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FINANCIAL MECHANISM (ARTICLE 21)

Summary of evaluation results of the Global Environment Facility Independent Evaluation Office

1. In decision XIII/21, the Conference of the Parties requested the Executive Secretary to make sure that the report on the fifth review of the effectiveness of the financial mechanism was available for consideration by the Subsidiary Body on Implementation at its the second meeting, and that, based on the synthesis report and recommendations of the independent evaluator, the Executive Secretary shall prepare, in consultation with the Global Environment Facility, a draft decision on the fifth review of the financial mechanism, including specific suggestions for action to improve the effectiveness of the mechanism if necessary, for the consideration of the Subsidiary Body on Implementation at its second meeting so that it might submit recommendations to the Conference of the Parties at its fourteenth meeting. Due to the lack of voluntary contributions, it has not been financially possible to contract an experienced independent evaluator to undertake the review, in accordance with the objectives, methodology and criteria set out in the terms of reference for the fifth review.

2. In order to support the consideration of the fifth review of the effectiveness of the financial mechanism by the Subsidiary Body on Implementation, the present document has gathered the evaluation results from the Independent Evaluation Office of the Global Environment Facility. It may be used together with the note by the Executive Secretary on the financial mechanism (CBD/SBI/2/8).

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I. The Sixth Comprehensive Evaluation of the GEF (OPS-6)

1. The Global Environment Facility Independent Evaluation Office (GEF IEO) completed the OPS6 Report entitled “The GEF in the Changing Environmental Finance Landscape” in December 2017, and the document was issued as GEF/R.7/Misc/OPS6-Final Report, in time for consideration by the seventh replenishment negotiation on the GEF Trust Fund.

2. OPS6 is based on the findings of 29 evaluations and studies, conducted by the GEF IEO over the past three years. The evaluations employ a variety of qualitative and quantitative approaches, including geospatial analyses and field visits to 43 countries across all GEF regions. OPS6 also draws on the terminal evaluation reviews of 1,184 completed GEF projects and covers the full GEF portfolio of 4,433 approved projects from the pilot phase through the end of June 2017. Formative evaluations assessing design and process were implemented for recently approved programs and projects, such as the integrated approach pilots (IAPs). The following are its findings and conclusions.

The GEF’s relevance in the global environment

3. **With its broad focus and as a financial mechanism for environmental conventions, the GEF occupies a unique space in the global environmental financing architecture.** Despite limited funding, the GEF is the only public international institution that addresses global environmental issues beyond climate change alone. The GEF is the principal financial mechanism for the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants, the United Nations Convention to Combat Desertification (UNCCD), and the Minamata Convention on Mercury. Its focal area strategies have responded appropriately to the evolving needs of these conventions. The GEF also funds projects in international waters and sustainable forest management that support the implementation of a number of global and regional multilateral environmental agreements. As the financial mechanism for the CBD, the GEF is seen as a significant and reliable resource for funding for biodiversity, which attracts relatively few other funds. For its other focal areas—including international waters, land degradation, and chemicals and waste—the GEF is the only global financial mechanism.

4. In addition to the focal area strategies, the GEF implements multifocal area projects and programmatic approaches in recipient countries to help them meet commitments to more than one global convention or thematic area by tackling underlying drivers of environmental degradation. These programs and projects are designed to promote complementarities and synergies in seeking multiple environmental benefits, while avoiding trade-offs between competing objectives.

5. **The GEF focal area strategies have been responsive to convention guidance.** The GEF’s Biodiversity Focal Area Strategy closely reflects CBD guidance, notably identifying the Aichi Biodiversity Targets; the GEF Strategy on Adaptation to Climate Change has been highly relevant to conference of the parties (COP) guidance related to the LDCF/SCCF. While not serving a specific international agreement, the international waters focal area’s portfolio interventions support the interlinked provisions of various conventions, treaties, and guidance. The GEF’s land degradation focal area has responded to UNCCD guidance in GEF-6 by increasing the emphasis on projects focused on achieving land degradation neutrality. The chemicals and waste focal area has been coherent with the guidance of the conventions for which it is the financial mechanism, as well as supportive of the goals of related multilateral environmental agreements such as the Strategic Approach to International Chemicals Management, the Basel and Rotterdam Conventions, and the Montreal Protocol. In response to UNFCCC COP 21, the GEF established the Capacity-Building Initiative for Transparency in November 2016. Two other recent

responses to the conventions include the establishment of the Nagoya Protocol Implementation Fund in response to the Nagoya Protocol under the CBD, and the adoption of the Minamata Convention to reduce and eliminate mercury pollution.

6. The GEF focal area strategies are also responsive to other major international environmental and development initiatives such as the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. The GEF's interventions directly relate to SDG Goals 2, 6, 11, 13, 14, and 15—on zero hunger, clean water and sanitation, sustainable cities and communities, climate action, life below water, and life on land. The GEF's responses to the SDGs are mainly through its support to the conventions.

7. **The GEF distinguishes itself from other environmental financial mechanisms in its ability to work through multiple Agencies in more than 140 recipient countries.** Through the System for Transparent Allocation of Resources (STAR) mechanism, and through programs and set-asides, these countries have access to GEF resources to address environmental issues of national priority. The expansion of the GEF partnership to 18 Agencies has increased GEF relevance in countries through greater access and focal area coverage. GEF focal area interventions are strongly aligned with country priorities, and have often been instrumental in setting national priorities in the environmental sector. The GEF also provides unique and critical support for countries in meeting their obligations under the various conventions.

8. GEF support to least developed countries (LDCs) and small island developing states (SIDS) has increased; however, support to middle-income countries remains critical. Compared to GEF-5 funding, support to LDCs has risen from 14 to 19 percent of total GEF funding; support to SIDS has increased from 8 percent to 9 percent. These increases are noteworthy, considering that they occurred during a zero-growth replenishment. Moreover, despite the funding shortfall in GEF-6 caused by exchange rate volatility, the GEF insulated LDCs and SIDS from the effects of the shortfall. Traditionally, the large middle-income countries have accounted for allocation of a large share of GEF funding on several grounds. Two-thirds of the rural poor live in large middle income countries such as Brazil, China, India, and Indonesia. These countries also have significant biodiversity and substantial greenhouse gas emissions, and therefore much potential for achieving global environmental benefits. These countries also have a greater capacity for innovative financing involving the private sector, and are necessary partners in regional projects. The shift toward greater resources for LDCs and SIDS is appropriate because of limited alternative sources of funding; however, GEF support to the middle-income countries should continue for the reasons stated above, with a consideration for higher cofinancing.

Performance and Impact

9. **The GEF has a strong track record in delivering overall good project performance; likely sustainability of outcomes remains the greatest challenge.** Seventy-nine percent of the OPS6 project cohort had satisfactory outcomes. Focal area performance ranged from 73 percent in international waters to 83 percent in biodiversity projects. Project design—including objectives, institutional arrangements with government, and monitoring and evaluation (M&E) design—quality of implementation, quality of execution, and level of materialized cofinancing are the strongest drivers of performance. The commitments mobilized for GEF-6 approvals indicate cofinancing at 8.8:1.0, which exceeds the portfolio target, although the extent to which these commitments will materialize remains to be seen. Quality of implementation was rated as satisfactory in 79 percent of projects. Sustainability of outcomes is a challenge: only 63 percent of the OPS6 project cohort was rated as having outcomes that were likely to be sustained, primarily due to weak financial sustainability. Country context, quality of implementation, and quality of execution influence project sustainability ratings. Comparable to findings in the multilateral

development banks, projects in Africa have comparatively lower ratings for outcomes and sustainability than other regions, with limited institutional capacity the greatest issue to be addressed.

10. **GEF interventions have contributed to reducing environmental stress.** Environmental stress reduction refers to biophysical changes that reflect reduction of threats emanating from human actions. Fifty-nine percent of completed GEF projects achieved stress reduction and/or environmental status change. Projects' ability to achieve environmental stress reduction at completion is affected by the environmental concern they tackle. For example, 80 percent of projects that focus on chemicals and waste, and 69 percent of those that focus on climate change, achieve stress reduction by implementation completion. In comparison, only 35 percent of the projects that address international waters-related concerns achieve stress reduction, largely because these projects focus more on strengthening the intergovernmental arrangements put in place to address issues; further, there is a time lag before these efforts lead to actual stress reduction and/or environmental status change on the ground. Country circumstances also play a role, as stress reduction and/or environmental status change was achieved in 73 percent of the projects implemented in the five countries with the largest GEF portfolios, but only in 52 percent of those implemented in SIDS.

11. **The GEF is on track to meet its GEF- 5 replenishment targets for most of the indicators, and to exceed a majority of GEF-6 targets.** The GEF is projected to exceed targets for 8 of the 13 tracked indicators. For GEF- 6, the Corporate Scorecard prepared by the Secretariat shows that the aggregated results from approved project identification forms (PIFs) exceed GEF- 6 targets for 6 out of 10 environmental results indicators. The only indicator for which there was no uptake relates to ozone-depleting substances phase-out, where GEF involvement has been declining. Promised results on other indicators was at least commensurate with the level of funds allocated, although it is yet to be seen whether and how these results are actually achieved on the ground.

12. **The GEF has played a catalytic role and supported transformational change primarily through mainstreaming.** The GEF has played a catalytic role in more than half of the OPS6 cohort projects and supported transformational change primarily through mainstreaming and replication. Analysis shows that transformational change occurs where projects aspire to drive change; market barriers are addressed through sound policy, legal, and regulatory reforms; private sector engagement is encouraged through targeted capacity building and financial incentives; and mechanisms are put in place for future financial sustainability through the market, government budgets, or both.

13. **With their emphasis on integration, programmatic approaches and multifocal area projects are relevant in addressing drivers of environmental degradation; however, complex program designs have implications for outcomes, efficiency, and management.** The GEF has appropriately chosen to focus on integrated programming through technically coherent multifocal programs, along with single focal area projects. Multifocal area projects are best suited when the environmental issue affects multiple focal areas, is caused by drivers linked to multiple focal areas, and when issues linked to multiple focal areas occur within the same geographical unit. Findings from evaluation of programmatic approaches suggest that child projects under programs perform somewhat better than standalone projects, but that outcome performance can decline with increased program complexity. Multifocal area projects and complex programs are associated with increasing cost inefficiencies, unless they are well managed and executed with commensurate on-the-ground implementation capacity.

14. **The IAPs are relevant to environmental issues and the countries/cities they serve, and have been designed for long-term sustainability.** Additionality needs to be demonstrated and process issues require attention. The design of the IAPs demonstrate attention to coordination, coherence in

objectives between the program framework and child projects, innovative knowledge components, relevant selection of countries and cities, Agency selection based on comparative advantage, and well-designed M&E frameworks. The inclusion of these elements reflects lessons learned from previous programmatic interventions. A few shortcomings in IAP design have been observed, however. Targets need to be better specified and measured, and program additionality over a set of discrete focal area projects needs to be demonstrated. There have been some inefficiencies caused by delays in designing and launching the IAPs, in part because the GEF project cycle policy has not been explicit regarding the application of standards to child projects. Finally, the selection process of countries and Agencies has not always been clear, transparent, or communicated effectively. It is too early to assess the performance of these pilots, as they are in early stages of implementation. Findings from earlier programmatic approaches indicate the importance of good implementation and effective management of complexity.

Financing, Governance, Policies, and Internal Systems

15. Over the years, the GEF has undergone several changes in its structure, governance, and partnership framework. Importantly, there has been a gradual and significant increase in its number of Agencies, from the initial three—the United Nations Development Programme, the United Nations Environment Programme, and the World Bank—to 10 and then to 18 Agencies today. This growth has had implications for the governance and administration of the partnership.

16. **GEF financing has been constrained by exchange rate volatility, fragmentation in donor funding, and impediments to scaling-up nongrant instruments.** Although donors have delivered on funding commitments, during GEF-6, the GEF encountered about a 15 percent shortfall in available financial resources due to foreign exchange volatility. The GEF has no financial mechanism available to it, such as hedging, to manage these risks. This lack has had detrimental effects on the amount of funding available for GEF-6 projects; some project proposals could not proceed due to the funding shortage, which particularly affected a number of countries' STAR allocations. On average, this shortfall led to a decline of 19 percent in funding provided for STAR country allocations, with varied effects on recipient countries.

17. Uncertainty and fragmentation in donor funding due to competing demands places additional pressure on the GEF going into the next replenishment, necessitating a focus on innovative approaches. The nongrant pilot established in GEF-6 enables GEF financing to be used in products and mechanisms that have the potential to generate financial returns. It has been routinely used by partner multilateral development banks to raise financing for their projects. For nongrant instruments to be scaled up in the GEF Secretariat will require in-house capital markets expertise to originate/structure such instruments and sufficiently large transactions to make their use attractive, particularly to the multilateral development banks.

18. **Operational restrictions and lack of awareness of the GEF have resulted in limiting or not fully realizing the potential for successful engagement with the private sector.** While there is general agreement across the partnership that the GEF needs to raise private sector investment and financing, only about 43 percent of respondents to an IEO survey on financing and governance agree that the GEF's ability to engage the private sector is its comparative advantage. Operational restrictions—including the GEF project cycle, processes, timelines, staff capacity, and required documentation—are not fully aligned with private sector expectations and approaches, thereby constraining the GEF's ability to engage with it. There is a misperception in the partnership about the role of the private sector as a source of financing rather than as a partner in promoting environmental sustainability more broadly. GEF country recipients have varying degrees of knowledge of the role of the private sector in green finance, in accessing funds beyond the usual GEF grant instruments, or of opportunities for engaging in areas beyond finance. Interviews reveal that private sector respondents expect more clarity to help them better prepare

for cooperation with the GEF, and that they see a distinct role for the GEF through its long-term regulatory and policy interventions—particularly where conditions are not yet ripe for investment.

19. **Overall, the GEF partnership is well governed; concerns continue to exist on matters related to representation, efficiency, accountability, and transparency.** Seventy-three percent of respondents to an IEO survey on GEF governance note that the GEF is effectively governed overall, and representatives of all stakeholder groups indicate that the governance structure has served the GEF reasonably well. Council members are engaged; and there is a high level of trust and goodwill, and a sense of common purpose. However, the GEF Instrument and current rules of procedure do not fully and accurately reflect the way in which the partnership is actually functioning. There is no clarity on the participation of observers and Agencies at Council meetings. The GEF–Civil Society Organization Network continues to be relevant and contributes to policies at Council meetings, but there are no guidelines to manage the risks about potential conflict of interest situations associated with having several civil society organizations serve simultaneously as GEF Agencies and network members—often with field offices that are also members. The GEF Council has enabled good regional balance, but—unlike other partnerships—has not delegated decision making to committees.

