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Agenda item 9

MANAGEMENT RESPONSE TO:

**WORKING TOWARD A GREENER GLOBAL RECOVERY
FINAL REPORT OF OPS7
(Seventh Comprehensive Evaluation of the GEF)**

Recommended Council Decision

The Council, having considered documents GEF/E/C.61/01, *Working Toward A Greener Global Recovery - Executive Summary of OPS7*, GEF/E/C.61/inf.01, *Working Toward A Greener Global Recovery - Final Report of OPS7*, and GEF/C.61/10, *the Management Response*, takes note of the related evaluation recommendations and endorses the management response to address them.

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INTRODUCTION

1. The GEF Secretariat welcomes the *Final Report of OPS-7: Working Towards a Greener Global Discovery*. The Secretariat appreciates the suite of IEO recommendations of this report to help guide both the Secretariat and the wider GEF partnership in continued and positive progress.
2. The OPS-7 is an umbrella report, and close to 30 component evaluations upon which this report builds have already been put forward to Council over the last three years. Throughout these years, the Secretariat has had a productive engagement with the IEO on these studies and evaluations, in both the ongoing implementation of GEF-7 and in the creation of the GEF-8 strategy. As such, and as can be seen from many of the responses below, many findings and recommendations have already been incorporated into the GEF-8 programming¹ and policy² directions that are currently under development and discussion in the GEF-8 replenishment process.
3. The Secretariat is encouraged by the positive conclusions of this report. The analysis finds that the GEF continues to be a relevant financing mechanism of five different conventions, remains a robust and adaptable partnership with a strong record of performance, and plays a critical role in convening different stakeholders. Conclusions of the report state that the GEF is a source of predictable environmental finance that enables the mobilization of cofinancing and project scale-up, supporting upstream policy work and the development of enabling environments at the country level, and with a tried and tested set of implementation mechanisms. The Secretariat appreciates that the GEF is recognized by the report as more innovative than other environmental funding institutions, characterized by GEF policies and systems that are generally consistent with global good practice, and with both results-based management and knowledge management systems that continue to improve over time.
4. The Secretariat particularly values the findings that the GEF has an important competitive advantage in enabling programmatic approaches across complex systems through the pursuit of a trajectory of integration with the design and implementation of impact programs grounded in a systems change-based approach. The report's analysis on the relevance and strategic importance of these programs for tackling major drivers of environmental degradation, and progress made with harnessing design lessons from GEF-6 to GEF-7, are particularly noteworthy, and lend evidence to the deepening of the Secretariat's integrated programming approach in the proposed GEF-8 programming strategy.³

¹ GEF/R.8/05, *GEF-8 Programming Directions*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-8%20Programming%20Directions_0.pdf

² GEF/R.8/06, *GEF-8 Policy Directions: The Enabling Environment for Transformation*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-8%20Policy%20Directions_EN_R8_06.pdf

³ GEF/R.8/05, *GEF-8 Programming Directions*, https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-8%20Programming%20Directions_0.pdf

5. Notwithstanding the positive findings of the report, the Secretariat also acknowledges the various challenges identified and welcomes the report's articulation of the opportunities for further improvement along a number of programming, operational and procedural dimensions. These are encapsulated by the report's 9 high-level recommendations on a variety of topics. This management response therefore focuses specifically on these recommendations and outlines broad strategies for addressing them going forward.⁴

INTEGRATED PROGRAMMING

The GEF should continue pursuing integration in programming but should clearly demonstrate the additionality of this approach in terms of environmental benefits, socioeconomic co-benefits, policy influence, and inclusion. The impact programs should be maintained along current themes, but with a greater emphasis on nature-based solutions to challenges at the social-ecological nexus. Complementarities between existing and proposed projects should be more clearly sought and articulated to support a systems-oriented approach.

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

6. The Secretariat is in agreement that establishing clarity on roles, coordination among Agencies, and monitoring, reporting, and knowledge management responsibilities across the partnership is imperative for program success. These are critical aspects of integrated programming, and will be explicitly built into the design, monitoring and implementation of the integrated approaches going forward.

