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Agenda Item 08

ENHANCING POLICY COHERENCE THROUGH GEF OPERATIONS

Recommended Council Decision:

The Council, having reviewed document GEF/C.64/09: *Enhancing Policy Coherence through GEF Operations*, endorses the outlined approach and requests the GEF Secretariat to work along the outlined action areas.

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I. INTRODUCTION

1. **Current international, political, and scientific conversations are converging around the conclusion that the world’s environmental and sustainable development goals to 2030 can only be realized if the funding gap to nature is narrowed.** While ODA funds have been traditionally relied upon to close this gap, global funds to the environment, while impacting the size of the gap, may never be enough to completely and sustainably close it. Closing this gap therefore requires a two-pronged approach: increasing financial flows from multiple sources, while simultaneously reducing financial needs. Alongside increased funding through resource mobilization, positive impacts on the gap can in parallel be achieved through the action of countries in the creation of regulatory and policy environments at the national scale that both discourage/eliminate harmful practices and encourage large-scale finance for nature - or policy coherence.

2. **Policy coherence, defined as “the systematic promotion of mutually reinforcing policy actions across government departments and agencies, creating synergies towards achieving the agreed objectives”¹, is therefore key to reducing the funds needed for nature-financing.** Additionally, through these domestic enabling environments, countries can help to further catalyze the impact of the nature funding flows; alternatively, misaligned domestic policies can serve to lessen the impact of the very funds to the environment that are being increasingly required from ODA and other sources. **Improving coherence within the set of national policies** relevant to the global environment can considerably increase both national and global environmental benefits. Improved policy coherence can also greatly enhance domestic resource flows towards the investment required to achieve critical environmental goals and **eliminate perverse incentives that conflict with nature conservation efforts**. Investments in policy coherence are also a factor in aligning private and public investments to the international convention agreements and mobilize domestic resources into the nature financing gap.

3. **Policy coherence is being progressively mainstreamed in global dialogues as a critical mechanism which, if left unattended, can hamper the world’s ability to reverse the current environmental trends and to reach its crucial nature-positive targets.** Coherent, integrated and non-contradictory national policies are recognized as key factors in the implementation of the suite of SDGs – as a result, the Sustainable Development Goal (SDG) **Target 17.14** of the 2030 Agenda calls on countries to “*enhance policy coherence for sustainable development*”.² The OECD itself has been a pivotal actor in the promotion and mainstreaming of promote policy coherence through its ongoing work in the operationalizing, tracking, and enhancing of SDG Target 17.14 at national and international levels.

¹ GEF/R.08/28, [GEF-8 Strategic Positioning Framework](#), March 29, 2022

² OECD (2018), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264301061-en>

4. **The recently adopted Kunming-Montreal Global Biodiversity Framework³ identifies policy coherence as an underlying theme as well as a specific target.** The Framework seeks to “...*catalyze, enable and galvanize urgent and transformative action* by Governments, and subnational and local authorities...” to halt and reverse biodiversity loss. The Framework explicitly recognizes a whole-of-government and whole-of-society approach as a critical factor in the achievement of its goals and targets, with success requiring high-level political will and recognition, action by all levels of government, and action by all actors of society (including the private sector).⁴ Target 18 of the Framework focuses particularly on incentives and subsidies that impact biodiversity, aiming to reduce the negative whilst scaling up the positive;⁵ this is also a critical input into Target 19’s goal of mobilizing at least 200 billion United States dollars per year by 2030.⁶ Relatedly, the recent G7 Climate, Energy and Environment Ministers’ Communiqué committed to “...*the swift and full implementation of the Framework through whole-of-government and whole-of-society approaches.*”⁷

5. **In recognition of the importance of this growing international agenda, the GEF Secretariat brought policy coherence as a key dimension to the recent GEF-8 replenishment discussions that took place over March 2021-May 2022.**⁸ Within this context, the participants to the GEF-8 replenishment further requested the GEF Secretariat “*to develop options...to enhance the policy coherence through GEF operations, as appropriate, to increase the efficiency of global environmental benefit production*”.⁹ This paper therefore presents a roadmap towards this objective for Council consideration.

II. PREVIOUS STUDIES ON POLICY COHERENCE IN THE GEF

6. **Policy coherence is not a new concept to the GEF.** Whilst recent global conversations increasingly highlight this agenda, the GEF has since its inception been consistently and progressively working in this space. A 1992 review of the GEF’s pilot phase¹⁰ explicitly referenced the importance of the domestic policy environment, stating that the success and sustainability of project outcomes are dependent upon national policy frameworks and institutional capacities that give the right mix balance of incentives and disincentives through regulations and market mechanisms.

