STAP SCIENTIFIC AND TECHNICAL ADVISORY PANEL

An independent group of scientists that advises the Global Environment Facility

gef UN environment programme

A STAP BRIEF

Strengthening the GEF's learning about blended finance project design


Photo: iStock

Introduction

Global investments in nature-positive interventions continue to fall well below what experts agree is needed.[1] In response, there have been calls, including by the various conventions that the Global Environment Facility (GEF) serves, for increases in private sector investment aligned with nature-positive goals. One route to achieving this is via project investments that are funded through blended finance arrangements. The GEF has supported innovation in blended finance over several replenishments.

For GEF-9, the GEF committed to significantly increase this effort by "scaling up financial flows … to close the nature financing gap" for developing countries, partly through mainstreaming blended finance into all areas of GEF funding towards an aspirational target of 25% of all Trust Fund resourcing.[2]

This Scientific and Technical Advisory Panel (STAP) brief summarizes work from the past two years to ensure STAP reviews blended finance projects efficiently and effectively. This work has resulted in two Information Notes, a Technical Background Paper that systematises key insights from many expert interviews, and a Checklist for use by screeners, especially in STAP.[3] The present Brief aims to give the GEF Council confidence in the science of delivering global environmental benefits (GEBs) in blended finance projects throughout the GEF's work.

---

1 As noted in the GEF-9 Strategic Positioning (GEF/R.9/Inf.15/Rev.01), c6, c69.

2 GEF-9 Programming Directions (GEF/R.09/18) Executive Summary pathway 1, c486ff, c500.

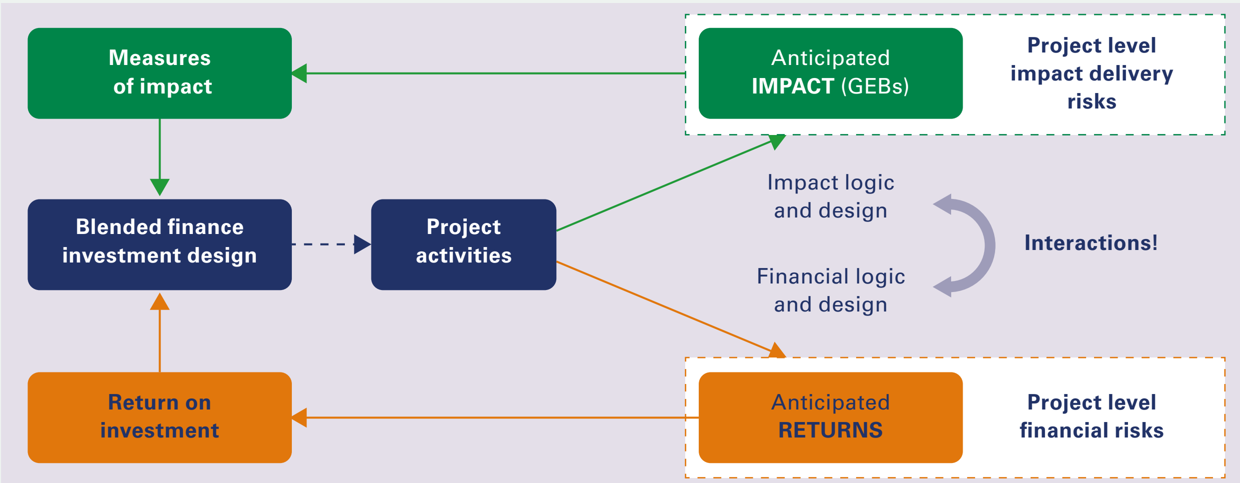
3 Stafford Smith, M., Bierbaum, R., Duron, G., 2024a. STAP information note #1 on blended finance. STAP, Washington DC.
Stafford Smith, M., Bierbaum, R., Duron, G., 2024b. STAP information note #2 on blended finance: Some considerations for project design. STAP, Washington DC.
STAP, 2026a. STAP technical background paper on blended finance impact pathways. STAP, Washington DC.
STAP, 2026b. STAP screening checklist for GEB impact pathway logic in blended finance projects, Version 1, May 2026. STAP, Washington, DC.

The nature of blended finance projects

GEF aims "to target highly innovative projects in frontier areas, such as biodiversity and de-risking investments, to reach scale"; [4] these projects intend to provide greater confidence to the private sector to engage in nature-positive investments. This aim highlights two key needs: first, to learn rapidly where such innovations work in terms of delivering GEBs from private sector investments; and second, to demonstrate pathways to scaling these innovations (allowing the GEF to exit successful pathways over time).

The growing scientific and practitioner literature about blended finance, as previously reviewed by STAP, has noted that blended finance projects bring together a 'finance logic' (shown below in orange), and an 'impact logic' (shown in green, to produce GEBs), in ways that do not usually occur in the context of the GEF's direct grant projects (Fig.1). The finance logic is framed around delivering a return on investment and emphasises the form of the financial instruments, whilst the impact logic focuses on how the investment thus mobilised will flow through an impact pathway to support interventions that create durable GEBs. Research and practice show that these aspects of blended finance projects tend to be developed, assessed, and implemented by practitionerzs with different disciplinary and institutional backgrounds, terminologies, and design cultures, creating genuine complexity.[5] In particular, ***interactions*** between the finance and impact perspectives may be overlooked by those experienced in only one.