7. As discussed in the Management Response to the Formative Evaluation of the GEF Integrated Approach to address the Drivers of Environmental Degradation⁵, the Secretariat, in consultation with Agencies, will also work on an updated Terms of Reference for Lead Agencies of Programs, which will take into specific consideration the need to deliver a fully designed framework for the coordination child project along with the Program Framework Document, the need for engagement with country child projects to ensure alignment and consistency with the program approach and results framework, the commitment to implementation activities that support systems-based thinking, and the need to clarify operational roles and

⁴ As many of these recommendations relate to underlying component evaluations to which the Secretariat may have already provided detailed management responses, these are referenced where relevant.

⁵ GEF/E/C.60/09, *Management Response to: 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.C.60.09_Evaluation_Integrated_Approach.pdf

responsibilities for working with the private sector entities involved in value chains on multinational, national, and subnational scales.

8. In addition, the Secretariat will make use of several requirements that are codified in the guidelines specifically for the integrated programs in order to track overall performance. This will include the design of coordination child projects alongside the Program Framework Document. This will ensure that program priorities including theory of change, results framework, and governance mechanisms are well established at the onset. It will also include the focus of coordination child projects on the aggregation of results across child projects under the program, and the following by country/thematic child projects of the relevant implementation milestones for monitoring and reporting. The process and steps described above have already been presented and discussed at the Second Meeting of the GEF-8 Replenishment⁶, and will be further refined with inputs from all replenishment participants.

9. The criteria for county participation in each IP will take into consideration commitment to nature-based solutions, stakeholder engagement, innovative finance, and relevant policies. The Secretariat would also like to highlight that, as acknowledged by the OPS-7 Evaluation, a key characteristic of the integrated programs in GEF-6 and GEF-7 are the global coordination platforms that bring together diverse sets of stakeholders (the respective communities of practice) to exchange ideas, lessons, and establish the knowledge management base for that group of interventions. All of these dimensions will be strengthened through the GEF-8 Integrated Programs, as articulated in the proposed GEF-8 Programming Directions.

SMALL GRANTS PROGRAMME

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

10. The Secretariat welcomes the OPS-7 strategic and overarching recommendation to reappraise the vision of the GEF SGP Corporate Program to expand its purpose and potential for impact as well as explore opportunities for drawing on the expertise of its expanded Agency network. While the Third Joint SGP Evaluation found that SGP has been effective in delivering results over the last 25 years, it also highlighted a set of important findings, challenges and

⁶ GEF/R.8/08, *Note on Operationalizing the GEF-8 Integrated Programs*, <https://www.thegef.org/council-meeting-documents/note-operationalizing-gef-8-integrated-programs>

opportunities that suggested further review and modification of the existing SGP financing modalities to inform future replenishment periods.

11. Several steps have already been initiated to renew the strategic directions and vision for the SGP, and the Secretariat will continue to build on these efforts. As outlined in more detail in the GEF Management Response to the Third Joint GEF-UNDP Evaluation of SGP⁷, the Secretariat will work with UNDP and the SGP Steering Committee to review and recalibrate existing modalities. The Secretariat appreciates the findings and conclusions related to the potential need to re-examine the upgrading policy. The Secretariat recognizes that, while the upgrading process has brought some benefits (such as access to greater resources for more mature country programs), it has also been unfavorable in other aspects, including the uncertainty of access to resources and competition with other country priorities. The Secretariat, in consultation with the UNDP, will take stock of challenges and risks associated with the current upgrading policy and discuss the feasibility of adopting different criteria and operational modalities, taking into account CSO capacity, CSO-government relationship, and potential for global environmental benefits.

12. In addition, the Secretariat would like to point to the proposed GEF-8 SGP Strategy that was presented to the Second Replenishment Meeting.⁸ The proposed strategy reflects an increased ambition and approach to move towards a SGP 2.0 in GEF-8 and beyond, taking into account the important role of civil society actors and solution in the post-pandemic green recovery. The proposed strategy further suggests piloting a new financial window to include a complementary finance modality for other GEF Agencies to strategically channel financing to civil society actors and organizations aligned with emerging GEF priorities and ambitions and to support the delivery of future GEF projects and programs. It also includes proposals to review and recalibrate SGP modalities including the upgrading policy.