³ <https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf>

⁴ GEF/C.58/05, [GEF’s Private Sector Engagement Strategy](#), May 5, 2020

⁵ The full text of Target 18 of the Kunming-Montreal Global Biodiversity Framework reads: “Identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while substantially and progressively reducing them by at least \$500 billion per year by 2030, starting with the most harmful incentives, and scale up positive incentives for the conservation and sustainable use of biodiversity.” <https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf>

⁶ Ibid.

⁷ G7 Climate, Energy and Environment Ministers’ Communiqué, Sapporo, April 16, 2023, <https://www.meti.go.jp/press/2023/04/20230417004/20230417004-1.pdf>

⁸ GEF/C.62/03, [Summary of the Negotiations of the Eighth Replenishment of the GEF Trust Fund](#), June 15, 2022

⁹ Ibid.

¹⁰ The Global Environment Facility: the Pilot Phase and Beyond, GEF Working Paper Series 1, May 1992

7. **In a series of guiding principles for the future of the then-fledgling GEF, policy coherence was articulated as an essential element in the pursuit of global environmental benefits.** Principle IV of the 1992 review discussed the role of policy actions at the national and regional levels as an important feature of the cost-effective achievement of global environmental objectives,¹¹ and Principle V further articulated that the cost of incremental action needed to attain GEBs are strongly influenced by existing national policies, therefore requiring the coordination of GEF financing with the implementation of appropriate national policies and other development financing.¹²

8. **Efforts to strengthen national environmental policies have been an increasing feature of GEF strategies over GEF replenishment phases.** The Independent Evaluation Office undertook an assessment of the **GEF's impact in strengthening policy and legal frameworks** in different countries,¹³ and found that the GEF plays a very important role in the environmental policy and regulatory reform agenda in client countries. This Evaluation recommended that the GEF (1) strengthen plans for legal and policy reforms presented in project documents, (2) develop and implement projects or specific program components that focus solely on legal and/or policy reforms, and (3) improve M&E and learning from the reform process. The IEO also anticipated in this report that, as the GEF seeks to achieve more transformational change, the role of policy reform will become even more important. The annual Management Action Record to the 60th Council in June 2021¹⁴ evaluated the GEF's progress towards these three recommendations, with the conclusion that, while the GEF had been making good progress on the policy front, additional efforts were needed.

9. **The IEO's recent OPS-7 Report¹⁵ similarly underscored the importance of the GEF's expanding reach into the policy coherence space.** The Report recognized the innovative nature of the GEF in relation to other environmental funding institutions, and in that context defined the GEF's increasing efforts on domestic policy coherence as one of its **"governance innovations"**.¹⁶ The Report highlighted the GEF's role and capacity in supporting upstream policy development, stronger country institutions, and the development of enabling environments at the country level. The Report also indicated that the GEF has been effectively contributing to

¹¹ Principle IV states that "The GEF would assure the cost effectiveness of its activities in addressing the targeted global environmental issues. One important feature of adhering to the principle of cost effectiveness is that the least cost means of meeting many global environmental objectives lie in a judicious combination of investment, technical assistance, and policy actions at the national and regional level. Thus, in assessing specific project interventions, the range of possible policy and investment options will need to be carefully reviewed, including their sustainability." Ibid.

¹² Principle V states that "The GEF would fund programs and projects which are country driven and consistent with national priorities designed to support sustainable development. The costs of incremental action needed to attain global environmental benefits are strongly influenced by existing national policies. In a distorted economy, these costs could be very high. Hence, GEF financing will need to be coordinated with the implementation of appropriate national policies, as well as with development financing." Ibid.

¹³ GEF/ME/C.52/Inf.05, [Impact of GEF Support on National Environment Laws and Policies](#), May 2, 2017

¹⁴ GEF/E/C.60/Inf.01, [Management Action Record 2021](#), May 28, 2021

¹⁵ 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, November 9, 2021

¹⁶ Ibid.

institutional strengthening and capacity building (although this has been mostly limited to the environmental sector). Finally, the Report recognized the enforcement challenges that are beyond the GEF's reach and may accordingly limit impact in this sphere.

10. **The Scientific and Technical Advisory Panel (STAP) has been working in parallel and in close coordination with the GEF Secretariat on ways in which the policy coherence agenda can be advanced through GEF programs and projects.** In a recent paper presented to the 62nd GEF Council¹⁷, STAP outlined 5 potential entry points through which the GEF could deepen its work in policy coherence, namely (i) through projects, (ii) through integrated programs and focal areas, (iii) through GEF global programs and activities, (iv) through partnerships at the country level, and (v) through MEAs and other global alliances. STAP is also presenting an expanded analysis along these lines to the 64th Council,¹⁸ and this will serve to further inform the GEF's ongoing work in this area.