Fig.1: Finance and impact logic perspectives in blended finance projects.



[Source: STAP 2024, elaborated from Thompson 2022]

Photo: iStock

4 GEF-9 Strategic Positioning op.cit.fn1, c71.
5 Discussed with sources in STAP's technical paper (STAP 2025a, op.cit.fn3) and noted by many authors and backed up by research in the field of institutional logics.

STAP's Information Notes[3] found that whilst there is a clear typology of blended finance arrangements and emerging guidance for selecting the appropriate financial instrument for a given project, there has been little attention paid to the different forms of the actual impact pathways. In particular, STAP was unable to find any systematic guidance on how different finance and impact logics interact, even though practitioners articulate various insights into these interactions for project design (see examples in Box 1). In the GEF, the finance logic is generally reviewed by its Advisory Group of Financial Experts, whilst focal area staff (and STAP) review the GEB impact logic. STAP has therefore sought to systematise these design insights to support its project screening.

Box 1: Examples from practitioners of how finance and impact perspectives interact in blended finance projects.

- Some impacts are easier to measure than others for performance-based financial instruments that link the level of return on investment to the achievement of impact (e.g., in general, it is easier to measure results from carbon mitigation than biodiversity conservation).
- Some interventions may realise financial co-benefits more quickly than others (e.g., many land management actions for climate resilience take longer to produce returns than installing solar). For interventions where loans or capital must be repaid, the time taken to create these co-benefits affects project viability.
- Where the measurement of impact is required to define performance-related payments, some interventions may realise measurable GEB impacts more quickly than others (e.g., some wildlife species have faster or more statistically detectable population responses than others relative to a wildlife bond maturation period).
- Impact pathways with more intermediaries may require more attention to ensure the incentives to produce impacts are passed down the whole pathway (e.g., where funds invest in small businesses that sell their products or services, like drone technology for crop monitoring, to consultants who then use them with farmers).
- More diverse impact pathways may imply greater transaction costs, impeding financial viability (e.g., capitalising diverse businesses that are selling different products and services, like agriculture technology or farm planning tools, to different users may require more diverse skills and representation among intermediaries to ensure that GEBs are achieved on all pathways).
- Some interventions *in the context that they are applied* are more mature and certain to produce results (e.g., solar technology in stable markets) than others (e.g., ecosystem restoration in fragile situations), affecting the risk assessments of investors.
- Some GEB impacts are less certain to endure than others (e.g., due to conflicting policies or climate change effects), creating reputational risks for investors.

These issues have potential solutions that need to be considered systematically in project design where relevant, including appropriate governance arrangements, effective incentives, targeted technical assistance, or well-designed monitoring and learning.

