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INVESTING IN OUR PLANET



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REVISED INNOVATIONS WINDOW
(PREPARED BY THE GEF SECRETARIAT)

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REVISED INNOVATIONS WINDOW

Introduction

1. Since its inception, the Global Environment Facility (GEF) was intended to become an innovative mechanism leading the way in the development of solutions that can deliver global environmental benefits at scale. In recent years, however, the state of the global environment has deteriorated further and was aggravated by the COVID-19 pandemic, making innovation in the GEF more important than ever. The demand for new tools, practices, and innovative solutions to global environmental challenges is growing rapidly. The GEF needs to remain well positioned to contribute towards helping countries develop greener pathways to recovery, find new and innovative solutions to global environmental problems, and help guide the world towards some transformative changes in key economic systems.

2. Innovation has been defined by STAP as “... *an idea, embodied in a technology, product, or process, which is new and creates value. To be impactful, innovations must also be scalable, not merely one-off novelties*”¹. Discussions of innovation are frequently accompanied by statements about the greater associated risks. In the same STAP report: “...*the key issue for innovation in the GEF is risk... it is therefore important to question and assess at the strategic level what would be a desirable and acceptable levels of risk in different areas of the investment portfolio. This could involve setting targets for success, recognizing that some innovations will fail.*” Also, risk was identified as one of the major impediments to innovation by the IEO² and it recommended in that study that “*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*” presumably to foster more innovation in parts of its portfolio.

3. A recent review of the role of GEF and other donor-supported climate finance in WorldBank operations concluded that resources aimed at innovation have been critical enablers of risk-taking, piloting and innovating. Some GEF projects approved as demonstrations or pilots were understood to have higher risks; the objective was to test concepts for possible replication and scaling, or, if unsuccessful, to learn from failure.

4. Over the past decade specifically, the GEF 2020 Vision highlighted a greater need for the GEF to support innovative and scalable activities to address the drivers of environmental degradation. The strategy suggested several models for GEF projects, including demonstrating innovative approaches and deploying innovative financial instruments to help de-risk investments

¹ Toth, F., 2018. Innovation and the GEF: Scientific and Technical Advisory Panel to the Global Environment Facility, Washington, DC. <https://stapgef.org/resources/advisory-documents/innovation-and-gef>

² GEF/E/C.60/02, GEF Support to Innovation – Findings and Lessons, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_02_GEF_Support_to_Innovation.pdf

by others. In this period, innovation also included the deployment of the Integrated Approach Pilots as an innovative modality to identify the most effective ways to reach a higher impact and scale while addressing the drivers of environmental degradation.

5. The recent OPS-7 Evaluation³ conducted by the Independent Evaluation Office (IEO) documented very well the GEF's past record on innovation at the strategic level, at the institutional level, and through projects and programs. Also, in the recent IEO report on Innovation,⁴ the findings clearly indicate that innovation has been a defining element of GEF's comparative advantage and has transcended GEF's investments. The recent IEO study on Medium-Sized Projects⁵ found the MSP modality to be particularly effective for piloting new approaches for scaling up and enhancing knowledge sharing, for testing out new ideas, and for applying new concepts or proof-of-concept in a pilot setting. However, MSPs may not have achieved their highest potential in terms of innovation due to a lack of a specific innovative focus as its primary objective, and a defined and accepted higher tolerance for risk.

6. The overall OPS-7 analysis found that the GEF supports innovation across its portfolio in all focal areas, project sizes, regions, and trust funds, with an increasing trend in innovative projects over the GEF replenishment periods. One of the conclusions of the OPS-7 is that the GEF is recognized as more innovative than other environmental funding institutions, balancing the pursuit of innovation with risk and performance considerations in its programming, and thereby also preparing the groundwork for other donors to scale up its successful pilots.

7. In projects, innovations have spanned several dimensions, and are often aimed to achieve value added and transformational change. The Integrated Approach Pilots and Impact Programs are characterized by multiple aspects of innovation. At the strategic level, these programs are innovative in their approach to addressing the drivers of environmental degradation and driving transformational change at large scale involving multiple agencies based on their comparative advantage, countries based on relevance and ownership, and a broad spectrum of stakeholders that offer diverse expertise. These programs define management innovations due to their scale and complexity of partners and stakeholders, and also governance innovations due to their efforts to increase policy coherence and private sector engagement. Technological advances have been mainly introduced for renewable energies and methods for nature-based solutions. Projects of different sizes – including SGP projects and MSPs – also advance technical, institutional, and

³ GEF/E/C.61/inf.01, 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, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C61_Inf.01_OPS7_Final_Report.pdf

⁴ GEF/E/C.60/02, GEF Support to Innovation – Findings and Lessons, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_02_GEF_Support_to_Innovation.pdf

⁵ 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

social innovations. In addition to projects, GEF processes at the institutional level have proven to be innovative – for example, GEF safeguard policies were instrumental in influencing GEF Agencies in the improvement of their own policies, and the Indigenous Peoples Advisory Group (IPAG) was a novel approach. All of these aspects for innovation are being further and explicitly strengthened through the proposed GEF-8 Programming Directions.⁶

8. The GEF-7 Strategies and Programming Directions (2018–2022) refers to the GEF’s comparative advantage in being an innovator, incubator, and catalyst while actively seeking to effect transformational change. The focal area strategies include their own plans to foster innovation, and the Impact Programs were also designed to promote innovation, achieve breakthroughs, and emphasize the importance of knowledge sharing and cross learning through various stakeholder platforms.