III. MAINSTREAMING POLICY COHERENCE IN GEF PROGRAMMING

11. **Throughout the different GEF replenishment cycles, policy coherence as a concept, factor or outcome has an increasing presence.** The GEF's portfolio of projects is comprised of (i) completed projects (defined as projects that have completed implementation, have undergone a terminal evaluation or have been financially closed) (ii) active projects (defined as projects that have passed the CEO endorsement/ approval stage and are currently under different phases of implementation), and (iii) future projects, defined as GEF-8 programming that is currently being conceptualized and approved but is not yet under implementation.

12. **The Secretariat is undertaking an extensive portfolio review to determine the projects that have a policy coherence dimension.**¹⁹ Building on the 2017 IEO Evaluation,²⁰ an analysis of completed projects will help to set the baseline of the GEF's impact on policy coherence, harness the lessons-learned, and inform the GEF's ongoing work in this area. In parallel, an assessment of active projects will demonstrate the potential for policy coherence to be mainstreamed and strengthened.

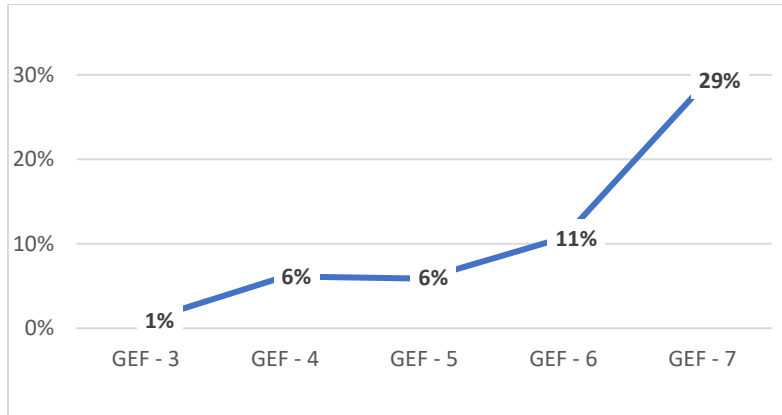
¹⁷ GEF/STAP/C.62/Inf.04, [Framing Policy Coherence for the GEF](#), June 9, 2022

¹⁸ GEF/STAP/C.64/Inf.02, [Policy Coherence](#)

¹⁹ The portfolio analysis is based on the key word search of project objectives. Any project that contains key words in the project objective, was then under careful review. In total, 347 GEF trust fund projects were identified with a policy coherence dimension, covering GEF-3 to GEF-7 phases.

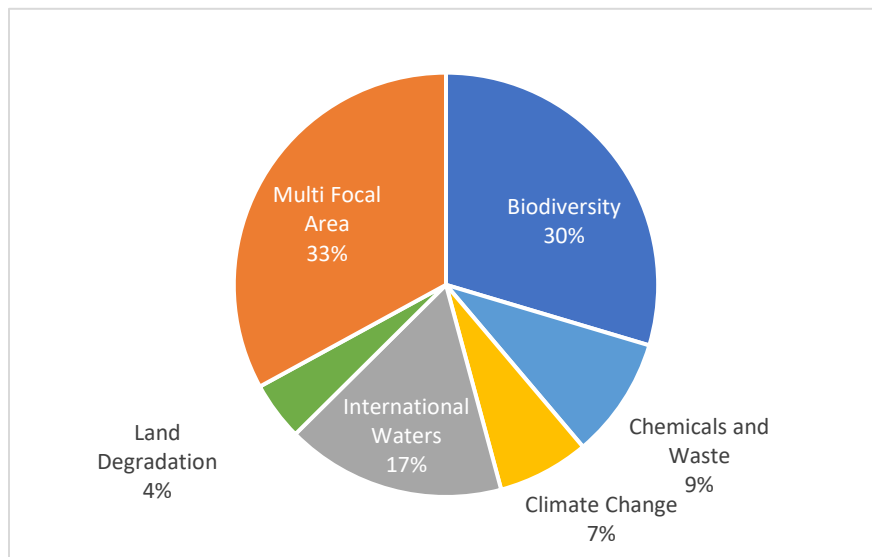
²⁰ GEF/ME/C.54/Inf.02, [Annual Performance Report 2017](#), June 7, 2018

Figure 1. Share of Number of Projects with a Policy Coherence Dimension, through GEF Phases



13. **Early findings demonstrate that, while not explicitly targeted, policy coherence has been an increasing feature of GEF programming since inception** (Figure 1). Though not as a result of a systematic, explicit approach to policy coherence, this likely evolved through both an increasing internal recognition of policy incoherence as a barrier to impacts, results and sustainability, together with the increasing international focus on this topic. Given the role of policy coherence in the GEF-8 programming strategy, it is instructive to note that the share of the number of projects that contributed to the policy coherence dimension increases to 77% before the June 2023 Work Program, and 90% with the inclusion of the full June 2023 Work Program (on the assumption of its approval).