20. With the expansion in the number of Agencies and the growth of the Secretariat, the relationship between the Agencies and the Secretariat is less clear. There are also overlaps between governance and management functions—for instance, with the Council, in accordance with provisions of the GEF Instrument, continues to have a role in reviewing individual project documents. A major difference between the governance of the GEF and that of six comparator organizations is the absence of an independent chair.

The GEF continues to be a transparent organization in terms of its governance, but is less so in terms of its management. Only half of stakeholder respondents to a survey on GEF governance believe that the operational decision making is appropriately transparent. While acknowledging the practical difficulties entailed in explaining all Secretariat decisions within an expanded partnership, concern was expressed by all groups of stakeholders on inadequate clarity and communication of programming decisions, project review criteria, project selection, the initial preparation of the IAPs in GEF-6 and the early stages of development of the GEF-7 Impact Programs. During interviews, concerns were raised on the communication of Agency selection by country operational focal points, with projects being awarded to Agencies based on their country presence and not necessarily based on their comparative advantage.

21. **The GEF Gender Mainstreaming Policy has advanced the GEF’s efforts to strengthen gender mainstreaming in GEF programming and operations in a more systematic manner; there is further room for improvement in implementation.** Since implementation of the policy, gender consideration in project documentation at the point of Chief Executive Officer project endorsement/approval rose from about 57 percent to almost 98 percent. The GEF Gender Partnership is slowly developing into an effective platform on which to build a wider constituency on gender and the environment, providing a forum for leveraging the broad range of member skills and experiences on gender equality and women’s empowerment. The policy stops short of providing a compelling rationale for why gender matters in environment-focused interventions. It also does not provide a rationale as to how the inclusion of gender equality in environmental projects would generate benefits beyond effectiveness and efficiency. Moreover, the policy does not reference the gender-related mandates or decisions of the five conventions the GEF serves. Even though gender performance has improved since the introduction of the policy, only about 14 percent of projects at entry included a gender analysis, which is integral to mainstreaming. The GEF policies and guidance on safeguards and indigenous peoples have advanced the GEF’s efforts in these areas; gaps exist in the policy frameworks relative to good practice in partner Agencies and in implementation. The adoption of the GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards has prompted several Agencies to develop or revise their own

safeguard systems. By design, these improvements have occurred principally during the accreditation process for new Agencies and compliance review for existing Agencies. Gaps exist in the framework in relation to recent updates made in GEF partner Agencies, and there is no guidance regarding ongoing reporting or monitoring on safeguard-related issues during project implementation. In general, GEF Agencies comply with the obligations specified under GEF Minimum Standard 4: Indigenous Peoples. The GEF “Principles and Guidelines for Engagement with Indigenous Peoples” reinforce GEF policies toward indigenous peoples, but lack practical guidance on project design and indicators, or a list of requirements that could aid in operationalizing the minimum standard and other relevant GEF policies.

22. **Some progress has been made with regard to the GEF’s Project Management Information System (PMIS), results-based management system, and knowledge management; the availability and quality of information in these systems needs further improvement.** As pointed out in several evaluations by the IEO, the availability and quality of information provided by the PMIS is an area of major concern, which primarily stems from information being manually entered and not updated with any regularity. The upgrade of the system planned prior to the launch of GEF-7 should help address the need for accurate and up-to-date information.

23. The GEF’s results-based management system has played a strong role in supporting accountability, reporting, and communications. It provides information for two instruments of regular reporting to the Council: the Annual Portfolio Monitoring Report and the Corporate Scorecard. Nonetheless, the GEF is still tracking too much information, with little focus on impacts. As designed, the system does not provide useful feedback on Agency performance or enable the articulation of lessons drawn from good practices. An important issue is the limited availability of M&E evidence that demonstrates the value added or additionality of a program over a set of projects.

24. During GEF-6, an increased emphasis has been placed on knowledge management, and an action plan has been developed for implementation. The knowledge generated and shared by GEF projects is useful, but it is inconsistently integrated in repositories—thereby limiting accessibility. Two thirds of surveyed stakeholders reported having used knowledge produced by the GEF, particularly in technical and strategy documents, as an input into the design of their own environmental programs and projects; for awareness raising; or in the formulation of national environmental policies, strategies, laws, and regulations. But access to information has been difficult. Compared to similar partnership organizations, the GEF has placed less emphasis on developing technical solutions to manage knowledge; developing a systematic approach to its knowledge management products; or linking creators of knowledge with users through facilitating access, transfer, and sharing.

II. National environment laws and policies

25. The GEF IEO study on the impact of GEF support on national environment laws and policies (GEF/ME/C.52/Inf.05, May 2017) draws the following conclusions:

(a) **Conclusion 1: Strong environmental laws at the national level are essential to protect human health and the natural environment and are clearly recognized in the GEF Strategies.** The need for strong environmental laws is clearly recognized in GEF strategies. In this regard, international conventions, including those for which the GEF serves as the financing mechanism—UN Framework Convention on Climate Change, UN Convention to Combat Desertification and the Convention on Biological Diversity—oblige parties to enact laws needed to accomplish stated objectives. All of the strategies developed over the last three cycles call for GEF to support efforts to strengthen legislative and/or regulatory frameworks.

(b) **Conclusion 2: GEF-funded projects include a wide range of activities to support governments in the law-making process.** The bulk of GEF-funded projects in the countries selected have included activities that aim at passage of laws at the national level. Generally, these activities were included as small components of much larger projects. The specific activities ranged from research on environmental conditions and reviews of existing laws, or technical drafting of laws to provide the justification for proposed legal reform as well as facilitation of a consultative process and political advocacy work. In addition, GEF enabling activities have functioned as an important catalyst, especially in the biodiversity and climate change focal areas, galvanizing expertise and resources for conducting the baseline studies, policy advocacy, and analyses needed to formulate and support strategy and policy formulation.

(c) **Conclusion 3: Legal reforms are often necessary, particularly in transforming markets, but not always sufficient to achieve aims, and require complementary efforts in institutional strengthening and enforcement.** In general, the laws established with the support of GEF-funded projects are intended to achieve environmental aims by regulating the behavior of individuals or institutions, allowing for the provision of public or private services, and establishing requisite conditions for legal arrangements among parties. Creating a level playing field for private investment is another important objective. However, the case studies demonstrate that effectiveness of the law is dependent on many factors, such as the strength of administrative or judicial enforcement and implementation capacity.

(d) **Conclusion 4: Several GEF-funded projects contributed to the enactment of environmental laws, and capacity building is important.** Stakeholder interviews and a review of key documents demonstrate that GEF-funded projects contributed to the enactment of statutes and implementing regulations across different focal areas and capacity building facilitated through GEF foundational support is likely to enhance progress in legislative action.

(e) **Conclusion 5: Many factors influence the implementation and success of reforms and should be considered in project design.** The case studies show that the ability to enact laws is affected by a number of factors, including the scope of the proposed law, political sensitivities, competing interests of different constituencies within government and the general population, government budgetary implications, stability of government structures, continuity of key officials, and the technical capacity of government institutions.

(f) **Conclusion 6: Project designs are sometimes based on unrealistic expectations for change.** Project documents often conflate policy statements, legislative statutes, regulations issued by authorized bodies, and administrative directives. These are very different in terms of their legal authority and development process. With respect to statutes and regulations, the case studies reveal a tendency among stakeholders to misjudge the ability of governments to enact laws within the timeframe of the project. Specifically, GEF agencies and implementing partners are often overly optimistic about the likelihood and pace of legal reform

(g) **Conclusion 7: Limited follow-up and evaluation of impacts.** With respect to evaluations, documents generally do not describe the specific role of projects in advancing legal reforms, the content and wording of laws as proposed or enacted, or the extent to which laws, once enacted, achieved stated aims. In general, data needed to assess the effectiveness of legislation or regulations are not available.

III. Protected areas systems

26. The GEF IEO impact evaluation of GEF support to protected areas and protected area systems (GEF/ME/C.49/Inf.02, October 2015; Evaluation Report No. 104, 2016) has covered 618 projects in 137 countries, with in-depth analysis on 191 completed projects, and provided the following conclusions:

27. **Conclusion 1: Loss of global biodiversity continues at an alarming rate, driven largely by habitat loss due to multiple development pressures. Since the pilot phase, GEF strategies have increasingly targeted these development pressures beyond PAs.**

28. Over the past several decades, approaches to biodiversity protection have become more comprehensive and directed at drivers of biodiversity loss. Yet recent studies on changes in species abundance, population trends, and the risk of extinctions all show significant declines. Available estimates indicate that the present global species extinction rate is 100–10,000 times higher than the natural rate of extinction. And the deterioration of the world's biodiversity is projected to continue or even to increase in the future. The anthropogenic causes of biodiversity loss—especially anticipated demographic changes and climate change—will continue to place unprecedented stress on the planet's resources. Unless threats to biodiversity are comprehensively addressed, the possibility exists that some ecosystems may undergo abrupt and substantial changes to their structures and functioning.

29. Globally, a core conservation strategy has been the establishment of PAs, with evidence showing that—on balance—they have been effective in slowing the rate of biodiversity loss. Increasingly, PAs are becoming places of last refuge for many species, especially charismatic megafauna, while also provisioning ecosystem services such as water and air purification and contributing benefits to local human populations. Nonetheless, the coverage of those areas significant for biodiversity and those that are ecologically representative has not advanced as much as the increase in the total area covered. Moreover, PAs remain woefully underresourced, and recent large expansions in PAs globally risks widening current financial shortfalls.

30. Mainstreaming biodiversity and its funding into development planning through national policy and decision-making frameworks is crucial. Equally important is that PAs be strengthened through strategic expansion, effective management, and sustainable financing to support biodiversity conservation. If strengthened to a level where they can adequately address the variety of challenges facing them, PAs can continue to serve as pillars of conservation efforts in the 21st century. As the largest funder of PA systems in the world, the GEF plays a vital role in this regard.

31. Since its pilot phase beginning in 1991, the GEF has adopted a comprehensive approach to biodiversity conservation that has included financing to help reduce pressures by providing economic and social benefits to communities in adjacent landscapes. Over time, GEF strategies have evolved in tandem with CBD strategies to focus not only on factors affecting PA management, but also on large-scale governance issues and root causes of biodiversity loss. This focus is seen in the shift in priorities from the establishment of individual PAs during the pilot phase toward the sustainability of PA systems and networks, and the mainstreaming of biodiversity in productive landscapes and production sectors starting in GEF-4, and now toward interventions targeting very specific drivers through the integrated approach pilots in GEF-6.

32. **Conclusion 2: GEF support is contributing to biodiversity conservation by helping lower habitat loss in PAs as indicated by less forest cover loss in GEF-supported PAs compared to PAs not supported by the GEF. GEF-supported PAs also generally show positive trends in species populations and reduced pressures to biodiversity at the site level.**

33. Over the past 24 years, the GEF has directly invested \$3.4 billion in 137 countries, and leveraged an additional \$10.6 billion in cofinancing toward nonmarine interventions in PAs, PA systems, and their adjacent landscapes. The GEF has helped protect at least 2,785,350 km² of the world's nonmarine ecosystems. Of the 1,292 GEF-supported PAs identified by the evaluation, 58 percent have been classified as key biodiversity areas, currently the highest scientific standard used to assess global biodiversity

significance. Thirty-one percent of the PAs, while not classified as key biodiversity areas, have received one or more international designations for high biodiversity and/or cultural value.

34. The evaluation faced significant challenges in assessing the impact of the support provided by the GEF due to data gaps in both GEF information systems and existing biodiversity and geospatial global databases. Nevertheless, by adopting mixed methods that used multiple data sets pertaining to different scales (PA, country, and global levels), the evaluation was able to identify trends indicating that GEF support is contributing to lower habitat loss in PAs—especially when considering findings that forest cover loss in GEF-supported PAs is lower than in PAs not supported by the GEF.

35. From 2001 to 2012, the time period for which geospatial information was available for this analysis, GEF-supported PAs lost up to four times less forest cover than the countrywide aggregate, and at least two times less than PAs that were not supported by the GEF in the same biomes and countries. Choosing a country where highly reliable data on GEF support were available, analyses show that GEF-supported PAs in Mexico avoided up to 23 percent forest loss from 2001 to 2012 compared to PAs that did not directly receive GEF support during this period, with results varying across biomes and ecoregions. Analysis of forest cover loss over a five-year period using commercially available high-resolution satellite data for the Mesoamerican Corridor in Mexico indicates that two GEF-supported ejidos had less forest loss and more forest gain when compared with two ejidos that did not receive support.

36. Another analysis looked at 88 cases of species in 39 GEF-supported PAs, supported by 29 projects, where conservation of these species was linked with project objectives. The analysis found that 45 percent of these cases had a positive trend in wildlife abundance, 39 percent presented no change, and 16 percent showed negative trends. In PAs where conservation of a particular species was not strongly linked with GEF project objectives, there was a greater incidence of the species population trend not changing or becoming worse.

37. Information obtained through field visits indicates that GEF support has helped reduce threats to biodiversity at the site level. In all visited GEF-supported PAs for which information was available, biodiversity protection activities were taking place. Ten of these 14 PAs reported reduction of destructive activities; in six, clear links were established between these reductions and GEF support.

38. The evaluation also carried out an assessment of environmental impacts of 191 completed projects included in OPS5. The study found that, at project end, 71 percent had reported positive environmental impacts. While none of these findings alone present conclusive evidence, taken as a whole, they indicate that GEF support is making important contributions to biodiversity conservation.

39. **Conclusion 3: GEF support has helped build capacities that address key factors affecting biodiversity conservation in PAs, mainly in the areas of PA management, support from local populations, and sustainable financing. Sustainable financing of PAs remains a concern.**

40. Information gathered through the METT indicates that GEF-supported PAs tend to have well-established legal status, boundaries, and design. Improvements over time were greatest in process-related aspects such as management planning, law enforcement, PA regulation, and resource inventory. Improvements over time were least apparent in aspects related to community participation in PA decision making.

41. Increased management effectiveness was reported in 13 of the 17 GEF-supported PAs visited; this took the form of improved law enforcement and compliance with PA regulations. Key contributing factors to improved law enforcement and compliance with regulations were found to be a combination of strong management capacities and community engagement activities, which the GEF has supported to a

significant extent in the majority of PAs. In the case of the 17 visited PAs, GEF support in 11 was assessed as having contributed to the development of such factors as dedicated PA staff and leadership, perception of concrete benefits from the PAs by adjacent communities, and synergistic relationships with other donors and local government. Stronger management capacities were evidenced in expanded PA staff skills, upgraded equipment and infrastructure, stable funding for PA operations, and monitoring and reporting systems for both management and biodiversity targets.

