial sector. For example, the Financial Stability Board's Taskforce on Climate-related Financial Disclosure is developing recommendations for managing the physical, liability, and transition risks of climate change. Rating agencies S&P and Moody's have announced plans to assess the climate risks facing both

companies and countries. Investor groups have called for greater disclosure of companies' exposure to climate risks. These initiatives illustrate that new approaches that take a wider "systems view" of the interconnected environmental challenges, and that involve a larger and more diverse set of actors, are required.

Complementarity in climate finance

18. In the climate finance space, the GEF seeks to clearly define its comparative advantage vis-à-vis other financing vehicles, including the Green Climate Fund⁶. The GEF's comparative advantage vis-à-vis climate funds consists of three main elements: (i) first, the GEF's ability to focus on a broad range of environmental objectives, which enables the GEF to take an integrated and systems approach to tackling issues and generate multiple benefits; (ii) GEF's proven record in funding demonstration and pilot activities; and (iii) GEF's long-standing support for institutional strengthening to help lay the foundation for enhance climate action—as evidenced most recently in the COP21 request to the GEF to establish the Capacity Building Initiative for Transparency (CBIT) (see box 3)

Box 3. The Capacity Building Initiative for Transparency

During the Climate COP in Marrakesh, the GEF launched⁷ the Capacity-building Initiative for Transparency (CBIT), with the approval of the first set of projects only eleven months after the Paris Agreement decision requested the GEF to establish and operationalize CBIT for both the pre- and post-2020 period.⁸ The CBIT is established with the underlying rationale of raising climate ambitions over time by strengthening national policy development and climate action need to be strengthened through meaningful, sound and clear data and information. Through accurate and timely tracking and reporting of GHG emissions at the national and sub-national level, countries can better assess the impact of their climate policies and see for themselves where there is still room for improvement. The CBIT will support countries by strengthening institutional and technical capacities to meet the enhanced transparency requirements in the Paris Agreement. The COP welcomed the GEF Council decisions to establish the CBIT and to ensure that support for CBIT be included in the seventh replenishment, to complement existing support under the GEF.⁹

19. "Organic" complementarity between the GEF and GCF is gradually emerging, as GCF ramps up project approvals. Funding approvals by the Green Climate Fund to date show how GEF in some cases has helped paved the way for leveraging and enabling investments from the GCF. (see Box 4). As further projects are approved, a clearer picture of complementarity—which is ultimately determined by concerted on-the-ground action to advance countries' climate efforts—may be discerned.

⁶ For a recent analysis of the global landscape of climate funds, see *"The future of the Funds—Exploring the Architecture of Multilateral Climate Finance"* World Resources Center, 2017

⁷ See report by IISD: <http://enb.iisd.org/climate/cop22/enbots/14nov.html>

⁸ See GEF press release: <https://www.thegef.org/news/new-gef-fund-gives-boost-paris-agreementimplementation>

⁹ See Decision 11/CP.22: <http://unfccc.int/resource/docs/2016/cop22/eng/10a01.pdf#page=38>

Box 4. Early examples of project-level complementarity of GEF and GCF projects

Sustainable Energy Facility for the Eastern Caribbean. This project, implemented by IADB with \$80 million in approved GCF financing, focuses on geothermal in the East Caribbean. The project is expected to reduce the dependency on fossil fuels by promoting the implementation of energy efficiency measures and renewable energy projects and solutions, including geothermal energy projects, as a way to reduce fossil fuel consumption and costs. The project document references a GEF contribution of some \$1.9 million toward enhancing the regulatory framework, institutional strengthening and capacity building, which is drawn from the GEF-financed Sustainable Energy for the Eastern Caribbean Program. The GEF CEO Endorsement Request has anticipated a GCF or other loan in response to STAP comments, stating that “The majority of the GEF resources is allocated to regulatory components, as the project has increased in magnitude (investment loans from IDB, JICA, GCF and CTF are expected).” GEF and GCF investments go hand in hand with each other, and the GCF financing builds on the foundational GEF investment in transforming policy and regulatory environments, allowing larger GCF funding to come in.

Priming Financial and Land-Use Planning Instruments to Reduce Emissions from Deforestation. This project, implemented by UNDP with \$41.2 million in approved GCF financing, seeks to implement Ecuador’s National REDD+ Action Plan, which has been approved in 2015. The project is expected to provide investments to control agricultural expansion into forest areas; optimize existing financial, economic mechanisms to implement agricultural and livestock production practices that reduce deforestation; and strengthen restoration, conservation and sustainable production in vulnerable watersheds. The GCF project document mentions that “Co-financing was leveraged during the elaboration of the REDD+ Action Plan and the GCF proposal, and the associated consultation processes. It includes only new and additional resources which have not yet been committed and which are specifically linked to the GCF proposal. This includes funds from a GEF project, from UNDP, UNEP and FAO, as well as national resources reoriented to co-finance the implementation of the REDD+ Action Plan.” Specifically, the GCF project utilizes funding from the UNDP-GEF project “Integrated management of multiple-use landscapes with high conservation value for the sustainable development of the Ecuadorian Amazon Region” for forest control and local surveillance and monitoring systems, as well as for the support of public and private procurement of deforestation-free products. The GCF project document also references a GEF Independent Evaluation Office study from 2006 in respect to poor farmers’ decision making in terms of discounting the future irrationally. The project is an example of how GEF and GCF funds intermingle in practical terms for enhanced impact on the ground through GEF multi-stakeholder alliances and investment in innovative approaches.