Figure 2. Distribution of Number of Projects with a Policy Coherence Dimension, by Focal Area



14. **Projects that are Multi-Focal-Area or from the Biodiversity focal area are most likely to have a policy coherence component.** Given that policy coherence is a cross-sectional dimension,

it is an unsurprising result to see a domination of multi-focal area projects. It is noteworthy that for stand-alone projects, the largest share of projects that has a policy coherence dimension is in the Biodiversity focal area. This is in line with the findings from the recent IEO evaluation of GEF Support to Mainstreaming Biodiversity.²¹ This evaluation shows that “*The GEF biodiversity mainstreaming portfolio has contributed to legal-environmental, regulatory, governance, and socioeconomic additionalities that go beyond incremental cost benefits.*” The study also states that “*The GEF has been instrumental in supporting national policy reform and planning frameworks that promote biodiversity considerations across sectors and territory.*” This also indicates a unique programming opportunity for the Global Biodiversity Framework Fund to scale up on policy coherence elements already present in the GEF Biodiversity portfolio.²²

15. The GEF Secretariat will continue this nascent analysis to build a policy coherence database from its completed and active portfolio. This will yield examples, best practices and lessons that will aid in the deepening of the policy coherence agenda, as well as identify the potential for the strengthening of policy coherence in a subset of active projects and programs that are in early stages of implementation.

16. During the GEF-8 replenishment negotiations, the concept of policy coherence was integrated in the GEF-8 programming strategy as an underlying cross-cutting principle.^{23,24} One of the four specific levers identified by the GEF-8 strategy as critical for creating desired transformations in the target systems is “*governance and policies*”.²⁵ For the GEF to proactively influence and support recipient countries as they embark on a green and blue recovery from the COVID-19 pandemic, it is critical that programs and projects be anchored in a whole-of-government framework as well as key transboundary governance models for the global environment. This will create opportunities to **foster policy coherence and cross-sectoral institutional integration in formulating policies to ensure that environmental priorities are mainstreamed at all levels**. As a result, policy coherence is being integrated into GEF-8 programming at the design stage.

17. Specific entry points facilitate the mainstreaming of policy coherence into GEF-8 programming. The respective GEF-8 focal area strategies and integrated programs identify to different degrees a dimension of innovative programming that will be targeted in support of policy, legislative and other reforms. The **GEF-8 Integrated Programs** in particular, are characterized by many types of innovation - including governance innovation due to their planned efforts to increase policy coherence. There is also the potential for other special programming initiatives such as the STAR Competitive Window and the **Innovations Window** to have a policy coherence dimension (discussed further below).

²¹ GEF/ME/C.55/Inf.02, [Evaluation of GEF's Support to Mainstreaming Biodiversity](#), November 26, 2018

²² GEF/C.64/06, [Global Biodiversity Framework Fund Programming Directions](#), June 1, 2022.

²³ GEF/R.08/28, [GEF-8 Strategic Positioning Framework](#), March 29, 2022

²⁴ GEF/C.62/03, [Summary of the Negotiations of the Eighth Replenishment of the GEF Trust Fund](#), June 15, 2022

²⁵ Ibid.

IV. DEDICATED GEF PROGRAMMING ON POLICY COHERENCE

18. In addition to mainstreaming policy coherence as an underlying component to GEF programming, a series of dedicated activities with policy coherence as its main objective can help to inform the expansion of the GEF into this space. This is particularly relevant in the current early stages of mainstreaming this agenda, and with an eye to the deepening of this focus into the upcoming GEF-9 replenishment and programming phase.

Existing Projects on Policy Coherence

19. The GEF has funded a Medium-Sized project²⁶ towards the end of GEF-7 entitled “*Policy Coherence for Global Environmental Benefits*” (Box 1). This was approved in anticipation of the GEF-8 focus on policy coherence as both a cross cutting and dedicated theme, as the GEF-8 replenishment discussions were being simultaneously undertaken at that time.

Box 1: Policy Coherence for Global Environmental Benefits (GEF ID 10920)

<https://www.thegef.org/projects-operations/projects/10920>

This GEF-7 biodiversity Medium Sized Project (MSP) aims to identify approaches and promote mutually reinforcing legal frameworks and alignment of financial resources for global biodiversity benefits. With UNEP as the implementing agency and the Conservation Council of Nations (CCN) as the executing partner, this project will work with the Members of the Conservation Caucuses in Colombia, Mongolia and Zambia to identify and the tackle the inconsistencies in the legal framework that are impeding or slowing down the delivery of Global Environmental Benefits.

