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INVESTING IN OUR PLANET

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GEF-8 POLICY DIRECTIONS:
THE ENABLING ENVIRONMENT FOR TRANSFORMATION

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CHAPTER 1: GEF-8 POLICY DIRECTIONS: A STRONG ENABLING ENVIRONMENT

Introduction

1. **The draft GEF-8 Strategic Positioning and Programming Directions paper¹, sets out the vision for GEF-8 as the achievement of a healthy, productive, and resilient planet that underpins the health and well-being of human societies.** These strategic and programming ambitions of the GEF are enabled by operational practices, partnership activities, and a suite of policies, guidelines and norms that have been shaped over time by Replenishment negotiations and made operational by the GEF Council, Secretariat and Agencies. This paper highlights core elements of this framework already in place, and sets out the additional enhancements that will accelerate the achievement of the programming objectives agreed by Participants and enhance the impact of GEF programming. The policy framework also reflects evolution in guidance from the Multilateral Environmental Agreements supported by the GEF and the emerging conclusions and recommendations of the Seventh Comprehensive Evaluation of the GEF (OPS7)².

2. **The GEF policy framework is now firmly in place and will be taken to the next level in GEF-8. To achieve this, the following measures and issues will be explored, accompanied by proposals for Replenishment Participants to consider:**

- I. The GEF-8 Results Framework
- II. Concentration of GEF Support among Agencies
- III. Resource Allocation in GEF-8: Methodological Options for the STAR Model
- IV. Extending the GEF's Inclusion Agenda
- V. Sustainability Considerations in GEF Investments

The Context for GEF-8: Extending the ambitious policy reforms initiated in GEF-7

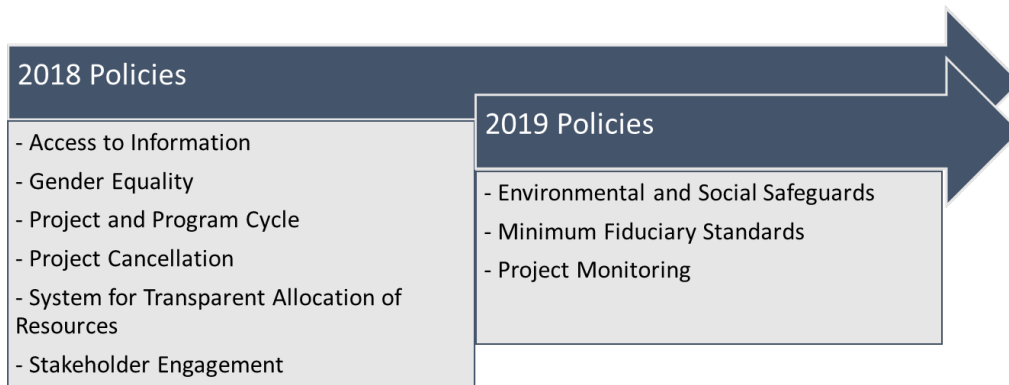
3. **An extensive policy reform agenda has been implemented through the GEF-6 and GEF-7 Replenishment periods, resulting in the updating and upgrading of significant portions of the GEF policy framework.** This exercise is now largely complete, with a focus now squarely on implementation of these updated policies, covering all aspects of GEF partnership operations. From minimum fiduciary standards, environmental and social safeguards, gender equality, stakeholder engagement, operational efficiency measures and information disclosure, to monitoring and evaluation and learning, actors across the GEF Partnership are now focused on implementation and sharing knowledge and lessons learned. To accompany these policies, guidelines are now also in place and capacity is being enhanced where needed to support full compliance.

¹ GEF/R.8/02/Rev.01, April 2021

² Global Environment Facility Independent Evaluation Office (GEF IEO), Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery, Washington, DC: GEF IEO, 2021.

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

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



Results Monitoring and Management

5. **New results frameworks and tools have been developed.** These enhance incentives to capture and manage for results in a simplified and harmonized way, including tools to track portfolio efficiency and effectiveness (e.g. Scorecard, Country Fact Sheets), enhance the transparency & relevance of operational reporting (Annual Monitoring Report, reporting through IATI), and strengthen the partnership incentive structure through transparent, quantified evidence. The GEF has also made significant progress on systems, data governance and access to information and knowledge, much of which is now embedded in the GEF’s on-line operational gateway, the *GEF Portal*.

6. **Core Indicator targets were adopted to reflect the ambition of the Partnership, focus efforts and better track the most critical GEF results.** Solid monitoring and evaluation reporting tools inform the GEF Partnership’s progress at the project level and management systems such as the GEF Portal serve to aggregate the data so this information can help the partnership deliver better outcomes. Annual Monitoring Reports have been redesigned to focus on the operational drivers of project performance through a new Portfolio Scorecard. This tool enhances accountability and incentivizes Agencies to focus on performance and outcomes and, along with the Corporate Scorecards, provide clear and regular indications of progress and the direction of travel toward Replenishment targets at-a-glance.

Accountability, disclosure, and transparency

7. **A new Policy on Access to Information was approved in 2018, strengthening disclosure of information and facilitating access by partners, stakeholders, and the public to information on GEF-funded activities.** The simplified and harmonized results framework, with systematic capture of data in the GEF Portal, has brought about a step-change in methodological rigor and systematic monitoring against replenishment targets. The GEF now has a system-based integrated workflow, starting with Agencies' direct entry of project and program data, through implementation and regular monitoring, to terminal evaluation. This provides for a paperless system of regular reporting and real-time access to data – all within a secure system backed up by the GEF Secretariat's IT systems infrastructure³.

8. **The GEF has also started to publish project data on the platform of the International Aid Transparency Initiative (IATI), further enhancing timely and effective information disclosure.** The GEF first published project data on the IATI registry in 2019 and now makes detailed information and documents available on all GEF-financed projects. Stronger systems have provided the foundation to release data on the IATI registry in an automated way, directly extracting and exporting data from the GEF Portal. Consistent with the IATI data standard, there is a high level of detail in the project description files, including data on regions, focal areas, and disbursement. In the future, the Secretariat will continue to enhance the publishing of GEF data on IATI, expanding the scope to include progress in achieving results, the location of project sites, and detailed project documents.

9. **The GEF Council also adopted important policy updates to strengthen requirements for Agency accountability and grievance response systems, and enhance real-time and annual reporting on cases and actions in response.** These updates are included in the Policies on Environmental and Social Safeguard Standards and Minimum Fiduciary Standards. They reflect the ongoing commitment of the partnership for strong accountability and transparency in project operations, and to give affected people and communities greater voice and avenues of recourse in actions that affect them. In this way they also further support stakeholder engagement and responsive actions for better and more durable results on the ground.

Gender Equality and Stakeholder Engagement

10. **The GEF Policy on Gender Equality, approved at the onset of GEF-7, marked GEF's increased ambition to address gender equality and promote women's empowerment across its projects and programs.** The new policy aligns the GEF approach to gender mainstreaming with current international best practice and translates this approach into concrete policy requirements that reflect the ambition to shift from a gender-aware *do no harm* approach to a gender-responsive *do good* approach. This has been achieved by requiring robust standards in the design, implementation and evaluation of GEF activities, and introducing measures that will

³ Housed within and fully supported by the World Bank's IT architecture, as administrative host of the Secretariat.

allow GEF, over time, to better leverage strategic opportunities to address gender gaps critical to the achievement of global environmental benefits.

11. **The Policy was accompanied early in GEF-7 with practical guidelines.** These included a concrete gender implementation strategy, capacity building tools such as the online course on gender and the environment (now with over 15,000 certificates issued) and facilitation of the GEF Gender Partnership as a platform for consultation, knowledge exchange and learning across the GEF partnership. Finally, efforts have been stepped up to address gender gaps related to unequal access and control of natural resources and helping improve women’s ability to support their families, as well as their ability to manage environmental resources more sustainably by, for instance, adopting more sustainable technologies and practices.

12. **On stakeholder engagement, the GEF has also updated its policy requirements to align with comparator organizations.** This includes requirements at the project and program level to ensure peoples’ voices are heard in GEF project design and implementation, and clear reporting requirements. Further work continues to improve stakeholder engagement project execution, governance, monitoring and evaluation. As highlighted by recent reporting from IEO on work in progress for OPS7⁴, the GEF is well placed to play a role of information/relationship broker, particularly in helping countries, post COVID, to restore a healthy environment and to ensure a people-centered recovery that focuses on human well-being, improving inclusiveness and reducing inequality.

Environmental & Social Safeguards and Guidelines

13. **During GEF-7 the GEF Environmental and Social Safeguards were upgraded significantly, reflecting international best practice.** This has had the effect in some Agencies of triggering concomitant upgrades to their own policies and procedures to align to these and other standards used by other Agencies in the Partnership. The upgrades include a number of elements to increase accountability and strengthen oversight in the use of GEF resources, including new requirements to document and report on environmental and social risks, intended to enhance the flow of information on safeguards implementation across GEF-financed projects and programs. They include strengthening requirements to report grievance cases, and a role for the Secretariat to review projects and programs for the availability, clarity and completeness of the information requested at the various stages of the project cycle. These expanded and strengthened standards are in line with international practices and recommendations of the GEF’s Independent Evaluation Office (IEO).

14. **The GEF IEO has also noted the important role the GEF can play to increase knowledge and learning on specific areas outlined in the GEF Policy on Environmental and Social Safeguards.** During GEF-8, the GEF can explore ways to take advantage of its position as knowledge broker, utilizing existing platforms such as the Country Support Program, GEF

⁴ GEFIEO.org/sites/default/files/documents/gef-council-60-part-2-ppt.pdf

Agency Retreats, virtual courses and learning events to leverage existing knowledge and facilitate learning.

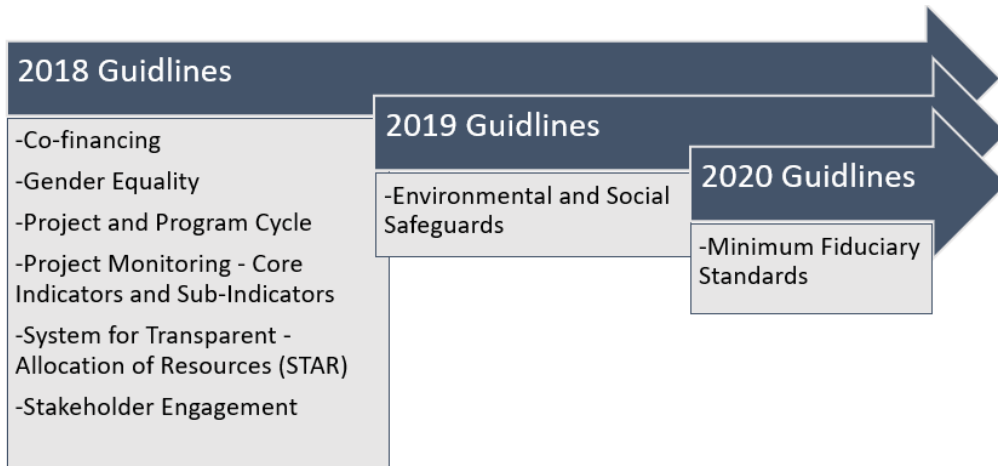
Minimum Fiduciary Standards upgrades

15. **In GEF-7 the Council approved upgraded GEF Minimum Fiduciary Standards applicable to all Agencies.** This included provisions for Anti-Money Laundering and Combatting Terrorist Financing and provisions to align to most recent international practice, tightening up many provisions and clarifying roles and responsibilities. Agencies have completed interim self-assessments and are implementing time-bound action plans to address any identified gaps. In addition, Agencies will undertake comprehensive self-assessments and an independent, risk-based Third-Party Review of all such standards and safeguards will be conducted as part of the once-per-replenishment independent review process. The regular exercise to confirm Agency adherence to GEF Minimum Fiduciary Standards serves to contain and mitigate fiduciary risks in the use of GEF resources and provides the GEF Partnership with a critical risk management tool that will continue through GEF-8.

Enhancing Operational Efficiency

16. **Several operational enhancements served to, clarify policies and guidelines and improve the speed and efficiency of project and program delivery by GEF Agencies and their partner executing entities at the country level.** A standard template was introduced for project budgets and expense categories were clarified to improve consistency and comparability across Agencies. Monitoring and Evaluation (M&E) plans now reflect new Core Indicators, clarify expenses that may be covered by M&E Budgets, and set indicative limits. Clarifications were added related to exceptional circumstances where a GEF Agency may perform dual functions (i.e. both implementation/supervision and execution), and definitions and guidance for confirming and reporting project co-financing were further fine-tuned. Various related guidelines on Agency Fees, the project and program cycle and project cancellation were also updated during the GEF-7 period. On co-financing, the GEF-7 overall ambition to achieve a co-financing ratio of 7:1 has already been exceeded.

Figure 2: The Evolution of GEF Guidelines accelerated during GEF-7



17. **Guidance improvement will be a continuous process.** During GEF-7 the Secretariat worked closely with GEF Partner Agencies and stakeholders to update guidelines to support the effective implementation of these updated Policies. Looking ahead, continuous feedback from Recipient Countries, Agencies and the IEO is planned to help identify areas for further enhancements, including steps to streamline GEF operations and the project cycle, shorten processing times, sharpen guidance for monitoring reports, and reduce transaction costs across the Partnership. The Secretariat will pursue this agenda proactively in GEF-8, including in partnership with other organizations and environment and climate funds.

System for Transparent Allocation of Resources

18. **The approach to allocate GEF resources to countries was enhanced in GEF-7.** The flexibility feature allowing countries to move allocated resources across focal areas was extended in the GEF-7 STAR model, resulting in 30% of the GEF-7 STAR resources subject to flexibility. Model adjustments also provided further support to LDCs through adjustments in the weight of the GDP Index, and the floor levels were re-balanced among focal areas. The evolution and proposed new features for the STAR model in GEF-8 aim to build upon the GEF-7 framework.

19. **The policy developments during GEF-7 provide a strong foundation for delivery of the GEF’s mission with high efficiency and effectiveness, building on the unique strength of the GEF partnership and active engagement of stakeholders.** This will enable the GEF Partnership to fully achieve the high GEF-8 ambition for the global environment and reflect its highest values and aspirations.

GEF-8 Policy Directions:

20. **This section summarizes the expected policy directions for GEF-8.** Building on the strong foundations of the GEF-7 policy agenda, as noted above, the expected policy directions for GEF-8 are set forth below. These are based on preliminary positions, feedback

communicated by Replenishment Participants, priorities articulated in the draft Strategic and Programming Directions document, and early findings from OPS7. The details and features of the specific elements described in the chapters that follow will be developed further based on feedback from Participants.

GEF-8 Results Framework

21. **As the GEF steps up its ambition for the Partnership, it will increase its strategic focus on achieving Global Environmental Benefits.** The results framework for GEF-8 will fully reflect the ambitions set out in the GEF-8 programming directions and agenda for transformation. It will use and build upon the 11 integrated core indicators set out in GEF-7, with updated targets to reflect the high level of ambition required for the next four years toward a nature positive, carbon neutral and pollution free future. Building on the significant progress during GEF-7, the GEF will also improve its results toolkit to track progress toward reaching this overarching GEF-8 ambition.

22. **The GEF's Results Measurement Framework will be strengthened.** It will articulate how operational inputs contribute to achieving Core Indicator results. New ways to analyze co-benefits improving human and socio-economic well-being will be introduced. In addition, transparency will be enhanced through activities such as publishing on IATI, reporting to Conventions, and expanding capture of the OECD-DAC Rio Markers to include those specific to Biological Diversity and to Combat Desertification.

Concentration of GEF funding among Agencies

23. **Opportunities to address the issue of concentration will be explored.** While four Agencies account for implementation of 86% of GEF resources since inception concentration among these Agencies has been successfully contained and has declined during recent Replenishments. Experience has demonstrated that there may be limited scope under a country-driven model to actively manage Agency concentration; nevertheless this issue – which has been the subject of extensive analysis during GEF-6 and GEF-7 – will be explored further and potential options presented for consideration. The Secretariat proposes to enhance the monitoring and reporting on this matter, to support decision making by countries, Agencies and Council during GEF-8. In addition, it is proposed to pursue further efficiency gains in the GEF project and program cycle aimed at incentivizing all GEF Agencies to increase their engagement through GEF-financed programs.

System for Transparent Allocation of Resources (STAR)

24. **The System for Transparent Allocation of Resources (STAR) will see continued improvements to increase flexibility, support vulnerable countries and maximize the impact of GEF resources.** STAR is the core instrument for allocating GEF financing, covering approximately 50% of programmable resources, across three focal areas – Biodiversity, Climate Change, and Land Degradation. Preliminary policy options for the GEF-8 STAR model

introduced to the first GEF-8 Replenishment meeting along the following five dimensions are explored further:

- Increasing flexibility to continue to facilitate the mainstreaming of integrated programming principles
- Adjusting the STAR structure to increase support to vulnerable countries
- Updating the data layers, at country level, to further enhance incentives to improve policy coherence
- Continue to encourage the use of blended finance options to narrow the financing gap
- Creating a competitive space to increase effectiveness, efficiency and maximize the impact of limited resources

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

26. **The evolution of STAR will be designed to respond to Participant's objectives.** In response to Participants' feedback at the First Replenishment meeting as well as written comments received, the GEF Secretariat continues to explore the feasibility of several innovations for the STAR model in terms of critical methodological advancements and options, that are presented here as a work-in-progress. With guidance from Replenishment Participants on these proposed dimensions, and in line with the practice adopted for the GEF-7 Replenishment discussions, Model simulations of country groups will be presented for discussion at the Third Replenishment meeting.

Extending the GEF's Inclusion Agenda

27. **The GEF can play a central role helping countries to restore a healthy environment and to ensure a people-centered recovery that focuses on human well-being, improving inclusiveness and reducing inequality.** As the GEF has made extensive revisions and updates to its policies and approaches related to Stakeholder Engagement, Gender Equality and Environmental and Social Safeguards, these policies now embed important principles relating to the promotion of social inclusion. They also serve to advance important human rights principles including non-discrimination, participation, transparency and accountability.

Together they bolstered a range of new and existing standards and requirements linked to inclusion and human rights.

28. **The Secretariat proposes to review the Environmental and Social Safeguards, Gender Equality, Stakeholder Engagement, and other policies that could address issues such as human rights, creating a dialogue with youth, and LGBTQ+.** This would identify entry points to further leverage the implementation of these policies, to identify potential key strategic priorities of sustainable recovery and inclusion and place greater attention on inclusion in GEF-8 projects, including efforts to better capture GEF co-benefits including socio-economic benefits.

Sustainability of GEF Investments

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

CHAPTER 2: CONCENTRATION OF GEF FUNDING AMONG GEF AGENCIES

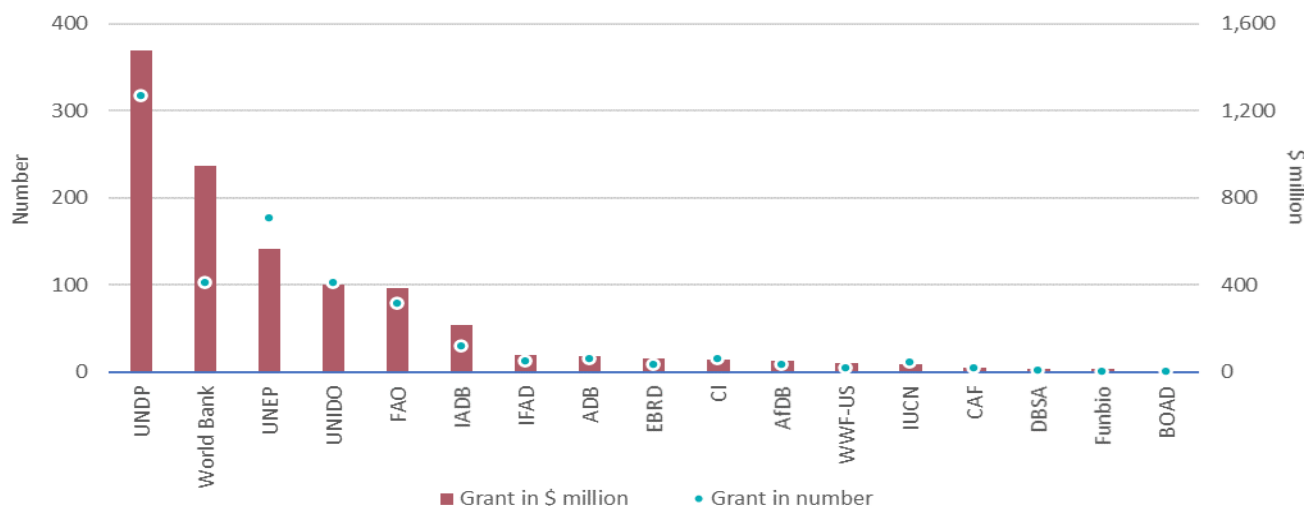
The Context for Agency Concentration

30. **The GEF implements projects and programs through a Partnership of 18 Agencies that share the GEF’s mission and meet rigorous minimum fiduciary and safeguards standards.** The current cohort of GEF Agencies ranges from large international organizations with global reach to smaller entities with operations limited to a single country, providing an array of choice for recipient countries. This group comprises the three original GEF Agencies, alongside regional development banks, UN Agencies and regional and national organizations that have been added in two separate phases of expansion. The first expansion (1999-2006) added 7 Agencies, which focused on adding regional expertise through addition of four Regional Development Banks and three UN Agencies. The second (2013-2015) continued this deepening of Partnership capacity, adding 8 Agencies comprising two additional regional banks, three International CSOs, and three National Entities.