42. Resources from GEF, national and local governments, NGOs, and bilateral donors in combination all helped strengthen these capacities. The evaluation found that a consistent source of funding is critical to effective PA operations. PAs that benefited from sustainable financing mechanisms, or relatively stable sources of revenue, were able to fund operational costs without being highly dependent on national government budget allocations.

43. The financial sustainability of PAs remains a critical concern. Only in a few of the visited PAs did governments increase official PA budgets. The GEF was reported to have a moderate or high contribution toward securing adequate funding for PA operations in 9 of the 17 PAs (53 percent); in 5, this led to financial sustainability.

44. Community engagement through the adoption of co-management approaches in visited PAs has resulted in increased community participation in management activities, such as ecosystem restoration and law enforcement. In many cases, PA management activities have produced social and economic benefits that have helped improve community attitudes toward the PA and their willingness to cooperate with PA staff. Sixteen of the 17 GEF-supported PAs visited for this evaluation reported increased community participation in PA management, with 14 indicating that GEF support had made a direct contribution to improved community engagement. Generally, in the PAs visited, a combination of civil society, government, and GEF support has contributed to mainstreaming of community participation in PA management. Governments play an important role by enacting legislation or regulations, and allocating budgets to PAs for community engagement. Two other prominent factors are the shift in community perspectives regarding the role of PAs in providing resources and opportunities for improved well-being, and the shift in societal perspectives regarding the role of communities as capable stewards of natural resources.

45. **Conclusion 4: GEF support is contributing to large-scale change in biodiversity governance in countries by investing in PA systems, including legal frameworks that increase community engagement. Through interventions at the PA level, GEF support is also helping catalyze gradual changes in governance and management approaches that help reduce biodiversity degradation.**

46. GEF strategies have become more comprehensive in addressing biodiversity concerns, moving beyond individual PAs through mainstreaming interventions, and through the current integrated approach pilots. One of the earliest ways in which GEF support dealt with systemic challenges to governance at the PA level was by helping strengthen the country's PA system. As of 2008, the GEF had invested in the PA systems or subsystems of 57 countries. These investments have supported policy development and management capacities, and promoted the implementation of innovative management approaches and sustainable financing mechanisms. In the four visited countries that received support at this scale, the GEF was credited for having contributed to policy making grounded in scientific research and broad stakeholder consultation, improved human resource management, and greater financial transparency and efficiency. Sustainable financing mechanisms established with support from the GEF in three of the countries continue to function. These have allowed the national government to eventually take on the costs of sustaining the PA system and to leverage funds from other donors. Innovative management approaches introduced through pilots at the PA level have also been adopted systemwide.

47. In many cases, interventions implemented at the PA level are part of a larger systemwide intervention. An analysis of the 191 completed projects from the OPS5 cohort indicates that 95 percent of these projects reported some broader adoption or positive environmental impact in the form of threat reduction or improvement of biodiversity in PAs by project end. Nonetheless, the type, extent, and speed of change vary greatly. The most common factors affecting the extent of broader adoption of the outcomes of GEF support were extent of government support, extent of engagement of stakeholders, deficiencies in project design, and extent to which projects carried out activities supporting broader adoption. Of the 17 visited PAs that received GEF support, 14 reported some form of broader adoption taking place. All PAs that reported mainstreaming, replication, or scaling-up of GEF-supported interventions also continued or sustained these interventions within the PA. The types of intervention most commonly sustained or mainstreamed were management approaches, community participation in PA management activities, and community livelihoods.

48. Changes to the national legal framework led to stricter protection of all or parts of seven PAs, in three of which the GEF had played an important role. The GEF contributed to some of these changes by facilitating communication between stakeholders and by supporting the development of new legislation. In Mount Kenya, the GEF orchestrated the first meeting of all relevant agencies, and supported implementation of the first community forest associations.

49. Changes in the legal framework for communities to access or manage land and resources were often found to coincide with increased community participation, even in nonsupported PAs. In 11 of the 17 PAs visited, community participation has been formally mainstreamed through the PA's adoption of a co-management approach or through broader legislation. GEF support in Nairobi National Park is credited with influencing the devolvement of responsibilities for wildlife to local people in Kenya's Wildlife Act of 2013. Similarly, a series of GEF-funded projects in Namibia supported assistance to develop new policies permitting multiple-use zones, and outlined guidance on working with neighboring communities.

50. **Conclusion 5: While sharing important characteristics with governments and other donors, GEF support allows adaptability and higher likelihood of broader adoption in cases where it pays particular attention to three key elements in combination: long-term engagement; financial sustainability; and creation of links across multiple approaches, stakeholders, and scales.**

51. GEF support in visited countries often complemented existing initiatives of government, CSOs, and other donors by funding types of interventions and geographical areas that had received less support. More important, GEF support was said to have delivered interventions in a way that allowed greater adaptability to changing circumstances, and a higher likelihood of interventions being sustained or scaled up, such as through longer-term projects implemented directly by government staff. This effect was noted especially in Mexico, Namibia, and Uganda. In these countries, this type of support allowed the creation of more functional PA systems that continue to remain functional beyond the term of GEF support.

52. Longer-term projects enabled the testing and scaling-up of innovative management approaches that other funders—especially governments—found too risky for investment. One notable type of intervention most funders have shied away from is sustainable financing mechanisms, especially in the form of trust funds. The GEF also invests in promoting the adoption of multiple innovative approaches that have been introduced by different stakeholders, rather than any single approach. GEF funding was found to give greater attention to creating links between different scales and among different stakeholders who otherwise would not interact over a longer period of time. This result was accomplished mainly through process-oriented activities that would yield benefits in the long term such as training, consultation and planning processes, and exchange workshops; these were credited with facilitating dialogue that sped up the adoption of innovative management approaches.

53. GEF support often linked PA-level interventions with higher-scale initiatives, facilitating the exchange of lessons across the system. While CSOs and bilateral donors support similar interventions directed toward building capacities and promoting dialogue, their typically shorter project durations coupled with less flexible project implementation arrangements often mean that these activities do not continue beyond the project's lifetime—especially when this type of support was not implemented directly by government staff.

54. GEF cofinancing requirements often served to attract investments by other funders toward more tangible outcomes such as infrastructure and equipment in biodiversity-related projects, complementing GEF projects that focused more on process-oriented activities. In general, the cofinancing requirements by GEF projects helped catalyze collaboration between different stakeholders, which helped coordinate GEF spending with the funding of governments and other donors.

55. In cases where the GEF did not provide long-term support directly to government agencies or give sufficient attention to financial sustainability, links between scales or among stakeholders tended to become weaker once the project ended. This finding was noted particularly at the PA level in Indonesia and Vietnam, as well as in other impact evaluations undertaken by the GEF IEO. In cases where countries do not request support at the system level, the GEF is also unable to deliver interventions in this manner.

IV. Species

56. The GEF IEO biodiversity focal area study (GEF/ME/C.53/Inf.03, November 2017) formatively assesses GEF's effort to combat international wildlife trade (IWT) through the Global Wildlife Program (GWP), and the 20 country-specific "child projects" associated with that program. Following are the main conclusions of this review:

57. **The GWP is relevant to GEF-6 Biodiversity Strategy priorities.** The program aims at preventing the extinction of known threatened species by focusing on reducing the rates of poaching of rhinos, elephants, and other threatened species, and increasing arrest and conviction rates within participating countries. It also caters to other biodiversity programs and objectives, such as those related to protected areas, sustainable use and biodiversity mainstreaming efforts. Through country-led child projects, the program responds to the objectives of other focal areas such as land degradation, climate change and sustainable forest management. The program is relevant to advancing core goals of the Convention on Biological Diversity – including the Aichi Targets, and the goals of CITES.

58. **Gaps in geographic and species coverage remain; focus is mainly on single country projects.** No countries from the Latin America and the Caribbean region have been included so far, even though substantial illegal wildlife trade occurs within the region. The gaps in coverage reflect the fact that the GWP emerged from concerns focused on the plight of charismatic megafauna—specifically the trafficking of elephant ivory, rhinoceros horn, and large cats. With the exception of the global grant, all the child projects under the GWP are for a single country. Cross-boundary issues must be addressed, as illegal wildlife trade is by nature international, and the techniques that are effective in combating the trafficking of other illicit goods must be employed.

59. **The GWP has an appropriately comprehensive theory of change to address illegal wildlife trade; most GWP funding is focused on addressing IWT at source.** The theory of change, set out in the GWP's Program Framework Document (PFD), emphasizes addressing each stage in the illegal wildlife trade supply chain, namely the source of wildlife traded illegally, the shipment and transportation of wildlife and wildlife products, and the market demand for those products. Despite the comprehensive theory of change, most GWP funding is focused on activities to fight illegal wildlife trade at

the source, with 68.3 percent of the GEF's funding allocated to this component. Demand constitutes the smallest portion of the funding allocated: \$2.4 million, or approximately 1.8 percent of total GWP funding. The skewed allocation of GEF funds in supply, transit and demand countries is the reflection of a program composed of country-lead projects following the participating countries' priorities.

60. **There are structural limitations on the extent to which GWP child projects can be expected to fully realize the PFD because of the current funding mechanism.** Most of the funding available for child projects under the program is from STAR allocations. While the STAR is beneficial in that it ensures that country recipients have adequate buy-in with respect to their country priorities on illegal wildlife issues, it is also a constraint because there is minimal leverage the GEF can exert over countries in directing their funding to the program. Moreover, issues of illegal wildlife trade need cross-boundary coordination, which will require incentivizing countries to participate in combating these issues at a regional scale.

61. **Political will and corruption are not explicitly and directly addressed in projects.** Eleven of the 20 country-specific projects describe corruption as an issue but only 6 projects mention anti-corruption measures as part of their objectives. Furthermore, the GWP does not mandate reporting of indicator data on arrests, prosecutions, and convictions for all projects, instead requiring this information only insofar as it is relevant to an individual project.

62. **The M&E framework for child projects is simplified and more relevant to the program.** The three chief GWP indicators track the broad theory of change of the program, capturing number of law enforcement and judicial activities, number of people supported by GWP activities, and number of target species poached. This framework is simpler than those applied to other GEF programs, but it is not clear whether this simplified M&E framework will be able to capture the uniqueness of the child projects as well as overall program accomplishment.

63. **The GWP global coordination grant is accomplishing more than expected with the available funding.** The global grant is an innovative design element of the program and its contributions to date have been recognized by program participants. It coordinates actions and build capacity, learning, and knowledge management to address the issue of illegal wildlife trade across the entire supply chain with implementing partners, donors, and international organizations—some of which are not GEF Agencies. To accomplish these manifold objectives, the global grant receives only 5 percent of total GWP funding.

V. Access and benefit sharing and the Nagoya Protocol

64. The GEF IEO biodiversity focal area (GEF/ME/C.53/Inf.03, November 2017) provided the following conclusions regarding access and benefit sharing and the Nagoya Protocol:

65. **Project designs may be “overpacked.”** Virtually every project includes activities and/or outcomes for each of the three elements of the GEF's ABS strategy. An effective ABS strategy includes steps for legislative development, domestic research and development (R&D) and compound identification, development of national ABS contracts, and protection of, and benefit sharing for indigenous and local communities, which need to be implemented progressively. While activities such as awareness raising may be done in parallel, a clear legislative framework is a precondition for other interventions to yield effective ABS.

66. **Issues with capacity building.** The most effective institutional/professional capacity-building happens where properly chosen national counterparts are active in the framework development and agreement notification processes, and this does not happen in practice owing to lack of availability of expertise. Complexity and individual uniqueness of each ABS situation. The complexity and individual

uniqueness of each ABS situation is sometimes not sufficiently recognized. When countries with less advanced national ABS frameworks attempt to use examples from countries with highly developed national ABS frameworks as models, they have found that the draft instruments and procedures prepared are not consistent with their legislative and administrative requirements for adoption.

67. **Justification and scope for collective work through global, regional and multi-country projects and workshops.** Multi-country projects that link countries with little regulatory or objective similarity, should reconsider the scope and justification for collective work. Where some element of the project is focusing on assistance for each participant country's national implementation, the plan of this element should consider the differences in regulatory system, national needs, level of advancement in ABS implementation, etc., with the goal of increasing both the ability of less advanced countries to absorb the concepts and information provided, and the ability of more advanced countries to get some input of value for their, still not inconsiderable, needs. In all projects (global, regional, multi-country, and single-country) the use of models based on a single country's experience, a single pilot, etc., should be reconsidered. Similarly, projects' reliance on "representatives" (one or a few persons to represent all of a country's (or subnational jurisdiction's) national framework agencies, stakeholder classes or other groups) should be reconsidered, and mechanisms applied to convert it into true "representation."

VI. Gender inclusion

68. As part of the Sixth Comprehensive Evaluation of the GEF (OPS6), the GEF IEO conducted an evaluation of gender mainstreaming in the GEF (GEF/ME/C.52/Inf.09, May 2017; Evaluation Report No. 118, March 2018), with the following conclusions:

Trends in gender mainstreaming

69. **Conclusion 1: Current trends in gender mainstreaming in the GEF show modest improvement over the previous OPS period.** According to the quality-at-entry review, the area of most significant change is in the dramatic reduction of gender-blind projects from 64 percent, before the Policy on Gender Mainstreaming was introduced (OPS5 pre-May 2011), to 1.3 percent in OPS6, and the growth of nearly six times the number of projects rated gender aware in this same time period. However, when comparing post-May 2011 OPS5 data (after adoption of the policy) with the OPS6 rating, the increase in the percentage of projects rated gender sensitive and gender mainstreamed was limited. The OPS6 review of completed projects shows modest signs of improvement compared with the OPS5 baseline of completed projects, with a decline in gender-blind projects and a similar increase in the percentage of completed projects rated gender aware.

70. **Conclusion 2: Projects that conducted gender analyses achieved higher gender ratings.** Very few projects conducted gender analyses, despite it being one of the minimum requirements of the Policy on Gender Mainstreaming. Only 13.9 percent of medium-size projects (MSPs) and full-size projects (FSPs) in the quality-at-entry review and 15.7 percent of completed projects reviewed had done a gender analysis prior to Chief Executive Officer (CEO) endorsement/approval. The evaluation team used a weighted gender rating score, with a value between zero and four—zero being gender blind and four being gender transformative—to make comparisons among projects. The quality-at-entry review weighted gender rating score for the OPS6 cohort was 1.68; projects for which a gender analysis had taken place before CEO endorsement/approval had a combined score of 2.97. Projects that either planned a gender analysis or for which a gender analysis had taken place at entry had a weighted gender rating score of 2.22. Improvements were noted in terms of gender consideration in project documentation.