The project has three components: (1) to identify approaches and opportunities for policy coherence to deliver nature positive results in general and Global Biodiversity Benefits in particular, (2) to conduct country-level pilot studies to increase policy coherence through technical reviews and legislative processes, and (3) to conduct the needed knowledge-management and communications activities so that the tools, assessment methods and lessons learned can be assimilated, disseminated, and scaled up, in both the three target countries as well as on a wider scale in other countries with other similarly-active conservation caucuses.

This project is innovative in its approach of working directly with members of the Conservation Caucuses. As they are members of the Legislature, they are in the unique position of having the authority to enact any amendments of policies, laws and regulations that the project may identify as a needed step to foster greater policy coherence. As laws and regulations are meant to be implemented by the Executive, the project will work to raise awareness of the impacts of the identified policies, laws and regulations, and bring together the members of the Executive and the Legislature to come to an agreement on the way forward.

²⁶ As recommended by the Medium-Size Projects evaluation of OPS-7, the MSP modality continues to be particularly used for innovative projects, with relevant lessons being provided from the implementation and monitoring of these projects - GEF/E/C.59/03, [Evaluation of the Role of Medium Size Projects \(MSP\) in the GEF Partnership](#), November 9, 2020

20. **As this project is implemented, it will be a critical learning piece for the GEF Secretariat on policy coherence.** This project can also serve as a prototype for other similar innovative activities that focus specifically on policy coherence. As such, this project will be continuously monitored by the GEF Secretariat throughout implementation in order to facilitate inputs into other policy coherence initiatives that are being simultaneously undertaken.

Policy Coherence as the Thematic Focus of the GEF-8 STAR Competitive Window

21. **One of the primary opportunities in GEF-8 programming for dedicated policy coherence projects is the GEF-8 STAR competitive window.** The GEF-8 replenishment negotiations and the resultant GEF-8 STAR Policy enabled the creation of a competitive window that will focus on the thematic area of policy coherence.²⁷ This window will amount to US\$ 38 million, created from pooling 8 percent of the STAR Allocation of the 5 top GEF-8 STAR recipient countries.²⁸ This will enable the potential for the countries selected to receive the competitive window to achieve higher impact, capturing more resources than they would otherwise have received with full individual allocations.

22. **This small competitive window will be used in the GEF-8 STAR for a series of country-driven projects that positively impact on policy coherence in the selected group of high-impact countries.** This window will encourage country-driven investments that enhance policy coherence, while reflecting the national policy landscape and aligning with other national GEF programming.²⁹ The use of this competitive space for policy coherence objectives is one of the ways in which this critical dimension can begin to be more systematically internalized in the high-impact, high-recipient countries with large GEF programming portfolios, where an alignment of policy coherence can be particularly impactful on global environmental benefits.

23. **The GEF-8 STAR Policy outlines the operational guidance for this competitive window,³⁰ and further technical details will come in the subsequent Call for Proposals for the programming of these funds.** A Call for Proposals will be published in November 2023 and be considered in the June 2024 Work Program for the 66th Council meeting. If there are sufficient resources left after the first call, the Secretariat will schedule a second Call for Proposals. The Secretariat will finalize the Call for Proposals, screen submitted concepts, and invite the full development of projects proposals for approval following the regular GEF project review and approval cycle.

The Potential for a Policy Coherence Dimension to the GEF-8 Innovations Window

24. **Since its inception, the Global Environment Facility (GEF) was created to be innovative.** The recent OPS-7 Evaluation³¹ documented the GEF's past record on innovation at the strategic

²⁷ GEF/C.62/03, [Summary of the Negotiations of the Eighth Replenishment of the GEF Trust Fund](#), June 15, 2022

²⁸ These countries are Indonesia, China, India, Brazil and Mexico

²⁹ GEF/C.62/04, [Updating the System for Transparent Allocation of Resources \(STAR\)](#), May 19, 2022

³⁰ Ibid.

³¹ 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, November 9, 2021

level, at the institutional level, and through projects and programs. The component evaluation on Innovation³² indicated that innovation has been a defining element of GEF's comparative advantage and has transcended GEF's investments. Simultaneously, the component evaluation on Medium-Sized Projects³³ 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.

25. **A small Innovations Window was established as part of GEF-8 programming.** An important recommendation that emerged from OPS-7 states that “[t]he GEF should continue to pursue innovative projects to advance transformational change”.³⁴ To this end, several evaluation recommendations emerged on the creation of a separate funding window for innovative projects. The objective of this 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.