31. **Concentration is not a new issue for the GEF Partnership.** It warrants continued monitoring and oversight but does not appear to be limiting the ability of the GEF to achieve desired results. The concentration among the top implementing entities has been contained over the past four Replenishments, spanning over a decade, the share of the top implementer, UNDP, has decreased since GEF-5.

32. **Under a country-driven model, there are few levers available at the Partnership level to manage the share of funding implemented by a particular Agency.** A natural consequence of the sequenced growth in the cohort of GEF Agencies – and of the diversity among them - has been an uneven share in the volume of GEF funding implemented by each Agency since inception of the GEF, and during individual Replenishments. Specifically, the top 4 GEF Agencies have implemented 86% of GEF resources since inception, on a cumulative basis. This figure has nevertheless declined slightly over time, with the top 4 GEF Agencies currently responsible for 79% of GEF-7 programming.

Figure 3: Portfolio Distribution of current, operational projects under implementation, by Agency⁵



33. **GEF recipient countries have registered the importance of preserving their choice of Agency.** During GEF-7, the Secretariat surveyed recipient countries to better understand the drivers of countries’ choice of Agency for project implementation. This exercise demonstrated that countries’ relationships with the Agencies, track record and experience, and physical presence on the ground were the key determinants behind country choice of Agency. Cost was not cited as an issue.⁶ Most notably, countries stressed the importance of a country-driven process to select the Agency best placed to implement a GEF project or program. Consultations with Agencies on the issue also revealed that Agencies generally believed that a country’s process for selection of GEF Agency was both complex and highly context specific and that the ability of external parties to direct or otherwise influence that choice was generally limited.⁷

34. **Notwithstanding the challenges surrounding active management of concentration, Council agreed on a way forward during GEF-7.** The Secretariat provided an update to Council in June 2019 and in a separate report on related issues of Agency coverage for the December 2019 Council meeting. Support was also provided to the Council members who reviewed various analyses and considered possible actions to address the issue of concentration. To date no decision has been taken on implementing a cap or maximum level of concentration for any GEF Agency, however reflecting the feedback from countries and Council deliberations during GEF-7, it was agreed that measures should be avoided that might serve to limit country choice of Agency and continued access to GEF financing or have other unintended consequences. Guidance from Council therefore settled on the following principles⁸:

⁵ Source: The GEF Monitoring Report 2020 (GEF/C.59/03/Rev.01)

⁶ All Agencies receive the same flat fee of either 9.5% or 9.0% of the project amount.

⁷ Report on the Working Group of the GEF Partnership, GEF/C.56/04

⁸ Ibid.

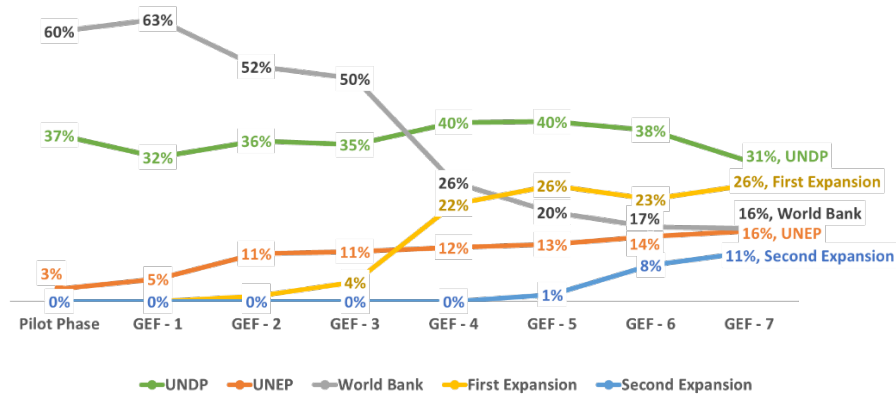
1. there is a need to continue to monitor concentration
2. further work should be based on the principle of countries' freedom to choose the GEF Agency for a given intervention
3. fair treatment among Agencies should be preserved, such as through an appropriate differentiation depending on the size and specialization of each Agency
4. any sudden disruption in the operation of the GEF should be avoided, as a priority

35. The analysis contained in this section has been prepared to help guide Replenishment Participants in further deliberations on this issue and presents some concrete measures for consideration.

Evolution of Agencies' Share of GEF Programming

36. **While concentration among top Agencies remains high, it has been contained and has declined in recent years.** Four GEF Agencies have been responsible for implementation of 86% of GEF approved financing by volume since inception of the GEF, however this has been contained and is on a declining trend in recent years. The three original GEF Agencies - IBRD, UNDP and UNEP – account for over 70% of all GEF projects approved since the inception of the GEF⁹.

Figure 4: Share of approvals in each Replenishment Period by GEF Agency Type

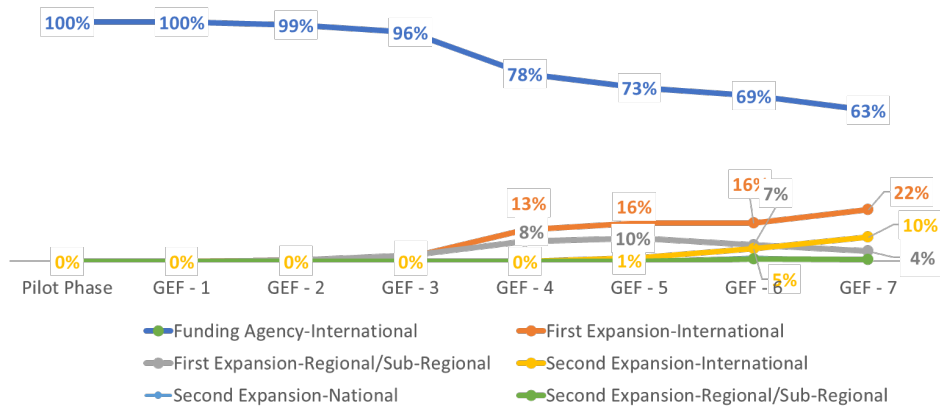


⁹ All figures net of cancellations. Multi-agency and regional projects are disaggregated to single country and single agency level, when possible. Approval level data is at PIF or PFD approval milestone. Project financing amount, agency fee, PPG and PPG fees are included in amounts.

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

38. **The overwhelming majority of GEF funding is implemented by Agencies with international reach, from the Pilot Phase through the second round of Agency expansion.** To date, only approximately 5% of all GEF resources have been channeled for implementation through regional and national entities.¹⁰ This continues to reflect the global nature of the Partnership, the experience and credibility of the current cohort of GEF Agencies, and countries’ access to Agencies that bring knowledge and lessons learned from their broader operations to the national context.

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



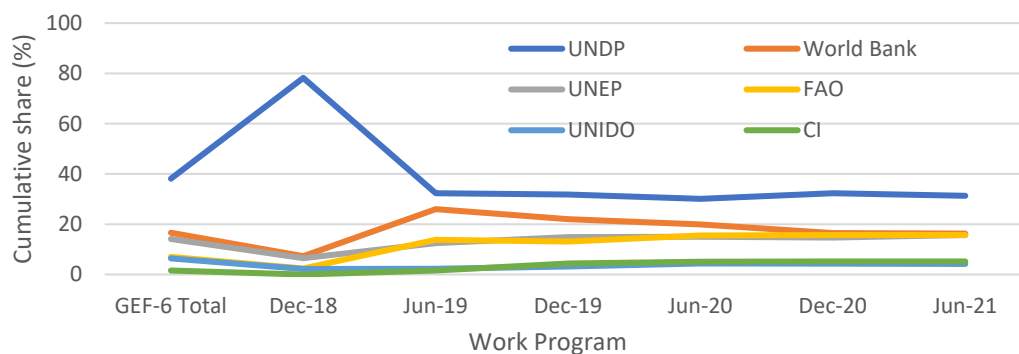
¹⁰ Per Figure 5, 4% through regional/subregional and 1% through national entities.

Figure 6: Share of GEF funding implemented by each GEF Agency in each Replenishment Period from Pilot Phase to GEF-7 (to July 2021)

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

39. Data presented in Figures 5 and 6 show that concentration levels have declined over recent Replenishments. Figure 7 shows that, during the GEF-7 period, the level of concentration among the top five GEF Agencies, measured by the cumulative share of approvals during the period, has also declined. UNDP has exhibited the sharpest decline relative to its GEF-6 cumulative share with the shares of FAO and Conservation International (CI) increasing most prominently. During the GEF-7 period, CI's cumulative share of approved funding surpassed that of UNIDO from the December 2019 Work Program onwards.

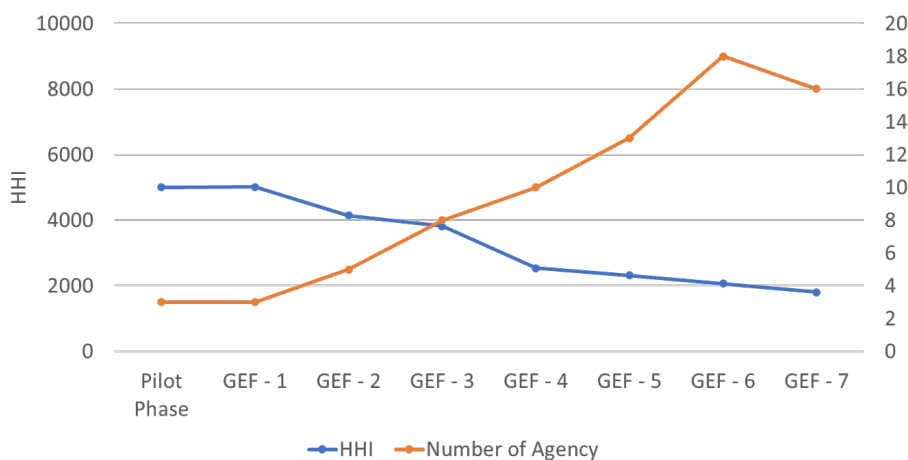
Figure 7: Concentration among the top Agencies during GEF-7



40. This decline in concentration can also be observed through the *Herfindahl-Hirschman Index (HHI)* used to track and report on concentration. The *Herfindahl-Hirschman Index* of

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

Figure 8: Concentration among GEF Agencies as measured by the Herfindahl-Hirschman Index (HHI); and number of Agencies receiving funding approvals during each Replenishment Period



41. **Figure 8 shows that concentration as measured by the HHI has been declining continuously since GEF-1.** The trend of declining Agency concentration is consistent with observations noted in previous reporting and is also largely evident across regions and groups of countries. Regions and groups of countries with smaller allocations and fewer eligible recipient countries, such as ECA and SIDS, tend to have somewhat higher rates of concentration than other regions and groups, however the trend decline can still be observed across all regional groupings - similar HHI breakdowns for each of the Africa, East and Central Asia (ECA), Asia and Latin America and the Caribbean (LAC) regions are shown below. Notably, the SIDS country group also shows a decline in concentration, particularly since GEF-5 (see figure 10).

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

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

Figure 9: Regional Country Groupings - Concentration among GEF Agencies as measured by the Herfindahl-Hirschman Index (HHI); and number of Agencies receiving funding approvals during each Replenishment Period

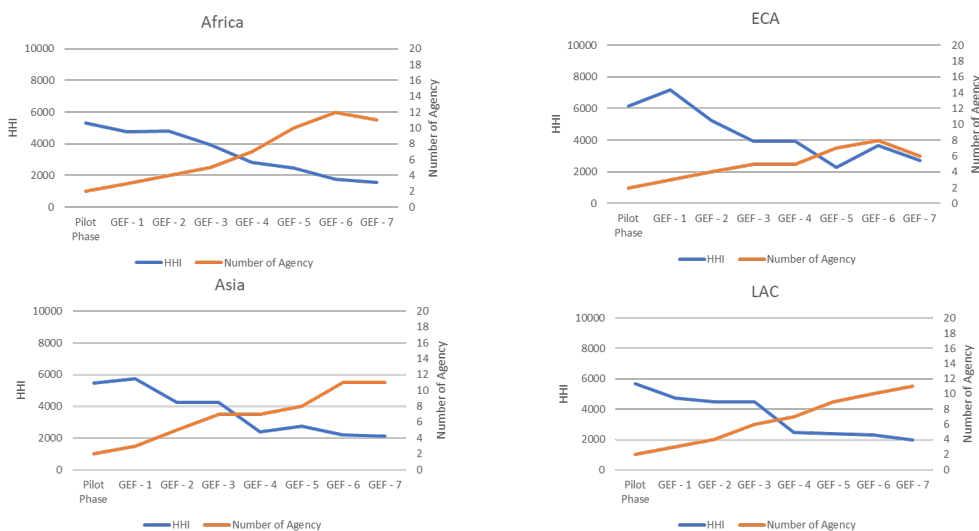
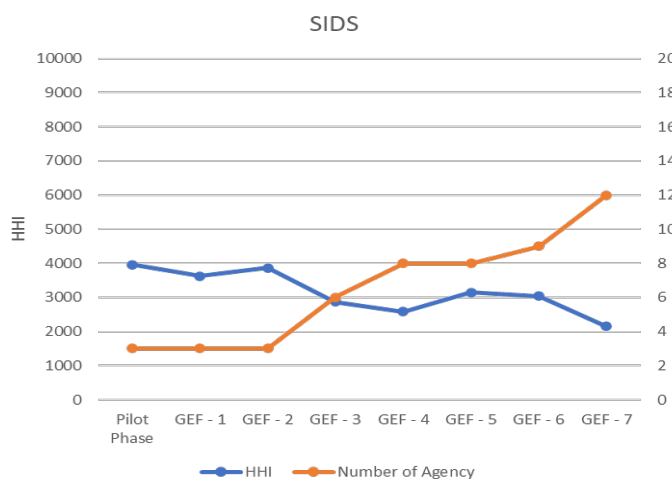


Figure 10: SIDS-only Concentration among GEF Agencies as measured by the Herfindahl-Hirschman Index (HHI); and number of Agencies receiving funding approvals during each Replenishment Period



42. **The HHI analysis helps to illustrate the continued improvement in the distribution of GEF projects by Agency.** Coverage and country choice do vary across regions, sub-regions, and groups of countries, but the Partnership continues to provide access to all countries seeking GEF financing: the analysis presented in the following section suggests that there are no major gaps in terms of the coverage of the current cohort of 18 GEF Agencies. Consistent with past

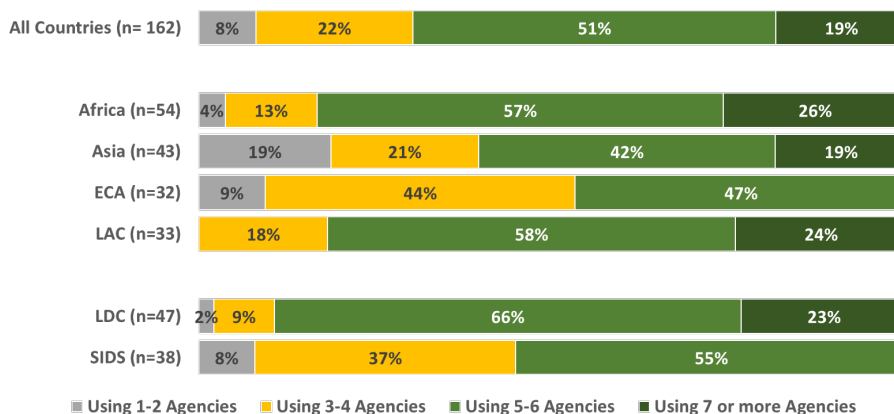
reporting on concentration, the following sections present analyses using the established methodology to monitor this issue across the five agreed dimensions:

- i. Geographic coverage
- ii. Thematic coverage
- iii. Effectiveness and Efficiency
- iv. Engagement

i) Geographic Coverage

43. **Countries continue to have an array of choice when accessing GEF financing.** Analysis of the number of Agencies used by countries to implement GEF projects reveals that, while there are different experiences across country groupings, in most cases countries have a variety of Agency choice across geographic regions and country classifications. The majority of countries classified in the LDC country group and the Africa and Latin America and the Caribbean country group have already used 5 or more Agencies for implementation during the period from the Pilot Phase to GEF-7 to date. Only countries in the SIDS and East and Central Asia categories have not used 7 or more Agencies, while over half of SIDs have made use of 5 or more GEF Agencies to implement projects. This suggests that LDCs and SIDs have a reasonably wide choice of international and regional entities available to them for project implementation and that countries in all regions are exercising extensive choice across Agencies. Consistent with the findings presented in June 2018¹¹, the current Partnership continues to offer countries considerable choice between different Agencies. At least 91% of countries have used at least two different Agencies, and at least 77% of countries have used at least three different Agencies. The latest data presents progress since June 2018 with respect to the geographic coverage of the current network of eighteen Agencies across all GEF regions and different types of countries.

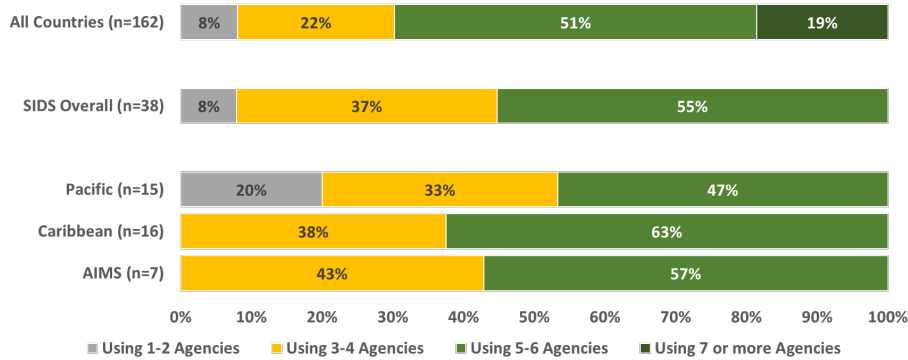
Figure 11: Number of Agencies implementing GEF projects, from Pilot to GEF 7 Period, by Country Grouping



¹¹ GEF/C.54/08, Strengthening the GEF Partnership, June 2018

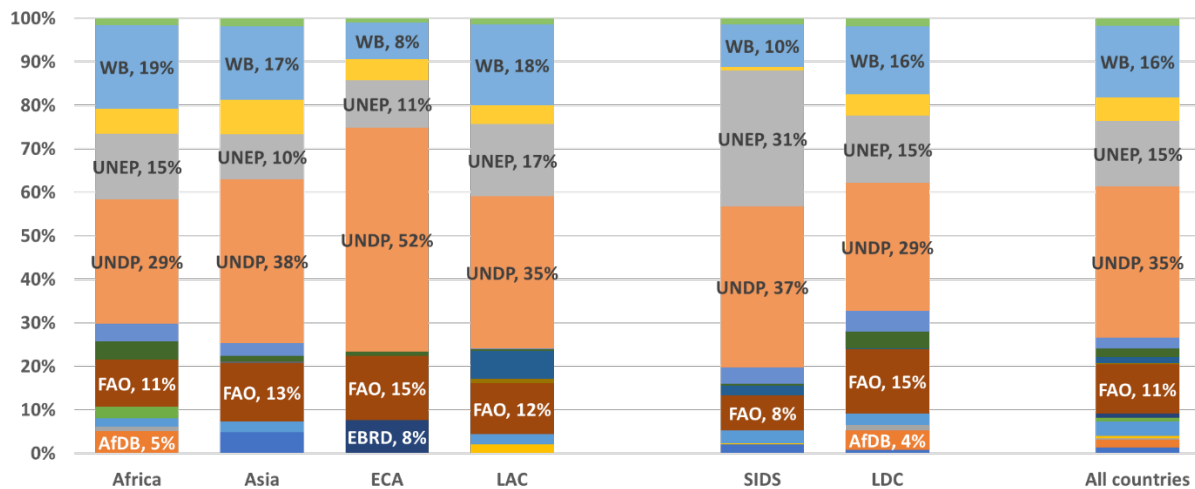
44. **Among Pacific SIDS, the number of countries using just one or two GEF Agencies remains higher than that of LDCs or SIDs overall.** Nevertheless, almost half of the Pacific SIDS have been able to access funding during the GEF 5-7 period from at least five different GEF Agencies. Among Caribbean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

Figure 12: Number of Agencies implementing GEF projects during the Pilot to GEF-7 Period in SIDS – by sub-group within the SIDs Country Grouping



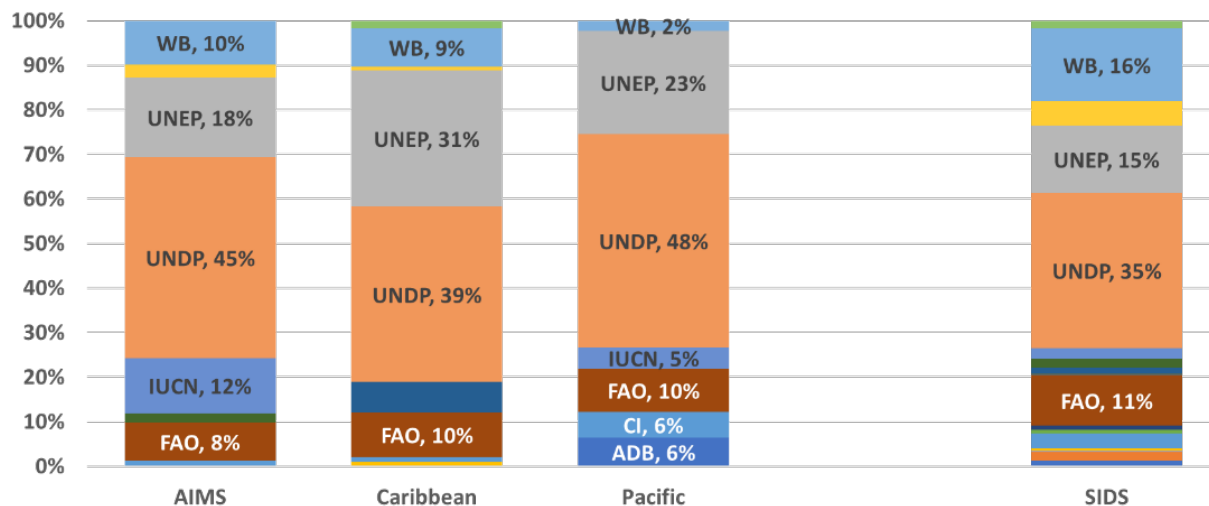
45. **The choice of Agency is still relatively diverse when looking only at SIDS.** A more detailed review of the choice of Agency by SIDS reveals that – while the use of UNDP, UNEP and World Bank remains prominent - there is a significant diversity of Agency use, especially during the more recent GEF 6-7 Replenishment periods. In particular, the use of smaller international Agencies and FAO has shown an increase, while the role of UNDP is far more prominent in ECA than among the SIDS and LDC country groups.