13. Considering that the SGP is a community-driven and country-led programme, the GEF Secretariat is committed to facilitating a broad-based consultative process to formulate a longer-term vision and to solicit input and feedback from all relevant stakeholders in the broader GEF Partnership. Early findings of the stocktaking and consultative exercise will be incorporated in forthcoming GEF-8 Replenishment documents. In addition, the planned SGP Implementation Arrangements for GEF-8 (to be prepared for the June 2022 GEF Council) will include more details to support decision-making by the GEF Council at the onset of GEF -8. It is important to note, however, that the Secretariat does not expect that the findings of the longer-term visioning process will be immediately reflected in the GEF-8 implementation arrangements, but that the findings of this exercise will help guide a gradual expansion and transitional shift of the GEF SGP Corporate Program over GEF-8 towards GEF-9.

⁷ GEF/E/C.60/09, Management Response to the Third Joint GEF-UNDP Evaluation of the Small Grants Programme, <https://www.thegef.org/sites/default/files/council-meeting-documents/SGP%20Management%20Response.pdf>

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

ADMINISTRATIVE PROCESSES

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

14. The Secretariat welcomes this recommendation, whilst noting that the time for preparation and approval is dependent on a host of variables, many of which are not within the Secretariat's direct control. Nonetheless, as is done in the preparation for every new replenishment cycle, the Secretariat will in the coming months be revisiting its suite of policies, procedures, operations, and guidelines (including on the MSP process) to determine what adjustments need to be made to take into account global context, programming priorities, evaluative evidence, and operational experience. In particular, the need to operate at higher speed for private sector operations while maintaining transparency points to some opportunities for streamlining GEF processes and reducing the transaction costs involved in the Non Grant Instruments (NGI) window.

15. It should be noted that the need for greater speed in project preparation and implementation must be seen in the context of the Secretariat's adherence to the existing policy and operational standards as mandated by the Council. In addition, movement along the stages of the project cycle through implementation and execution (for enabling activities as well as all other project modalities) are mainly in the hands of the GEF Agencies.

16. To this end, the Secretariat would like to point to its increased efforts in monitoring through GEF-7. Over the years, the GEF Secretariat has adopted a coherent set of policies and guidelines setting out principles and criteria for increasing the quality and delivery of projects and programs. In addition to strengthening its reporting on portfolio progress, the GEF Secretariat has also initiated diagnostics of the adequacy of the information it receives and its ability to prompt Agencies and countries to improve implementation. This has contributed to the development of new tools, such as Country Factsheets developed to assist Operational Focal Points in managing programming and improving portfolio progress. As evidenced by recent editions of the Monitoring Report⁹, the GEF Secretariat has also enhanced its focus on the quality and efficiency

⁹ GEF/C.61/03, *The GEF Monitoring Report 2021*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.61_03_The%20GEF%20Monitoring%20Report%202021_1.pdf

of projects under implementation by expanding the set of metrics assessing portfolio performance through the Portfolio Scorecard.

17. Looking ahead to GEF-8, these initiatives as well as others under development will assist the Secretariat, the Agencies, and the Countries to keep better track of implementation and ongoing performance across all dimensions of programming.

SYNERGIES AND COOPERATION AMONG AGENCIES

The GEF should establish clear ground rules for GEF Agency interactions with respect to project development and implementation, and in terms of engaging with OFPs and executing agencies. Ground rules should provide guidance to the Agencies about what is—and is not—acceptable at the country level. Efforts should be made to minimize certain types of competition, favoring the selection of Agencies that have demonstrated a clear comparative advantage for certain project types and locations. Potential synergies should be cultivated between Agencies, drawing on the respective strengths of the various Agency types. GEF Agencies should be allowed to execute their own projects only on an exception basis to encourage more national organizations to undertake project execution.

18. The Secretariat appreciates the intent of this recommendation, which is aligned with the directions proposed in the GEF-8 Replenishment documents to address concentration among Agencies. The Secretariat would like to highlight that Agencies use their own policies and procedures for the development and implementation of projects, deploying relationships they have built with recipient countries and executing entities, and that the Secretariat already requires that these are consistent with minimum standards approved by Council, and provides guidelines to help Agencies interpret and adhere to these standards and other GEF policies. As such, the Secretariat feels that additional GEF rules would add complexity to accessing GEF financing, increasing the risk of inconsistency between GEF and Agency policies and procedures and also contradicting simultaneous calls for streamlining in other OPS-7 recommendations. The Secretariat therefore instead proposes exploring a number of changes and enhancements aimed at achieving similar objectives rather than introducing additional rules governing interactions between Agencies and countries, such as enhancing the support provided to countries and OFPs and helping them make fully informed decisions on the choice of GEF Agency through activities already under exploration for GEF-8 such as the development of a Country Engagement Strategy that includes a revised Country Support Program (CSP), and the development of knowledge and learning across the partnership.