9. As we move forward towards 2030, the GEF aspires to continue as a beacon of innovation in the global environment finance space, making it one of its key comparative advantages and value additions among other funds. This involves the pursuit and testing of novel ideas and solutions, managing risk, and keeping good standards of performance in its selection and design of projects. The GEF as an institution must continue to build on its innovation approach because it occupies a unique position in the environmental governance space, being the only institution that simultaneously serves several major multilateral environmental conventions. Capitalizing on this ability to synergize between the conventions is where the GEF can innovate and support transformational change.

10. A keynote recommendation that emerged from the OPS-7 Report states that “[t]he GEF should continue to pursue innovative projects to advance transformational change”.⁷ To this end, among other things, the IEO recommends that “[t]he GEF could consider establishing a specific window for financing innovation with a higher risk tolerance”.⁸ Relatedly, the IEO’s Innovation study itself recommends that the GEF consider “...a separate funding window for innovative projects...”. The GEF Secretariat has fully embraced this recommendation and, to this end, the following section describes a proposal for a new *Innovation Window*.

Goal of Innovation Window

11. As the financial mechanism of multilateral environmental agreements and with its programming portfolio that is increasingly targeted to integrated solutions, the GEF must play a central role over the next decade in the needed global systems-change towards a society that is

⁶ GEF/R.8/05, GEF-8 Programming Directions, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-8%20Programming%20Directions_0.pdf

⁷ GEF/E/C.61/inf.01, 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, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C61_Inf.01 OPS7_Final_Report.pdf

⁸ Ibid.

increasingly nature-positive, carbon neutral, rights-based, and with reduced pollution. The leadership role of the GEF in the environmental space, the strategic direction of its next two replenishment cycles, and the continued impact of its portfolio of ongoing projects are all critical parameters to the future of the planet. Importantly, the GEF must explore new ways to prioritize and maximize the efficient use and impact of the limited resources that are made available at every funding cycle in pursuit of maximum impact.

12. To this end, the goal of this Innovation funding window is to invest in innovation activities that will both directly and indirectly support and enhance the impact of its funding by providing information, analyses, knowledge, and tools that improve the quality, design, implementation, effectiveness and impact of ongoing and future GEF programming. GEF financed innovation is particularly justified when there is evidence that the absence of tools and solutions to address environmental issues has hampered the development and implementation of GEF projects and programs. Similarly, it is highly relevant when there is a need to adjust the GEF strategy in the light of the evolving guidance of the Conventions. It is envisioned that the role of GEF in the field of innovation would be in testing and piloting new models, tools, and solutions to global environmental problems. This would also entail a focus on the generation of knowledge aimed at improving the effectiveness of GEF's core activity.

13. Investment in innovation should produce knowledge that (1) investigates specific GEF project and/or program development challenges, and offers proposed solutions where relevant, (2) compiles and disseminates GEF experiences of “best practices” and “lessons learned” across project modalities, thematic areas, countries, country groups, and regions, (3) provides guidance on replication and scaling up, (4) links the GEF to the larger international conversations and initiatives that are focusing on the global needs of the next decade to 2030, contributing to the discourse on over-arching methodological topics and providing on-the-ground experience and analyses, and (5) positions the GEF as the thought-leader on a particular topic.

Principles of Investment and Eligibility

14. GEF investments in innovation projects will follow key principles and eligibility criteria for relevance to GEF’s strategic role as an environmental funder, as follows:

- *Convention Guidance.* Innovation activities must be consistent with the guidance approved by the different MEAs for which the GEF serves as a financial mechanism.
- *Consistent with the GEF mandate, objectives and strategy.* Investments in innovation should focus on one or more elements that are relevant to the GEF Programming Directions Strategy. This includes, the Global Environmental Benefits, the Integrated Programs, the Focal Area Strategies, among others.
- *Strategically Deployed.* It is envisioned that with relatively small amounts of money the GEF could produce a wealth of cutting-edge knowledge and experience that can be either

scaled up in the case of successful outcomes or serve as lessons learned to be built on in the case of failures.

- *Scientific Soundness*. Research and innovation activities should be based on sound research techniques and approaches in the fields of natural, social and economic sciences.

Investment in Innovation

Following STAP's guidance⁹ we envision 5 areas of investment where innovation can be critical to the success of future GEF investments. The following is an indicative list of these areas for potential investment.

1. Technological Innovation

Provide key funding to “game-changing” investment in technology to help cross the “valley of death” that many new technologies face.

2. Innovative financing

Test new funding vehicles and blended finance models for larger impact.

3. Business model innovation

Deepen the engagement with the Private Sector.

4. Policy Innovation

Support GEF's innovation and impact in policy areas.

5. Institutional innovation

GEF projects could foster changes in institutional conditions to reverse resource degradation and to increase the efficiency of investments in the natural resource base with environmental benefits far beyond the intended scale.

Role of STAP

15. The Scientific and Technical Advisory Panel (STAP) will play an important and key role in providing guidance for investments of this new funding window. First, STAP will help identify potential topics of investment that are relevant to the goals as stated above. STAP will also review all submissions and provide detailed comments to be addressed before project approval and during its implementation. Additionally, STAP will also participate in the final evaluation of these investments to provide context and added value to help strengthen this funding window in GEF-8 and beyond. Finally, as an overarching guiding principle, the GEF will be working together with STAP and the GEF Council to examine the tradeoffs of risk versus innovation, with an aim to establishing parameters for risk assessment, risk acceptance, and risk tolerance in programming.

⁹ Toth, F., 2018. Innovation and the GEF: Scientific and Technical Advisory Panel to the Global Environment Facility, Washington, DC.