Figure 13: SIDS, LDCs and Country Region Approved Amounts by Agency, GEF-6 and GEF-7 Period



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

Figure 14: A breakdown of the SIDS Group by Country Region: Approved Amounts by Agency, GEF-6, and GEF-7 Period

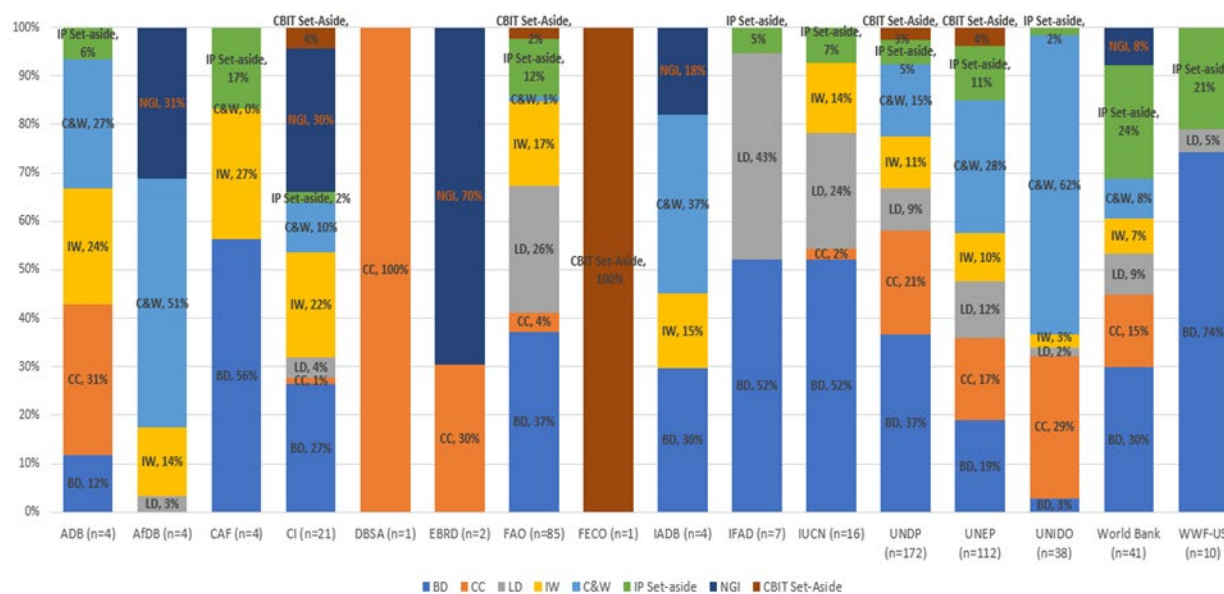


ii) Thematic Coverage

47. **The second dimension that has been used to assess the level of concentration among GEF Agencies is thematic coverage.** This refers to the extent to which Agencies support countries through implementation of projects across a number of different Focal Areas or other objectives. As shown in Figure 15, during GEF-7 to date, larger Agencies have generally been able to offer a more diverse portfolio of thematic options to recipient countries. For some of the newer Agencies, however, the relatively lower engagement to date in GEF-7 projects skews their outcomes dramatically (e.g. DBSA and FECO).¹² By contrast, Agencies with international reach have largely been active in a variety of different Focal Areas. The dimension of thematic coverage arguably has limitations, however, as the relative strengths of the various GEF Agencies, relative STAR allocations and other county-driven factors will determine the level of engagement of a GEF Agency in a particular Focal Area or other GEF-funded activity. Diversity in type of activity or thematic coverage may also be a function of Agency size or regional focus and may not reflect effectiveness with respect to achievement of global environmental benefits and other factors. It should also be noted that for some specific activities, Agency choice may necessarily be limited (e.g. prominent roles played by UNDP, UNEP and Conservation International in CBIT projects).

¹² BOAD and FUNBIO are not included as they do not yet have an approved GEF-7 commitment.

Figure 15: Thematic coverage by Agency, by GEF-7 cumulative approved amounts¹³



iii) Effectiveness and Efficiency

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

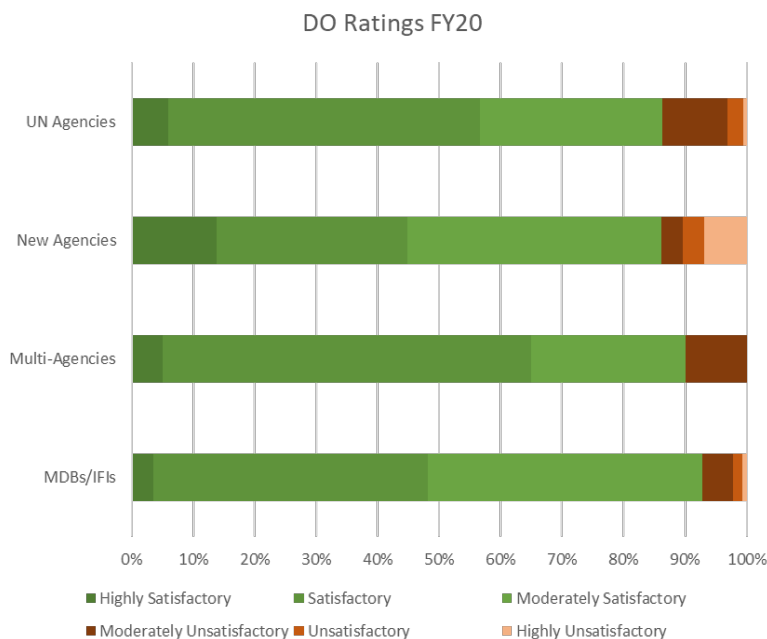
49. **While co-financing ratios have increased over time, they may not provide the best indicator of overall Agency effectiveness from the perspective of results or global environmental benefits achieved.** The use of co-financing as an indicator of effectiveness may provide a window into the relative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

50. **The Development Outcome (DO) ratings provide additional signals with respect to the effectiveness of various Agency groupings at a results level.** Generally, the DO ratings for

¹³ The number of approved GEF-7 projects is included alongside Agency names. Excludes BOAD and FUNBIO.

MDBs/IFIs during FY20 are higher than other Agency groups, as shown in Figure 16. Agencies issue these ratings during supervision in line with their own methodology. This approach highlights Agencies' records in using resources effectively and providing the best value to countries.

Figure 16: Development Outcome (DO) ratings in FY20 across Agency Type



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

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

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

achieved by smaller projects, the Small Grants Program, Enabling Activities among others.^{14,15} A review of the size distribution of GEF projects nevertheless shows that past expansions of the GEF Partnership have not resulted in meaningful changes in the distribution of the size of GEF projects. Indeed when comparing the cumulative volume of GEF funding implemented by Agencies from the Pilot Phase to GEF-7 to amounts implemented in just GEF6-7, only four Agencies (ADB, AfDB, CI, EBRD) demonstrate an increased reliance on larger FSPs to deliver GEF programming.

Figure 17: Project Type by Agency: Pilot Phase to GEF-7

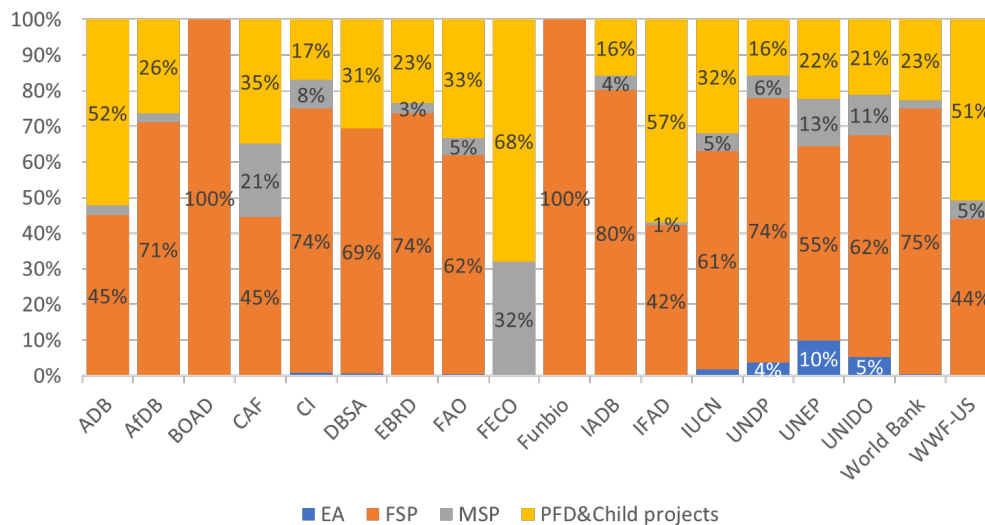
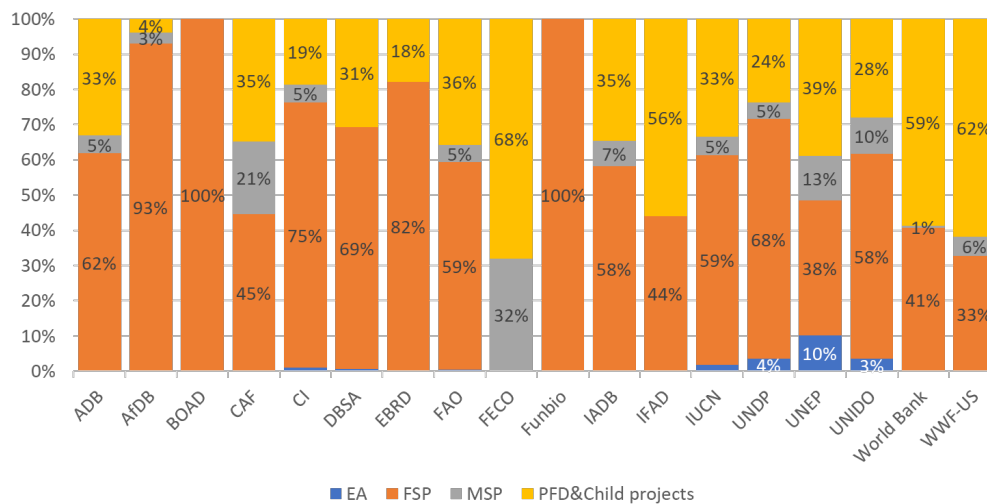


Figure 18: Project Type by Agency: GEF 6-GEF-7 only

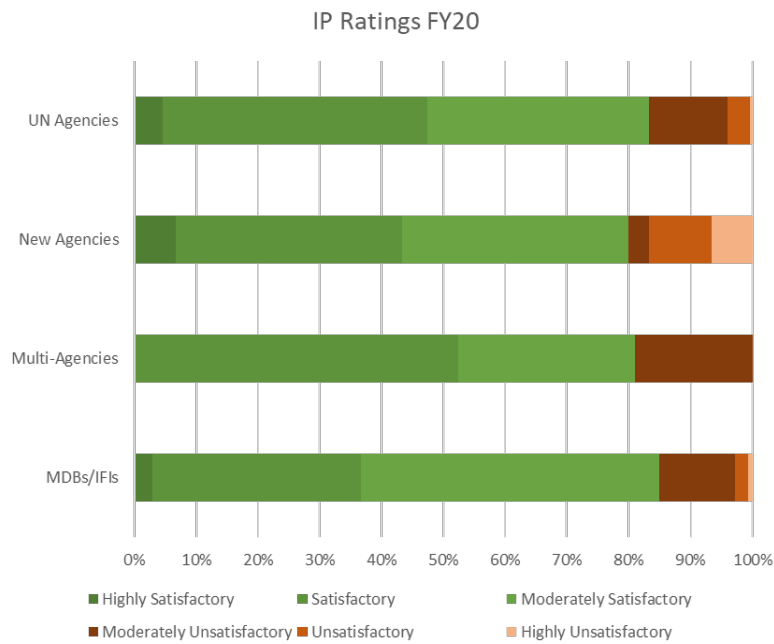


¹⁴ GEF/C.50/07 Future Direction on Accreditation – A follow-up (https://www.thegef.org/sites/default/files/councilmeeting-documents/EN_GEF.C.50.07_Accreditation_0_0.pdf)

¹⁵ GEF/C.54/08 Strengthening the GEF Partnership (https://www.thegef.org/sites/default/files/councilmeetingdocuments/EN_GEF.C.54.08_Strengthening_the_GEF_Partnership_1_0.pdf)

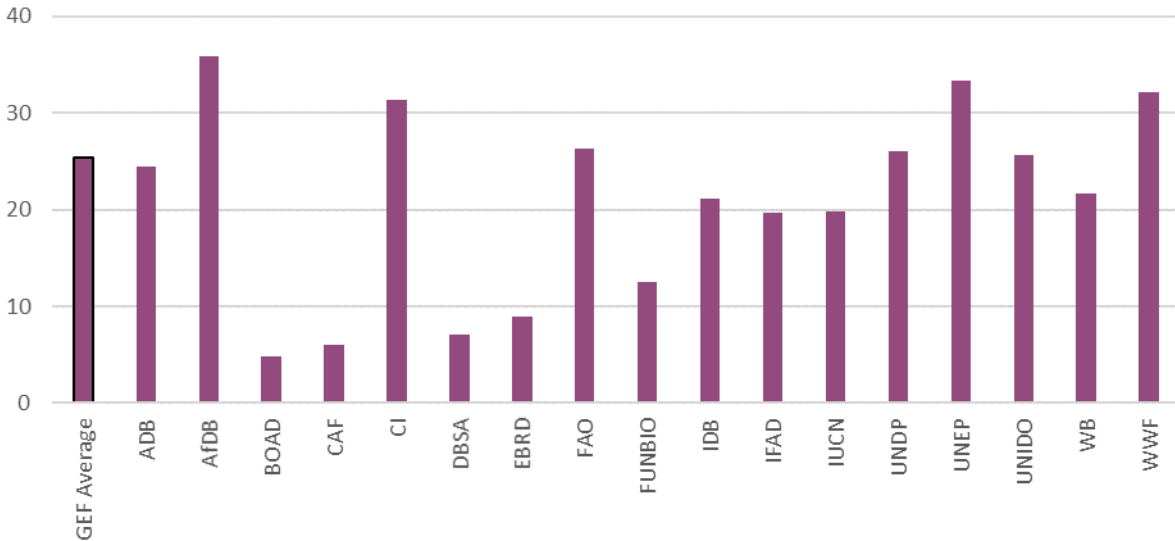
54. **Implementation Performance ratings can also provide information on the relative efficiency of Agencies.** As with the introduction of DO ratings for effectiveness, an additional measure to capture efficiency of Agency implementation is now available, in the Implementation Performance (IP) ratings reported in the GEF’s Annual Monitoring Report. The IP is an assessment on implementation performance covering key elements tracking the progress of activities and works on the ground, in alignment with each Agency’s own methodology. As with the DO ratings, generally the IP ratings in the Moderately Satisfactory category and above are higher for MDBs/IFIs and UN Agencies during FY20, as shown in Figure 19.

Figure 19: Implementation Performance Ratings by Agency Grouping, FY20.



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

Figure 20: Disbursement Ratios by Agency in FY20, percent of total approved project amounts (total portfolio from Pilot to GEF-7)



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

Figure 21: Agency comprehensive performance per Agency Scorecard.¹⁶

PORTFOLIO SCORECARD		FY19 Reference	FY20 average	ADB	AfDB	BOAD	CAF	CI	DBSA	EBRD	FAO	FECO	FUNBIO	IADB	IFAD	IUCN	UNDP	UNEP	UNIDO	WB	WWF
ENHANCE THE SPEED OF OPERATIONS																					
Time from CEO endorsement (FSP) or CEO approval (MSP) to first disbursement below 18 months (%)	78	47	0		100					50			0	0	0	40	83	50	0		
Time from CEO endorsement to mid-term review below 4 years	57	58	100							71			0			66	63	14	67	100	
MSP age below 4 years (%)	71	65	100				100		0	57			80		100	80	62	47	67	100	
FSP age below 5 years (%)	89	88	75	100		100	100	100	50	96			100	81	100	100	93	86	73	78	100
ENSURE STRONG PORTFOLIO MANAGEMENT																					
Disbursement ratio of ongoing portfolio (%)	18	25	24	36	5	15	31	7	9	26			13	21	20	20	27	33	26	22	32
Projects rated in the satisfactory range for both Implementation Progress and Outcome (%)	82	81	93	50		100	82	100	100	92			100	78	83	70	68	91	90	83	75
Projects rated in the satisfactory range for Implementation Progress (%)	86	84	93	50	100	100	91	100	100	95			100	81	83	70	71	95	91	86	80
Projects rated in the satisfactory range for Development Outcome (%)	87	88	93	83		100	82	100	100	95			100	89	100	90	76	94	96	92	100
Project with disbursement in the past year (%)	95	83	86	100	80	100	50	86	99				100	93	92	100	100	82	100	96	100
Over 50% disbursed balance 3+ years into MSP implementation (%)	78	80	0	100			100		0	75			100		100	79	80	83	67		
Over 50% disbursed balance 5+ years FSP implementation (%)	80	85	20						50	87			75	100		88	90	85	87		
Projects with financial closure after Terminal Evaluation submission (%)	92	84	96	29			86		50	56			100	93		84	72	75	92	100	
Projects financially closed on time in the last year (%)	67	80	90	100			83			0			100	50		70	67	86	100		
INCREASE CO-FINANCING ACROSS THE PORTFOLIO																					
Projects with co-financing materialized higher than 35% at MTR (%)	57	100								50			50			57	63	43	63	100	
Co-financing materialized at Terminal Evaluation (%)	111	74					105			65			236	78		131	170	361	78	121	