19. The Secretariat agrees that countries should preferentially choose Agencies with the proper expertise and presence to be able to achieve the intended results of GEF projects. While the selection of Agencies is a country responsibility, the Secretariat supports countries by facilitating knowledge and learning and information on available resources and partners. Further efforts in this area will also be supported through the activities mentioned in a new GEF-8 Country Engagement Strategy. The Secretariat is also developing a knowledge and

learning strategy in collaboration with the Agencies that will also help implement this recommendation.

20. The Secretariat appreciates the recommendation that “synergies should be cultivated between Agencies”. A key feature of the GEF is the opportunity for collaboration among different types of Agencies with a shared mission. In addition to regular retreats and knowledge sharing events, the Secretariat proposes that additional concrete opportunities for this will be facilitated through the GEF’s Integrated Programs and increased emphasis on this modality in GEF-8. Finally, the Secretariat strongly agrees that GEF Agencies should only execute projects on an exceptional basis to encourage more national organizations to undertake project execution. This has been established in GEF policy and the Secretariat has confirmed this in further information and guidance provided to Agencies. The Secretariat will continue to follow this approach.

COUNTRY ENGAGEMENT

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

21. The Secretariat welcomes this recommendation. Country engagement and ownership is a core philosophy that lies at the center of GEF programming and delivery. As the GEF’s programming moves into more integrated spheres, robust country engagement is increasingly critical to delivery, while at the same time greater demands are being placed on Operational Focal Points (OFPs) and country stakeholders, including diverse line ministries. There is therefore a renewed sense of urgency in ensuring that GEF recipient countries are well equipped, have the capacity and knowledge to lead strategic decisions on environmental priorities, and engage with partners in ensuring lasting and impactful global environmental outcomes. The findings and recommendations of the OPS-7 report, the recent IEO Evaluation of the CSP Program¹⁰, and the ongoing experiences of country engagement at the technical level, all give the basis for the adoption a large-scale, coordinated approach to country engagement

¹⁰ GEF/E/C.60/03, *Evaluation of the Country Support Programme (CSP)*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.E_C60_03_Country_support_program_evaluation.pdf

that both brings under one GEF umbrella all components, and simultaneously expands reach and sustained impact at the domestic level.

22. The Secretariat is therefore in the process of developing a renewed, strategic, and holistic approach to country engagement that will build on the Country Support Program as recognized by IEO, by donors and stakeholders and use the corporate Program as one of the pillars or implementation mechanisms to achieve the vision of an over-arching Country Engagement Strategy (CES). The GEF-8 CES will be intended to empower and enable countries in the ownership of their portfolios in design and execution. Country engagement will take into account local context and capacity in order to increase effectiveness. This approach will maximize the capability of recipient countries to make expected informed and impactful strategic decisions on the use of GEF resources towards globally relevant targets, outcomes, impact, and sustainability. The Secretariat will also pursue the recently council-endorsed Long-Term Vision on Complementarity, Coherence, and Collaboration between the Green Climate Fund and the Global Environment Facility¹¹, developed jointly by the GCF and the GEF Secretariats, including a more coherent engagement of GEF OFPs and GCF's NDAs. The GEF-8 CES will be presented to the Third Replenishment Meeting in January 2022, and its implementation arrangements will be presented to the 62nd Council Meeting in May 2022.

