



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

GEF/E/C.60/09
June 3rd, 2021

60th GEF Council Meeting
June 14–18, 2021
Virtual Meeting

Agenda item 7

MANAGEMENT RESPONSE TO:
GEF SUPPORT TO INNOVATION: FINDINGS AND LESSONS

INTRODUCTION

1. The Secretariat welcomes the report on “GEF Support to Innovation: Findings and Lessons”, and appreciates the overall approach to assessing the GEF’s efforts and progress in supporting innovation, the results of innovative interventions, the factors that have influenced innovation in the GEF, and to identify lessons for GEF-8. The findings on the general status of innovation across the GEF portfolio is especially noteworthy given the nature of innovation and how it comes about. We also agree with other major findings on risk levels of innovative projects and of the factors associated with innovation as these will be particularly important in the design of the GEF-8 Programming Directions.

2. The Secretariat also notes the cross-linkages between findings from this Evaluation and those of other OPS-7 Evaluations currently being presented to Council, such as the “Formative Evaluation of the GEF Integrated Approach to address the Drivers of Environmental Degradation”.¹ Of particular note is the finding that the design of ongoing projects in the integrated programs of GEF-6 and GEF-7 commonly incorporates innovation.

3. The Secretariat greatly values the report’s findings on the factors that influence the effectiveness of innovation that can lead to higher value added and transformational change. These factors are already being used in the design and eventual implementation of the GEF-8 strategy and include:

- a) The utilization of multi-sectoral integrated approaches, along with economic incentives to help achieve environmental gains,
- b) The combination of different types of innovation that increase outcomes sustainability and the potential for scaling up,
- c) The focus on stakeholder engagement that is an important driver of innovative projects,
- d) The incorporation of adaptive management into project design increases the probability of success,
- e) A strong focus on KM and lessons learned that supports better replication and scaling up of results.

4. This management responses focuses on specifically on the recommendations of this report and articulates strategies for addressing them going forward.

¹ GEF/E/C.60/04, *Formative Evaluation of the GEF Integrated Approach to Address the Drivers of Environmental Degradation*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_04_Evaluation_of_GEF_Integrated_%20Approach_for_the_Drivers_of_Environmental_Degradation.pdf

RECOMMENDATION 1

“Since many innovations involve risks, the GEF Secretariat should continuously monitor the risk across the GEF portfolio. The GEF Council, together with the GEF Secretariat and STAP, should, based on such assessment, identify an acceptable risk tolerance level for the GEF portfolio. This risk tolerance level should be clearly communicated to the Agencies along with clarity on defining an innovative project and the criteria for selection of innovative projects.”

5. The Secretariat welcomes this recommendation and feels that it is critical to define an acceptable appetite for risk that will guide the selection and design criteria for innovative projects. The appetite for risk needs to be clear as it has implications not only for the selection of projects, but also on the overall performance and success rates of the GEF portfolio of such projects.

6. To address this recommendation, the Secretariat will seek guidance from both STAP and the GEF Council so as to examine the tradeoffs of risk versus innovation in the GEF-8 replenishment negotiations, with an aim to establishing a clear baseline for risk acceptance in GEF-8 programming and to a risk assessment in the ongoing projects and programs in the GEF portfolio. The Secretariat sees this as the essential first step that can then guide the subsequent steps as identified by this recommendation. In addition to the valued findings of this Evaluation, the Secretariat would also like to highlight a recent STAP document on this topic entitled “Innovation and the GEF”² - it is therefore envisaged that STAP will be particularly valuable on this recommendation, and the Secretariat plans to work closely with them in this regard.

RECOMMENDATION 2

“The GEF should continue to explore and partner with innovation support programs that may mobilize larger sources of risk capital, and should explicitly encourage adaptive, flexible management of innovative interventions. This could include a separate funding window for innovative projects, as well as adaptive management and flexible funding, such as a contingency component.”

7. The GEF agrees with this recommendation and considers this reference to flexibility as critical to the continued expansion of innovation within the GEF portfolio. The GEF feels that innovation cannot thrive under rigid and rules-based processes, and the recommendation to encourage adaptive and flexible management of innovations is encouraging. We are also excited by the recommendation to explore partnerships that may be non-traditional for the GEF and that may lead to increased resources and new avenues for creative innovation.

² GEF/STAP/C.55/Inf.03, *Innovation and the GEF: A STAP Document*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.STAP_.C.55.Inf_.03_STAP_Innovation.pdf

8. The GEF will address this recommendation during the GEF-8 replenishment negotiations by exploring with replenishment participants the possibilities for new funding modalities and funding windows that can provide the flexibility that is desired for increasing innovation within the GEF portfolio. We will also explore a dialogue with risk capital entities which may be attracted to invest in GEF projects if flexible and responsible funding modalities can be found. These steps will build upon ongoing GEF engagements with innovation investments such as the Non-Grants Instruments (NGI), and will incorporate learnings from these as well as from other experiences such as the “Challenge Program” of the LDCF Trust Fund.