iv) Engagement

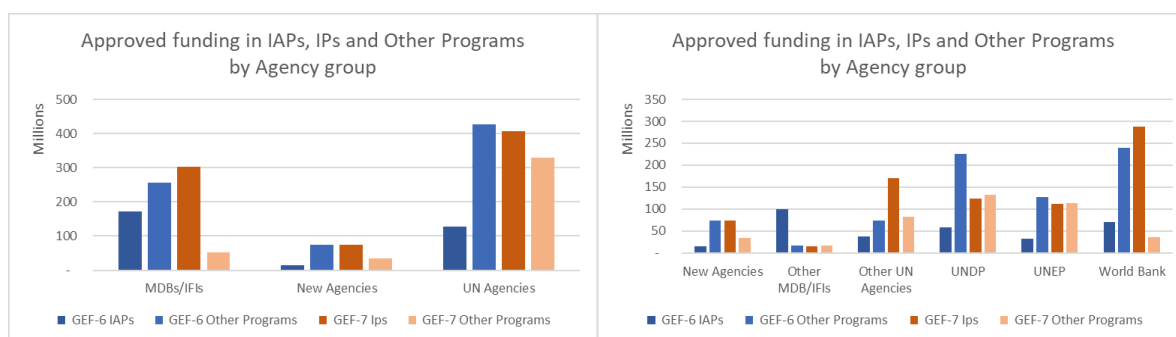
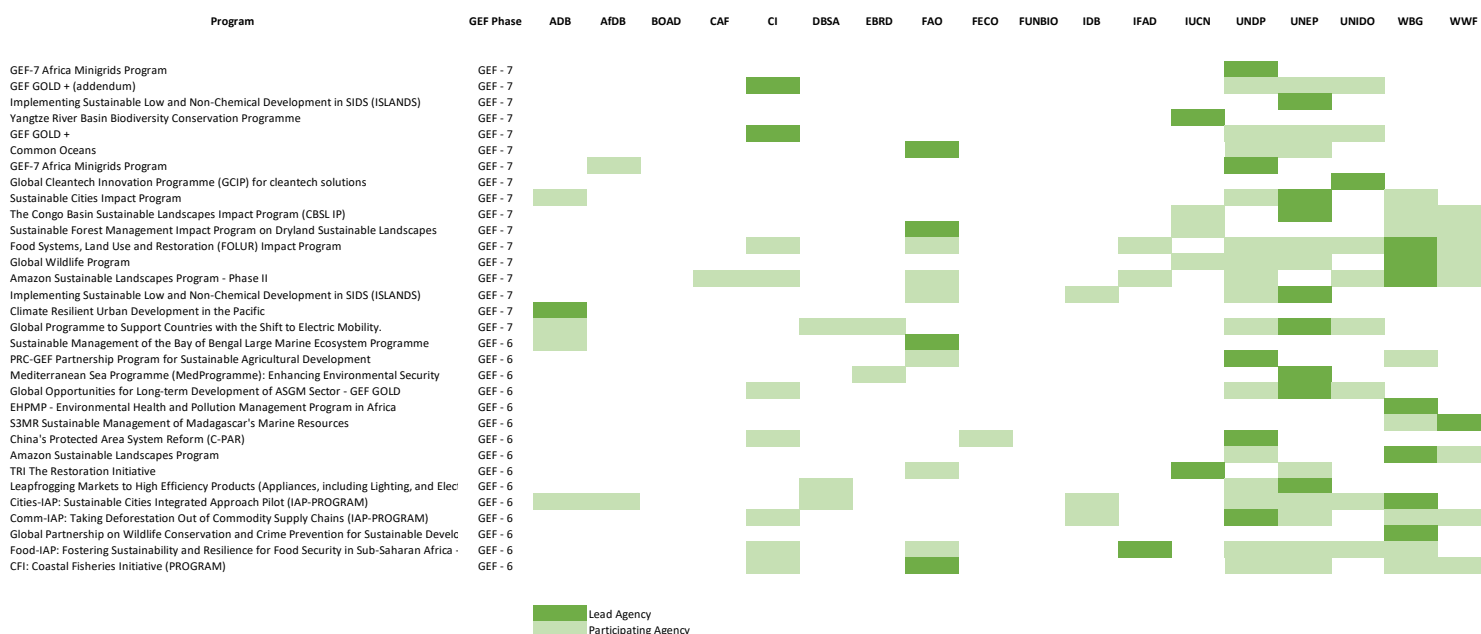
57. **Engagement by Agencies at the country and GEF Partnership level has both a quantitative and a qualitative component.** An objective review of the number and type of projects submitted for approval and CEO endorsement provides an indication of the engagement of Agencies in recipient countries. Other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

¹⁶ GEF/C.59/03/Rev.01, Monitoring Report 2020.

including gender equality, stakeholder engagement and implementing environmental and social safeguards.

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

Figure 22: Agency Engagement in GEF-6 and GEF-7 Programs



59. **Previous expansions in the number of Agencies in the Partnership were motivated by objectives related to both qualitative and quantitative elements.** Almost a decade after the second round of Agency expansion, the evidence on engagement suggests that the experience has been mixed; while international agencies have engaged in both projects and programs and account for approximately 10% of GEF approvals to date, there has been more limited take-up from the national and regional entities added during this phase. As continued engagement in

the Partnership has both costs and benefits for all parties, efforts may be necessary to encourage full participation in both elements: in knowledge, learning, and other activities for the achievement of shared objectives on the one hand, as well as active project and program preparation and implementation in support of countries' financing objectives.

Summary and Way Forward for GEF-8

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

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

62. There are limited effective levers for Council and the Secretariat to actively manage concentration of funding by Agency. Information on the cumulative Agency share of funding is already presented in detail for all 18 GEF Agencies in each Work Program considered by Council for approval. This arguably provides Council with an opportunity to take concentration issues into consideration as part of its funding approval decisions for each Work Program. Nevertheless, in light of the significant planning and other commitments already made by countries and their respective selected Agencies at this decision point, any efforts to influence concentration through Agency choice would need to be made much earlier in the GEF project cycle. To date there has been an absence of consensus among Council and Replenishment Participants on the application of potentially binding options to limit concentration through caps, targets, or other measures.

63. Future work by the GEF Secretariat on Agency Concentration is therefore expected to include the following:

i) Enhanced monitoring and reporting on concentration: Current reporting on cumulative Replenishment-level shares will continue to be included in the Semi-Annual Work Programs. Additional reporting along the agreed five dimensions (geographic

coverage, thematic coverage, effectiveness, efficiency, and engagement) can also be regularized and included in the Annual Monitoring Report and/or Scorecards. This would enable corrective action to be taken earlier in the Replenishment Cycle in the event concentration measured through any of these dimensions were to increase beyond acceptable levels.

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

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

64. **In addition, options that have been considered in the past to more actively manage Agency concentration but have to date not found support could be analyzed further if requested by Replenishment Participants.** These could include:

- ***Establishing a dedicated allocation from the Replenishment amount to be implemented by a particular Agency group/type:*** For instance, if an objective to incentivize implementation by non-UN Agencies were to be pursued, dedicated allocations for other Agency types (MDB/IFI, International CSO, Regional/National Agency) could be established. This would have the effect of capping the amounts available for implementation by other Agency types and could therefore serve to reduce concentration. It would however limit country choice if allocation limits had been reached. It would also add another allocation parameter to the current GEF financing structure, further complicating resource allocation and management thereof by countries, Agencies and the Secretariat. It would require explicit inclusion in the Replenishment Resolution and may have other implications for the Instrument that would need to be reviewed.
- ***A cap for any one GEF Agency or Agency type:*** A limit on the Replenishment-wise or cumulative outstanding approved amounts could be introduced for any Agency. As with a dedicated allocation, this could serve to limit country choice and require establishing the limit in the Replenishment Resolution. A formula for establishing the cap could be developed, based on the dimensions of concentration monitored by the Secretariat. This option has been considered in previous Replenishments and did not find support.

CHAPTER 3: THE GEF-8 RESULTS FRAMEWORK

Enhancing Linkages Across Results Areas in GEF-8

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

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

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

evidence. Within this environment, the Secretariat monitors the progress of high-quality projects and programs to detect challenges early on and promote proactive resolution.

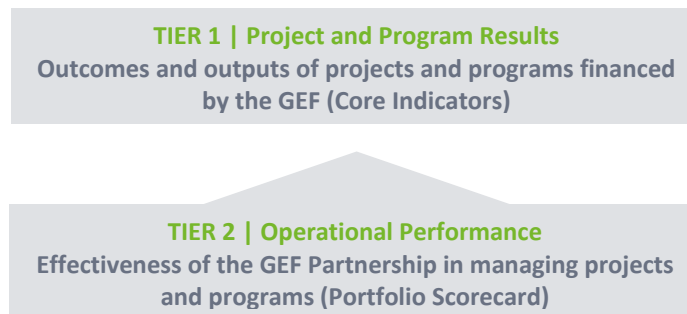
A Results Measurement Framework to assess the GEF's contribution to the environment

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

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

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

Figure 23: Two Tiers of the proposed GEF-8 Results Measurement Framework



Additional measures to enhance the GEF's results focus

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

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

will also extend the set of Rio Markers it covers and refine its Portfolio Scorecard to emphasize learning and adaptation during implementation.

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

73. **This GEF-8 Results Measurement Framework will build on recent years' experience in strengthening the focus of the GEF on results, as well as from both internal and external analyses.** It draws on similar endeavors in international financial institutions and is informed by discussions led by the GEF and sister organizations as part of the Climate Funds Collaborative Platform on Results set up in 2020. Those actions also continue address findings from the GEF Independent Evaluation Office's 2017 Review of Results-Based Management, as well as its 2021 update in OPS-7. Studies from the GEF's Scientific and Technical Advisory Panel also provided elements that fed in the design of the following priorities.

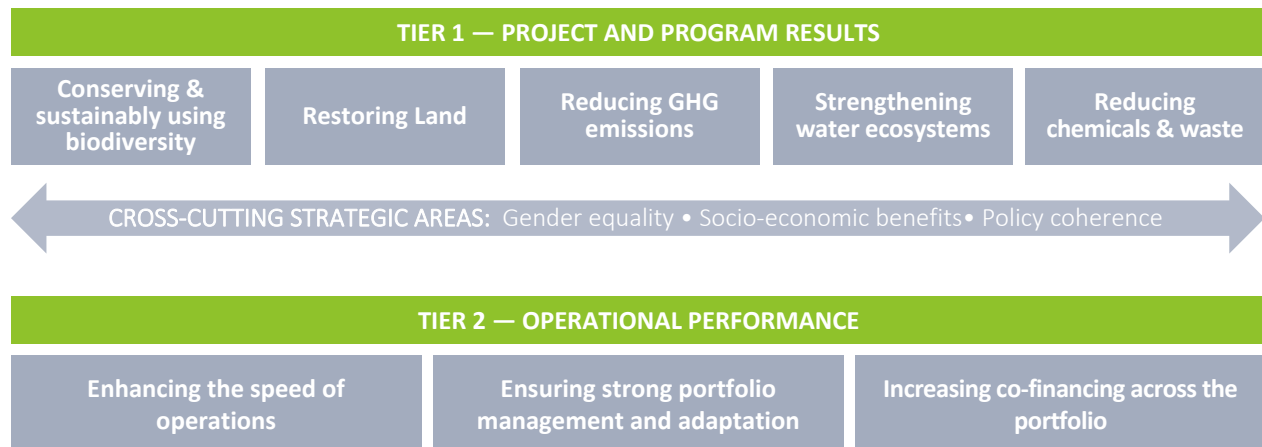
Actions to increase the GEF's impact

Improving the tracking of the GEF's contribution to system change

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

75. **Each tier of the GEF-8 Results Measurement Framework includes a relevant and contained set of metrics.** Figure 24 shows these clusters of indicators for each of the two tiers of the Results Measurement Framework. Existing indicators for Tier 1 and Tier 2 will be used, drawing respectively from the set of Core Indicators and the Portfolio Scorecard. The full list of indicators across the two tiers of measurement will be presented for Council consideration.

Figure 24: Two tiers capturing the GEF's aspirations, results, and operational effectiveness



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

76. **The GEF-8 Results Measurement Framework will maintain the set of Core Indicators introduced in GEF-7, as minor changes will be considered.** Taken together, the Core Indicators constitute Tier 1 metrics that report the aggregated environmental outcomes supported through GEF-financed operations. Minor changes to the structure of Core Indicators and sub-indicators will take place to address issues that emerged during GEF-7. These changes will improve the capture of environmental results vital to the achievement of GEF-8 Programming Directions. This will include minor changes in the structure of Core Indicators to better account for integrated results achieved in different focal areas. Other options also include refining the methodology of existing indicators. The extent of changes is expected to be limited given the continuity in strategic priorities since GEF-7 and to avoid disrupting existing data trends. For these reasons and mindful of the time lag to report on actual results, the introduction of entirely new Core Indicators is not considered at this stage.

77. **Additional work will take place to ensure that Impact Programs will embed into their design key levers for change that put them on the path to enable transformation in a sustainable manner.** These levers leading to system change will be integral to each Impact Program's theory of change and are presented in detail in the separate document on programming directions. They cover the following levers: governance and policies, innovation and learning, financial leverage and multi-stakeholder dialogue. In doing so, the GEF adopts and adds onto the measures amenable to improving the impact and durability of GEF investments, including using a theory of change, engaging in multi-stakeholder processes, involving stakeholders and implementing adaptive learning¹⁷.

¹⁷ GEF/C.57/08, *Towards Greater Durability of GEF Investments*, 2019.

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

78. Metrics under the recently introduced Portfolio Scorecard provide progress updates on operational progress assessing how projects and programs perform in delivering results. This tracking framework helps understand portfolio progress through different dimensions. Established within the context of the COVID-19 pandemic marked by heightened project implementation challenges, this framework provides a consistent approach to reporting progress over time, with indicators that allow for comparability across Agencies, reinforced by the use of a traffic-light system. The 2020 edition of the Monitoring Reporting presents how the three groups of indicators track different aspects of the GEF business in the Portfolio Scorecard. The first assesses the speed of projects throughout their lifecycle. The second measures key portfolio management indicators, and the third monitors the materialization of project co-financing. Taken together, these groups of metrics provide a picture of how well implementation is taking place.

Better measuring co-benefits improving human well-being

79. In meeting its mandate to deliver global environment benefits, the GEF also assesses how projects and programs improve people’s lives to strengthen environmental results. Since GEF-7, this is tracked at the corporate level by a Core Indicator measuring the number of people directly benefiting from a specific project’s intervention, disaggregated by gender. Initial analysis indicates GEF-7 projects and programs benefit a high number of people and with an overall gender balance. Reporting on this Core Indicator comes in addition to the myriad of socioeconomic co-benefits directly tracked by projects¹⁸. Separately, the gender analysis and action plan designed during project preparation is also ensuring that projects advance gender equality as a central element to achieving environmental progress (see Box 2). Likewise, projects and programs promote stakeholder inclusion as well as protection of vulnerable groups and individuals.

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

At the onset of GEF-7, the implementation of the Gender Equality Policy built upon previous enhancements and has yielded gender equality results in GEF projects and programs, as attested by IEO’s 2020 Evaluation of Institutional Policies and Engagement of the GEF, as well as the Secretariat’s 2021 Progress Report on the GEF Gender Implementation Strategy. These analyses show that gender dimensions are now considered early in project design and that plans are incorporated to carry out gender analyses and develop gender actions plans and sex-disaggregated and gender sensitive indicators during project development. They also indicate that GEF-7 projects that have reached CEO Endorsement/Approval have used gender analyses to identify risks and barriers to address gender gaps; inform project components and the development of

¹⁸ See for a review of these benefits: IEO, Evaluation of the Multiple Benefits of GEF Support through Its Multifocal Area Portfolio, 2018; IEO, Evaluation of GEF Engagement with Micro, Small, and Medium Enterprises, 2021.

gender action plans and project specific indicators to monitor and report on activities and gender equality results. The initial analysis shows that GEF-7 projects and programs incorporate a wide variety of important gender-responsive measures, projecting positive results on gender equality and women's empowerment.

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

Deepening the assessment of GEF-financing on the economy

81. Recent reports have made forays into estimating the value of nature in economic terms and the cost of inaction, while partners are scaling up initiatives to value ecosystem services and assets in countries. These efforts aim to disentangle the often-elusive nature of ecosystem services in relation to markets and economic actors¹⁹. In parallel to these analytical efforts, the just-released System of Environmental-Economic Accounting—Ecosystem Accounting (SEEA EA) provides an innovative and UN-vetted approach valuing ecosystem services and assets to ensure that natural capital — forests, wetlands and other ecosystems — are recognized in economic reporting. It is now rolled out in countries to make visible the contributions of nature to the economy and people. Already, over 90 countries have compiled SEEA accounts in some forms under the system's pilot phase and many more countries are planning to compile the accounts under the fully vetted approach.

82. These efforts however stay at the macro level and call to deepen the understanding of how GEF-financed outcomes are delivered by better grasping the economic value its projects and programs bring to countries. The full effect of GEF-financed interventions does not stop at the delivery of global environmental benefits. They include socio-economic benefits and also have economy-wide impact. Beyond measuring the direct effects of GEF investments, existing approaches and economic models allow to assess the indirect and further ripple effects through

¹⁹ See for example: Partha Dasgupta, *The Dasgupta Review on the Economics of Biodiversity*, 2021; Paulson Institute, *Financing Nature: Closing the Global Biodiversity Financing Gap*, 2020; McKinsey & Company, *Valuing Nature Conservation*, 2020. Separately, a recent analysis estimates the economic cost of a potential collapse in select nature services: World Bank, *The Economic Case for Nature*, 2021.

countries' economies, although data gaps remain. Those methodologies apply with a different level of reliability in the context of different focal areas of intervention.

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

Strengthening monitoring and evaluation frameworks

84. Recently issued GEF guidelines have clarified the focus on results of GEF-financed projects and programs and harmonized further the capture of results data from identification to completion²⁰. They bring together key elements from existing guidelines, policies and project documents that help strengthen the results focus of GEF-financed operations along the project life cycle. This includes using Core Indicators, but also designing a results framework and a monitoring and evaluation plan. The guidelines also highlight how projects report on implementation progress and results. A checklist appended to the guidelines helps Agencies ensure that critical M&E and results dimensions are considered when preparing and implementing projects. Altogether these changes have enhanced the GEF's ability to harness data and information on results for evidence-based decision-making and learning.

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

86. The use of theories of change in projects and programs has strengthened design and will continue to enhance learning and measurability of results. Theories of change have been used across projects and programs more consistently in the second part of GEF-7, in part

²⁰ See Annex 3 in: Guidelines on the Project and Program Cycle Policy (2020 Update), GEF/C.59/Inf.03

motivated by STAP’s work in this area²¹. They not only articulate what outcomes the project aims to change and how (causal pathway), but also build into them the critical assumptions and barriers that could impact the achievement of expected results. This includes possible constraints or risks, so that those risks can be better managed. Altogether, theories of change help articulate core design elements, promote learning and enhance measurability of results at the time of evaluation. Promoting the development of effective theories of change will continue in GEF-8.

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

Supporting the implementation of the GEF’s delivery model

88. A coherent set of policy measures and tracking mechanisms underpin the goal of delivering results on time and with quality, across a portfolio of 900 projects ongoing in 143 countries. Over the past few years, the GEF Secretariat has initiated several measures to strengthen the quality and speed of project and program implementation. In particular, the adoption of the 2018 policy measures to enhance operational efficiency, accountability and transparency helped support the GEF’s responsiveness to the needs of countries and ensure that GEF-financed interventions lead to better and faster results. Those policy objectives also form the rationale for selecting many of the metrics in the recently introduced Portfolio Scorecard, as well as for empowering countries with the data they need to program projects and monitor implementation through Country Factsheets. Within this environment, the Secretariat monitors the progress of high-quality projects and programs to detect challenges early on, conduct analysis, disseminate findings broadly and learn lessons.

89. The GEF established strong systems for capturing progress data through its Portal and continued refinement of data quality and governance is taking place. The Portal tracks key information during project implementation, including progress in achieving expected results and materialized co-financing, speed in reaching project milestones, and implementation of

²¹ STAP, *Theory of Change Primer*, 2019.

core GEF Policies on Gender Equality, Stakeholder Engagement and Environmental and Social Safeguards. Agencies also provide narrative updates on project progress and challenges during implementation. This effort to translate results, knowledge and policy requirements into the GEF Portal helps enhance data capture and effective reporting, in a way that allows continued improvements in analysis. It takes place through dedicated online modules for Project Implementation Reports, Mid-Term Reviews and Terminal Evaluation reports, with data and information tailored along these project milestones' respective monitoring requirements. With this progress, the Portal has transformed the GEF's ability to leverage data for robust analytics.