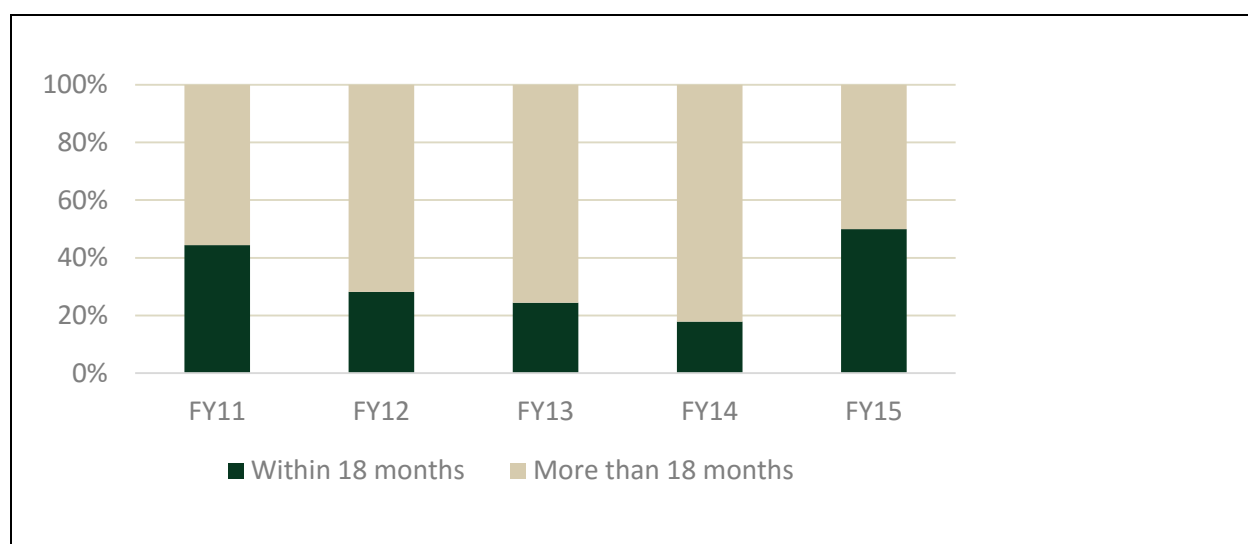
Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru. This project, implemented by PROFONANPE with \$6.2 million in approved GCF financing, seeks to enhance the resilience capacity of the indigenous communities living in the rich carbon stock wetland ecosystem in the Province of Datem del Marañón in the region of Loreto, Peru, improve their livelihoods and to reduce GHG emissions from deforestation. The GEF is enhancing sustainability of the project through an innovative support mechanism to the accredited entity, PROFONANPE and its endowment fund. PROFONANPE’s endowment fund is a “unique arrangement and not yet practiced in most developing countries” and it facilitates the sustainability of project achievements in the long run. Of the four endowments referenced in the GCF project document, two are supported through the GEF, with approximately \$15 million from the GEF projects totaling 70% of endowment amounts for 2010-15. As PROFONANPE is providing co-financing to the GCF proposal, GEF’s support to demonstrate innovative approaches is contributing to the engagement of the accredited entity and to the sustainability of the GCF project.

EFFICIENCY AND EFFECTIVENESS

GEF project cycle

20. **Important progress has been made in GEF-6 to enhance operational efficiency—but more can be done.** While the Cancellation Policy that was adopted early in GEF-6 has encouraged recipient countries and Agencies to ensure the timely submission of final project documentation for CEO Endorsement, early indications suggest that time elapsed between submission and Endorsement remains substantial. Indeed, of the 50 full-sized projects approved by the Council in fiscal year 2015, excluding program child projects, only 25 projects (50 per cent) had received CEO Endorsement within 18 months from Council Approval (see Figure 1).

Figure 1: Share of full-sized projects endorsed within 18 months of Council Approval



Climate Resilience

21. **We need to mainstream resilience to risks posed by climate change and variability.** Such risks are cross-cutting and particularly pertinent for the GEF, where projects tend to reside in climate sensitive sectors such as natural resources and energy/infrastructure sectors, and in coastal, arid/semi-arid and urban areas.