Appropriateness of the policy

71. Conclusion 3: **While the Policy on Gender Mainstreaming has increased attention to, and performance of, gender in GEF operations, its framework and certain provisions and implementation remain unclear.** The objective of the policy is “attaining the goal of gender equality, the equal treatment of women and men, including the equal access to resource and services through its operations.” The policy leaves too much room for interpretation on gender analysis and on the responsibilities of the GEF Agencies vis-à-vis the GEF Secretariat regarding its implementation. Including gender-disaggregated and gender-specific indicators in project results frameworks is highly variable across GEF projects, as is the collection and use of gender-related data to measure gender equality-related progress and results during monitoring, in midterm reviews, and in terminal evaluations. The policy is not informed by or situated in wider human rights and gender-equality norms governing international development frameworks, nor does it reference gender-related mandates or decisions issued by the conventions.

72. Conclusion 4: **Institutional capacity to implement the policy and achieve gender mainstreaming is insufficient.** Recruiting a dedicated senior gender specialist as part of the GEF Secretariat team is widely recognized as an important and essential step forward that has helped increase attention to gender equality and women’s empowerment. However, this is insufficient on its own to build wider staff competencies and capacities to support gender mainstreaming across GEF programming and processes.

Gender equality action plan’s role in the policy’s implementation

73. Conclusion 5: **The Gender Equality Action Plan (GEAP) has been a relevant and effective framework for implementing the Policy on Gender Mainstreaming.** The GEAP has facilitated implementation of the GEF policy’s requirements, and key stakeholders concur that the action plan has been a good directive for action. The GEF Secretariat has provided annual updates on progress made on the implementation of the GEAP through information documents to the GEF Council. Given the time frame of the GEAP and the updating of the Policy on Gender Mainstreaming, it is important to point out that a strong action plan facilitates strategic priority setting and can drive GEF’s institutional agenda on gender mainstreaming.

74. Conclusion 6: **The GEF Gender Partnership is slowly developing into a relevant and effective platform for building a wider constituency on gender and the environment.** The GEF Gender Partnership has brought together the gender focal points and practitioners of GEF Agencies, other climate funds, the secretariats of relevant conventions, and other partners. It has become an important forum for leveraging the wide range of skills and experiences of members on gender equality and women’s empowerment in the GEF. It has facilitated several reviews, helping to compile and build the evaluative evidence on gender and the environment, and aims to produce a series of tools that will strengthen the GEF’s capacity to mainstream gender systematically in projects and support the achievement of results related to gender equality and women’s empowerment.

VII. Project procedures

75. In the consolidated guidance contained in annex II to decision XIII/21, the Conference of the Parties identified several areas of action to improve project cycle management, flexibility, information and compliance, and raised the concerns of the Parties on transparency of the process of approving Global Environment Facility projects (paragraphs 22 and 23).

GEF project cycle

76. The GEF IEO assessment of the GEF project cycle (OPS5 Technical Document #18, October 2013) provided the following key findings and conclusions:

1) The key stakeholders in the GEF partnership perceive the GEF project cycle to be lengthy and bureaucratic. However, a sizable proportion of stakeholders also feel that the project appraisal process leads to improvements in project design. The respondents also reported that the new project cycle and related requirements entail more effort at project preparation. They also perceive that co-financing related requirements are leading to delays in project preparation.

2) During the pre-submission and pre-Council approval stages several capacity and process related constraints in country governments, national agencies, and GEF Agencies may stall progress of PIF preparation. Despite these constraints, due to fewer changes in the PIF forms and increasing familiarity of the newer GEF Agencies¹ with the project preparation process improvements in the pre-PIF submission stages have been reported.

3) The GEF target for Council approved projects to get CEO Endorsed within 18 months is not being met for more than half of the approved projects in GEF-5 and does not show improvements compared to the GEF-4 period. Much of the time taken during this stage is due to processes that are not internal to the GEF Secretariat. However, some of the delays are also due to increase in the level of information required in the proposals and also the increase in the extent to which revisions in proposals are requested by the Secretariat.

4) During GEF-5 the 10 day standard for the Secretariat's response was met for 65 percent of PIF submissions (including re-submissions), and 50 percent of CEO Endorsement requests. Eighty three percent of PIF submissions and 77 percent of CEO Endorsement requests were responded to within 15 days of submission. Although performance during GEF-5 in terms of response time to PIF submissions seems to be more or less similar to GEF-4, there seems to be a slight improvement in speed with which the Secretariat responds to CEO Endorsement requests. However, much of this improvement is in terms of better response rate after the targeted 10 day turnaround time. More than the time taken in responding to submission, the improvements and modifications requested by the Secretariat, and time taken by the project proponents in addressing the Secretariat's feedback, seem to be the drivers of the total time taken from first submission to PIF approval.

5) Time taken from the point of CEO Endorsement to start of implementation has reduced for the more recent cohorts of endorsed projects. Much of the improvement in this stage took place during 2003-2006. During 2007-2010 this improvement has been sustained. The projects for which less time was taken from the first PIF submission to CEO endorsement were also more likely to be started in a timelier manner. Sufficient data on implementation start for projects that were endorsed during the 2011-13 period is not available because of the time lag involved in reporting through the PIRs.

6) Implementation of the projects that were endorsed during 2003-2006 (GEF-3) was more likely to be completed in a timely manner than for the projects that had been endorsed during the earlier periods. Implementation of a sizable proportion of projects endorsed from 2007 onwards is still ongoing. Therefore, it is difficult to draw conclusions about them.

7) As a result of adoption of RAF and STAR, the GEF grants requested through project proposal submissions tend to be well aligned with country allocations and – by extension – the GEF replenishment. This has reduced 'queuing' of projects for Council approval: the queuing had been a major cause of delays and a source of frustration for the project proponents.

Programmatic approaches

77. The GEF IEO evaluation of programmatic approaches in the GEF (GEF/ME/C.52/Inf.01/Rev.01, May 2017; Evaluation Report No. 113, January 2018) covers a total of 38 programs and their related 301 child projects, 63 of which are completed. The ratings evidence is based on 42 project terminal evaluations of which 29 are categorized as belonging to simple and 13 to relatively more complex programs. Following are the key findings of the evaluation:

78. **Conclusion 1: GEF programmatic approaches have promoted projects that are better designed to produce broader and more sustainable results than stand-alone ones.** At the project level, the evaluation findings indicate that the GEF program support modality in general provides better and larger scale results than project support. Programs provide a long-term perspective and enable through their projects integrated solutions to the environmental challenges the GEF has been tasked to address.

79. There are several implementation challenges that need to be overcome before such results can be consistently (or at all) delivered. Importantly, program complexity has increased over time and has been associated with improved design. However, better designed and more coherent programs have also required longer times to produce results, which may not be measurable by project closure.

80. **Conclusion 2: The multidimensional nature of programs has generated a greater need for coordination and management, with implications for efficiency, results, and performance.** The evaluation clearly shows that complexity is the most significant challenge to program performance. Simpler programs show better results. Furthermore, complex programs require much larger resources to coordinate and manage. Although designs have progressively improved, management and supervision systems have not kept pace with the increasing demands and remain focused at the level of individual projects.

81. In particular, multi-Agency programs face major obstacles, posed by their different mandates, operating practices, and M&E systems. Unless management and supervision systems for programs are substantially improved and more appropriately resourced, program implementations are unlikely to perform as anticipated.

82. **Conclusion 3: Alignment of program support with country priorities has generated strong program ownership.** The evidence indicates that regardless whether a program is country, regional, or global in its geographic scope, the more it is aligned with country priorities, and the more STAR as well as other national and subnational financial resources are committed to it. This increases the likelihood of improving performance and producing better programmatic results that are sustained in-country.

83. Although there has been a progressive shift in GEF programs from the country toward the global and regional levels, national ownership has remained stronger for country programs. This has been overcome in situations where wider programs are strongly aligned with national priorities. In such circumstances, ownership often shows a broadening from one government department or ministry to several and, in some cases, even to private and nongovernmental bodies

84. The earlier tendency to bundle sets of loosely related country-level projects into regional programs typical on the GEF-4 period has not generated strong ownership of programmatic results, even though child projects were well-implemented. This approach is widely understood as a mechanism for financial convenience, rather than being truly programmatic and should be reduced to preserve scarce funding for more coherent programs.

85. **Conclusion 4: Program design has improved, but M&E systems have not adapted to measure and demonstrate program-level results and additionality.** While established project reporting systems are relatively strong, there is little progress toward assessing the additionality of programs to global environmental benefits.

86. Projects under programs are not seen differently by countries when it comes to implementation, and also M&E is performed at the project level. Although coherence of program design is improving, there is still inadequate attention to demonstrating the added value of a program over a set of projects. Program-level evaluations would help in this sense, but are currently largely absent. Initial steps to this end have been taken through the establishment of programme wide theories of change in some recent integrated approach pilots (IAPs) and other global interventions.

87. **Conclusion 5: Decision making on program design needs to reflect greater transparency and clear roles for all players in the partnership.** Programmatic thinking is increasingly done centrally and program designs are more and more developed in the GEF Secretariat. The development of the IAPs and other global programs is seen by a number of stakeholders as marking a trend toward centralized planning under direct management of the GEF Secretariat. They see this trend as a substantial revision of the division of responsibilities between the GEF and its Agencies, which they believe has not yet been fully articulated and assessed in terms of the requirements of the GEF Instrument.

Multifocal area (MFA) portfolio

88. The evaluation of the multiple benefits of GEF's multifocal area portfolio (GEF/ME/C.53/Inf.05, November 2017) provides the following conclusions:

89. **Conclusion 1: The proportion of MFA projects in the GEF portfolio is increasing, with most projects addressing multiple focal area priorities through integrated approaches.** Since GEF-3, when the integration of the objectives of multiple focal areas in single projects was formalized, the number of MFA projects has increased by about 50 percent in each succeeding GEF phase in terms of both number of projects and total GEF grants. The most common focal area combinations in MFA projects include BD and LD (54 percent), half of which also include CC (BD, LD and CC jointly, 27 percent). While MFA projects are larger than SFA projects on average, the evaluation found that this does not necessarily compel Agencies and countries to implement projects as MFA solely with the aim of having a bigger project. The majority of MFA projects in GEF-5 targeted land degradation and biodiversity priorities simultaneously within landscapes, including integrated landscapes, protected area systems, and production landscapes. Seventy-four percent of MFA projects were designed to implement integrated ecosystem management, landscape-based management or both, which are approaches that address multiple focal area issues simultaneously. Forty-three percent addressed both agriculture and forestry sectors by combining approaches such as sustainable agriculture or sustainable land management with sustainable forest management and sustainable forest use/protection; of these, 71 percent also addressed biodiversity concerns through ecosystem-based management.

90. **Conclusion 2: Most MFA projects respond to convention guidance, as well as to both global trends and national priorities.** Of the MFA projects funded through BD or CC focal area allocations, at least 79 percent respond directly to convention guidance by addressing strategic priorities related to land use and land use change, protected areas, and biodiversity mainstreaming. The MFA portfolio reflects global trends toward integration across sectors, and between environmental and socioeconomic objectives as stated in the three Rio conventions and the Sustainable Development Goals. MFA projects also respond to national priorities through flexibility in addressing global environmental commitments (e.g., the Paris Agreement) and national sustainable development goals together. The GEF

has promoted focal area integration by providing financial incentives and strategically engaging with countries to implement projects as MFA.

91. **Conclusion 3: The large majority of completed MFA projects report achievement of multiple benefits and broader adoption by project end.** Of the completed projects with outcome ratings, 77 percent were rated moderately satisfactory or higher, similar to the overall GEF portfolio. However, the generation of benefits linked to project activities was not necessarily dependent on project performance, as all completed projects in the MFA portfolio reported positive environmental outcomes in their terminal evaluations (n=49). Of these, 80 percent reported benefits in the same focal area combinations they had targeted, as well as in socioeconomic aspects. Broader adoption was reported to have begun or taken place in 80 percent of projects by project end, primarily in the form of mainstreaming and replication. Low institutional capacity among executing agencies was a primary factor linked to poor achievement of outcomes and absence of broader adoption in the MFA portfolio. Factors within the project's control such as good engagement of key stakeholders, good project design, and coordination with related initiatives were among those most frequently cited as contributing to successful outcomes. These results are similar to the rest of the GEF portfolio. Partnerships forged to leverage resources from multiple sectors particularly contributed to replication and scaling-up in case study projects.

92. **Conclusion 4: MFA projects that are designed for integrated benefits, include integrated decision making among sectors, and are implemented in an integrated spatial unit are associated with greater diversity in the number and types of benefits. They are also better able to enhance synergies and mitigate tradeoffs.** Opportunities for synergies across the focal areas, as well as with socioeconomic objectives, were commonly found in tree-planting, ecosystem protection and rehabilitation, clean energy technologies that reduced fuelwood use, and sustainable land management practices. The most common trade-off observed in analyzed cases was between environmental and socioeconomic objectives. Potential losses from trade-offs were reduced through three types of mitigating measures: compensation, compromise, and value addition. Compensation involved direct payment or replacement of income to address the loss of socioeconomic benefits. Compromise occurred when the benefit to one focal area was decreased to reduce the anticipated loss to another focal area or socioeconomic aspect. Value addition occurred when an intervention not only addressed the trade-off, but also created focal area and socioeconomic benefits beyond the status quo, essentially producing synergies. MFA projects that reported the highest number and diversity of types of benefits had three common features: intervention designs that integrated additional types of benefits, mechanisms for integrated decision making among multiple sectors, and an integrated spatial unit for delivering a set of interventions. These features enhanced synergies, and mitigated trade-offs through value addition, essentially also producing synergies.

93. **Conclusion 5: At the institutional level, MFA project implementation generates benefits, but is also associated with higher costs.** Implementing projects as MFA has both benefits and costs. Benefits occur in the form of opportunities to fulfill global and national commitments simultaneously, leverage focal area funding, streamline project management costs, and increase multisectoral interaction. The option to integrate funds from multiple focal areas has allowed each focal area's priorities to be addressed through more interventions while using less of each focal area's allocation. This is particularly true for the land degradation focal area, which typically receives lower funding; for the biodiversity focal area, this has leveraged higher cofinancing. Since MFA projects tend to be larger on average, they allow for economies of scale in project management, relative to implementing the same interventions through several smaller SFA projects. The involvement of more actors provides an opportunity for interaction among sectors that might otherwise not typically interact.

94. Costs occur in the form of efficiency losses, mainly during project design, review, and monitoring due to the increase in number of stakeholders and sectors required to provide inputs. Whether at the country or corporate level, the involvement of more actors leads to more complex and time-consuming decision making, as each actor tries to maximize benefits for its respective focal area or sector. Current reporting requirements for multifocal area projects increase operating costs; at the same time, synergies generated and trade-offs mitigated are not captured.