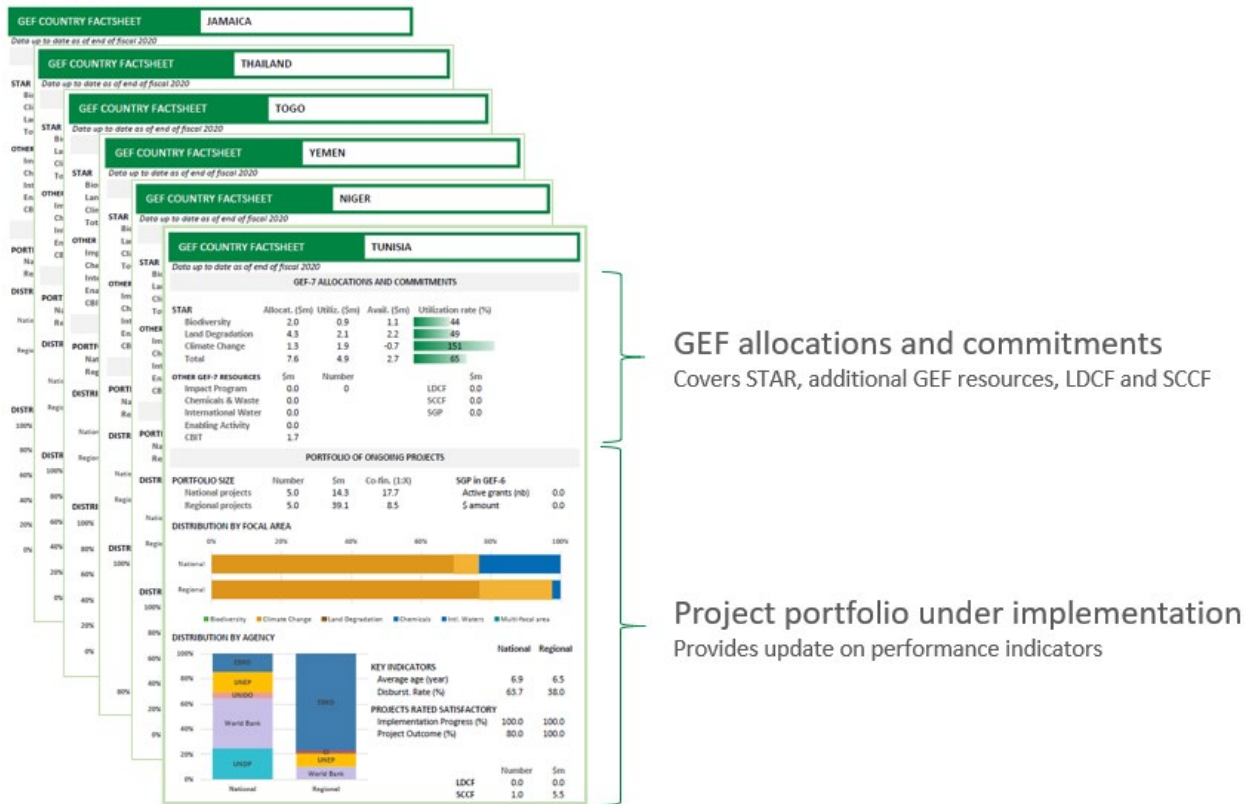
■ *Ensuring stronger project and program delivery*

90. **The recently established Portfolio Scorecard is articulating and tracking project progress and quality along a set of metrics.** These indicators include measures of the speed of projects, quality during implementation, disbursement progress and the materialization of project co-financing. By incorporating both objective measures of performance, such as the disbursement ratio, and performance ratings issued by Agencies during supervision, the Portfolio Scorecard aims to overcome the lack of candor and comparability challenges identified in recent evaluations²². The Portfolio Scorecard provides a consistent approach to reporting progress over time covering the full project life cycle, with indicators that allow for comparability across Agencies, reinforced by the use of a traffic-light system. As a “living document”, this framework will evolve and improve over time as the GEF's ability to track progress expands. It will include metrics that track learning and adaptation during implementation. This framework is being translated into a fully automated performance system at the project level to be made available through the Portal to Agencies and countries, acting as an early warning system to promote progress.

91. **Separately, the Country Factsheets empower Operational Focal Points and countries with data to program new projects and track the progress of their ongoing portfolio.** In doing so, the GEF promotes accountability and transparency with countries. Designed to highlight areas of progress and challenges, the Country Factsheet is part of a process where engagement and discussions are held with countries. First piloted at the February 2020 Expanded Constituency Workshop held in Kenya, this tool has fast become a key instrument to consult on programming plans, review progress in implementing projects and seek actions to improve portfolio performance (see examples in Figure 25). Factsheets are now made available ahead of Constituency Meetings and National Dialogues, leading to evidence-based exchanges. Plans are at advanced stages to automate the preparation of Country Factsheets, providing real-time data to countries. Taken together, these recent improvements in tracking the health of the portfolio have transformed the way the GEF helps countries, agencies and the partnership-at-large understand what progress projects and programs under implementation are making.

²² IEO, *Results-Based Management — Evaluations of the Agency Self-Evaluation Systems and the GEF Portal*, 2021, GEF/E/C.60/07.

Figure 25. Country Factsheet Examples



GEF allocations and commitments
 Covers STAR, additional GEF resources, LDCF and SCCF

Project portfolio under implementation
 Provides update on performance indicators

■ Promoting learning and adaptation

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

93. **A renewed focus on the Mid-Term Review (MTR) milestone will take place in GEF-8, encouraging its timely use as a forward-looking tool for learning and solving challenges.** The Secretariat will continue to monitor the time it takes to reach MTR as a way to ensure that this milestone takes place early enough in the project life to allow for adaptation measures and learning as a result of MTR findings. Beyond measuring timeliness and compliance in preparing MTRs, the Secretariat has committed to identify and disseminate existing good practices used

by Agencies when preparing MTRs²³. This endeavor is one part of the broader focus improving the quality of the portfolio under implementation through MTRs and learning from this progress. The Secretariat has already started to collect lessons learned from implementation at MTR review and completion. As it garners a high enough number of lessons, the Secretariat will curate and disseminate this information in a way that is useful to projects and programs.

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

Accountability on implementation progress and results

Reporting on the GEF-8 Results Measurement Framework

95. **To capture the GEF's contributions to the environment in its many dimensions, the Monitoring Report will be the main publication providing an update to the GEF-8 Results Measurement Framework every year in a consistent format.** Progress data will be provided annually to the Council for all two Tiers and indicators. For Tier 1 indicators, reporting will focus on the results achieved in the latest fiscal year, as compared to results expected at endorsement. Finally, Tier 2 indicators will report yearly updates as per its current methodology.

Enhancing transparency and information disclosure

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

²³ GEF/E/C.60/09, Management Response to: Results-Based Management — Evaluations of the Agency Self-Evaluation Systems and the GEF Portal, 2021.

of GEF project data to IATI, fulfilling a commitment made during the seventh GEF replenishment.

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

Strengthening reporting to Conventions

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

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

100. **Building on its experience in tracking the share of climate-related finance, the GEF will expand its capture of the OECD-DAC Rio Markers in its reports to conventions to include markers on biodiversity and desertification.** In doing so, the GEF will contribute to bringing the measurement of environmental financing on par with its ongoing efforts to assess climate finance as currently reported to the OECD. This also responds to calls to better track support to nature and biodiversity in countries. Akin to the approach adopted for coding projects and programs along the climate change Rio Markers, data on the Rio Markers on biodiversity and desertification will be provided at the time of project submission and assessed by the GEF Secretariat. To make this a reality, the Portal will set up appropriate data entry fields in time for the submissions of first GEF-8 projects and programs. Altogether this approach will further strengthen the GEF's ability to trace its financing toward the conventions it serves.

101. **In setting goals and measuring progress—for itself and for the world's environment — the GEF helps ensure projects and program move in the right direction.** Time is ripe for the GEF to build on its progress in tracking project progress and results, learn from its experiences and build on its successes. The GEF-8 Results Measurement Framework will be a management

tool that enables the GEF to carry out this learning process and supports the achievement of its goals.

CHAPTER 4: RESOURCE ALLOCATION IN GEF-8: METHODOLOGICAL OPTIONS FOR THE STAR MODEL

Introduction

102. **The GEF-8 programming directions aims towards higher ambition for GEF-8 and beyond as countries strive towards 2030 commitments.** The System for Transparent Allocation of Resources (STAR) is the core instrument for allocating GEF financing, covering approximately 50% of programmable resources, across three focal areas – Biodiversity, Climate Change, and Land Degradation.

103. **To this end, preliminary policy options for the GEF-8 STAR model were introduced to the first GEF-8 Replenishment meeting along the following five dimensions²⁴:**

- Increasing flexibility to further facilitate the mainstreaming of integrated programming principles
- Adjusting the STAR structure to increase support to vulnerable countries
- Updating the data layers, at country level, to further enhance incentives to improve policy coherence
- Finding ways to encourage the use of blended finance options to narrow the financing gap
- Creating a competitive space to increase effectiveness, efficiency and maximize the impact of limited resources

104. **The innovations that are being proposed for the GEF-8 STAR model will remain within the context of a set of core principles that the STAR has continued to retain irrespective of successive Replenishment cycle updates.** The model will continue to be based on transparent indicators that reflect a country's potential to achieve global environmental benefits and its ability to do so based on performance, allowing for the allocation of resources within the commitments assumed by the countries in the MEAs for which the GEF serves as a financial mechanism. The model facilitates country ownership, allowing countries maximum flexibility to strategically direct scarce resources towards the issues and opportunities where highest global environmental impact can be achieved within the context of country priorities and convention requirements. While maintaining a focus on impact, the model will also consider countries' diverse capabilities and strengths, building in resource availability and capacity to countries that face significant constraints or particular environmental challenges. All countries will continue to be served and supported in this framework, with an eye to maximizing the potential of countries with higher capacities while at the same time providing predictability and equity across all recipients.

²⁴ GEF/R.8/02/Rev.01, Strategic Positioning and Programming Directions, <https://www.thegef.org/sites/default/files/council-meeting-documents/GEF%208%20Strategic%20Positioning%20and%20Programming%20Directions-Rev01.pdf>

105. **STAR updates remain a work in progress.** In response to Participants’ feedback at the First Replenishment meeting as well as written comments received, the GEF Secretariat continues to explore the feasibility of several innovations for the STAR model in terms of critical methodological advancements and options, that are presented here as a work-in-progress. With guidance from Replenishment Participants on these proposed dimensions, and in line with the practice adopted for the GEF-7 Replenishment discussions, Model simulations of country groups will be presented for discussion at the Third Replenishment meeting.²⁵

Background: The Evolution of the STAR Model

106. **Since its introduction in GEF-4 as the Resource Allocation Framework (RAF),²⁶ the GEF has benefitted from considerable learning from the application of its performance-based allocation system, informing a structural evolution in accordance with the global context, programming priorities, evaluative evidence, and operational experience.** The RAF model covered two focal areas (Biodiversity and Climate Change) and was comprised of two major indices – the Global Benefits Index and the Country Performance Index. Floors and ceilings were constructed to ensure that all allocations lay within minimum and maximum bands. 75% of resources were allocated to the highest ranked countries in the biodiversity and climate change focal areas through country allocations, while the remaining 25% were subject to competitive use by the remaining countries through a group allocation system (these details are discussed in a later section). Finally, the RAF introduced a 50% ceiling on resource utilization within the first two years of the replenishment period.

107. **In GEF-5, the renamed “System for Transparent Allocation of Resources” (STAR) eliminated the group allocation dimension as well as the 50% ceiling on resource utilization.** The GEF-5 STAR introduced several major features that have been retained by successive models to this day – the addition of the Land Degradation focal area, the introduction of the GDP index, and the inclusion of some measure of flexibility into the utilization of allocated resources at the country level (corresponding to 16% of the total STAR allocation). In addition, the construction and weighting of several indices and sub-indices were revisited and greatly improved to reflect current methodologies and datasets. The ceilings introduced by the RAF were lowered, and the aggregate floor was increased from USD 2 million to USD 4 million for all countries.

108. **The GEF-6 STAR model doubled the weight of GDP index and harmonized the ceilings across focal areas.** While the USD 4 million floors were maintained, a significant feature of this model was the introduction of higher floors (aggregate USD 6 million) for Least Developed Countries (LDCs). Furthermore, based on the IEO recommendation to increase flexibility, the GEF-6 STAR model increased marginal adjustments, which now enabled 20% of the total GEF-6 STAR resources to be subject to flexibility.

²⁵ Scheduled for January 2022.

²⁶ GEF/C.27/Inf.8/Rev.1 *The GEF Resource Allocation Framework*,
https://www.thegef.org/sites/default/files/council-meeting-documents/C.27.Inf_.8.Rev_.1_RAF_1.pdf

109. In GEF-7, the STAR model further increased the weight of the GDP Index, and the focal area floors were re-balanced to reflect the focal area funding while still retaining the aggregate floors for LDCs and non-LDCs as instituted by the GEF-6 STAR model. Of significance was the further increase in flexibility in GEF-7 – through the expansion of the marginal adjustment rules, 30% of the GEF-7 STAR resources were now subject to flexibility.

110. In GEF-8, the STAR model will continue to evolve. In line with the evolutionary process of the allocation system, the GEF-8 STAR model will propose to build upon the GEF-7 framework in several key ways.

Moving to Full Flexibility

a. Flexibility across past GEF phases

111. Since it was introduced in GEF-5,²⁷ the flexibility of STAR resources - or the ability of countries to move a measure of their allocated resources across their focal area lines - has been a core feature of the allocation system. Flexibility has been gradually increased across every successive GEF cycle (Table 1). All STAR recipient countries receive either *full flexibility* or a *marginal adjustment*. Full flexibility allows countries with total STAR allocations under a certain threshold to program their allocations across focal areas without restrictions, while all other countries are permitted limited marginal adjustments to do so.

Table 1: Flexibility Allowances Across Replenishment Cycles

		GEF-5	GEF-6	GEF-7
Countries with full flexibility	Number of countries	63	49	61
	Resources allocated (USD mn)	334	271	323
	Share of total STAR allocations	14%	12%	17%
Countries with marginal adjustments	Number of countries	81	94	83
	Resources subject to marginal adjustment (USD mn)	43	188	244
	Share of total STAR allocations	2%	8%	13%
Overall	Number of countries	144	143	144
	Resources subject to flexibility (USD mn)	371	459	566
	Share of total STAR allocations	16%	20%	30%

112. Since its introduction in GEF-5, the threshold which delineates countries with full flexibility from countries with marginal adjustments has remained at USD 7 million. The thresholds and bands for marginal adjustment, however, have structurally changed in the intervening replenishment cycles. In GEF-5, the allowed marginal adjustment amount was set

²⁷ GEF/C.38/9/Rev.1, GEF-5 Operational Procedures for the System for a Transparent Allocation of Resources (STAR), https://www.thegef.org/sites/default/files/council-meeting-documents/C.38.9_Rev1_GEF-5_Operational_Procedures_for_STAR_0_1.pdf

at a maximum of USD 0.2 million, 1 million, and 2 million for countries with the total allocations in three bands.²⁸ This allowed 16% of the available STAR resources to be subject to flexible use. Based on the recommendations of the 2014 Midterm Evaluation of STAR,²⁹ flexibility was increased in the GEF-6 STAR model with the unification of the marginal adjustment provision: for all countries with total allocation more than USD 7 million, a marginal adjustment of USD 2 million was implemented.³⁰ Compared to GEF-5, 20% of total STAR resources were now subject to flexibility, providing greater amounts of flexible resources to 94 countries.

113. In GEF-7, flexibility was again increased through the marginal adjustment provision. The upper limit on marginal adjustments was USD 2 million or 13% of countries' STAR allocations, whichever was higher.³¹ This allowed 30% of total GEF-7 STAR country allocations to be subject to flexibility, providing greater amounts of flexible resources to 44 countries relative to GEF-6.

b. The use of Flexibility in GEF-7

Table 2: The Use of Flexibility in GEF-7

	Count of country		Used flexible amount	
	Number	Share of total number of STAR countries	USD mn	Share of total STAR allocations
Countries with full flexibility	61	42%	63	3%
did not use STAR	3	2%	NA	NA
used STAR but did not use flexibility	17	12%	NA	NA
used flexibility	41	28%	63	3%
Countries with marginal adjustments	83	58%	85	5%
did not use STAR	2	1%	NA	NA
used STAR but did not use flexibility	17	12%	NA	NA
used flexibility	64	44%	85	5%
Total	144	100%	148	8%

Source: *The GEF Corporate Scorecard, June 2021 edition*³²

114. Countries are increasingly making use of flexibility. As of June 14th 2021 (with 1 year still left in the GEF-7 cycle), 105 out of 144 (73%) STAR eligible countries have used their

²⁸ Ibid.

²⁹ GEF/ME/C.45/04, *Mid-Term Evaluation of the System of Transparent Allocation of Resources*, <https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.ME.C.45.04.MTE.of.STAR.%28EO%29.5.pdf>

³⁰ GEF/C.46/05/Rev.01, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6*, <https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.05.Rev.01.Proposal.for.the.System.of.Transparent.Allocation.of.Resources.%28STAR%29.for.GEF-6.May.19.2014.5.pdf>

³¹ GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, <https://www.thegef.org/sites/default/files/council-meeting-documents/EN.GEF.C.54.03.Rev.01.STAR.pdf>

³² GEF/C.60/Inf.04, *GEF Corporate Scorecard June 2021*, <https://www.thegef.org/sites/default/files/council-meeting-documents/EN.GEF.C.60.Inf.04.GEF.Corporate.Scorecard.June.2021.pdf>

flexibility provisions, representing 8% of the total STAR resources that are subjected to flexibility (Table 2). It is instructive to note that at this stage of the GEF-6 cycle, the usage of flexibility was just 2%. As increasing levels of flexibility across GEF cycles continue to enable countries to drive a greater strategic direction in the programming of their GEF resources towards the issues and opportunities where they can maximize positive impacts on the global environment, the demands for and usage of flexibility across focal areas by recipient countries are simultaneously continuing to increase. As per the GEF-7 Replenishment decisions, the Secretariat will conduct a review of the experiences of the GEF-7 increase in flexibility by December 2021; this will include updated data on the use of the GEF-7 flexibility provisions.³³

c. A GEF-8 Proposal to move to Full Flexibility

115. **Integration is a core principle in the proposed GEF-8 programming strategy.** With STAR country allocations divided amongst three focal areas, the current system of limited flexibility can act as a constraining factor to the ability of countries to prioritize their investments towards maximizing their contributions to global environmental benefits. The deepened strategic GEF-8 focus to where the GEF can achieve the highest impact will therefore necessitate greater flexibility. As such, it is proposed that the GEF-8 STAR model provide recipient countries full flexibility to program resources across the three STAR focal areas. This will remove thematic constraints, allowing funding to target maximum impact while simultaneously maintaining the traditional system of predictable and transparent resource allocations to recipient countries.

116. **It is recognized that a model of full flexibility may result in reduced predictability of the funding programmed by individual countries towards each of the three STAR focal areas over the GEF-8 Replenishment cycle.** As is the current practice, actual programming decisions in the STAR focal areas will continue to be tracked against notional focal area allocations that have been agreed upon by Replenishment Participants and reported in the GEF Corporate Scorecard and Work Program Cover Notes. However, a shortcoming of such tracking is the underlying assumption that each unit of GEF financing can be associated with one focal area only. This contradicts the very concept of integration and multiple benefits where one unit of GEF funding is anticipated to yield benefits across multiple focal areas: indeed, this concept is the guiding principle for the setting of Core Indicator targets for both GEF-7 and GEF-8. It is therefore necessary to widen the methodological scope, from considering focal area investments and focal area benefits as mutually exclusive linkages to instead treating them as intersecting sets. Therefore, in addition to the standard monitoring of programming by focal area, the Secretariat also proposes to track the total amount of funds that contribute towards global environmental benefits in a particular focal area through an expanded use of the Rio Markers. This is discussed in the *GEF-8 Results Measurement* chapter of the GEF-8 Policy Directions paper.

³³ GEF/C.54/19/Rev.03, *Summary of Negotiations of the Seventh Replenishment of the GEF Trust Fund*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_03_Replenishment.pdf

Increasing the Focus on Vulnerable Countries

117. **In the ongoing effort to tackle the major drivers of environmental degradation to achieve systems change, one of the objectives of GEF-8 programming is to assist vulnerable countries.** As such, the STAR formulation can materialize enhanced distribution of resources to SIDS and LDCs, which are considered vulnerable countries in the GEF context. It should be noted that STAR is only one of several avenues through which vulnerability continues to be addressed in GEF programming: the two non-STAR focal areas of International Waters and Chemicals and Waste are characterized by significant programming and/or dedicated programming windows to some of these countries, while the LDCF/SCCF also continues to provide significant resources in this regard. GEF support to Fragile and Conflict-Affected States has also been evaluated recently by IEO.³⁴

a. Vulnerability in other Performance-Based Allocation Systems

118. **Many development banks and international aid agencies use performance-based allocation (PBA) systems to allocate grants and/or concessional loans.** While these systems themselves undergo periodic review and updates, Annex 1 outlines the most recent PBA formulae for 6 relevant institutions. The introduction and evolution of the GEF model has been inspired by some of these systems, and many of the foundational characteristics remain in the STAR today.