Photo: : iStock

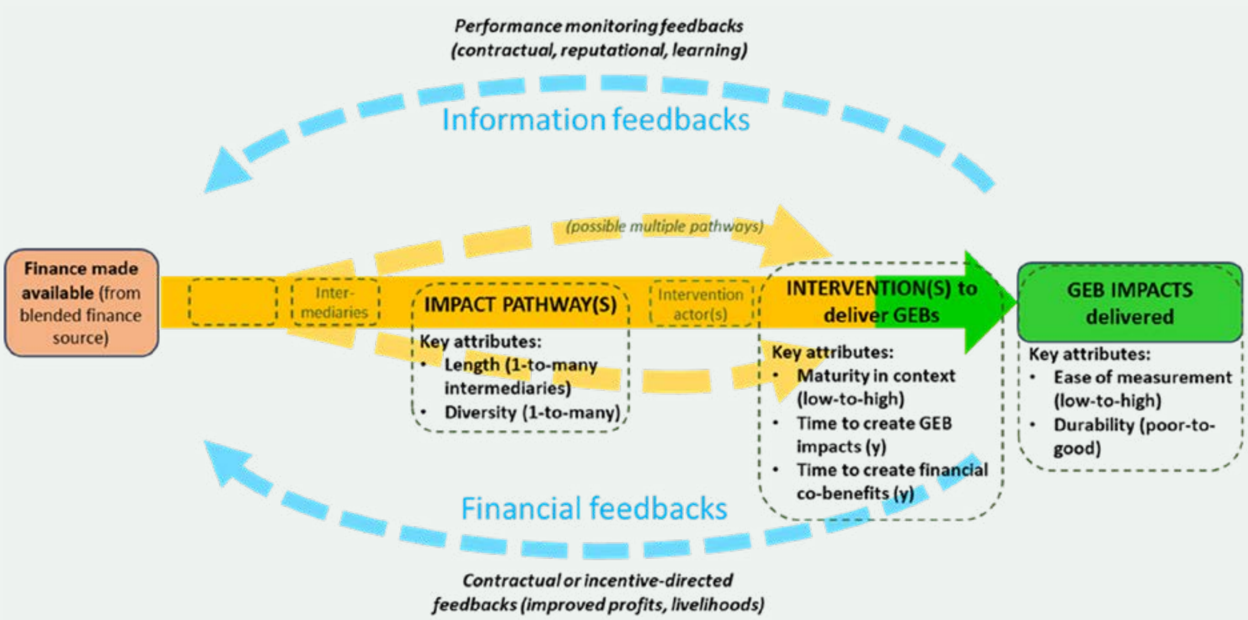
Photo: iStock

Key attributes of GEB impact pathways in GEF blended finance projects

In blended finance projects, once a financial instrument provides a source of funding, this flows down impact pathways—via a few or many intermediaries—to cause interventions that create GEBs and possibly other co-benefits, such as improved livelihoods. There are then key feedbacks from the GEBs and co-benefits to the finance logic—both financial and performance-related (Fig.2). These then frame a number of attributes that help to define how the finance and impact logics interact—the numbers of intermediaries and their diversity, the maturity of the interventions and how quickly they create GEBs and financial co-benefits, and how easy to measure and how enduring the GEBs are (Fig.2).

STAP synthesised a set of 27 interviews with practitioners, academics and funders, as well as evidence from the literature, to capture their experiences of the consequences of these attributes for project design. [6] The interviewees generally found the framework in Fig.2 sensible, and provided many practical insights into how different combinations of impact pathways and financial instruments affect project design concerns. From these inputs, STAP has created and internally tested an eight-step checklist for screening blended finance projects that focuses on the interactions between the finance and impact perspectives (see Annex). STAP now uses this checklist to improve the consistency of its blended finance screening and to help ensure the delivery of GEB impact.

Fig.2: Key elements, feedbacks, and attributes of simplified blended finance impact pathways (see text).



[Source: STAP]

6 STAP (2025a) – see footnote 3.

Looking forward

All STAP blended finance papers, including the screening checklist now in use, are available on the website. Apart from informing the design and implementation of blended finance projects, the attributes described in Fig.2 also provide a framework for rapid learning about delivering GEBs from blended finance projects. This framework is also a wider global contribution to learning about blended finance from the GEF partnership, as is needed in response to the emphasis on blended finance from multilateral environmental agreements. Hence, STAP is also pursuing a peer-reviewed paper as part of the GEF's contribution to this important area.

STAP's work on blended finance has been focused on project design so far. Scaling private sector investment also involves issues beyond individual projects that not only reduce uncertainty for private sector investors but also change the operating environment to incentivise more private investment. The GEF supports a number of activities in this area, such as the Taskforce on Nature-related Financial Disclosures. If required by Council, the STAP may assess the emerging literature on leverage points in the wider operating environment in the future.

Annex

Annex: Eight-point checklist STAP uses for screening blended finance projects, focused on how the impact pathway logic interacts with the finance logic, requiring insights from both perspectives. Not all steps are relevant to all project structures. Further details and explanation in the Checklist (STAP 2025b: see footnote 3).

1. Is **blended finance clearly justified** as an appropriate solution for the types of interventions and GEB impacts proposed?
2. Are the **implications of the length and diversity of the proposed impact pathway(s)** addressed? These have implications for the transaction costs of the impact pathways and the skills that they need, as well as what governance is required to ensure GEB impacts are delivered, and possible dilution of concessionality.
3. Is consideration given to **how mature the proposed intervention(s) are in the context of the project?** This aspect of the impact pathway affects the risk perception of investors in some models and should be discussed in addition to any innovation risks in the finance logic.
4. Will the **key intermediaries and intervention actors be plausibly incentivised to ensure that GEBs are produced?** Especially in longer and more diverse pathways, how are the intermediaries on the impact pathway(s) motivated to facilitate the delivery of GEBs, and might technical assistance be needed to support this?
5. Are there suitable and **timely performance or outcome monitoring systems?** Easily measured key performance indicators (KPIs) may only be weak lead indicators of achieving relevant GEB impacts, and some GEB impacts are slower to emerge and harder to measure than others.
6. Are the **proposed GEB impacts plausible and enduring?** Aside from being a core GEF requirement, durability beyond the investment period is often a matter of reputational concern to investors.
7. Is there a **clear logic for scaling impact,** at least eventually? A key rationale for the GEF to invest in a concessionary way in blended finance projects is to support the scaling of nature-positive private finance, such that the need for concessionary funding declines over time.
8. Is there a strong **commitment to learning and exchange of lessons?** Learning is a priority for the GEF to justify investing in innovative arrangements, though some blended finance partners may have less interest in this.

Strengthening the GEF's learning about blended finance project design: STAP Brief (2026).

Scientific and Technical Advisory Panel (STAP)
of the Global Environment Facility (GEF)
United Nations Environment Programme

Connect with us:
Website: stapgef.org
X platform: @STAP_GEF
LinkedIn: Scientific and Technical Advisory Panel
to the Global Environment Facility (STAP)

STAP SCIENTIFIC AND TECHNICAL ADVISORY PANEL
An independent group of scientists that advises the Global Environment Facility

gef

UN environment programme