26. **The area of policy innovation can support GEF's innovation and impact in policy areas.** Following STAP's guidance³⁵, there are five areas of investment where innovation can be critical to the success of future GEF investments - technological innovation, innovative financing, business model innovation, policy innovation, and institutional innovation. GEF financed innovation³⁶ is particularly critical when there is evidence that the absence of tools and solutions to address environmental issues has hampered the development, implementation and sustainability of GEF projects and programs.

27. **The thematic area of policy coherence is therefore a candidate for a subset of thematic programming within the GEF Innovations Window.** For any policy coherence projects within this window, the GEF Secretariat will ensure complementarity with the simultaneous programming being undertaken in the STAR competitive window that is open to the top-5 STAR recipient countries. The GEF Secretariat will facilitate knowledge transfer on lessons learned from implementation and outcomes of policy coherence projects across these two programming windows. The Innovations Window is intended to be operationalized for programming in 2024.

³² GEF/E/C.60/02, [GEF Support to Innovation – Findings and Lessons](#), May 24, 2021

³³ GEF/E/C.59/03, [Evaluation of the Role of Medium Size Projects \(MSP\) in the GEF Partnership](#), November 9, 2020

³⁴ 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, November 9, 2021

³⁵ Toth, F., 2018. Innovation and the GEF: Scientific and Technical Advisory Panel to the Global Environment Facility, Washington, DC.

³⁶ Discussions of innovation are frequently accompanied by statements about risks. Risk was identified as one of the major impediments to innovation by the IEO, and it recommended 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” (GEF/E/C.60/02, [GEF Support to Innovation – Findings and Lessons](#)). The GEF Secretariat has agreed with this recommendation and will be presenting a risk analysis to the 65th Council in December 2023.

V. ENHANCING POLICY COHERENCE IN GEF OPERATIONS: A PROPOSED ROADMAP

28. The Secretariat proposes the following roadmap of short-term and medium-term action items in order to enhance policy coherence in GEF Operations (several of which are already being undertaken).

Assessing the Policy Coherence of the Existing GEF Portfolio

29. As outlined above, the GEF Secretariat is conducting an in-depth review of policy coherence in both its completed and active projects. Early findings indicate that there is a significant database from which lessons can be drawn; there is also potential for the strengthening of policy coherence in a subset of active projects and programs that are in early stages of implementation. This analysis may also identify the potential for components to be added to existing projects and/or continued/additional projects to be built on existing ones that have the potential to have a bigger impact on policy coherence, with an aim to a continuous effort on this agenda. *The GEF Secretariat will continue this analysis to collate the best practices, lessons, and examples of policy coherence from both its completed and active portfolio.*

Rollout of the dedicated GEF-8 Programming on Policy Coherence

30. The STAR Competitive Window on policy coherence will be rolled out in the coming year. As a window that is focused on policy coherence-related programming in the five largest GEF recipient countries, the programming in this window is anticipated to be innovative and impactful. Simultaneously, the MSP outlined in Box 1, now in its early phases of implementation, will be closely monitored as a learning piece that can inform the programming of this window. As the Innovations Window becomes operationalized, the potential for policy coherence to be one of its operating themes will also be assessed. *The Council will be kept informed of the progress of the rollout and programming of these two Windows in subsequent Councils.*

Mainstreaming Policy Coherence into GEF-8 Programming Design and Implementation

31. GEF-8 is the first programming phase that has policy coherence explicitly identified as one of its foundational elements, particularly in its integrated programs. The monitoring of policy coherence through project design and implementation will be critical. Starting with the Work Program Cover Note to the 65th Council, the GEF Secretariat will outline to the Council the proposed policy coherence impacts of the projects and programs under consideration for each Work Program. As implementation progresses, the Mid-Term Report submitted by Agencies will be a key monitoring tool to determine progress along policy coherence dimensions; similarly, the Terminal Evaluation Report will be a key data point to determine outcomes. *Each GEF-8 Work Program Cover Note will now contain a dedicated cross-cutting policy coherence section. An internal checklist can also be developed to ensure that the dimension of policy coherence is being appropriately considered in GEF programming at the design phase through the establishment of a relevant set of policy-oriented outcomes and outputs. Mid-Term and Terminal Evaluation Reports will eventually be assessed for policy-coherence outcomes.*

Engaging with Countries in Policy Coherence

32. In an aim to enhance policy coherence in GEF operations, the most obvious partner is that of the GEF recipient countries. To that end, policy coherence is an integral component of the GEF-8 Country Engagement Strategy (CES).³⁷ The CES provides an expanded strategic framework to empower countries in the ownership of their portfolios, and in turn, to maximize the impact and sustainability of GEF resources through a coordinated approach.³⁸ Just as GEF-8 programming has integration at its core³⁹, it is equally essential to promote the same dynamic at a country level through the facilitation of a more holistic approach to country programming. Together with increased support to Operational Focal Points, this means an increasingly effective coordination of national environmental strategies, objectives, and activities. This will help to strengthen policy coherence across different sectors of government, and therefore have a positive impact on both the nature financing gap and in the sustainability of GEF investments. *The Secretariat will bring together multiple stakeholders and a cross-section of Ministries at the national level through CES activities such as Technical Dialogues, National Dialogues, and Workshops.*⁴⁰ *The Secretariat will also facilitate the development of National Steering Committees, together with the Operational Focal Point, in order to facilitate knowledge and communication of GEF programming and across Ministries.*