PRIORITY COUNTRY GROUPS

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

23. The Secretariat welcomes this recommendation. The Secretariat would like to highlight that GEF programming has always paid special and increasing attention to the needs of these priority countries. The importance of distributing resources to LDCs and SIDS has been an ongoing theme of GEF programming since the development of the RAF in GEF-4, and since GEF-5, the shares of STAR resources to SIDS and LDCs have been steadily increasing in each GEF-cycle. This is in line with the objectives of the GEF-8 programming, one of which is to assist vulnerable countries in the ongoing effort to tackle the major drivers of environmental degradation to achieve systems change. The Secretariat is working on the GEF-8 STAR formulation that includes enhancements that will increase the distribution of resources to SIDS and LDCs, including the raising of focal area floors, the replacement of the GDP Index by

¹¹ GEF/C.60/08, *Long-Term Vision on Complementarity, Coherence and Collaboration between the GCF and the GEF*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.60_08_Long-Term%20Vision%20on%20Complementarity%2C%20Coherence%20and%20Collaboration%20between%20the%20Green%20Climate%20Fund%20and%20the%20Global%20Environment%20Facility.pdf

another measure of economic vulnerability, and the introduction of a measure of environmental vulnerability; the GEF-8 STAR inclusive of these elements will be brought to the Third Replenishment Meeting February 2022. Furthermore, STAR is but 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 be a significant provider of resources in this regard.

24. The Secretariat is already taking steps to enhance greater diversification of countries in the integrated programs proposed for GEF-8. As highlighted in the Management Response to the IAP-IP Evaluation¹², because the GEF-6 IAP programs and GEF-7 IPs were more focused on overall impact on a global scale, countries that were most critical for tackling the relevant drivers of environmental degradation were favored in the final selection. The criteria applied were not entirely conducive to the addition of countries that showed lower potential for delivery of GEBs at scale. Smaller STAR allocations from LDCs and SIDS further limited their ability to join in the programs. Although a few LDCs and SIDS expressed interest in joining the programs, those that did were selected based on demonstration of their potential to achieve impactful outcomes. Going forward, the process to promote greater diversification of countries in the Integrated Programs will also draw from the recommendations of the earlier IEO Strategic Country Cluster Evaluation of the Small Island Developing States to increase the number of integrated interventions in SIDS¹³. Finally, it should be noted that one of the programs is specifically focused on supporting green and blue recovery in SIDS.

25. With respect to capacity building across LDCs and SIDS, the Secretariat would like to point to the ongoing development of the GEF-8 Country Engagement Strategy (CES) described in response to the preceding recommendation. As discussed, this is intended to empower and enable countries in the ownership of their portfolios in design and implementation, with an expanded and coordinated approach to country engagement. This will take into account local context and capacity in order to increase effectiveness through a strategy that is based on relevant country grouping needs, customized approaches, and the strengthening of local support as well as the need to involve all of the technical and operational functions of the GEF Secretariat. Finally, with respect to country context in fragile and conflict-affected situations, as described in the Management Response to the Evaluation of GEF Support in Fragile and Conflict-Affected Situations¹⁴, the Secretariat is in the process of building upon the extensive range of innovative guidance of many of the GEF Agencies to develop internal guidance on

¹² GEF/E/C.60/09, *Management Response to: 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.C.60.09_Evaluation_Integrated_Approach.pdf

¹³ 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

¹⁴ GEF/E/C.59/06, *Management Responses*, https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_E_C.59_06_Management%20Response%20to%20IEO%20Evaluations.pdf

conflict-sensitive programming that will provide a framework that can be adopted during project design and across the project life cycle.

PRIVATE SECTOR ENGAGEMENT

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

26. The Secretariat agrees with the recommendation that the efficiency of private sector engagement could be improved with a narrower focus and specific targets. In the draft GEF-8 programming directions, each Integrated Program now has a dedicated section related to private sector activities that covers the types of organizations that are targeted to be engaged in the program, the identification of the most promising multi-stakeholder platforms that can bring scale and resources from the private sector to the IP and the role that we expect the private sector to undertake in the realizing the IP goals across the key focal areas. The targets for the private sector are aligned to the goals and targets of each IP, and as such the Secretariat has not determined separate approaches or parallel processes for the private sector, but rather seeks to ensure that the IP builds the private sector engagement into the process at an early stage, reflecting the recommendation on this issue from the IEO's OPS-6.