22. **The GEF's climate change adaptation funds, the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF), provide dedicated support for the adaptation needs of vulnerable developing countries.** As of today, the GEF has provided nearly \$1.5 billion in grant financing for adaptation through the LDCF (248 projects) and SCCF (77 projects). These GEF Adaptation funds support policy, investment and capacity measures, and are cross-sectoral, spanning adaptation in agriculture and natural resources, coastal management, disaster risk management, infrastructure, health, and other sectors prioritized by vulnerable

countries. The LDCF specifically supports urgent adaptation needs of Least Developed Countries, including formulation of National Adaptation Plans outlining their medium and long-term adaptation needs, the SCCF supports a broader range of developing countries, including highly vulnerable non-LDCs and SIDS.

23. **The GEF is taking steps to mainstream resilience into its broader portfolio.** In view of the fact that climate risk has potential to impact on the anticipated outcomes of its projects, the GEF has been taking measures to enhance the resilience of its portfolio. These include a specific consideration of climate risks in the project review process for all submitted proposals and encouragement to Agencies to consider climate resilience in GEF Trust Fund financed projects—in the May 2017 Work Program, for example, four projects explicitly seek to enhance resilience in addition generating global environmental benefits. Climate resilience is also a cross-cutting consideration of the Food Security, as well as for selected cities of the Sustainable Cities IAP. In parallel, the GEF has been working with partners to explore resilience frameworks and tools, such as the ‘Resilience, Adaptation Pathways and Transformation Assessment Framework (RAPTA)’, developed by CSIRO¹⁰ and STAP, which is being piloted in the Ethiopia child project of the food security IAP.

24. **Looking ahead to GEF-7, the GEF is exploring avenues for mainstreaming consideration of climate risk across its portfolio.** The GEF plans to work closely with Agencies and countries to ensure more systematic consideration of the risks posed by climate change and variability across its portfolio, where relevant. Approaches to implement this objective are still under consideration—they may include development of a set of new GEF climate risk screening guidelines building on Agencies’ own in-house climate risk screening procedures, that can be applied to all proposals submitted for funding to any of the GEF’s trust funds. The GEF will work with STAP and Agencies to outline feasible pathways forward.

Gender

25. **Gender equality is strategic and operational imperative for the GEF.** The underlying drivers of environmental degradation are closely intertwined with inequality and social exclusion, and recent commitments across the MEAs and the 2030 Agenda recognize that gender equality is a sustainable development goal in its own right, as well as a catalyst for reaching all other SDGs.

26. **Implementation of the GEF Gender Equality Plan is on track.** Responding to the GEF-6 replenishment Policy recommendation, a Gender Equality Action Plan¹¹ (GEAP) was developed in 2014 to support implementation of the GEF Policy on Gender Mainstreaming,¹² and to advance GEF’s gender mainstreaming efforts. The GEAP has been implemented through a partnership of GEF Agencies, MEA Secretariats and other expert organizations, and efforts have so far led to: (a) improved systems and processes to mainstream gender in GEF projects and

¹⁰ Commonwealth Scientific and Industrial Research Organization.

¹¹ GEF, Gender Equality Action Plan, GEF/C.47/09/Rev.01, October 2014

¹² GEF, GEF Policy on Gender Mainstreaming, GEF/C.40/10/Rev.1, May 2011

programs; (b) enhanced knowledge base on gender; (c) improved monitoring of gender mainstreaming, including reporting on the GEF-6 Results Framework on Gender; and (d) enhanced collaboration and learning across GEF Agencies and partners. Reviews suggest that our efforts are gradually translating into improved practices. A recent portfolio analysis in FY17 of GEF-6 projects, for example, suggests that 67 per cent of GEF-6 projects had conducted or planned to conduct a gender analysis compared to the baseline of 18 per cent¹³. Beyond project design, analysis also shows a steady upward trend in projects that include information on gender in monitoring and evaluation reports, from a baseline of 41 per cent to 51 per cent in FY17¹⁴.

27. **There remains room for further strengthen the GEF's gender work.** Despite positive trends in the number and quality of GEF projects that mainstream gender, recent portfolio reviews highlight, however, that many projects still miss opportunities to address important gender gaps and or consistently monitor or report on sex-disaggregated indicators or gender results. The GEF IEO Evaluation on Gender Mainstreaming in the GEF¹⁵ concludes, for example, that the GEF Policy on Gender Mainstreaming “does not provide a clear framework and remains unclear on certain provisions and implementation”. It is expected that the update to the GEF's Policy on Gender, which is scheduled to be discussed at the November 2017 Council meeting, will help improve on this as a key pillar in the GEF's approach to gender in GEF-7. Moreover, the GEF is exploring options strengthening its monitoring system to capture strategic gender outcomes even better.

¹³ See GEF/C.52/inf.09/April 2017

¹⁴ See GEF/C.52/inf.09/April 2017

¹⁵ See GEF/ME/C.52/inf.09, May 2017