95. **Conclusion 6: Implementing a project as MFA is most appropriate when the environmental issues to be addressed, or management approaches to be supported, provide opportunities to enhance synergies and mitigate trade-offs across focal areas. Appropriate institutional arrangements enhance the synergies.** Merely pooling focal area allocations in an MFA project may result in multiple benefits, but does not guarantee the creation of synergies or mitigation trade-offs. When MFA projects were implemented under conditions that by nature are linked to multiple focal areas, more opportunities to generate synergies and better mitigate trade-offs were created. These conditions include: 1) environmental issues whose causes, consequences, or spatial occurrence are linked to multiple focal areas; and 2) management approaches that inherently address multiple focal area priorities. In some cases where conditions for an MFA project were appropriate, the lack of institutional arrangements for sectoral integration was found to limit these opportunities. Lack of strategic and operational guidelines for MFA projects contribute to this limitation.

Integrated approach pilot programs

96. The GEF IEO formative review of the integrated approach pilot programs (GEF/ME/C.53/Inf.04, November 2017) contains the following key findings:

97. Relevance

(a) In-country stakeholders broadly agree on the potential for the IAP programs to address multiple conventions through an integrated programming approach; this view was not shared by all convention secretariats. Ninety-three percent of respondents agreed that the IAP programs help to address the Conventions across multiple scales. Interviewees at UNFCCC and CBD secretariats were somehow more critical. In contrast, interviewees at the UNCBD Secretariat fully supported the GEF integrated approach to multiple focal areas.

(b) Positive examples of alignment with country priorities through adequate entry points are observed, although this strategy risks sidelining some focal areas. The Commodities IAP child projects align with specific government priorities. The Food Security IAP shows synergies across biodiversity, climate change, and land degradation, with financial allocations clearly favoring the latter as an entry point. Interviews indicated that the biodiversity and climate change were included as more of an afterthought in project design. The major drivers of the Cities IAP connect local urban sustainability priorities to climate change mitigation, biodiversity and chemicals. The initial ambition was for a greater synergy, which was not pursued later in design. Taking deforestation out of commodity supply chains is addressed through interventions in the focal areas of biodiversity, climate change as well as support for sustainable forest management.

98. Design

(a) The IAP programs and their component child projects are broadly coherent in terms of their structure and objectives in their respective theory of change, with some exceptions. The IAPs program and project objectives and M&E systems are aligned with each other. However, alignment between project/program results frameworks and tracking tools in terms of outcomes and indicators does not show an even picture

across the three IAP programs. Only two projects in the Cities IAP show alignment between project/program result frameworks and tracking tools. Three out of five child project in the Commodities IAP and five out of 12 in the Food Security IAP align.

(b) IAPs demonstrate interesting innovative features as compared with previous programs by including emphasis on knowledge exchange through dedicated platforms for collaborative learning, considerable efforts will need to be made to realize their potential. The main innovation for the three IAP programs is the development of ‘hub projects’ for each IAP program, that function as capacity building, coordination and knowledge support platforms or networks towards the other child projects. This is a clear improvement as compared with past programs. The success of the IAPs largely depends on the effective functioning of the hub projects.

(c) Broader adoption has been emphasized in the design of the IAP programs. Child projects’ documentation demonstrates that all child projects have a plan for sustaining project interventions beyond the project’s timeframe. Almost all child project documentation provides evidence of specific measures for planned broader adoption of outcomes by stakeholders such as replication at a comparable administrative or ecological scale, scaling up interventions into larger geographical areas, and measures to help catalyze market transformation.

(d) IAPs show well-designed M&E strategies, with some exceptions. M&E, a historically weak area in GEF programs in terms of its capacity to demonstrate program additionality, has been carefully considered in the design of the three IAPs. All child projects have an M&E strategy and show coherence between program and child project M&E frameworks. The GEF-6 Programming Directions indicate that a limited set of outcome indicators will be developed to track achievements. These were expected to replace the traditional tracking tools. A multifocal tracking tool was developed by the Food Security IAP, which is yet to be operationalized.

(e) There are inconsistencies in the role, expression and measurement of global environmental benefit (GEB) targets, which will adversely affect program-level M&E. All three IAPs provide targets towards GEBs, but the data is scattered throughout program and project documents, and it is not clear whether these are meant as aspirational goals or as hard targets. PFDs lack targets altogether (Commodities IAP), underestimate (Cities IAP) or overestimate (Food Security IAP) GEB targets, compared to targets reported in child projects’ requests for CEO endorsements. Variations exist in child projects’ calculations of direct and indirect CO₂e mitigated; different periods of influence and poorly substantiated indirect top-down causality factors are being used.

99. Process

(a) It took 26 months to bring all child projects to the stage of CEO endorsement from PFD Council approval, and much of the work in the design of the programs is front-loaded and taking place in advance of Council approval of the PFDs. On average, it took child projects 14-15 months to reach commitment deadlines, and 21 months to reach CEO endorsement.

(b) Approaches for country selection varied across the three IAPs. For the Commodities and Food Security IAPs the selection of countries was based on sound criteria, but communication during the selection process was poor. In the Cities IAP, the country selection process occurred via informal consultations between the Secretariat, MDBs, UN agencies, and national governments at design. Participants agree that the Secretariat led critical decisions on which countries/cities to include in the programs.

(c) There has been some competition for the lead agency position, and the role of the consultations in the lead agency selection process was not always clear. This was the case both for the Cities and Food Security IAPs, but the agencies selected do have the comparative advantages needed for the lead role.

(d) The three IAPs draw on the comparative strengths of several agencies and other experienced think tanks. The three IAPs are characterized by a large number of GEF Agencies and executing partners. All of them are generally individually well qualified, but their number increases the multitude of institutional preferences, and requires greater planning and coordination.

(e) Set-aside funds provided incentives for countries to commit STAR resources to the program, however, most of the financial resources to the IAP programs were already committed. GEF grants are complementary to other financial resources, most of which were already allocated to their intended purposes of food security improvements, integrated natural resource management, or urban infrastructure provision. This indicates that a good part of the IAP interventions would have taken place even without the GEF, but efforts are now more integrated, with a strong emphasis on adaptive management, learning and knowledge exchange.

100. Cross-cutting issues

(a) Overall, gender has been considered in most child projects, and more than half have a gender mainstreaming strategy or plan in place. The three IAPs score well on gender in terms of gender analysis at design, gender strategy and gender indicators.

(b) Resilience considerations—in terms of risk management, as a co-benefit, or integrated into a multiple benefits framework—are embedded in the IAP programs. The only exception is the Food Security IAP, which aimed to pilot the RAPTA resilience assessment tool, but hasn't succeeded in integrating the tool - or any other resilience assessment tool - across all projects.

101. The above findings led to the following four conclusions:

(a) Conclusion 1: Integrated programming to tackle the main drivers of environmental degradation through the IAPs enables addressing the objectives of multiple conventions, while allowing participating countries to address national environmental priorities.

(b) Conclusion 2: The IAPs have pursued an innovative and flexible design to address the drivers of environmental degradation, but show a wide variety of indicators and tracking tools, hindering aggregation within each IAP as well as for the three IAPs altogether.

(c) Conclusion 3: The IAPs draw on comparative advantages of a variety of GEF Agencies and specialized think tanks, but the involvement of several agencies and institutions in each IAP has added to the programs organizational complexity.

(d) Conclusion 4: While in general a positive picture emerges from this review on the IAPs' design and launch process, both were affected by insufficient clarity in terms of rules of engagement between agencies, transparency of selection processes, clarity on the role of the Secretariat, and insufficient communications between some participating GEF Agencies and countries on technical design.

Transformational change

102. The GEF IEO review of GEF support for transformational change (GEF/ME/C.52/Inf.06, May 2017) presented the following conclusions about necessary and sufficient conditions.

103. What are the necessary and sufficient conditions for the achievement of sustainable transformations? All nominated interventions have explicitly or implicitly aimed to support a transformational change. Each of the purposely selected cases can be credited with having made an important contribution to the fundamental transformation of a system or market, thus helping address the root cause of a global environmental concern. In five of the sample cases, based on their evaluation reports, the transformation was fully completed, in terms of its depth, scale and sustainability. In the three remaining cases, the GEF intervention has triggered and supported a fundamental transformation, but their financial sustainability had not yet been achieved at the time of project completion, so that the transformation could only be deemed as partially completed. Given the overall satisfactory outcomes of the sample interventions, it is of interest to compare and contrast the commonalities and differences between fully completed and partially completed transformations.

104. It is of interest to note that the five completed transformations all involved a fundamental change of a system, i.e., a comprehensive approach to modify the functioning of a collection of elements (legal, policy and regulatory reforms, knowledge transfer, technological innovations, capacity building, pilot investments) that interact with one another to affect the environment. All of these interventions established a demonstration-and-replication mechanism to trigger and scale up the supported activities and reforms. Finally, all of these cases were satisfactorily implemented and executed, and were also adequately supported by the policy and economic environment.

105. The most important distinction among these five completed transformations relates to the strategy for achieving financial sustainability. In three cases, financial sustainability was achieved by harnessing market forces to drive and expand the desired environment-friendly impacts. In the two remaining cases, financial sustainability was achieved by eliciting government budgetary allocations that continue funding the programs and activities established by the project.

106. The three GEF interventions that supported market transformations – China Renewable Energy Scale-up Program (CRESP)-I, Uruguay Wind Energy Programme (UWEP) and Lighting Africa – all focused on renewable energy and had the following factors in common:

(a) Market-oriented objectives: Their objectives all aimed at the removal of policy and regulatory barriers to the creation or acceleration of a national or regional-scale market for renewable energy.

(b) Private sector/market response: They all succeeded in catalyzing a strong private sector investment response that ensured the long term sustainability and continued expansion of the markets and systems targeted by the interventions.

(c) Technological advancement: They all encouraged and benefitted from technological improvements that reduced the cost and improved the quality of the equipment - wind power systems and solar lamps - needed to competitively deliver energy services for which there was an effective demand.

107. These three interventions also differed in important ways that highlight alternative pathways to the achievement of market transformation:

(a) Government ownership and policy support: CRESP-I and UWEP were fully owned by the governments which co-financed a major share – 81% for CRESP-I and 98% for UWEP – of project costs, and were helped to undertake a comprehensive system reform that mainstreamed renewable energy into their national energy policy and regulatory framework. Lighting Africa, conversely, did not involve any government funding, and demonstrated the viability of the market by creating demand, providing market intelligence, developing a quality assurance infrastructure, facilitating access to finance, and limiting government involvement to the removal of trade barriers.

(b) Civil society, community and donor partnerships: For Lighting Africa, consumer associations, non-governmental organizations, microfinance institutions and other social sector partners played a key role in promoting consumer awareness of solar lamps. In addition, GEF funding was supplemented by important contributions from international donor partners. For CRESPI and UWEP, in contrast, these factors did not play a significant role.

(c) Pre-investment activities and intervention size: CRESPI and Lighting Africa were major interventions involving about \$40 million and nearly \$8 million of GEF funding, respectively, in addition to extensive preparation activities, funded by GEF PPF grants. UWEP, on the other hand, was a Medium Size Project supported by a \$950 thousand GEF grant, with only a modest pre-project activity.

108. The two interventions that achieved financial sustainability through integration into government budgetary processes — Sanjiang Plain Wetlands Protection Project, and Sustainable Land, Water, and Biodiversity Conservation and Management for Improved Livelihoods in Uttarakhand Watershed Sector Project (SLEM-U) — both focused on the biodiversity and natural resource protection through the development and demonstration of sustainable livelihood approaches to improving the well-being of local communities. These were local-scale interventions characterized by having strong local government ownership and support, as evidenced by their willingness to adopt environment-friendly policies and natural resource management practices based on the results of project-supported pilots, and to continue funding and expanding the sustainable livelihood programs from their own budgets.

109. The three partially completed transformations all involved the conservation of natural resources and protection of biodiversity in environmentally sensitive or protected areas. Two of these - Namibia: Strengthening the Protected Area Systems (PAS), and Amazon Protected Areas Program (ARPA)-Phase I - supported system-wide changes on national-scale changes. The remaining case – Promoting Payments for Environmental Services (PES) and Related Sustainable Financing Schemes in the Danube Basin – demonstrated a market change in a few pilot areas. In all three cases, their long term sustainability continued to depend on donor funding at the time of project completion.

110. In light of the many permutations of commonalities and differences that characterized the interventions that supported fully completed transformations, a cross-case analysis, informed by the qualitative comparative analysis approach (QCA), was used to identify the necessary and sufficient conditions for their successful achievement. The cross-case analysis was undertaken based on the review's findings on key attributes associated with each sample case and their outcomes, as shown in Table 2. The cross-case analysis model and application is described in Annex III. The findings can be summarized as follows – distinguishing between climate change and biodiversity/resource conservation interventions, as appropriate:

(a) Intervention Objectives:

- Aiming at Market Change is a necessary condition for climate change interventions
- Aiming at System Change is a necessary condition for biodiversity/resource conservation interventions (and optional for climate change interventions)

(b) Transformational Mechanisms

- Support for a Demonstration/Replication mechanism or a Catalytic Effect is a necessary condition for all types of intervention
- Support for a Mainstreaming mechanism is optional for all types of intervention

(c) Internal Conditions

- A satisfactory or better Quality of Implementation is a necessary condition for all types of intervention
- A satisfactory or better Quality of Execution is a necessary condition for all types of intervention

(d) External Condition

- A Supportive Economic or Market Environment is a necessary condition for all types of intervention

111. In addition, the following internal and external conditions should also be considered as necessary, albeit not absolutely so, as they were not met in every case:

- (a) Pre-intervention activities played an important role in four out of five cases
- (b) Strong Government Ownership played an important role in four out of five cases
- (c) A Supportive Policy Environment played an important role in four out of five cases
- (d) Local institutional capacity played an important role in three out of five cases
- (e) Private sector involvement played an important role in three out of five cases

112. Finally, a strong Private Sector Response was identified as a sufficient condition for achieving a fully complete transformation. However, this condition only emerged in the context of the climate change interventions. The biodiversity/natural resource conservation interventions did not appear to be able to take advantage of market forces to the extent needed to ensure their long term financial sustainability.