27. The Secretariat agrees that there is a need to work more closely with the private sector to better articulate GEF's value proposition, and to better develop an understanding of GEF's processes among the major private sector stakeholders. To meet this objective, the Secretariat is working through numerous fora, such as the WBCSD and the WEF to bolster the general level of understanding about the GEF, including policies and guidelines related to social and environmental safeguards, in multiple sectors and across key programs relevant to the GEF. In addition, the Secretariat will continue to strategically place staff experts into multi-stakeholder platforms, working groups and initiatives so that private sector investment and resourcing allocation decisions can align with the GEF's goals in relation to the delivery of GEBs in key geographies.

28. Taking into account the key role of the MSME actors in the creation and durability of GEBs, the Secretariat is actively seeking collaborations and scaling opportunities that engage value chains or multiple landscape partners, noting that from the IEO MSME review successful projects engaged at least three types of private sector actors. The Blended Finance Global Program (NGI Window) will seek to identify mechanisms to enroll financial intermediaries such

as local MFIs as executing partners who can expand services to underserved MSMEs/smallholder farmers on the front lines of environmental change. Whenever relevant, lessons learned from GEF SGP with MSME financing can be used to better serve MSMEs. The Secretariat, through consultative processes and the newly formed GEF Agency Private Sector Working Group, will continue to work with our Agencies to foster project pipelines that align with the Programming Directions and take into account opportunities to leverage the resources, financial and non-financial, of the private sector.

INNOVATION AND RISK

The GEF should continue to pursue innovative projects to advance transformational change. GEF project review mechanisms should incentivize innovative projects across the partnership. The preparation process should explicitly allow for consideration of the risk associated with these projects. Moreover, the process should be streamlined; because many innovative pilots are MSPs, they should not be subject to the same processes as larger projects.

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

29. The Secretariat welcomes the OPS-7 recommendation on Innovation and Risk. As recognized in the analysis, innovation has been and continues to be an integral component of the business practice of the GEF. The findings on the general status of innovation across the GEF portfolio, and that the design of the integrated programs of GEF-6 and GEF-7 commonly incorporate innovation, are especially noteworthy. As recommended by the Medium-Size Projects evaluation¹⁵, the MSP modality will continue to be used for developing innovative projects. During the GEF-8 cycle, the Secretariat will review policies and guidelines with a view to streamlining the project cycle across all project modalities. The Secretariat can also consider several enhancements to the GEF Portal that can facilitate enhanced learning related to innovative projects through the development of specific fields and tags for relevant data capture.

30. The Secretariat agrees that it is critical to define an acceptable appetite for risk that will guide the preparation, selection and design for innovative projects, and therefore impact the overall performance and success of such projects. The Secretariat welcomes that the recommendation recognizes that this needs to be jointly addressed by members of the GEF partnership, and so the Secretariat will seek guidance from both STAP and the GEF Council so as to examine the tradeoffs of risk versus innovation, 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

¹⁵ 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

programs in the GEF portfolio. The Secretariat is also exploring the possibilities for new funding modalities and funding windows in GEF-8 that can provide the flexibility that is desired for increasing innovation within the GEF portfolio, building on ongoing GEF engagements with innovation investments such as the Non-Grants Instruments (NGI), and incorporating learnings from these as well as from other experiences such as the “Challenge Program” of the LDCF Trust Fund. Finally, the Secretariat has embraced the recommendation to create a specific window for financing innovation with a higher risk tolerance, which is included in the Programming Directions submitted to the 3rd replenishment meeting.

POLICIES AND SYSTEMS

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

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

31. The GEF Secretariat notes the recommendation that monitoring of the implementation of GEF Policies should continue and should improve over time. The monitoring of the safeguards, gender and stakeholder engagement policies is governed by a separate GEF policy on the monitoring of the named policies. This establishes the scope of the Agency self-assessments and independent third-party reviews once per replenishment cycle, beginning in the final year of GEF-7. Lessons learned from this exercise in 2022 will inform whether the Policy on Monitoring Agency Compliance with GEF Policies may require further update. In addition, the Secretariat has provided reports to Council at each meeting since the recent approval of these updated policies, for the purpose of informing Council of the results of monitoring the policy adherence by Agencies. As the updated policies apply only to projects approved after the date of effectiveness, however, the Secretariat expects that availability of data on implementation will continue to improve over time and that evidence of effectiveness will increasingly be captured in Core Indicators.