119. **Most PBA formulae consider two main factors in their allocation calculations: (i) need, and (ii) performance.** *Need* is often based in part on some measure of national income per capita (either GDP or GNI), while *performance* draws on a series of policy, institutional and governance dimensions (generally the World Bank's Country Policy and Institutional Assessment - CPIA - or a similar system) as well as some measure of portfolio performance (see Annex 1). The GEF's STAR also shares this structure.

120. **PBA systems have been subject to a number of criticisms on the issue of vulnerability.** It is increasingly recognized that this economic need factor should be augmented by factors reflecting some measure of vulnerability.^{35,36} In some cases, explicit vulnerability indices can be brought into the PBA formula. Additionally, or alternatively, a treatment can be designed for the most vulnerable or fragile of an institution's recipient list, such as special windows or

³⁴See GEF/E/C.59/01, *Evaluation of GEF Support in Fragile and Conflict-Affected Situations*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C59_01_Evaluation_of_GEF_Support_in_Fragile_and_Conflict-Affected_Situations_Nov_2020_0.pdf

³⁵ Patrick Guillaumont, Mark McGillivray, and Laurent Wagner (2017), "*Performance Assessment, Vulnerability, Human Capital, and the Allocation of Aid Among Developing Countries*," *World Development* 90 (February 2015): 17–26, <https://doi.org/10.1016/j.worlddev.2015.05.005>

³⁶ Patrick Guillaumont, Sylviane Guillaumont Jeanneney, and Laurent Wagner (2017), "*How to Take into Account Vulnerability in Aid Allocation Criteria and Lack of Human Capital as Well: Improving the Performance Based Allocation*," *World Development* 90 (February 2017): 27–40, <https://doi.org/10.1016/j.worlddev.2015.10.045>

premiums that act as “top-up” facilities to these countries over and above their allocations through the baseline model.

121. Three of the current PBA systems included in this analysis have introduced vulnerability dimensions into their allocation formulae. As can be seen in Annex 1, these are the African Development Bank (AfDB), the Caribbean Development Bank (CDB), and the International Fund for Agriculture (IFAD). The AfDB incorporates vulnerability using the Africa Infrastructure Development Index, which was introduced into the system in 2014. The Caribbean Development Bank adopted a Multidimensional Vulnerability Index (MVI) in 2017, which replaced the older Economic Vulnerability Index which had been in use since 2000. The CDB’s MVI is calculated on the basis of six subindices, including four economic, one social and one environmental.³⁷ In 2017, IFAD created a vulnerability index (IVI) which attempts to capture rural vulnerability in terms of exposure, sensitivity, and lack of adaptive capacity. The IVI comprises 12 indicators related to food security, nutrition, inequality, and climate vulnerability.³⁸ In terms of special windows, the AfDB allocates additional funding through the Fragile States Facility (which itself uses decline in GDP per capita together with the Human Development Index in part to determine eligibility),³⁹ the ADB has a “SIDS Premium” special window and also adds special support for Afghanistan, and IDA’S performance-based allocations system for IAD19 includes a “fragility, conflict and violence” envelope.

122. While indices relating to economic need can themselves be seen as measures of vulnerability, in recent years several PBA systems have either considered or incorporated additional elements that are specifically designed to address vulnerability. It is also clear that the ways in which the concept of vulnerability is both defined and quantified in the PBA formulae varies across institutions, in terms of both the mandates of the respective organizations and the characteristics of their recipient countries.

b. History of Vulnerability Considerations in the RAF/STAR

123. In the development of the RAF⁴⁰, one of the concerns raised by stakeholders was the impact and potential negative consequences on smaller, vulnerable countries, e.g. SIDS and countries with capacity constraints.⁴¹ Since then, the importance of distributing resources to LDCs and SIDS is a theme that has been maintained across all successive replenishment

³⁷ Justin Ram et al. (2019), “*Measuring Vulnerability: A Multidimensional Vulnerability Index for the Caribbean*,” CBD Working Paper, <https://www.caribank.org/publications-and-resources/resource-library/working-papers/measuring-vulnerability-multidimensional-vulnerability-index-caribbean>

³⁸ IFAD (2017), “*IFAD’s Performance-Based Allocation System: Frequently Asked Questions*,” <https://webapps.ifad.org/members/wgpbas/docs/IFADs-performance-based-allocation-system-Frequently-asked-questions-e.pdf>

³⁹ <https://www.afdb.org/en/about-us/corporate-information/african-development-fund-adf/adf-country-resources-allocation>

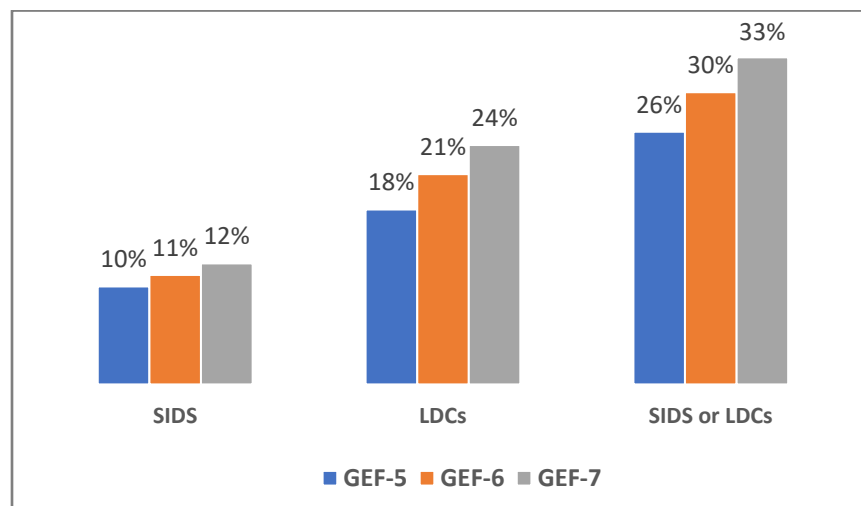
⁴⁰ And covered in the IEO’s Mid-Term Review: GEF/ME/C.34/2, *Mid-Term Review of the Resource Allocation Framework*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEFME-C34.2-RAF_MTR_1.pdf

⁴¹ GEF/C.36/6, *System for a Transparent Allocation of Resources (STAR): Options and Scenarios*, https://www.thegef.org/sites/default/files/council-meeting-documents/C.36.6_STAR.FInal_4.pdf

discussions, with the definition of vulnerability being either implicitly or explicitly applied to these groups of countries.^{42,43}

124. **Since the introduction of the PBA system, there has been a steady increase in the resources allocated to LDCs⁴⁴ and SIDS (Figure 26).**⁴⁵ In GEF-7, the STAR allocation system covers 47 Least Developed Countries and 38 Small Island Developing States, with 9 of these countries classified as both LDCs and SIDS.⁴⁶ As of GEF-7, 33% of the total GEF-7 STAR resources were allocated to countries classified as either LDCs or SIDS.

Figure 26: The Share of Total STAR Resources for LDCs and SIDS by GEF Phase



125. **As early as 2009, it was suggested that the GEF consider adding a social and economic component to its resource allocation, intended to help distribute resources to poorer countries to build their capacities in implementing GEF projects.**⁴⁷ This was the impetus to the introduction of the GDP Index in GEF-5, which was described as “*a premium to take into*

⁴² GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_01_STAR.pdf

⁴³ GEF/C.46/07/Rev.01, *Summary of Negotiations of the Sixth Replenishment of the GEF Trust Fund*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.07.Rev_01_Summary_of_the_Negotiations_of_the_Sixth_Replenishment_of_the_GEF_Trust_Fund_May_22_2014_2.pdf

⁴⁴ The categories of “Least Developed Countries” (LDCs) are based on the categories used for the GEF-7 STAR Model.

⁴⁵ The STAR utilizations of LDCs and SIDS are routinely tracked and published through the Corporate Scorecards. As per the latest Scorecard from June 2021, the LDCs have used 92% of their GEF-7 STAR allocations, and SIDS have used 77%. See GEF/C.60/Inf.04, *GEF Corporate Scorecard June 2021*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.60.Inf_04_GEF_Corporate_Scorecard_June_2021.pdf

⁴⁶ For GEF-8, only one LDC will change status due to graduation: Vanuatu, which graduated from LDC status in 2020.

⁴⁷ GEF/C.36/6, *System for a Transparent Allocation of Resources (STAR): Options and Scenarios*, https://www.thegef.org/sites/default/files/council-meeting-documents/C.36.6_STAR.Final_4.pdf

account country capacity and vulnerability".⁴⁸ Along these lines of distribution and equity, the GEF-5 STAR model also included and extensively modified the "floors" and "ceilings" structure that were first introduced in the RAF Model to ensure minimum and maximum allocation amounts.

126. **Since its GEF-5 formulation, the STAR structure has therefore always considered the needs of vulnerable countries.** This has been through two points of access: (i) the GDP Index, and (ii) the levels of focal area allocation floors. Over successive replenishment periods, these two parameters have been modified for greater impact.

c. A GEF-8 Proposal to increase Focal Area Allocation Floors for LDCs and SIDS

127. **The strict application of a PBA formula can lead to several challenges with respect to outlier allocation amounts.** First, the formula can leave groups of countries (usually very small and/or less developed countries) with extremely small allocation amounts that may not be viable for projects. Second, the formula can lead to groups of countries (usually larger and higher-income countries) receiving disproportionately large shares. These characteristics are mitigated by allocation rules which set minimum and maximum allocations, or "floors" and "ceilings".

128. **When introduced into the GEF-4 allocation system, the focal area allocation floors were set at aggregate levels of USD 2 million,⁴⁹ doubled to USD 4 million in GEF-5,⁵⁰ and in GEF-6 increased for LDCs only to aggregate USD 6 million.⁵¹** These differential floor amounts for LDCs and non-LDCs were maintained for GEF-7 (although they were rebalanced among focal areas to reflect the changing focal area amounts).⁵² Table 3 shows the focal area floors in GEF-7 for both non-LDCs and LDCs, with most of the SIDS countries falling into the category of non-LDCs (apart from the 9 recipient countries who are classified as both SIDS and LDCs).⁵³

⁴⁸ Ibid.

⁴⁹ GEF/C.27/Inf.8/Rev.1 *The GEF Resource Allocation Framework*,

<https://www.thegef.org/sites/default/files/council-meeting-documents/C.27.Inf.8.Rev.1.RAF.1.pdf>

⁵⁰ GEF/C.36/6, *System for a Transparent Allocation of Resources (STAR): Options and Scenarios*,

<https://www.thegef.org/sites/default/files/council-meeting-documents/C.36.6.STAR.Final.4.pdf>

⁵¹ GEF/C.46/05/Rev.01, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6*,

<https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.05.Rev.01.Proposal.for.the.System.of.Transparent.Allocation.of.Resources.%28STAR%29.for.GEF-6.May.19.2014.5.pdf>

⁵² GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*,

<https://www.thegef.org/sites/default/files/council-meeting-documents/EN.GEF.C.54.03.Rev.01.STAR.pdf>

⁵³ In the GEF-7 STAR Model, these 9 countries are: Comoros, Guinea-Bissau, Haiti, Kiribati, Sao Tomé and Príncipe, Solomon Islands, Timor-Leste, Tuvalu and Vanuatu

Table 3: The Distribution of LDCs and SIDS at the GEF-7 Focal Area Floors

Focal Area	<u>LDC Floor (USDmn)</u>	Number of LDCs at the LDC Focal Area Floor	Number of SIDS that are also LDCs at the LDC Focal Area Floor	<u>Non-LDC Floor (USDmn)</u>	Number of SIDS at the non-LDC Focal Area Floor
Biodiversity	3	24 (51%)	4 (44%)	2	12 (41%)
Climate Change	1.5	38 (81%)	9 (100%)	1	27 (93%)
Land Degradation	1.5	19 (40%)	8 (89%)	1	25 (86%)
Aggregate Floor	6	10 (21%)	4 (44%)	4	12 (44%)

The percentages refer to the share of countries within the respective sub-groups

129. **A large number of SIDS and/or LDCs are at the focal area floors.** Table 3 above also illustrates the distribution of SIDS and LDCs at the GEF-7 focal area floors and the aggregate floor. In particular, most LDCs (81%) and SIDS (93%) are at their respective climate change floors. Among them, all 9 countries, who are both SIDS are LDCs, are at the climate change floors. For the land degradation focal area, 25 SIDS (86%) are at the land degradation non-LDC floor and 8 SIDS (89%) that are also LDCs are at the land degradation LDC floor, while the numbers of SIDS/LDCs at the biodiversity floors are comparatively smaller; this is expected given that the biodiversity STAR allocation envelope in GEF-7 was the highest of the three STAR focal areas. In terms of the aggregate floor, 10 LDCs (21%) are at the aggregate floor and have received USD 6 million total STAR allocation, and 12 SIDS that are not LDCs (44%) are at the non-LDC aggregate floor (therefore receiving in GEF-7 the absolute minimum STAR allocation of USD \$4 million).

130. **Looking ahead to GEF-8, the Secretariat therefore proposes the following adjustments to the focal area allocation floors:**

- (1) A harmonization of floors across LDCs and SIDS. Since GEF-6, LDCs and SIDS have been subject to differential focal area floors. The GEF-8 STAR Model proposes a harmonization by raising the SIDS floors to the level of the LDC floors. This would therefore result in two categories of floors: “LDCs and SIDS”, and “Other Countries”.
- (2) An absolute value increase in the newly defined “LDCs and SIDS” floor. The aggregate LDC floors (USD6 million) have not increased since GEF-6, and the aggregate SIDS floors (USD4 million) have not increased since GEF-5 (though the GEF-7 STAR model rebalanced the individual focal area allocation floors to better reflect the funding distributions). The GEF-8 STAR model therefore proposes to increase the newly harmonized “LDCs and SIDS” floor,, with the individual focal area floors to be reflective of the GEF-8 funding distribution. It should be noted that this absolute value increase is predicated on the assumption of a larger GEF-8 replenishment relative to GEF-7.

d. A GEF-8 Proposal to introduce a Vulnerability Dimension into the STAR Formula⁵⁴

131. As discussed above, the STAR brought vulnerability considerations into its allocation formula with the introduction of the GDP Index in GEF-5. Initially weighted to a magnitude of -0.04, the weight of the GDP Index was doubled to -0.08 in GEF-6⁵⁵ and further increased to -0.12 in GEF-7.⁵⁶ Beyond these weighted increases, there are no further considerations of vulnerability in the STAR formula. It is proposed to restructure this component for GEF-8 along the following lines:

- (1) The creation of a “Vulnerability” component in the STAR formula. At its highest level, the STAR Allocation formula comprises three categories of indices: Global Benefits, Country Performance, and GDP. For GEF-8 it is proposed to replace the GDP category with a “Vulnerability” category, which would incorporate a measure of economic vulnerability (currently represented by the GDP Index) as well as a measure of environmental vulnerability. As discussed above, there is precedence for the introduction of this component, with at least 3 of the compared PBA systems characterized by a dedicated vulnerability dimension in their allocation formulae. Future considerations would also need to include the relative weighting of both the overall Vulnerability category, as well as the weighting of its two sub-components of economic and environmental vulnerability.
- (2) The replacement of the GDP Index by another measure of economic vulnerability. The GDP Index has to date relied on GDP per capita data. The GEF-8 STAR model proposes to replace this indicator with an index that is more reflective of economic vulnerability. The following are being explored for feasibility:
 - a. *GNI per capita* is a standard international measurement of national income. It is generally regarded as a better metric than GDP of the total income of a country as it includes all income received by residents (whether in country or abroad). As shown in Annex 1, six of the seven PBAs reviewed⁵⁷ use GNI per capita as a measure of economic need; using GNI per capita instead of GDP per capita will therefore also bring the STAR model in line with the other PBA systems on this dimension.
 - b. *The Human Development Index* (source: The United Nations Development Program, beginning in 1990) is inclusive of GNI per capita but goes beyond it to also provide insight into important aspects of human development,

⁵⁴ The GEF Secretariat has engaged the Environmental Law Institute (ELI) to advise in the scoping out of viable vulnerability indices for the future GEF-8 STAR model, <https://www.eli.org/>

⁵⁵ GEF/C.46/05/Rev.01, *Proposal for the System of Transparent Allocation of Resources (STAR) for GEF-6*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.05.Rev..01_Proposal_for_the_System_of_Transparent_Allocation_of_Resources_%28STAR%29_for_GEF-6_May_19_2014_5.pdf

⁵⁶ GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev..01_STAR.pdf

⁵⁷ These include IDA, ADB, CDB, IADB, EC, and IFAD.

including length of life, education, and standard of living.⁵⁸ The four indicators covered by the Index are: life expectancy at birth, expected years of schooling, mean years of schooling, and GNI per capita.

(3) The introduction of a measure of environmental vulnerability. There are many overlapping dimensions to the concept of “vulnerability”. When incorporating vulnerability into their PBA systems, the institutions reviewed earlier use indices that reflect their organizational mandate. IFAD, for example, created an index designed to capture rural vulnerability, while the Caribbean Development Bank uses an index that incorporates economic, environmental, and social indicators. In line with the GEF mandate of global environmental benefits, it is therefore proposed to introduce, alongside the index of economic vulnerability, a dedicated index of environmental vulnerability in GEF-8. The issue of environmental vulnerability is one upon which many institutions have deliberated, and the international literature and databases have many examples.⁵⁹ An extensive review has yielded three suitable indices which are being explored for feasibility in terms of scope and coverage:

- a. *The Economic and Environmental Vulnerability Index (EVI)* (source: The UN Committee for Development Policy, beginning in 1990) measures country vulnerability to both economic and environmental shocks. Developed by the UN Committee for Development Policy, it is used by the United Nations Department of Economic and Social Affairs (UNDESA) as one of the components in the identification of LDCs.
- b. *The Multidimensional Vulnerability Index for SIDS (MVI)* (source: the United Nations Department of Economic and Social Affairs, under development) proposes an index that builds on and expands the indicators of the EVI with indices that account for both long-term structural vulnerabilities of SIDS as well as the recent weaknesses uncovered by the pandemic.⁶⁰ While the MVI is developed for SIDS, data exists for non-SIDS countries also. This Index is still a work-in-progress; recommendations on the potential development, finalization, and use of the index are planned to be presented at the UN General Assembly in September 2021.⁶¹
- c. *The INFORM Risk Index* (source: European Commission’s Joint Research Center, beginning in 2012) focuses on humanitarian crises and disasters, looking at hazard and exposure (events that could occur and exposure to

⁵⁸ <http://hdr.undp.org/en/content/human-development-index-hdi>

⁵⁹ Some indices of environmental vulnerability also contain a component called economic vulnerability – however in most cases this component refers to economic vulnerability resulting from environmental dependence or economic risks to environmental shocks, therefore not overlapping with the general measures of income or development discussed above.

⁶⁰ Jacob Assa and Riad Meddeb (2021), “Towards a Multidimensional Vulnerability Index: Discussion Paper”, UNDP, <https://www.preventionweb.net/publications/view/75877>

⁶¹ <https://sdgs.un.org/topics/small-island-developing-states/mvi>

them), vulnerability (the susceptibility of communities to those hazards), and lack of coping capacity (lack of resources available that can alleviate the impact).

- d. *The World Risk Index* (source: United Nations University and Ruhr University Bochum, beginning in 2018) provides insight into exposure to disasters from extreme natural events and social vulnerability, including susceptibility, coping capacity, and adaptive capacity.
- e. *The Creation of a Composite Index*. The possibility also exists for the creation of a Vulnerability Index, from components of available indices and data, that is specifically tailored for the STAR model. However, it may not be necessary to exercise this option given that there are already several single-index options that are credible, sufficiently comprehensive, and strategically focused to the GEF's objective. Using a single index as opposed to a composite one has the advantage of greater transparency; using a tried-and-tested index that has also been used in other settings also leads to a greater robustness.

Investigating Policy Coherence⁶²

132. **Another of the GEF-8 programming objectives is to support the enhancement of policy coherence.** This is a critical dimension of domestic resource mobilization towards closing the financing gap between the funding provided and the funding needed to achieve critical environmental goals. Policy coherence refers to the elimination of contradictory national policies that, if left unchecked, may either stall needed progress or themselves lead to further environmental decline. The GEF-8 STAR model under construction has been investigating the current landscape of governance indicators to determine the existence of an Index that would be suitable in terms of methodology and scope, robust in terms of experience and use, and feasible in terms of data availability and periodicity of update. However, no viable index was found. Therefore, the future GEF-8 STAR model will not include an index related to policy coherence.