113. Based on the review of the eight sample cases' experience and the identification of necessary and sufficient conditions for the achievement of transformational changes, the following lessons emerge:

(a) The level of ambition is important: The reviewed interventions each had ambitious objectives – explicit or implicit - in terms of aiming to trigger and support a deep, fundamental change in addressing a market distortion or systemic bottleneck that was a root cause for an environmental issue of global concern. The analysis found that aiming at market transformation is a necessary condition for climate change interventions, and aiming at system change is a necessary condition for biodiversity/resource conservation interventions. While, given the small size of the sample, no normative conclusions can be drawn, this finding is consistent with the logic that the more ambitious the aimed-for change, the greater the likelihood that it could be achieved, subject to the necessary conditions identified below.

(b) Supporting the establishment of effective transformational mechanisms is important: All of the sample interventions created and helped establish a mechanism — mainstreaming, demonstration/replication and/or catalytic — to scale-up and expand the activities supported by the intervention. The analysis found that supporting the establishment of a demonstration/replication mechanism or a catalytic effect is a necessary condition for all types of interventions. On this basis, it can be concluded that the design and implementation of a transformational mechanism deserves careful attention from the early preparation stages of the intervention.

(c) The quality of implementation and execution are important: All of the sample interventions were well implemented in terms of the quality of project design, supervision and assistance by the GEF agency, and

the effectiveness of the executing agency in performing its roles and responsibilities. On this basis, the satisfactory quality of implementation and execution can be regarded as necessary conditions for the achievement of transformational change.

(d) **Harnessing market forces is important:** Three of the four cases that primarily aimed at market changes had successfully elicited a strong private sector response that ensured the achievement of a deep, financially sustainable transformation. In fact, subject to alignment with project objectives, a strong private sector response was identified as a sufficient condition for achieving a fully completed transformation. This suggests that where there is an opportunity to harness market forces – by addressing the removal of barriers, encouraging sustainable supply and/or catalyzing potential demand – it deserves careful attention for the identification and design of an intervention.

(e) **Size is not important:** Last, but not least, the eight sample cases illustrate how both relatively modest GEF Medium Sized Projects – such as UWEP and Danube PES – can be just as transformational as major, multi-phase investment projects – such as CRESP and ARPA.

Knowledge management

114. The GEF IEO review of knowledge management in the GEF (GEF/ME/C.53/Inf.08, November 2017) has the following key findings:

(a) The relevance of KM for the GEF mandate has been increasingly recognized in the past 15 years, with resources and consequent initiatives launched. A KM work stream was set up within the GEF Secretariat in September 2015, guided by a KM Approach Paper (GEF/C.48/07/Rev.01). KM has demonstrated its relevance to achieving the GEF's goals. Yet, the priority given to KM at the policy level is yet to be fully matched by its actual implementation across the GEF partnership. A series of activities launched since 2015 have been recognized by the interviewed stakeholders as useful; however, there are areas with greater KM needs which have been previously identified. These include the standardization of creating, storing and accessing GEF project and program documentation; and the ability of the GEF partnership to collate, analyze and share knowledge in a systematic manner at the corporate level. Although identified since 2005, these needs remain largely unmet.

(b) Knowledge is often generated during project implementation and facilitates achievement of environmental benefits primarily through monitoring systems, information sharing and awareness raising. Examples have been found where knowledge management components in GEF-supported projects and programs have contributed to behavioral and policy changes that support environmental benefits across GEF focal areas. The effectiveness of KM components contributing to environmental benefits depends on accessibility of knowledge and information produced by GEF investments. To date, knowledge generated by GEF projects is inconsistently integrated into knowledge bases of the GEF Secretariat or GEF Agencies, and therefore not consistently accessible to all interested parties.

(c) The GEF partnership was found to have a role of a knowledge provider with the broader international environmental community. The GEF is cited in some 2,500 academic articles for its approaches and lessons, as well as for its funding role. At the national level, all 26 countries examined by the meta-analysis had activities to share knowledge, and the majority of surveyed country level stakeholders used the knowledge produced by different parts of the GEF partnership as an input to their own environmental projects, policies, and awareness campaigns. Convention Secretariats are currently under-served by knowledge and information systems of the GEF, including PMIS. The GEF has played less of a role as a knowledge broker in linking -- being a link between those who create and use

knowledge by systematically organizing and sharing knowledge produced by different parts of the partnership.

(d) The knowledge generated and shared by GEF projects is useful, but needs common taxonomies, knowledge sharing approaches, and consistent integration into repositories to increase access by all interested parties. Consistent approaches to knowledge sharing beyond the national level were not observable. Good examples of knowledge sharing are noted in some focal areas, particularly in international waters and biodiversity. In cross-cutting areas, the GEF Gender Partnership is slowly developing into a platform for building a wider constituency on gender and the environment. Improved knowledge sharing is also seen in programs (compared to stand-alone projects) and within the Integrated Approach Pilots (IAPs). GEF Agencies differ in their ability to use knowledge generated by GEF projects and programs, depending mainly upon their own agency-specific KM approaches and systems. The knowledge products produced by the GEF Secretariat are found to be lacking a consistent style, categorization and taxonomy; the Project Management Information System (PMIS) is not seen by stakeholders as an effective sharing tool mainly due to data incompleteness. Country level stakeholders indicated more outreach and accessible information on/ from GEF projects/programs was needed.

(e) Compared to four similar partnership organizations, the GEF has placed less emphasis on knowledge management at the project/program level in developing technical solutions to manage knowledge and in applying a systematic approach to its knowledge products. All four comparator organizations had a KM strategy in place, except for the Green Climate Fund (GCF). Overall, the secretariats/administrative units of these organizations have a greater focus on internal systems at the strategic level than the GEF. The organizations are at different stages of implementing technology solutions and they also face challenges in having an overview of, and access to all project-level documentation. Within the respective KM-dedicated resource envelopes, all four organizations carry out a range of knowledge sharing activities, and some are more advanced in developing common knowledge products than the GEF.

115. The main conclusions are:

(a) The GEF partnership has made substantial progress in KM during GEF-6. The GEF2020 Strategy emphasizes “strategically generating knowledge” as a priority for the future of the institution. Accordingly, a higher priority has been given to KM during GEF-6. In line with GEF-6 policy recommendations to improve the uptake of lessons learned in GEF projects/programs, a dedicated KM work stream has been established within the Secretariat, a KM approach paper was developed and is currently being implemented.

(b) Knowledge generated in the GEF partnership is being used and has influenced national environmental policies and practices. GEF-supported projects generate a substantial amount of knowledge in the form of technical and operational project-level documentation, as well as through strategic and summary papers. There is evidence that this knowledge is being used and influencing national environmental practices and policies. In focal areas such as international waters, evidence shows that lessons from the GEF are also having a broader influence in the academic literature.

(c) The GEF is more of a knowledge provider rather than a knowledge broker. The knowledge produced in the GEF is being used, but not to its full extent. Limitations exist in terms of collating and analyzing knowledge and facilitating its access, transfer and sharing across the partnership, and GEF falls short in this role of “knowledge-broker” against other comparable donor-funded partnership organizations. However, GEF is clearly moving towards improving in this area. Recent positive illustrations of this role include the biodiversity mainstreaming work, the regional knowledge days targeting country stakeholders, the gender partnership, the inclusion of KM requirements in project proposals, the GEF Art of Knowledge

Exchange Guidebook and Workshops, the GEF online search tool “Kaleo”, the new knowledge and learning page on the GEF website, and the integration of KM as a specific project component of the IAPs.

(d) Systemic issues continue to be barriers to KM in the GEF. Barriers to progress in KM are systemic in nature, longstanding, and have previously been identified by the GEF partnership in studies of the Secretariat and STAP, and by several major IEO evaluations. These issues are having an impact at both the project and global levels for KM, and particularly include: (a) Availability of an information management system to capture and provide access to project-level documentation from conception to conclusion that is accessible and user-friendly for GEF Agencies, countries, project and program staff; (b) Guidance on KM for GEF-supported projects and programs through the project lifecycle, beyond basic documentation requirements to ensure minimum standards of consistency and accessibility; (c) capacity within the Secretariat to connect with GEF Agency systems and platforms and to create an enabling environment for corporate-level learning, knowledge exchange and collaboration across the GEF portfolio.

Results-based management

116. The GEF IEO review of results-based management in the GEF (GEF/ME/C.52/Inf.07, May 2017) contains the following conclusions:

Conclusion 1: The GEF RBM system has played a strong role in supporting reporting, accountability and communications. In comparison, so far, its role in supporting evidence based decision making and learning has been limited.

Conclusion 2: GEF has not articulated a clear theory of change, timeframes for achievement of, and reporting on, expected environmental results for its GEF-6 focal area programs.

Conclusion 3: Long duration of the feedback loop poses challenges to incorporation of information on actual results of GEF activities in development of future programs.

Conclusion 4. GEF is already addressing several Sustainable Development Goals (SDGs) through its programs. For GEF-7 it would need to incorporate the relevant SDG indicators in its RBM framework.

Conclusion 5. Although the burden for tracking results decreased during GEF-6, GEF is still tracking too much information.

Conclusion 6. There are gaps in the submission and availability of tracking tools, and the quality of submitted information is often poor.

Conclusion 7. The GEF Project Management Information System (PMIS) has not kept pace with the growing needs of, and expectations from, the partnership.

Conclusion 8. The GEF Secretariat has followed up on the GEF-6 Policy Recommendations by developing a work plan, although progress on measures specified in the RBM work plan has varied.

Civil Society Organization (CSO)

117. The GEF IEO evaluation of the GEF–Civil Society Organization Network (GEF/ME/C.50/02, June 2016; Evaluation Report No. 108, Washington, DC: GEF IEO, September 2016) has the following conclusions:

Conclusion 1: The GEF-CSO Network continues to be relevant and is delivering results to the GEF partnership.

Conclusion 2: The GEF-CSO Network's activities are distant from the country level where GEF projects make their mark and from where the majority of Network CSOs operate. As such, the Network is compromised in its ability to inform the GEF Council with country perspectives.

Conclusion 3: The GEF-CSO Network today is operating in an expanding GEF partnership without a shared contemporary vision of the role the Network can play within the changing architecture and the resources it would need to be effective.

Conclusion 4: Within the context of an increasingly complex operating environment, the GEF-CSO Network has strengthened organizationally over the period under evaluation, but governance challenges remain.

VIII. Catalytic role and co-financing

118. The Conference of the Parties has accumulated three pieces of guidance on catalytic role and co-financing contained in annex II to decision XIII/21, and further encouraged the Global Environment Facility to consider joint financing, in partnership with other international financial instruments, of projects designed to achieve the objectives of more than one Rio convention (paragraph 17), as well as urged the Global Environment Facility and its partners to support recipient countries in their efforts to identify and mobilize co-financing for its projects related to implementation of the Convention, including through public-private partnerships, as well as applying co-financing arrangements in ways that improve access, do not create barriers or increase costs for recipient countries to access Global Environment Facility funds (paragraph 21).

119. In the evaluation on co-financing (OPS5 Technical document # 21, November 2013), the GEF/IEO noted the definition of co-financing as "...project resources that are committed by the GEF agency itself or by other non-GEF sources and which are essential for meeting the GEF project objectives" (GEF/C.20/6/Rev.1, June 2003), and provided the following key findings:

120. Utility

- There is general consensus among the key stakeholders in GEF partnership that co-financing is useful as it helps in bringing more resources to GEF projects, increases country ownership, and increases the likelihood that the follow up activities for a given GEF project receive support of the national stakeholders.
- Analysis of the overlap between concepts related to incremental costs and co-financing shows that mobilization of sufficient co-financing for a project may help in ensuring that GEF supports only the incremental costs of a given project.
- The GEF partnership often incurs costs in terms of time, effort, and risks in mobilizing cofinancing. To assess net utility of co-financing these need to be taken into account.

121. Trends

- From GEF-3 to GEF-4 the ratio of promised co-financing at approval vis-à-vis GEF grant for GEF's global portfolio increased from 4.3 to 6.3. This ratio remained at 6.3 during GEF-5 period (up to June 30th 2013). The increase from GEF-3 to GEF-4 is also evident across projects from

different focal areas, country categories and funding modalities. When trends in median ratios are assessed, it become clear that from GEF-4 to GEF-5 there was a substantial increase in the median ratio. This indicates that although the overall portfolio ratio was the same, during GEF-5 the project proponents of an “average” GEF project had to mobilize relatively more co-financing than during GEF-4.

- For full size projects in nominal terms the recipient country governments – including various ministries, departments, and agencies, at different tiers of government – are the main contributors to co-financing, followed by GEF agencies, and then by private sector sources. The order of these co-financing sources remained the same from GEF-3 to GEF-5. During this period governments contributed 34% to 45% of co-financing, GEF Agencies contributed 24% to 29%, and the private sector 15% to 16%. Bilateral accounted for 4% to 7% and NGO contributions were at most 2% of the total.
- Reported data on completed projects shows that compared to projects completed during earlier periods, the level of materialization of co-financing is higher for OPS-5 cohort of completed projects (APR 2012). On average, the reported materialization for the OPS-5 cohort was 147 percent of the amount promised at CEO Endorsement. This is considerably higher than 98 percent materialization for OPS-4 cohort, and 92 percent for projects that had been completed earlier. Thus, overall it seems that co-financing commitments are being met and performance on this front is improving.

122. Factors influencing trends

- Attention given to co-financing during the PIF reviews and project appraisal is the main driver of increase in co-financing ratios. From GEF-4 onwards, level of attention given by the Secretariat to ensuring higher level of co-financing in GEF projects seems to have increased. Compared to 33 percent of FSPs during GEF-3 period, PIF submissions for 43 percent of FSPs during GEF-4 and 75 percent during GEF-5 received comments related to co-financing. Of the 54 PIF submissions for full size projects that were rejected during GEF-5, in 60 percent of the cases low level of co-financing appears to have been a major reason for it. PIF rejections because of lower levels of co-financing are more likely for recipient countries that are in an upper middle or high income bracket.
- The GEF project portfolio has evolved in the past 20 years, especially so for newer focal areas such as Chemicals. From projects that focused primarily on providing support for an enabling environment and building a foundation for future work, the emphasis has shifted to supporting projects that entail demonstrations and other activities where there is a more direct linkage of supported activities with national and local benefits. In such instances some increase in cofinancing ratios is natural and even essential.
- The level of co-financing that recipient countries may contribute may be dependent on state of its economic development, size of its economy, and other factors. Although circumstances in individual countries differ, in the past twenty years there has been a steady increase in the economic abilities of recipient countries. This, therefore, leads to a shift in the baseline expectations and provides additional rationale for seeking somewhat greater levels of cofinancing say compared to GEF-1 or GEF-2 periods. While increased level of economic development in recipient countries is likely to be one of the drivers, the data does not support a firm inference that this has been a major factor.