32. The GEF Secretariat welcomes the recommendation on the need for reporting on the overall performance of each integrated approach pilot and impact program through aggregation of results across child projects, as well as to demonstrate the additionality of the integrated approach. The Secretariat considers these to be critical steps in the evolution of the integrated approach programming. As discussed in the Management Response to the Formative Evaluation of the GEF Integrated Approach to address the Drivers of Environmental

Degradation¹⁶, and as also discussed in the response to the “Integrated Programming” recommendation above, the Secretariat will consider that several requirements are codified in the guidelines specifically for the integrated programs in order to track overall performance. An important consideration in this regard is ensuring that Coordination child projects will be designed alongside the Program Framework Document so that program priorities including theory of change, results framework, and governance mechanisms are well established at the onset. Coordination child projects will also focus primarily on aggregating results across child projects under the program. This will require that Country / thematic child projects approved as a cohort under integrated programs follow as close as possible similar timelines to CEO endorsement, and milestones for monitoring and reporting during implementation.

33. Program-level coordination is a crucial aspect of integrated programming – it is key for achieving coherence and consistency, and for demonstrating additionality by ensuring that the whole of is greater than the sum of the parts. Therefore, as also discussed in the detailed management response¹⁷ and in the response to the “Integrated Programming” recommendation above, the Secretariat - in consultation with Agencies - will also work on an updated Terms of Reference for Lead Agencies of Programs in order to demonstrate the additionality of the integrated approach. This Terms of Reference will take into specific consideration the need to deliver a fully designed framework for the coordination child project along with the Program Framework Document, the need for engagement with country child projects to ensure alignment and consistency with the program approach and results framework, the commitment to implementation activities that support systems-based thinking, and the need to clarify operational roles and responsibilities for working with the private sector entities involved in value chains on multinational, national, and subnational scales.

34. 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. Reporting on this Core Indicator comes in addition to the myriad of socioeconomic co-benefits directly tracked by projects. Furthermore, sub-indicators already track policy co-benefits, notably in the areas of international waters and chemicals and waste. 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 enhancing 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

¹⁶ GEF/E/C.60/09, *Management Response to: 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.C.60.09_Evaluation_Integrated_Approach.pdf

¹⁷ Ibid.

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. Likewise, the GEF will continue to assess policy co-benefits across the range of indicators it uses.

35. With respect to the recommendations regarding knowledge management, the Secretariat agrees that a partnership-wide Knowledge and Learning Strategy and Action Plan should be developed, and that knowledge management efforts across the partnership should include a focus on promoting South-South learning. The development of the Knowledge and Learning Strategy, designed to effectively collect, store, and share knowledge, will help consolidate progress to date in this area and address gaps.

CONCLUSIONS

36. A healthy environment is the foundation for economic and social development. This foundation is now facing interrelated threats and nearing key tipping points that require urgent attention. 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 leadership role in the needed global systems-change towards a society that is nature-positive. This coming decade will be a crucial one to achieving the ambitious goals that have been recently embraced by countries and the international community. The GEF will be a critical enabler in the realization of these global commitments, with a focus on transformational change to key economic systems and environmental restoration at scale. With the progress and achievements made in GEF-6 and GEF-7, the GEF is now well positioned to help countries pursue holistic and integrated approaches for transformational change in the economic systems, and in line with their national development priorities. As such, the OPS-7 report and its component studies are critical inputs into both the development of the GEF-8 programming and policy directions and into the ongoing implementation of the GEF's active portfolio.

37. The Secretariat will therefore continue to work on the implementation of the recommendations of this report and its component studies, together with the GEF Council, the IEO, STAP, the Agencies, the Countries, and the wider GEF Partnership. The Secretariat will consistently track progress as relevant in a number of ways – through its internal tracking systems, through the IEO's annual Management Action Record (MAR), through regular reporting to Council via both routine and ad-hoc reports, and through the continued development of the GEF-8 programming and policy strategy during this replenishment period.

38. Going forward, the Secretariat is committed to using the findings of this report as global environmental impact continues to be sought. These observations are particularly valuable as the Secretariat proceeds with the GEF-8 replenishment process at a time when its leadership role 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 present and future security of human societies. The Secretariat therefore thanks the IEO for this timely, relevant, and rigorous work.