133. **Assessing governance requires the consideration of two distinct components.** These are: (1) the existence of the necessary laws, regulations, and institutions, and (2) their implementation, performance, and effectiveness. In the existing STAR model, the first component can be considered to be already covered by the existing CPIA Index of the Country Performance Index, which measures in part a country's commitment to put in place environmental policy and institutional frameworks using the World Bank's Country Policy and Institutional Assessment (CPIA).⁶³ The proposed expansion to address matters of policy coherence and environmental performance would therefore rely on obtaining/constructing

⁶² The GEF Secretariat has engaged the Environmental Law Institute (ELI) to help in the scoping out of viable environmental governance indices for the future GEF-8 STAR model, <https://www.eli.org/>

⁶³ GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_01_STAR.pdf

indicators that speak to the second component. Within this context, the majority of environmental governance and general governance indices reviewed address the first component and indicators and data on part two are scarcer; to the extent that they do exist, these tend to be perception-based, rather than objective assessments. It was therefore concluded that, at this stage, there is no feasible single-index option to fill this space.

134. In the absence of a single-index option, it is also possible to consider the creation of a composite index. This would take particular elements of available indices and construct them into an over-arching index that can ostensibly capture both component 1 and component 2. However, this was also not deemed a suitable option at this stage for a number of reasons. Firstly, this method would disrupt the present use of the CPIA Index which, as can be seen from Annex 1, is a standard measure of governance across all PBA systems. While alternatives to the CPIA Index can indeed be considered in the future, it is not proposed to do this at this time. Secondly, the in-depth index review shows particular methodological complexities surrounding the measurement of “governance”, further compounded by a lack of clarity and agreement on what precisely constitutes “implementation”.⁶⁴ Thirdly, and relatedly, the creation of a composite index may also remove some element of simplicity, objectivity, and transparency from the system – characteristics that are central to the STAR model.

135. A policy coherence index may not be feasible at this time. While ongoing development and expansion of methodologies, indices and data coverage may, in due course, offer viable suggestions for inclusion of an index related to policy coherence in the STAR formula, it does not therefore appear to be a feasible expansion at this time. That said, it should be noted that the STAR formula is but one avenue for policy coherence, which is an underlying concept of the GEF-8 programming directions and has many potential entry points and can also be an overarching aspiration going forward.

Closing the Financing Gap using non-grant instruments for resource mobilization

136. A critical dimension to reducing the financing gap is the active participation of the private sector. As discussed in the accompanying programming strategy, the GEF has the means to unlock and expand private financing through several instruments and financing windows. While the GEF primarily funds projects through grants, throughout its history Agencies and countries have often used non-grant instruments to mobilize resources, catalyze private sector investment and establish sustainable financing mechanisms. These projects have effectively blended different sources of financing to create revolving funds, performance grants, and risk-sharing facilities. Since GEF-4, the majority of blended finance projects using non-grant instruments have been funded through the Non-Grant Instruments (NGI) window. At the same time, it is worth noting that resources outside of the NGI window, i.e. STAR and non-STAR focal area resources (that include International Water and Chemicals & Waste) can also be effectively employed in blended finance structures if the country so wishes, helping to

⁶⁴ Natalia Escobar-Pemberthy and Maria Ivanova (2020), *Implementation of Multilateral Environmental Agreements: Rationale and Design of the Environmental Conventions Index*, Sustainability 12 (17), <https://www.mdpi.com/2071-1050/12/17/7098>

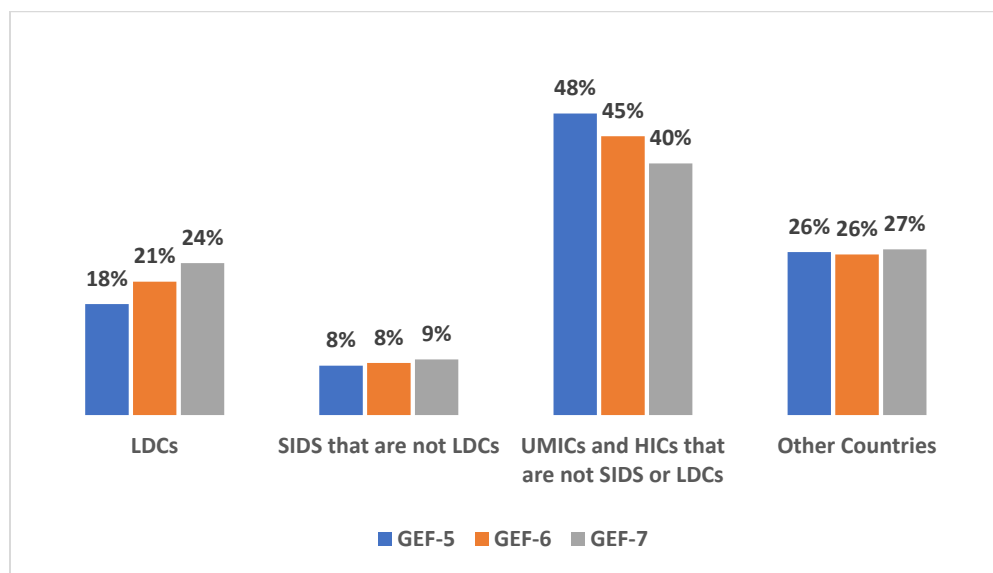
reduce the finance gap for environmental management and conservation. In these STAR-funded projects, investment proceeds and returns can remain in the country and be utilized for additional investments, subject to appropriate project provisions established at the time of design and approval of the projects

137. **Several countries have used non-grant instruments to support private sector engagement.** In GEF-5, more than ten projects with financial instruments such as revolving loan funds, equity, and risk-sharing facilities, were approved using more than USD 80 million allocated by countries under their STAR allocations. The use of non-grant instruments using STAR and non-STAR focal area resources or the NGI window can help mobilize resources, attract private sector investment, and create sustainable funding mechanisms within country that can continue to produce global environmental benefits long after the initial project is completed.

Creating a Competitive Space

138. **One of the core principles of the STAR allocation system is that it should continue to adequately serve all recipient countries, catering appropriately to different needs, capabilities and contexts that evolve over time.**⁶⁵ One of the ways this manifests itself is in the continued focus of Participants on the respective shares of GEF resources that are provided to LDCs and SIDS. Another continued point of discussion is the share of resources that flows to countries with higher capacities.

Figure 27: The Share of Total STAR Resources by Country Group per GEF Phase



⁶⁵ GEF/C.54/03/Rev.01, *Updating the System for Transparent Allocation of Resources (STAR)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.03.Rev_.01_STAR.pdf

139. **It is useful to look at the share of STAR resources by key country groups from GEF-5 to GEF-7 (Figure 27).** For SIDS, LDCs and other countries (they are low-income countries and lower-middle-income countries that are not SIDS or LDCs), there is a continuous increase of the share of STAR funds in each cycle. Concurrently, the upper-middle-income countries that are not SIDS or LDCs show a clear downward trend while still retaining a large component of STAR funds; in GEF-7, nine of the top ten STAR recipients are middle-income countries,⁶⁶ capturing 32% of GEF-7 STAR resources.

140. **A relevant question is how this type of capacity can be harnessed for greater effectiveness, efficiency and impact in the use, leverage, and mobilization of investments in the global environment.** The GEF-8 programming and policy architecture potentially offers multiple areas for carefully targeted measures towards this goal. One such measure lies in the structural formulation of the STAR, through the introduction of a competitive element for a subset of countries within the allocation model.

a. Competition: Past GEF Experience

141. **Competition within the allocation system is not a new concept for the GEF.** As described earlier, the GEF-4 RAF system included a competitive element, as follows. All countries were given preliminary allocations (with the application of a USD 1 million floor) in each of the RAF's two focal areas, with the highest-ranked countries whose cumulative allocations equaled 75% of the total resources in the focal area receiving country-specific allocations, while the remaining countries were placed in a group with collective and competitive access to the remaining 25% of each of the focal area resources.⁶⁷ While no amount was guaranteed for any country in the group allocation, all countries in the group were able to compete for a higher amount than they would have received based on their preliminary allocations.

142. **As highlighted by the IEO in their Mid-term Review of the GEF Resource Allocation Framework in 2008,⁶⁸ the way in which this competitive RAF element was designed had considerable drawbacks.** Almost all recipient SIDS and LDCs were a part of the group allocation cohort (Table 4), thereby intensifying the already existing challenges of these countries in accessing GEF resources. While the evaluation identified an increase in country ownership in countries with individual allocations, there was a neutral or detrimental effect on country ownership for the countries in the group allocation cohort. The group allocation system did not provide effective incentives to improve performance as, irrespective of performance, there was no means of graduating from the group. Unclear guidelines seem to have had limited access of the group allocation countries to GEF funds. These reasons contributed to the decision not to

⁶⁶ The exception is Madagascar, who is the 8th highest recipient of GEF-7 STAR resources and is classified as a Low-Income Country (LIC).

⁶⁷ GEF/C.27/Inf.8/Rev.1 *The GEF Resource Allocation Framework*, https://www.thegef.org/sites/default/files/council-meeting-documents/C.27.Inf_.8.Rev_.1_RAF_1.pdf

⁶⁸ GEF/ME/C.34/2, *Mid-Term Review of the Resource Allocation Framework*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEFME-C34.2-RAF_MTR_1.pdf

retain this feature in the GEF-5 STAR model, which instead started the practice of country allocations for all STAR recipients - a practice maintained to date.

Table 4: The Distribution of LDCs and SIDS in the GEF-4 RAF Group Competition

	Total Number of countries	Number of countries in RAF BD group	Number of countries in RAF CC group
SIDS	38	28	37
LDCs	45	33	39

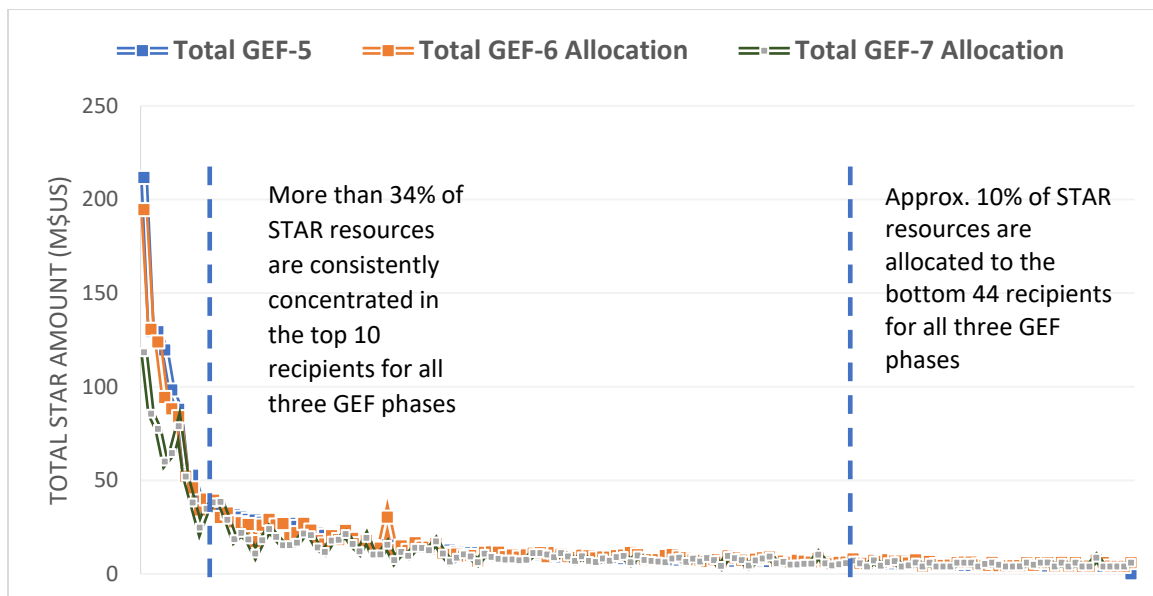
b. A GEF-8 Proposal to introduce a Competitive Element into the STAR Model

143. **Based on the learnings from the RAF competitive model, it is proposed for the GEF-8 STAR to introduce a small competitive element into the allocation model.** This element can be targeted towards a select group of higher-capacity countries that are defined through pre-determined criteria, with more vulnerable and lower-capacity countries receiving protected allocations. This would enable the potential of the selected countries to achieve higher impact, and will also result in these countries capturing more or less resources than they would have received with full individual allocations. The features of this element are outlined below.

- (1) A model of partial competition. Two possible models could be considered for the implementation of a competitive element: (i) full competition, where all STAR resources of the competitive cohort are pooled (as was done in the RAF system), or (ii) partial competition, where only a common percentage of these resources is pooled. For the GEF-8 STAR model, it is proposed to adopt a model of partial competition. A partial competition model will address one of the concerns of the IEO’s review of the RAF’s competitive element - the maintenance of some portion of individual allocations can enable the retention of a higher level of country ownership, the loss of which was identified as a shortcoming of the RAF structure of full competition within its defined competitive group.
- (2) Defining the competitive cohort. It is proposed the GEF-8 STAR model include a partial competitive structure built for the group of countries that will be the top-10 GEF-8 STAR recipients, excluding any LDCs or SIDS. Across three GEF phases, the STAR resources are consistently concentrated in the top 10 recipient countries (Figure 28). In GEF-7, the top-10 recipients of 144 countries received 34% of the resources allocated through the STAR (approximately USD 652 million); only one of these (Madagascar) was an LDC or SIDS.⁶⁹

⁶⁹ The top-10 GEF-7 STAR recipients are China, India, Indonesia, Brazil, Mexico, Russian Federation, Colombia, Madagascar, Philippines, and South Africa.

Figure 28: The Distribution of Total STAR Resources by Country per GEF Phase



- (3) Setting the targeted percentages. With the competitive cohort for partial competition defined, the next parameter to be set is the percentage of the respective allocations that will be placed into a competitive pool.
- (4) Rules of Use. To ensure equitable access across the competitive cohort, the competitive pool of funds will put a ceiling structure in place.
- (5) Procedures of Access Procedures of access will be articulated in the operational guidelines of the GEF-8 STAR.

144. Further modelling and elaboration of the competitive space will be undertaken at the Third Replenishment meeting.

Conclusions and Next Steps

145. **The volume of GEF funding and how it is allocated are both important to achieving outcomes.** The GEF-8 programming strategy and accompanying Theory of Change has “Healthy Planet, Healthy People” at its core, promotes the adoption of development pathways that are sustainable, inclusive, resilient, low-carbon, low-polluting, nature-positive, and circular economy-based – in other words, a blue and green recovery. In this context, it is important to focus not only on the volume of GEF financing, but also to improve the ways in which these investments are deployed to countries and within countries, so as to achieve maximum integrated impact on critical levers notwithstanding finite funding, with an aim to narrowing the nature financing gap. In this context, the future GEF-8 STAR model will play a key role, with the potential for improving the GEF’s approach to allocating resources along a number of key dimensions. These will be explored and adjusted as the wider discussions continue.

146. **Simultaneously, there is an ongoing re-assessment of all other data layers for the future GEF-8 STAR model.** All existing index and sub-index formulations are being currently examined to assess methodological relevance and structural gaps. Where needed, potential updates and/or new formulations together with their underlying datasets may be constructed and tested for feasibility and potential inclusion (e.g. portfolio performance section of the Country Performance Index). Routine data updates are also being undertaken by the Secretariat using the best available data by a pre-determined cut-off date. Finally, index weights at all levels will be re-analyzed and assessed for potential changes. Any further departures from the status-quo GEF model will be brought for discussion with replenishment participants, and model simulations to country groups along all of these dimensions will be presented for discussion at the Third Replenishment meeting.

Annex 1: A Comparison of PBA Formulae

Institution/Fund	Needs Factors			Performance/Governance Factors
	Country Needs	Country income	Vulnerability	
African Development Bank (AfDB)	Pop ¹	GNIpc ^{-0.125}	AIDI ^{-0.25}	$0.2AfDB_CPIA_{(A-C)} + 0.58 * AfDB_CPIA_D + 0.06AfDB_CPIA_E + 0.16PP$
Asian Development Bank (ADB)	Pop ^{0.60}	GDPpc ^{-0.25}		$(ADB_CPIA_{(A-C)})^{1.4} * (ADB_CPIA_D)^2 * (PP)^{0.6}$
Caribbean Development Bank (CDB)	logPOP * POOR ^{0.1}	GNIpc ^{-0.9}	MVI ²	$(0.7CDB_CPIA + 0.3PP)^2$
Global Environment Facility (GEF)	GBI ^{0.8}	GDPpc ^{-0.12}		$0.65CPIA_C + 0.15CPIA_D + 0.2PP$
International Development Association (IDA)	Pop	GNIpc ^{-0.125}		$(0.24CPIA_{(A-C)} + 0.68CPIA_D + 0.08PP)^3$
Inter-American Development Bank (IADB)	Pop ^{0.5}	GNIpc ^{-0.125}		$(0.7CIPE + 0.3 * PP)^2$
International Fund for Agriculture (IFAD)	RuralPop ^{0.405}	GNIpc ^{-0.265}	IVI ^{0.95}	$(0.35RSP + 0.65PP)^1$

ADB_CPIA = ADB assessment using the CPIA questionnaire and guidelines

AfDB_CPIA= AfDB assessment using the CPIA questionnaire and guidelines

AIDI = African Infrastructure Development Index

CBD_CPIA = CBD assessment using the CPIA questionnaire and guidelines

CIPE = Country Institutions and Policies Evaluation

CPIA = Country Policy and Institutional Assessment from the World Bank

GBI=Global Benefits Index

CPIA_A = Rating of CPIA cluster A - Economic Management

CPIA_B = Rating of CPIA cluster B - Structural Policies

CPIA_(A-C) = Average of the ratings of CPIA clusters A to C

CPIA_C = Rating of CPIA cluster C - Policies for Social Inclusion

(In the GEF formula, CPIA_C represents the criteria 11 in cluster C: Policies and Institutions for Environmental Sustainability)

CPIA_D = Rating of CPIA cluster D - Public Sector Management and Institutions

GDPpc = GDP per capita

GNIpc = GNI per capita

IVI = IFAD Vulnerability Index

MVI = Multidimensional Vulnerability Index

Pop = Population

POOR = Number of “poor” persons in the country

PP = Portfolio Performance

RSP = Rural Sector Performance

RuralPop = Rural Population

CHAPTER 5: EXTENDING THE GEF'S INCLUSION AGENDA

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

148. **Leading up to GEF-7, the GEF made extensive revisions and updates to its Policies and approaches related to Stakeholder Engagement⁷⁰, Gender Equality⁷¹ and Environmental and Social Safeguards^{72,73}.** These policies embed important recognition and principles relating to the promotion of social inclusion and implicitly also respond to important human rights principles including: (1) non-discrimination, (2) participation, (3) transparency and (4) accountability. Together they bolstered a range of new and existing standards and requirements linked to inclusion and human rights such as:

- (a) strengthened provisions regarding meaningful consultations with stakeholders ensuring rights linked to stakeholder participation
- (b) promoting gender equality and women's empowerment
- (c) ensuring that adverse impacts do not fall disproportionately on “disadvantaged or vulnerable groups,”
- (d) ensuring that disadvantaged or vulnerable groups do not face discrimination, particularly regarding access to development resources and project benefits
- (e) addressing the special needs and circumstances of disadvantaged and vulnerable groups

⁷⁰ GSD/PL/01: https://www.thegef.org/sites/default/files/documents/Stakeholder_Engagement_Policy_0.pdf

⁷¹SD/PL/02: https://www.thegef.org/sites/default/files/documents/Gender_Equality_Policy.pdf

⁷² SD/PL/03:

https://www.thegef.org/sites/default/files/documents/gef_environmental_social_safeguards_policy.pdf

⁷³ GEF Guidance on Gender Equality:

<https://www.thegef.org/sites/default/files/publications/GEF%20Guidance%20on%20Gender.pdf>

GEF Guidelines on Stakeholder Engagement:

https://www.thegef.org/sites/default/files/documents/Stakeholder_Engagement_Guidelines.pdf

GEF Guidelines on Environmental and Social Safeguards:

https://www.thegef.org/sites/default/files/documents/guidelines_gef_policy_environmental_social_safeguards.pdf

- (f) providing opportunities for persons with disabilities to participate in and benefit from projects and programs on an equal basis with others
- (g) targeted provisions against gender-based discrimination and the need to respond to potential incidences of gender-based violence
- (h) respect for Free, Prior and Informed Consent of Indigenous Peoples
- (i) recognition and protection of the fundamental rights of workers (including freedom of association and collective bargaining, nondiscrimination and equal opportunity in employment, prevention of child labor and forced labor.

149. **The recent GEF IEO Evaluation “*Institutional Policies and Engagement of the GEF*”⁷⁴, broadly concluded that the GEF policies are contemporary in formulation and align with relevant inclusion-oriented global strategies, including the SDGs and Agenda 2030 and policies of peer institutions.** The Secretariat concurs with the IEO findings that in many cases it is too early to evaluate actual results of these new policies and fully agrees on the need to focus on implementation. Nevertheless, the Secretariat will be working during GEF8 in the mechanisms and methodologies to assess and evaluate results from these policies. In line with these findings, the Secretariat will extend activities to further support the continued effective implementation of the policies and explore new opportunities to strengthen and realign the GEF approach to inclusion including, as needed, development of a practical narrative to extend the GEF inclusion agenda.