123. Issues and Concerns

- Lack of transparency in application of co-financing related requirements has emerged as a major barrier and a source of frustration for several stakeholders in the GEF partnership. GEF agencies and Operational Focal Points (OFPs) feel that lack of transparency in GEF requirements on the level of co-financing expected for projects is a major flaw in the GEF approach. This, they feel, leads to a high level of arbitrariness in how GEF Secretariat applies co-financing requirements.
- Several stakeholders in the GEF partnership feel that focus on high co-financing ratios has reached a stage where it is counter-productive. In many situations activities and/or financing, where the executing agency has little control or oversight in programming and/or execution, are being portrayed and accepted as co-financing. Alternatively, in several other instances it is adding to the time taken in project preparation. Low attention to country context in assessment of co-financing, they believe, has led to increasing level of projects being proposed in areas where there are already considerable amount of ongoing activities. Further, there are fewer incentives to work on new emerging concerns for which co-financing may be difficult to obtain quickly.
- Increased expectations on co-financing ratios also place some agencies at a disadvantage. For example among implementing agencies, compared to development banks UN organizations such as UNDP, UNEP and FAO may be at a disadvantage. Similarly, within recipient countries NGOs and CBOs have reported that focus on co-financing places them at a disadvantage in terms of being able to function as an executing agency as they have limited capacities to contribute cofinancing.

124. There is a need to increase the level of transparency in application of the GEF approach to co-financing. While the rationale for a graduated approach to seeking co-financing based on project design, share of global environmental benefits in project benefit mix, incremental costs, and country circumstances is strong, there is little guidance on expected level of co-financing for different types of projects. In absence of clear guidance, there are differences in the manner in which the co-financing related requirements are applied by the GEF Secretariat. Consequently, the Secretariat's application of the co-financing related requirements is perceived as non-transparent by other stakeholders in the partnership, especially partners in the recipient countries. Lack of guidance on this topic also leads to information asymmetry – as the project proponents are not sure what the Secretariat is looking for – which causes delays during the project preparation phase especially for countries and for agencies that have less experience with preparation of GEF projects.

125. There is a need for re-calibration of the GEF approach to co-financing. Given the benefits of cofinancing, it indeed needs to be encouraged. However, instead of 'maximization' the project appraisal process needs to be geared towards ensuring 'adequacy' of co-financing. Where co-financing commitments indicated in the project proposals are low, consideration needs to be given to other mitigating factors such as importance of non-monetized technical contributions by partner institutions, recipient country's assurances on targeted policy change, likely country commitment for follow up activities, etc., which may not be counted as co-financing but may have greater relevance to what a GEF project may intend to achieve.

126. It further presented several issues and concerns. Lack of transparency in application of co-financing related requirements has emerged as a major barrier and a source of frustration for several stakeholders in the GEF partnership. Several stakeholders in the GEF partnership feel that focus on high co-financing ratios has reached a stage where it is counter-productive. Increased expectations on co-financing ratios also place some agencies at a disadvantage.

IX. Incremental costs

127. The consolidated guidance on incremental costs contained in annex II to decision XIII/21 indicated that the Global Environment Facility should apply in a more flexible, pragmatic and transparent manner the incremental cost principle. The GEF IEO evaluation of incremental cost assessment (GEF/ME/C.30/2, November 2006) reached four main conclusions.

128. First conclusion: the principle of incremental funding is alive and well in GEF projects. Although the evaluation found many doubts and concerns expressed about the process of incremental cost assessment as it is carried out, the evaluation found that incremental reasoning underpins the global environmental focus of the design of GEF projects. This reasoning takes place at the concept phase, well before the process of incremental cost assessment, and it ensures agreement on the global benefits and the ways in which the project will secure these benefits and provide additional funding to cover their incremental costs.

129. Second conclusion: there remains weak understanding and much confusion about incremental cost concepts and procedures. Confusion still persists on whether incremental cost is a (primarily qualitative) form of logic or reasoning, or a quantitative, numerical calculation. Specific terms associated with incremental cost were also found to be poorly understood, most notably “incremental cost”, “alternative,” “system boundary” and “additionality”. GEF guidance throughout the years never clarified if they substitute for or add to previous ones, adding to the confusion of what is required.

130. Third conclusion: most project documents register low quality and compliance when measured against GEF requirements for incremental cost assessment and reporting. The evaluation found that 64 % of projects only report on half of the six aspects of incremental cost that are required by policy and guidelines (broad development goals and baseline, alternative, and cost). One of the reasons the compliance quality is low is because the GEF incremental cost guidelines that lay out the background to incremental cost assessment and the requirements for annex reporting in project documents are rarely used, and there is an absence of commonly accepted “best practice” for incremental cost assessment.

131. Fourth conclusion: as currently applied, incremental cost assessment and reporting do not add value to project design, documentation and implementation. The bulk of effort is expended on reporting on incremental cost as a required part of the project document rather than connecting it to the project design. The preparation of the annex is usually carried out ex post facto, at the end of project formulation, by experts. The annex serves merely to summarize or repeat the information contained in the main text of the project document.

X. Sustainability

132. The Conference of the Parties requested promoting exchange of experience and lessons learned in addressing sustainability of funded projects on biological diversity, as contained in annex II to decision XIII/21. In the sixth comprehensive evaluation of the GEF (OPS6) (GEF/R.7/Misc/OPS6-Final Report, December 2017), the Independent Evaluation Office defined sustainability as impacts that are financially, economically, environmentally, and politically sustainable in the long term, after the intervention ends. The GEF has a strong track record in delivering overall good project performance; likely sustainability of outcomes remains the greatest challenge. Only 63 percent of the OPS6 project cohort was rated as having outcomes that were likely to be sustained, primarily due to weak financial sustainability. Country context, quality of implementation, and quality of execution influence project sustainability ratings.

XI. Country ownership

133. In the consolidated guidance related to agencies in annex II to decision XIII/21, the Conference of the Parties requested the following actions: promote genuine country ownership through greater involvement of participant countries in GEF-funded activities; promote utilization of regional and local expertise and be flexible to accommodate national priorities and regional needs within the objectives of the Convention; encourage collaboration at national level between national focal points for the Convention, for related environmental agreements and for the Global Environment Facility, including through the projects supported by the Facility, and including through regional and national workshops for the focal points. As a part of OPS6, the Independent Evaluation Office conducted an evaluation of the GEF's System for Transparent Allocation of Resources (GEF/ME/C.53/Inf.10, November 2017) and provided the following key conclusions and findings.

STAR design

134. **Conclusion 1. Country allocations under the STAR model are primarily driven by a country's potential to generate global environmental benefits, which is appropriate.**

135. Although GEF Performance Index (GPI) adequately incentivizes improved performance, country allocations are primarily driven by the GEF Benefits Index (GBI). This is so because normalized GBI scores of recipient countries are spread across a wider range than their normalized GPI scores. While per capita GDP figures for recipient countries also vary considerably, due to low weight of the exponent of GDPI, the GDPI score do not drive country allocations.

136. GBI scores playing an instrumental role in determining country allocations is appropriate, because it helps in directing the GEF resources to countries where there is higher potential to produce global environmental benefits. The general endorsement of GBI formula used for GEF-5 STAR by the Mid Term Evaluation of the System of Transparent Allocation of Resources (GEF IEO, 2014) is still valid, along with the suggestions on areas where the formula may be fine-tuned.

137. **Conclusion 2. The STAR model assigns a low weight to GDP relative to indices used in other multilateral development banks (MDBs).**

138. During GEF-5 the GDPI had an exponent of - 0.04, which was increased to -0.08 for the GEF-6 period. Simulations indicate that this change led to a moderate increase in allocations of Least Developed Countries (LDCs) (+4 percent) and low income countries (+5 percent). The exponents of the income based index used in performance based allocation formulae used by other multilateral organizations range from -0.125 to - 0.9, which is substantially higher than that used by the GEF STAR model.

139. From 2012 to 2016, the per capita GDP increased at higher rate for low income countries than for middle income and upper middle income countries. Simulations show that when the per capita GDP data for 2016 is used instead of 2012, allocations for low income countries decline by 1.4 percent and for LDCs by 0.9 percent.

140. **Conclusion 3. GEF-6 STAR provided LDCs greater share in GEF resources. The increase was mostly driven by an increase in floors.**

141. The total country allocations of LDCs increased from \$ 429 million in GEF-5 to \$ 518 during GEF-6: an increase of 21 percent. Share of LDCs within country allocations also increased from 18 percent to 22 percent. Decomposition of the increase in LDC allocations shows that 41 percent of the increase (\$ 37 million) is accounted for by increase in floors for the LDCs. Increase in the weight of the GDPI from -

0.04 to -0.08 accounts for 23 percent of the increase (\$ 21 million). Other factors such as changes in the underlying values of the per capita GDP, GPI scores, and GBI scores; ceiling for climate change focal area; change in amount provided for country allocations from GEF-5 to GEF-6; etc., account for remainder of the change. The increase in floors also had the effect of increasing aggregate allocations for SIDS by 5.1 percent as several SIDS are also LDCs. During its October 2016 meeting, the GEF Council accepted the Secretariat's recommendation to protect the allocations of LDCs and SIDS from the effects of projected shortfall in GEF-6 replenishment. The level of decrease apportioned for country allocations is being met entirely by the non-LDC and non-SIDS countries. These two measures together increased the effective share of LDCs in STAR country allocations from 22 percent at the start of GEF-6 to 26-28 percent after the Council's decision.

STAR Implementation

142. Conclusion 4. **GEF Secretariat has managed the projected shortfall in GEF replenishment proactively and in an adaptive manner. However, non-LDC and non-SIDS countries would have been better prepared had its effect on them been discussed during the October 2016 Council meeting.**

143. The Trustee's monthly reports have projected a shortfall of more than \$ 500 million in GEF-6 replenishment from December 2014 onwards. However, given that the exchange rates fluctuate and most of the replenishment pledges were yet to materialize, the level of certainty on extent of the shortfall low. As the replenishment period progressed, and more pledges materialized, the level of certainty in these projections increased. In its June 2016 meeting, the GEF Council requested the Secretariat to prepare an update on GEF-6 resource availability for its next meeting. In response to the Council's request, the GEF Secretariat prepared an Update on GEF-6 Resource Availability (GEF/C.51/04), which informed the Council on the extent of the shortfall and its recommendation on measures to address the shortfall. The paper recommended to the Council that country STAR allocations for SIDS and LDCs, and focal area set asides to meet convention obligations will remain unchanged, and burden of the shortfall to be met by the focal areas proportionately to maintain the original GEF-6 balance. The measures adopted by the Council are consistent with its decision in November 2012, when a short fall had been projected for the GEF-5 replenishment.

144. For focal areas under STAR, maintaining the funding for the set asides at the original level and decreasing the level of support for focal area country allocations at the same rate as that for focal areas outside STAR reduces GEF's ability to maintain the focal area balance as it disadvantages the focal areas that are outside STAR. This is so because it reduces the total resources available to focal areas outside STAR at a higher rate than the reduction in the total resources of the focal areas under STAR. This said, overall difference in reduction at 1-2 percent is not substantial. Moreover, it slightly mitigates the decrease in STAR allocations of non-LDC and non-SIDS countries.

145. From October 31st 2016 onwards, depending on when the projections are made, the average decrease in the allocations of the non-LDC and non-SIDS countries is in the 27 percent to 32 percent range for the land degradation, 22 to 27 percent for biodiversity, and 21 to 26 percent for climate change focal area. The allocations of the non-LDC and non-SIDS countries for land degradation focal area are more affected, because at the start of the GEF-6 period a higher share of the focal area allocations had been allocated to LDCs and SIDS. Further, among the non-LDC and non-SIDS countries, 22 countries had already utilized more than 80 percent of their allocation, which mean that the revised targets could not be applied fully to them. When this is considered, the decrease in allocations for remaining (slow programming) non-SIDS and non-LDCs is in 25 percent to 37 percent range.

146. Among the GEF regions, countries in Africa on average faced a decrease of 7 to 8 percent compared to other regions where average decline was in 20 to 24 percent range. This skew is primarily due to higher share of LDCs and SIDS in allocations for countries in Africa.

147. During the October 2016 Council meeting, several Council members requested the Secretariat to work with recipient countries on the operationalization of the consequences of the potential shortfall and pro-actively engage recipient countries in their programming activities. The Secretariat managed the shortfall consistent with the request of the Council members. The Secretariat informed the countries of their revised resource envelope and discussed options to help them program their remaining unutilized resources. In the interim, the Secretariat put PIF submissions on hold for several affected countries so that the countries may discuss and choose among the available options. Several countries dropped and/or resized projects, and/or needed to utilize marginal adjustments allowed to them. This also slowed down the project cycle as it increased the time taken from project information form submission to its approval.

148. Several non-SIDS and non-LDC countries felt that they would have been better prepared had the effect of the GEF Secretariat's recommendations on non-LDC and non-SIDS countries been clarified during the October 2016 Council meeting. Although recipient countries would have liked to know their updated allocation as a fixed number, it was difficult for the Secretariat to provide it as shortfall projections change with fluctuations in the currency exchange rate and available resources are difficult to ascertain with finality till all pledges materialize or the replenishment period ends.

149. **Conclusion 5. In general, calculations of STAR allocations were carried out correctly. In response to the recommendations of the GEF-5 STAR Mid-Term Review, the GEF Secretariat has made efforts to reduce errors. However, there is room for further improvement in minimizing calculation errors.**

150. In response to the recommendations of the GEF-5 STAR Mid-Term Review, the GEF Secretariat has made efforts to reduce errors. There were several improvements in the processes adopted for carrying out the calculations for GEF-6. In general calculations of STAR allocations were carried out correctly. However, errors were observed in some of the calculations. The overall effect of the errors was not substantial. There is scope for further minimization of the risk for such errors.

151. For calculation of country scores, the underlying data for GPI and GDPI were updated. GBI data was updated for the climate change focal area and for the land degradation focal area. Data could not be updated for the biodiversity focal area as it was not available. GEF Secretariat is now working with UNEP UN Environment World Conservation Monitoring Centre to update the data for biodiversity focal area for GEF-7 period. This will allow GEF to assess benefits potential of a recipient country with greater precision, based on a richer and more updated data. For other focal areas, the data may be easily updated again for the GEF-7 period.

STAR Utilization

152. **Conclusion 6. Overall utilization of focal area resources covered under GEF-6 STAR was 64 percent as on September 30, 2017.**

153. Compared to the projected availability of resources on August 31st 2017, overall utilization of resources, including set asides, for focal areas covered under GEF-6 STAR was 64 percent through September 2017. Overall utilization of focal area resources was higher for Land Degradation (69 percent) and Biodiversity (67 percent) than for Climate Change (61 percent).