Engaging with GEF Agencies in Policy Coherence

33. Several GEF Agencies have developed approaches, processes and tools to approach policy coherence,⁴¹ many relying on the framework developed by the OECD.⁴² A review of Agencies' work in this area will therefore yield a considerable database of methodologies, applications and experiences on programming for policy coherence. *Building on STAP's work, the Secretariat will undertake an analysis of policy coherence approaches and experiences in GEF Agencies. The Secretariat will also table policy coherence for discussion with Agencies during GEF-8, with an aim to learning from best practices.*

Building a Tool for Assessing Policy Coherence

34. The GEF operates in 144 recipient countries, all with unique institutions, mechanisms and practices for creating and implementing legislation. Additionally, each recipient country has its own current profile in terms of environmental legislation and practices. There is no standard blueprint for policy coherence - and nor should there be. Sovereign nations are the ultimate determinant of what may or may not work in accordance with national circumstances and

³⁷ GEF/C.62/03, [Summary of the Negotiations of the Eighth Replenishment of the GEF Trust Fund](#), June 15, 2022

³⁸ GEF/C.63/05, [Country Engagement Strategy Implementation Arrangements for GEF-8](#), October 31, 2022

³⁹ GEF/C.62/03, [Summary of the Negotiations of the Eighth Replenishment of the GEF Trust Fund](#), June 15, 2022

⁴⁰ GEF/C.63/05, [Country Engagement Strategy Implementation Arrangements for GEF-8](#), October 31, 2022

⁴¹ GEF/STAP/C.62/Inf.04, [Framing Policy Coherence for the GEF](#), June 9, 2022

⁴² OECD (2018), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264301061-en>

practices;⁴³ this is also in line with the country-driven nature of GEF programming. However, the development of a common assessment tool can lead to the establishment of baseline information and strengthen countries' approaches through knowledge exchange. This tool should incorporate specific environmental policy and institutional settings at a country level, provide insight into enabling/disabling conditions for success, replication and scaling up where relevant, and contribute to the larger international conversation on policy coherence – both methodologically and through on-the-ground applications. *As a baseline analysis for enhancing policy coherence, the GEF Secretariat will develop a template for assessing policy coherence in recipient countries and conduct a pilot in selected countries. The parallel activities of the GEF-8 CES will be used to engage with countries in the development and application of this tool. The results of this analysis may also inform the development of a policy coherence index in future STAR allocation models.*

Knowledge Activities and Products on Policy Coherence

35. The “Strategy for Knowledge Management and Learning” that is being presented to this 64th Council⁴⁴ articulates policy coherence as a fundamental action area of the Strategy. As such, as the GEF intensifies its policy coherence agenda, it will in parallel engage in several KM activities and products. **A roundtable discussion on “the role of Policy Coherence in closing the Nature Financing Gap”** is being planned for the upcoming GEF Assembly. As described above, policy coherence activities will be planned for forthcoming GEF-8 CES events. The GEF Secretariat will develop an information brief on policy coherence. A dedicated webpage on the GEF website can also be created that highlights and links to GEF products and events on policy coherence. The GEF Secretariat can consider the creation of an e-course on Policy Coherence in GEF Programming. Finally, the GEF Secretariat can consider hosting a dedicated policy coherence conference during the GEF-8 cycle in order to bring key partners and countries together to engage around their experiences on this theme and within a GEF context. *Knowledge and Learning activities and products are key to addressing Policy Coherence, and the Secretariat will increasingly engage in these activities as work intensifies in this area.*

Assessing a Policy Coherence Index into Future STAR Allocation Models

36. During the GEF-8 replenishment negotiations, the GEF Secretariat investigated the possibility of bringing a policy coherence dimension into the STAR allocation system. Assessing governance requires the consideration of two distinct components: (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).⁴⁵ The proposed expansion

⁴³ OECD (2018), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264301061-en>

⁴⁴ GEF/C.64/07, *Global Environment Facility Strategy for Knowledge Management and Learning*, May 31, 2023