RECOMMENDATION 3

“The GEF must require monitoring, mid-term reviews, evaluation, and knowledge sharing in all innovative projects, regardless of project size. Regular monitoring and mid-term reviews should be required for innovative projects of all sizes, to allow for learning and adapting as needed in time, and lessons should be captured and shared widely to understand factors underpinning success or failure, prior to scaling up or replication.”

9. The Secretariat agrees with this recommendation and considers this an essential component of any learning organization. The Secretariat also recognizes that, over and above the portfolio that can be characterized as “innovative”, this recommendation can in fact be applied to all types of projects and programs. To this end the Secretariat would like to highlight the current Monitoring Policy³, the current Evaluation Policy⁴, and the recent updated Guidelines on the Project and Program Cycle policy⁵, all of which articulate the guiding principles and latest mandatory requirements for monitoring the performance of the GEF portfolio.

10. With respect to innovation in particular, the Secretariat has increasing experience with learning and adapting from innovation. For example, as part of its on-going portfolio of International Waters investments, the “IW-Learn” program is one demonstration of how the GEF has already successfully leveraged the critical elements of this recommendation, through its work with that community of practice to build a knowledge base of innovation and other tools and lessons learned that are then used in the design of new projects.

11. In addition, the Secretariat would like to highlight that all of the integrated programs have global coordination platforms that bring together diverse sets of stakeholders (the respective communities of practice) to exchange ideas, lessons, and establish the knowledge base for that group of interventions including innovation and innovative approaches. This was acknowledged as a key characteristic of the integrated programs in GEF-6 and GEF-7 in the OPS-

³ GEF/C.56/03/Rev.01, *Policy on Monitoring*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.56.03.Rev_01_Policy_on_Monitoring.pdf

⁴ GEF/ME/C.56/02/Rev.01, *The GEF Evaluation Policy*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C56_02_Rev01_GEF_Evaluation_Policy_June_2019_0.pdf

⁵ GEF/C.59/Inf.03, *Guidelines on the Project and Program Cycle Policy (2020 Update)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.59_Inf.03_Guidelines%20on%20the%20Project%20and%20Program%20Cycle%20Policy.pdf

7 Evaluation on the “Formative Evaluation of the GEF Integrated Approach to address the Drivers of Environmental Degradation”⁶ currently being presented to Council.

12. The Secretariat would also like to point to several developments relevant to this recommendation that are simultaneously taking place. Firstly, as recommended by the Knowledge Management evaluation⁷, the Secretariat is in the process of developing a partnership-wide KM strategy, the implementation of which will enhance the harnessing and dissemination of lessons on multiple dimensions of GEF projects, including innovation. Secondly, as recommended by the Medium-Size Projects evaluation⁸, the MSP modality will continue to be used for developing innovative projects in particular, and that relevant lessons will be provided from the monitoring of those projects. Finally, with an eye to the continued improvement of the GEF Portal to serve the expanding needs of the GEF partnership, the Secretariat can consider several portal enhancements that can facilitate enhanced learning related to innovative projects through the development of specific fields and tags for relevant data capture.

CONCLUSION

13. The IEO report on Innovation brings forth some important findings and recommendations for the GEF Partnership. As recognized in the report, innovation has been and continues to be an integral component of the business practice of the GEF, and needs to figure prominently in GEF-8 and beyond if we are to be successful in our ambition for higher impact and transformational change.

14. Importantly, the report sheds light on the links between risk, its management, and the degree of success of innovation as an outcome of GEF projects. Equally importantly, the report recognizes that some of the recommended actions whose achievement will be critical to the further fostering of innovation in GEF programming need to be jointly addressed by members of the GEF partnership. In particular, it will be crucial to get guidance and consensus from both STAP and the GEF Council on the appetite for risk, as this will dictate to a large degree how “innovative” the GEF can and should be.

⁶ GEF/E/C.60/04, *Formative Evaluation of the GEF Integrated Approach to Address the Drivers of Environmental Degradation*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_04_Evaluation_of_GEF_Integrated_%20Approach_for_the_Drivers_of_Environmental_Degradation.pdf

⁷ 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

⁸ GEF/E/C.59/03, *Evaluation of the Role of Medium Size Projects (MSP) in the GEF Partnership*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C59_03_IEO_MSP_Evaluation_Nov_2020_0.pdf

15. The Secretariat will track progress on the implementation of each of these recommendations and report to Council as needed, including through the IEO's standard Management Action Record.