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

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

⁷⁴ <https://www.gefio.org/sites/default/files/documents/reports/gef-policies-2020.pdf>

151. **New directions will be guided by emerging information throughout the portfolio.** The Secretariat will simultaneously explore cost-effective ways to take advantage of its position as knowledge broker, utilizing existing platforms such as the Country Support Program, GEF Agency Retreats, virtual courses and learning events to leverage existing knowledge and facilitate learning across Agencies and the GEF Partnership more broadly.

CHAPTER 6: SUSTAINABILITY CONSIDERATIONS IN GEF INVESTMENTS

Introduction

153. **Since OPS-6 was presented to the participants of the Seventh Replenishment,⁷⁵ there has been considerable deliberation amongst GEF stakeholders on the sustainability of GEF investments.** Several subsequent analyses by the IEO, STAP, and the GEF Secretariat have continued to inform this important discussion. Most recently, the OPS-7 report currently being presented to the participants to the Eighth Replenishment⁷⁶ offers an updated and valuable focus on sustainability. These ongoing discussions continue to be of critical importance to both the design of the GEF-8 strategy and the ongoing implementation of the current GEF portfolio. This section summarizes the past analyses on sustainability, highlights the sustainability-related recommendations resulting from the ongoing OPS-7 studies of the IEO, discusses present actions being undertaken by the Secretariat to enhance sustainability, and outlines next steps on this vital dimension.

Past Analyses on Sustainability

154. **The IEO's OPS-6 Report presented to the second GEF-7 replenishment meeting and to the 53rd Council found that 63% of the OPS-6 cohort was likely to be sustained.⁷⁷** The IEO brought a further analysis of sustainability to the 54th Council which showed that this sustainability performance was comparable with other multilateral organizations.⁷⁸ Furthermore, it was found that the sustainability of outcome ratings had improved over the GEF replenishment periods, and that outcomes of most of the GEF projects were sustained during the post completion period. The analysis determined that likelihood of outcome sustainability at project completion is influenced by the quality of project preparation, country context, government support, quality of implementation and execution, and materialized co-financing. While there was scope for improvement in the extent to which GEF projects are designed for sustainability, the analysis found that, overall, the GEF portfolio did indicate an improving trend in the quality of project design, which may influence sustainability in the longer term.

155. **The policy recommendations of the GEF-7 Replenishment requested the Secretariat to undertake further analysis on sustainability, in particular with respect to concrete measures**

⁷⁵ GEF/ME/C.53/Inf.01, *Sixth Comprehensive Evaluation of the GEF (OPS6)*,

https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf

⁷⁶ Global Environment Facility Independent Evaluation Office (GEF IEO), *Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery*, Draft Report, Washington, DC: GEF IEO, 2021.

⁷⁷ GEF/ME/C.53/Inf.01, *Sixth Comprehensive Evaluation of the GEF (OPS6)*,

https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.53_Inf.01_OPS6_Nov_2017_0.pdf

⁷⁸ GEF/ME/C.54/Inf.02, *Annual Performance Report 2017*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_02_Annual_Performance_Report_2017_0.pdf

that could be undertaken to increase sustainability.⁷⁹ In response to this request, the Secretariat presented an analysis to the 55th Council⁸⁰ that further explored the available evaluative evidence on the sustainability of GEF projects and programs, considered the associated limitations and areas for further analysis, and identified challenges and opportunities to enhancing sustainability going forward, also drawing upon consultations with Agencies. The main findings of this paper were that the evidence provided limited grounding for concrete measures that would allow for increased sustainability. Furthermore, it recognized the need to examine Agencies' approaches to performance ratings with a view to ensuring a reasonable degree of consistency. Finally, it identified the need for more frequent and more systematic post-completion field verification in order to assess actual performance on sustainability, whether project outcomes were in fact sustained, and what factors influence sustainability.

156. Discussions in the 55th Council revolved around the need to better understand the factors behind the GEF's track record on sustainability, to monitor and regularly report on sustainability across the portfolio, and to take concrete measures to enhance performance; the Secretariat therefore presented an analysis to the 56th Council⁸¹ that attempted to further decompose this complex topic. This paper focused on the definitions and approaches related to sustainability across the GEF Partnership, if Agencies' GEF-financed projects differ from other projects in terms of their performance on sustainability, and if there were lessons from across the GEF Partnership that could inform the GEF's efforts to enhance the sustainability of its projects and programs. The overview of definitions, approaches, performance, and lessons learned on sustainability suggested a reasonable degree of convergence across the GEF Partnership. Whilst divergent trends were found across Agencies in terms of the sustainability ratings of their GEF-financed projects, these could not be ascribed to fundamental differences in either definitions or assessment methodologies. Furthermore, this analysis did not deem it possible to meaningfully compare the sustainability ratings of GEF projects with the equivalent ratings of Agencies' non-GEF projects. Finally, the factors behind Agencies' performance on sustainability identified by this analysis overlapped to a significant extent with the findings of the IEO's 2018 APR.⁸²

157. In response to these ongoing sustainability discussions at the Council and within the GEF Partnership, STAP simultaneously presented a substantive study to the 56th Council

⁷⁹ GEF/C.54/19/Rev.03, Summary of Negotiations of the Seventh Replenishment of the GEF Trust Fund, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.19.Rev_.03_Replenishment.pdf

⁸⁰ GEF/C.55/Inf.14, *Measures to Enhance the Sustainability of GEF Projects and Programs*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.55.Inf_.14_Sustainability.pdf

⁸¹ GEF/C.56/Inf.08, *Further Work on the Sustainability of GEF Projects and Programs*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.56.Inf_.08_Further%20Work%20on%20the%20Sustainability%20of%20GEF%20Projects%20and%20Programs_3.pdf

⁸² GEF/ME/C.54/Inf.02, *Annual Performance Report 2017*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GE.ME_C.54.Inf_.02_Annual_Performance_Report_2017_0.pdf

(where the concept was now renamed as “durability”).⁸³ This analysis built upon STAP’s own earlier work on integration,⁸⁴ offered an extensive literature review on achieving project outcomes and impact, and presented a systematic review of success factors focused specifically on durability. Principles for securing durability in project outcomes and impacts were outlined around four themes: (i) engaging the right stakeholders; (ii) building the incentives for these key actors to act; (iii) incorporating adequate diversity and flexibility in project design and implementation; and (iv) underpinning it all with a systems-thinking approach. Based on these themes, STAP suggested a series of sustainability-related actions that included the articulation of an explicit risk appetite, the use of systems thinking and theories of change, a focus on innovations, analyzing factors of scaling and transformation, intensifying integration and synergies, the use of multi-stakeholder platforms, and the establishment of improved monitoring, evaluation, and learning.

158. **The GEF Council has maintained an interest in this issue.** Discussions surrounding these two papers at the 56th Council resulted in a Council request to the Secretariat to present at the 57th Council a summary of key factors that influence the sustainability of GEF projects and programs, and how such factors are taken into account and may be strengthened in current GEF operations.⁸⁵ As a result, the Secretariat presented an analysis to the 57th Council⁸⁶ that proposed an overall framework for sustainability design, incorporating all previous analyses and using the STAP analysis as its foundation. The Secretariat collaborated with STAP in this work and also facilitated a cross-agency dialogue on sustainability to further inform the discussion. This framework centered around four interconnected themes: (1) theory of change, (2) multi-stakeholder processes, (3) stakeholder involvement and (4) adaptive learning. The paper suggested that these four durability themes can be interwoven into the life cycle of every GEF project and program through a series of underlying programming choices, policies, strategies, and actions. To this end, the analysis found that the Secretariat was already putting into place many elements that address these themes, in particular through critical strategic choices of the GEF-6 and GEF-7 cycles. These included a greater focus on programmatic approaches and integrated programming, as well as a series of policies and strategies aimed at strengthening engagement, implementation, and oversight.⁸⁷

⁸³ GEF/STAP/C.56/Inf.04, *Achieving More Enduring Outcomes from GEF Investments: A STAP Document*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.STAP_C.56.Inf_04_Achieving%20more%20enduring%20outcomes%20from%20GEF%20investment_0.pdf

⁸⁴ GEF/STAP/C.54/Inf.03, *Integration: to Solve Complex Environmental Problems*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.STAP_C.54.Inf_03_Integration.pdf

⁸⁵ GEF 56th Council Meeting, *Joint Summary of the Chairs*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.56_Joint_Summary_of_the_Chairs_1.pdf

⁸⁶ GEF/C.57/08, *Towards Greater Durability of GEF Investments*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.57_08_Towards%20Greater%20Durability%20of%20GEF%20Investments_0.pdf

⁸⁷ Further to this analysis and as part of the Secretariat’s ongoing monitoring of this issue, the Annual Performance Monitoring Report to the 59th Council discussed the GEF-6 IAPs in the context of these four durability actions.

Sustainability-Related Recommendations of the IEO OPS-7 Evaluations

159. In parallel to the above analyses, several of the OPS-7 component studies coming for discussion at Council meetings over the last three years have contained explicit recommendations that relate to sustainability. The *Evaluation of GEF's Support to Mainstreaming Biodiversity*⁸⁸ recommended biodiversity mainstreaming interventions be designed with a longer-term perspective and a resource envelope to ensure sustainability. The *Strategic Country Cluster Evaluation of The Small Island Developing States*⁸⁹ recommended that integrated interventions should be a prioritized model with an eye to sustainability, and that institutional capacities should be strengthened with sustainability considerations in mind. The recommendations of the *Strategic Country Cluster Evaluation: Sahel and Sudan-Guinea Savanna Biomes*⁹⁰ requested that project and program design in the biomes include a discussion on sustainability, with attention paid to the synergies between socio-economic and environmental objectives. Similarly, the *Strategic Country Cluster Evaluation of the Least Developed Countries*⁹¹ recommended the continued strengthening of project design to improve sustainability of outcomes in LDCs, as well as the strengthening of climate resilience considerations, also taking into account the socio-economic and political context. The *2020 Program Evaluation of the Least Developed Countries Fund*⁹² recommended that the likelihood of the sustainability of outcomes must continue to be enhanced, with specific reference to the Secretariat's proposed sustainability framework to the 57th Council.⁹³ Finally, and most recently, the *Third Joint GEF-UNDP Evaluation of the Small Grants Programme*⁹⁴ recommended that the approach to and measurement of sustainability in the SGP should be improved to capture both tangible and intangible benefits. Going forward, the Secretariat will be working on

GEF/C.59/03/Rev.01, *The GEF Monitoring Report 2020*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.59_03_Rev.01_The%20GEF%20Monitoring%20Report_1_0_0.pdf

⁸⁸ GEF/ME/C.55/inf. 02, *Evaluation of GEF's Support to Mainstreaming Biodiversity*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C.55.inf_02_Biodiversity_Mainstreaming_Evaluation_Synthesis_Report%20Nov_2018.pdf

⁸⁹ GEF/ME/C.57/02, *Strategic Country Cluster Evaluation of The Small Island Developing States*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C57_02_IEO_SCCE_SIDS_Dec_2019_F.pdf

⁹⁰ GEF/E/C.58/Inf.02/Rev.01, *Strategic Country Cluster Evaluation: Sahel and Sudan-Guinea Savanna Biomes*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E.C.58.Inf_02.Rev_01_SCCE_Sahel_Sudan_Guinea_Savanna_Biomes.pdf

⁹¹ GEF/E/C.58/Inf.03/Rev.01, *Strategic Country Cluster Evaluation of the Least Developed Countries*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E.C.58.Inf_03.Rev_01_Strategic_Country_Cluster_Evaluation_LDCs.pdf

⁹² GEF/LDCF.SCCF.29/E/01, *2020 Program Evaluation of the Least Developed Countries Fund*, https://www.thegef.org/sites/default/files/council-meeting-documents/LDCF%20SCCF_29_E_01_LDCF_Program_Evaluation_Council.pdf

⁹³ GEF/C.57/08, *Towards Greater Durability of GEF Investments*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.57_08_Towards%20Greater%20Durability%20of%20GEF%20Investments_0.pdf

⁹⁴ GEF/E/C.60/01, *Third Joint GEF-UNDP Evaluation of the Small Grants Programme*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_01_Third_Joint_GEF-UNDP_Evaluation_of_the_Small_Grants_Programme.pdf

the implementation of all of these recommendations, and progress to this end will be tracked as usual through the IEO's annual Management Action Record.⁹⁵

160. **The overall OPS-7 study currently under discussion by replenishment participants (into which these and other component studies contributed) contains a substantive analysis on sustainability.**⁹⁶ This analysis shows that project sustainability outcomes have improved over time: *"Cumulatively, 63% of completed projects are rated in the likely range for sustainability. 65% of the completed projects of the OPS-7 cohort are rated in the likely range for sustainability, which is similar to the 63% for the OPS-6 cohort."*⁹⁷ Replenishment-period based analysis shows that projects approved after GEF-3 have higher sustainability ratings than those approved in the preceding periods, indicating an improvement over time in the likelihood of sustainability for completed projects. Factors affecting the likelihood of sustainability included stakeholder and/or beneficiary buy-in, political support including adoption of complementary legal and regulatory measures, financial support for follow-up, and sustained efforts by the executing agency. Furthermore, projects that are assessed as likely to be sustainable at implementation completion are also observed to be actually sustainable. The analysis found that the outcomes of most GEF projects are indeed sustained during the post-completion period, where for at least two years after implementation completion, a vast majority of projects both sustained their results and progressed further in achieving their long-term impacts. Influencing factors to this outcome including financial support for follow-up, political support, stakeholder buy-in, follow-up by and capacities of the executing agency, consideration to sustainability-related arrangements in project design, and country context.

Present Actions on Sustainability

161. **The GEF Secretariat is committed to exploring ways of further strengthening and enhancing sustainability.** The multitude of analyses in the last three years, including the component and umbrella OPS-7 studies, are continuing to enrich the Secretariat's portfolio-wide progress on sustainability and also informing several dimensions of the proposed GEF-8 Programming and Policy Strategy. At the core of all GEF activities, impacts and outcomes is its direction of programming, and this is increasingly speaking to the sustainability elements discussed above. In line with the GEF 2020 Strategy,⁹⁸ and together with the STAP's

⁹⁵ The GEF Management Action Record (MAR) tracks the level of adoption of GEF Council and LDCF/SCCF Council decisions that are based on the recommendations of the evaluations conducted by the GEF Independent Evaluation Office (GEF IEO). The latest MAR to the 60th Council can be found here:

https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_Inf.01_Management_Action_Record.pdf

⁹⁶ Global Environment Facility Independent Evaluation Office (GEF IEO), Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery, Washington, DC: GEF IEO, 2021.

⁹⁷ Ibid.

⁹⁸ GEF/C.46/10/Rev.01, *GEF2020 - Strategy for the GEF*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.C.46.10.Rev_01_GEF2020_-_Strategy_for_the_GEF_4.pdf

recommendations on durability,⁹⁹ the GEF has been increasingly moving in the direction of large-scale, integrated programs that follow a drivers-based approach to reversing the course of environmental degradation and embody the sustainability principles outlined in earlier studies; this is recognized by the OPS-7 evaluation which highlights that the GEF-6 Integrated Programs (IPs) and the GEF-7 Impact Programs (IPs) are incorporating sustainability-related factors in project design.¹⁰⁰ In particular, these programs were designed to help countries pursue holistic and integrated approaches to push transformational change in the key economic systems; the proposed GEF-8 Integrated Programs seek to intensify action along this path.

162. Beyond the integrated approaches, the Secretariat has adopted a series of procedures, policies and approaches that speak directly to sustainability principles. Theories of change are being increasingly incorporated into strategy, policy, and project design. Multi-stakeholder processes, platforms and coalitions, an essential component of sustainability, are particularly a feature of the GEF programmatic approaches. Stakeholder involvement is critical to the success and sustainability of GEF-financed projects, and the GEF continues to update its policies and strategies and intensify its targeted outreach activities in order to better engage with key stakeholders through the enhanced engagement with Civil Society, Indigenous Peoples and the Private Sector, a commitment to Stakeholder Engagement, and the integration of Gender Mainstreaming.

163. While concerted efforts to promote sustainability have begun through the GEF-6 and GEF-7 programmatic approaches and is further anticipated through GEF-8 programming, there is also a need to mainstream these principles across the active GEF portfolio. The Secretariat continues to learn from these integrated programs as their implementation provides us with key lessons on sustainability principles that can be incorporated into other projects and programs. Sustainability principles in implementation are being intensified through an increased focus on monitoring and reporting, co-financing, and environmental and social safeguards. The Secretariat recognizes that knowledge is a critical tool for sustainability, and continues to enhance efforts in this regard, particularly following the recommendations of the recent IEO Evaluation on Knowledge Management.¹⁰¹ At the foundation of all of these elements is the ongoing development of the GEF Portal, which is enabling significant improvements in data integrity and consistency.¹⁰²

⁹⁹ GEF/STAP/C.56/Inf.04, *Achieving More Enduring Outcomes from GEF Investments: A STAP Document*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.STAP_C.56.Inf_04_Achieving%20more%20enduring%20outcomes%20from%20GEF%20investment_0.pdf

¹⁰⁰ Global Environment Facility Independent Evaluation Office (GEF IEO), *Seventh Comprehensive Evaluation of the GEF: Working Toward a Greener Global Recovery*, Draft Report, Washington, DC: GEF IEO, 2021.

¹⁰¹ GEF/E/C.59/04, *Evaluation of Knowledge Management in the GEF (2020)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C59_04_evaluation_of_KM_GEF_2020.pdf

¹⁰² Further development of the GEF Portal will be informed by the recent IEO evaluation, GEF/E/C.60/07, *Results Based Management – Evaluations of the Agency Self-Evaluation Systems and the GEF Portal*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_07_RBM_SES_Portal_Combined_Report_FINAL.pdf

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

165. **Domestic policy coherence is a critical, and hitherto unmentioned, component of the conversation on sustainability.** Closing the “Nature Financing” gap requires a two-pronged approach: increasing financial flows from multiple sources, and reducing financial needs.¹⁰³ Policy coherence refers to the reduction/elimination of perverse incentives that exist for nature conservation - improved policy coherence can therefore increase the impact per unit of GEF investments which can otherwise be diminished due to contradictory domestic policies. Policy coherence can also be seen as a “whole of government” approach, and as such is fully integrated into the dynamic Country Engagement Strategy being proposed for GEF-8. A more holistic approach to country programming will mean an increasingly effective coordination of national environmental strategies, objectives, and activities. This will help to strengthen domestic policy coherence across different sectors of government, and therefore aid in ensuring the sustainability of all investments into nature at the country level (GEF and otherwise). In this context, it should be noted that “governance and policies” is one of the targeted levers for systems transformation in the accompanying GEF-8 programming strategy.

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

Next Steps

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

- i. *Project Design*: further strengthening at the project design stage of the component dimensions of sustainability along the lines identified by previous analyses,

¹⁰³ Deutz, A., Heal, G. M., Niu, R., Swanson, E., Townshend, T., Zhu, L., Delmar, A., Meghji, A., Sethi, S. A., and Tobin-de la Puente J. (2020), *Financing Nature: Closing the global biodiversity financing gap*, The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability, https://www.paulsoninstitute.org/wp-content/uploads/2020/10/FINANCING-NATURE_Full-Report_Final-with-endorsements_101420.pdf

including funding activities in support of policy, legislative and other reforms, and the exploration of an overall cross-cutting requirement (where relevant) to establish a set of policy-oriented outcomes and outputs.

- ii. *Project Implementation*: continuing to monitor these component dimensions through implementation phases, particularly through an enhanced focus of mid-term reviews,¹⁰⁴ and reporting as needed to Council through the GEF Monitoring Reports
- iii. *Knowledge and Learning*: facilitating knowledge exchange and learning throughout the Partnership via the development and implementation of a partnership-wide Knowledge Management strategy¹⁰⁵ from the multi-stakeholder platforms of the programmatic approaches
- iv. *Country Engagement*: enhancing country ownership and engagement through the implementation of the proposed GEF-8 Country Engagement Strategy
- v. *Policy Coherence*: promoting the dimension of domestic policy coherence as a contextual factor in both new and ongoing GEF programming
- vi. *IEO Recommendations*: continuing the implementation of the suite of sustainability-related recommendations from the IEO OPS-7 studies

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

¹⁰⁴ This was also recommended by the recent IEO Evaluation: GEF/E/C.60/07, *Results Based Management – Evaluations of the Agency Self-Evaluation Systems and the GEF Portal*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_07_RBM_SES_Portal_Combined_Report_FINAL.pdf

¹⁰⁵ This was one of the recommendations of the recent IEO evaluation: GEF/E/C.59/04, *Evaluation of Knowledge Management in the GEF (2020)*, https://www.thegef.org/sites/default/files/council-meetingdocuments/EN_GEF.E_C59_04_evaluation_of_KM_GEF_2020.pdf