⁴⁵ GEF/C.62/04, *Updating the System for Transparent Allocation of Resources (STAR)*, May 19, 2022

to address matters of policy coherence and environmental performance would therefore rely on obtaining/constructing indicators that speak to the second component. Within this context, single-index options for governance seem to be limited. In the absence of a single-index option, it is also possible to consider the creation of a composite index by taking elements of available indices and constructing these into an over-arching index that can ostensibly capture both component 1 and component 2. For the GEF-9 STAR Model, the GEF Secretariat will reassess the opportunity to include a policy coherence dimension into the allocation system and bring the results of these analyses to the GEF-9 replenishment negotiations in 2025. This will be done by (i) revisiting the contemporary landscape of single-index governance indicators, and (ii) investigating the possibility of constructing an over-arching, composite index from sub-components of existing indices. Ongoing development and expansion of methodologies, indices and data coverage are likely to offer viable suggestions for the development and inclusion of an index related to policy coherence in the STAR allocation formula.

Looking Ahead to Policy Coherence in GEF-9

37. As a foundational element of GEF-8 programming, it is expected that the GEF will further deepen its policy coherence impact in GEF-9 along several dimensions. As discussed above, the Secretariat will begin assessing the possibility of introducing a Policy Coherence Index into the GEF-9 STAR Allocation Model. The Secretariat will also consider the inclusion of a cross-cutting Program on Policy Coherence as part of the GEF-9 programming framework. To facilitate tracking at the portfolio level, the Secretariat will consider the development and inclusion of a core indicator and/or subset of indicators on Policy Coherence, as a part of the GEF-9 Results Measurement Framework. *All dimensions will be brought for discussion to the GEF-9 replenishment negotiations.*

Creating a Repository of Data on the Nature Financing Gap

38. The landmark “**Financing Nature**” report⁴⁶ identified, defined, and measured the “**biodiversity financing gap**”, and discussed pathways through which this gap can be narrowed. Several bodies have since undertaken / are undertaking similar needs assessments for other thematic areas such as climate change, land degradation, and chemicals. Many of these exercises by the very definition of their technical scope may likely be underestimating the impact of parallel initiatives on their respective thematic gaps. We can therefore more widely define the “Nature Financing Gap” as the difference between current financing to the environment, and what is needed to achieve critical global goals to 2030 and beyond. The measurement of this integrated gap may be a complex exercise, and one that is replete with assumptions. Notwithstanding this fact, and even in the face of a lack of unified concrete numbers, it is undeniable that (i) this gap exists, (ii) it is large, and (iii) it must be narrowed.

⁴⁶ 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

39. Policy coherence is a critical dimension in the narrowing of the nature financing gap. Therefore, the GEF's ongoing and planned work in this area must be seen in this wider context. Furthermore, the GEF's work in narrowing this gap not only comes through an increasing focus on policy coherence, but also from other strategic work such as the mobilization of resources from multiple sources including the private sector.⁴⁷ The GEF simultaneously impacts multiple aspects of the financing gap on both sides of this equation and is therefore well-placed to take a leadership role in this space. In this context, it can be reasoned that ODA investments into the GEF undergo a multiplier effect, with these funds being amplified into a narrowing of the gap through several key features of the GEF's work such as (i) programming strategies that are placing an increasing focus on integration, (ii) rising levels of private sector engagement, (iii) the ongoing leveraging of co-financing from multiple public and private sources, and (iv) direct work with countries in their policy coherence agenda. *As the financial mechanism for multiple environmental conventions, the GEF Secretariat is well-placed to become the international repository of data, knowledge and analyses on the nature financing gap and how to narrow that gap, while simultaneously doing so through a focus on policy coherence in its own programming.*

VI. CONCLUSION

40. Policy coherence is an essential component of maximizing the benefits of GEF investments, and in the sustainability of those benefits. Domestic policies that are inconsistent or contradictory with each other and with national/global environmental goals work against the very global environmental benefits that need to be generated. An increased focus on domestic policy coherence can therefore serve to increase and multiply the impact of GEF investments, which can otherwise be diminished due to contradictory domestic policies. This will also serve to increase the sustainability of the positive outcomes of these investments beyond project completion.

41. With the nature-financing gap continuing to widen, ODA funds, while vital, are insufficient. With the potential for policy coherence dimensions in its active programming portfolio, the integration of policy coherence as a cross-cutting theme in its new programming portfolio, and the potential for dedicated programming in the policy coherence space, the GEF is well-placed to be the central player in the advancement of the policy coherence agenda at both national and global stages. This is even more relevant given the GEF's existing and increasing mandates across conventions and international agreements. The mobilization of resources from all sources is a key component of current international conversations. Through its impact on the narrowing of the nature financing gap, policy coherence has a significant role to play in this endeavor.

⁴⁷GEF/C.58/05, [GEF's Private Sector Engagement Strategy](#), May 5, 2020