154. Within the focal area resources, overall utilization was 66 percent for the revised country allocations. Rate of utilization of country allocations was 70 percent for land degradation, 66 percent for biodiversity, and 64 percent for climate change focal area. Overall utilization of set asides was 53 percent. There are wide variations among focal areas in terms of set-aside utilization. While utilization of biodiversity focal area set aside was at 83 percent, it was substantially lower for climate change at 46 percent and land degradation at 50 percent.

155. **Conclusion 7. Increase in marginal adjustment of focal area allocations has led to greater cross-focal use of allocations by targeted countries. Use of the flexibility feature did not make a material difference to the focal area funding balance during GEF-5.**

156. GEF-5 STAR provided full flexibility for cross-focal use of allocations to countries that had a total allocation of up to \$ 7 million. It provided marginal adjustment of up to \$ 0.2 million to countries with allocation in the \$ 7 million to \$ 20 million range, of up to \$ 1.0 million to countries with allocation in \$20 million to \$ 100 million range, and of up to \$ 2.0 million to countries with allocation greater than \$100 million. Based on the recommendation of the Mid Term Evaluation of STAR (GEF-5), for GEF-6 marginal adjustment was increased to \$ 2.0 million for countries with allocations in \$ 7.0 million to \$ 100 million range. For others, the permissible marginal adjustment remained the same as GEF-5.

157. As utilization of the flexibility feature tends to be back loaded, it is still too early to assess its utilization for the entire GEF-6 period. However, some trends are evident. Of the 143 countries that received a country allocation, 56 (39 percent) had already utilized the flexibility feature through September 2017. During GEF-5, at a comparable stage in the replenishment cycle (through June 2013), 53 countries (37 percent) had used the flexibility feature. The overall utilization rate of marginal adjustments is comparable for the two periods. However, countries with allocation in the \$ 7.0 million to \$ 20 million range have a much higher utilization rate (43 percent) during GEF-6 than during GEF-5 (19 percent). This is especially impressive as utilization of the flexibility feature is likely to have been negatively affected by projected shortfall in GEF-6 replenishment.

158. During GEF-6, the total cross-focal utilization under STAR has so far been \$ 60.1 million. Of this \$ 25.7 million was received for activities in Climate Change, \$ 17.0 for activities in Biodiversity, and \$ 17.4 million for activities in Land Degradation. Considering the original share of the three focal areas in STAR country allocation, this amounts to an indicative net transfer of \$ 10.0 million from Biodiversity focal area. Of the indicative net transfer from Biodiversity focal area, Climate Change accounts for \$ 1.5 million and Land Degradation focal area for \$ 8.5 million. It is still too early to estimate the net cross-focal transfer for the entire GEF-6 period, the GEF-5 experience indicates that the net transfer is likely to be less than 3.0 percent of the total resources of the contributing focal areas. Thus, compliance with the GEF STAR policy to protect at least 90 percent of the resources of climate change and biodiversity focal areas is likely.

159. Analysis of the utilization of marginal adjustments was conducted to assess whether it's the same countries that used marginal adjustments during GEF-5 and GEF-6. The question was explored both at the aggregate country allocation level and at country focal area allocation level. The analysis shows that there is no pattern in terms of utilization of marginal adjustments by the same countries other than randomness for utilization of adjustments for biodiversity focal area, and for the three focal areas together. The analysis was less conclusive for climate change and land degradation focal areas. While no statistically significant pattern was observed, it was also difficult to conclude with (95 percent) confidence that randomness explains the observed repetition of countries that used (or have not used) marginal adjustment during both GEF-5 and GEF-6 period.

160. **Conclusion 8. Utilization of sustainable forest management incentive scheme increased substantially during GEF-6. However, the level of GEF resources invested in sustainable forest management activities are about the same as because contributions from STAR were required at a lower ratio.**

161. Of the \$ 230 million allocated to sustainable forest management incentive scheme for GEF-6, \$ 216.6 million (94 percent) had been utilized through September 2017. Sustainable forest management incentives attracted \$ 456 million from STAR country allocations and set asides, and additional contributions of \$ 10.5 million from focal areas outside STAR. Thus, during GEF-6, GEF has so far invested \$ 682 million in activities aimed at sustainable forest management, which is in the same ball park as the \$ 699 million invested during the GEF-5 period.

162. During GEF-6 participating countries were required to provide two dollars from their STAR country allocations, compared to three dollars during GEF-5, to access a dollar from sustainable forest management incentive scheme. The lower rate at which recipient countries need to contribute from their STAR allocations during GEF-6 facilitated increased utilization of the incentive scheme. However, the increased utilization was balanced by lower level of contributions from STAR country allocations. The average incentive utilized by participating countries was much larger during GEF-6 than during GEF-5 because of the lower rate of required contribution from STAR, and because number of countries that accessed the sustainable forest management incentive was lower at 54 for GEF-6 compared to 69 for GEF-5.

163. **Conclusion 9. STAR has helped smaller countries in accessing GEF resources. It is perceived to make GEF activities more relevant to country needs and priorities.**

164. Analysis of the GEF portfolio shows that across GEF periods, the level of concentration of GEF resources among countries has decreased. Herfindahl-Hirschman index (HHI) score for share of recipient countries in the GEF funding for national projects is 251 for GEF-6 through September 2017, is the lowest it had been for any GEF period. Further, the bottom half of the countries with smallest share in GEF funding for national projects now account for 16 percent of the total, compared to 7 percent during GEF-3 and 3 percent during GEF-2. Compared to GEF-3 period, there was a spike in concentration level during GEF-4. Much of this may be explained due to provision of group allocations in STAR for GEF-4, which created barrier for the countries under group allocation in accessing GEF funding. The countries that were included in a 'group' and were forced to compete with other countries included in the group for a small pot of resources. However, after this weakness was fixed the level of concentration decreased during GEF-5.

165. Results of online survey that was administered in Feb-March 2017 to GEF Agencies, GEF Secretariat staff, GEF Operational Focal Points (OFPs), the Conventions, STAP, and Council members, shows that respondents were in broad agreement that STAR: supports environmental activities in a wide range of countries; is important in helping GEF meet country objectives; and, ensures equitable resource allocation to recipient countries. In general, OFP responses on STAR's performance indicate greater confidence in effectiveness of STAR than responses of other stakeholders. Two thirds of respondents of the GEF-6 STAR online survey agree with statement that STAR is a key component of GEF's ability to meet country objectives. This finding consistent with the finding of the GEF-5 STAR online survey wherein 75 percent of the respondents agreed with the statement that STAR has made GEF operations more relevant to country needs and priorities.

166. **Conclusion 10. Projects funded through STAR resources perform as well those prepared through non-STAR resources.**

167. Most of the projects that have been prepared through resources from STAR country allocations are yet not complete. However, a sizable number of projects from GEF-4 period of focal areas (Biodiversity and Climate Change) covered under STAR during the period have been completed. Performance ratings of projects, for focal areas under or outside STAR, approved during the first two years of GEF-4 may be compared with those approved during the last two years of GEF-3 to assess whether funding through STAR made a difference in performance ratings of projects. The analysis shows that the difference in difference in percentage of projects in the desirable range for outcome ratings was – 1 percent for outcomes, + 1 percent for sustainability, – 1 percent for quality of implementation, + 14 for broader adoption and + 3 for environmental stress reduction. None of these differences are statistically significant at 95 percent confidence. Difference in percentage of projects that achieve broader adoption is salient but not statistically significant. Whether this difference endures may be ascertained as more observations become available. However, it may be concluded that in general GEF projects prepared through non-STAR resources do not perform better than those prepared through STAR resources.

XII. Agencies

168. The consolidated guidance related to agencies in annex II to decision XIII/21 contains several requests: promote efforts to ensure that the implementing agencies fully comply with the policy, strategy, programme priorities and eligibility criteria of the Conference of the Parties in their support for country-driven activities funded by the Global Environment Facility, and undertake efforts to improve the efficiency, effectiveness and transparency of the process of cooperation and coordination between the implementing agencies with a view to improving the processing and delivery systems of the Global Environment Facility, and to avoid duplication and parallel processes. The Conference of the Parties further noted, by paragraph 4 of decision XIII/21, the initial assessment of the accreditation pilot, and requested the Global Environment Facility to consider improving its access modalities, including enabling the participation of a number of additional national agencies from developing countries, based on its own experiences, including the conclusions of this assessment, and taking into account the experience of other international financial instruments with relevant access modalities.

Accreditation

169. The GEF IEO evaluation of the accreditation process for expansion of the GEF partnership (GEF/ME/C.48/Inf.03, June 2015) has the following conclusions:

(a) Conclusion 1: Early results of broadening the GEF partnership indicate that expanding the choices of recipient countries has provided the GEF access to new expertise and networks. Project Agencies report having gained from the accreditation process through improvements in their systems and standards. While the new Project Agencies in the GEF partnership have put additional demands on the Secretariat, such demands are expected to decline once these agencies gain more experience.

(b) Conclusion 2: The accreditation process is designed to identify agencies that are in compliance with the GEF fiduciary standards, environmental and social safeguards, and gender mainstreaming policy, and that add value to the GEF partnership. However, some aspects of the original policy design slowed the accreditation process.

(c) Conclusion 3: Sufficient arrangements are in place to ensure that the Accreditation Panel is functionally and behaviorally independent, adding to the credibility of the process. There is room for further strengthening of the checks and balances in the accreditation process.

(d) Conclusion 4: Implementation of the accreditation process has been slower than expected primarily because of the high level of accreditation standards and design issues that became apparent during

implementation. Overall the implementation of process was satisfactory, although there were some inefficiencies in implementation.

(e) Conclusion 5: The accreditation process is seen as having been designed transparently. The manner in which it has been implemented has also been largely transparent. However, there are some areas where the process is perceived as having been unfair by the applicants.

(f) Conclusion 6: The accreditation process has so far been costlier than expected. Applicants incurred much higher costs than the accreditation fees, and the cost incurred by the GEF has been substantially higher than that recovered through fees. Some of the cost recovery–related rules established during design added to delays.

Partnership expansion

170. The GEF IEO evaluation of the expansion of the GEF partnership - First Phase (GEF/ME/C.50/06, June 2016) includes the following key findings:

(a) Expansion of the GEF partnership has increased the number of Agencies that are addressing environmental concerns related to the GEF focal areas. Both the first and second round of expansion have increased the agency choices available in each focal area at the overall partnership level. In addition, the expansion has also increased the choices available to the recipient countries for programming GEF resources. Compared with increases in other focal areas, the Chemicals and Waste focal area has a relatively lower Agency coverage.

(b) Country choice in terms of number of Partner Agencies has increased. The data shows that on average a GEF recipient country has access to approximately 8 Agencies. With the original agencies the average was 2, the first round of expansion resulted in an increase of 4, and the Project agencies increased this by an additional 2 in the second round of expansion. The increase is evident in SIDS and LDCs as well. However, there is substantial variability in Agency choice at the country level.

(c) Although the share of the three Original Agencies in the GEF project portfolio has declined from 100 percent in the Pilot Phase to 69 percent in GEF-5, the trend among the three Agencies has been very different. Share of: UNDP has remained stable; UNEP has increased; and, that of World Bank has declined. From GEF-4 onwards there has been a substantial increase in the share of the seven Agencies brought on board during the first round of expansion. Their combined share is now about 30 percent. Based on whether they are a lead agency for a project, the Project Agencies account for 2 percent share in the GEF-6 portfolio. The share in the GEF portfolio doubles if their share in the projects and programs that they co-implement is also taken into account.

(d) There have been some gains in terms of enhanced country support but these gains are modest and vary among countries. The extent to which Project Agencies receive support in recipient countries seems to depend on whether it is a national agency, a sub-regional or regional agency, or an International CSO. International CSOs indicated challenges in receiving country support for implementing GEF projects in several countries. The reasons for this include competition from Agencies, and relative inexperience preparing and implementing GEF projects.

(e) A majority of the OFPs responded that the Agencies are performing satisfactorily in delivering services such as project preparation, project supervision and monitoring, support for follow up activities after project completion, and assistance in GEF national portfolio formulation. However, timely communication of implementation progress emerged as an area where there is scope for improvement.

(f) The evaluation found that the OFPs generally have a relatively high opinion of the services being provided by the three original Agencies. The majority of OFPs that responded to the online survey considered one of the three original Agencies as best positioned to deliver the best value on all the parameters tracked by the survey.

(g) GEF Partner Agencies value the resources that GEF provides for generation of global environmental benefits. Despite the continued mutual relevance of mandates, for some Agencies, the relative importance of the GEF partnership may be diminishing due to factors such as transaction costs, competition, and availability of alternative sources of funding.

(h) The GEF-5 replenishment participants expected the expansion of the GEF partnership to reduce the overhead costs of resource delivery. The evidence available so far indicates that the efficiency gains in some areas may be balanced or even outweighed by cost increases in others.

(i) GEF stakeholders within the GEF partnership assess the GEF to be effective in delivering on its environmental mandate. Among the stakeholders, OFPs tend to rate the overall effectiveness of the GEF higher than the Conventional Focal points or CSOs.

171. The GEF IEO study on comparative advantage, adequacy of funding /financing, health of the expanded GEF partnership and governance structure (GEF/ME/C.53/Inf.09, November 2017) presented the following:

172. **The comparative advantage of the GEF derives primarily from its mandate as the principal financial mechanism of the Multilateral Environmental Agreements (MEAs) / conventions.** Across the partnership, there is strong support for this mandate; serving the MEAs was also deemed necessary for the healthy functioning of MEAs, and thereby, the delivery of global environmental benefits (GEBs). The unique mandate of the GEF allows it pursue integration across focal areas. There is evidence in the scientific literature, and support in the partnership for integration in programs of the GEF, as manifested through the Integrated Approach Pilots (IAPs). Finally, the GEF has significant comparative advantage due to its convening power, coupled with its breadth, high degree of trust, strong performance record, support for transformational change and long history.

173. **There is an overall global shortage of funding to address recognized environment and climate issues, relative to the scale of global environmental needs, including rapidly accelerating climate change rates and risks.** This has constrained the GEF's ability to play an even bigger catalytic role as a key environmental funding and finance mechanism of the conventions, to different regions and in other ways.

174. The vast majority of donors have delivered on their financial commitments to the GEF, as promised and on time. Meeting donor commitments is important to maintaining widespread confidence in the institutional mechanism overall. Despite the delivery of pledged commitments, the GEF has encountered a shortfall in funding during GEF-6 due to foreign exchange volatility. Currency hedging has not been used to manage foreign exchange risk. This has had detrimental effects on funding availability for GEF-6 projects, with direct implications for the approval of projects for both countries and Agencies, whose planning is based on donor commitments.

175. The GEF's ability to offer grants and Non-Grant Instruments (NGIs) is much appreciated across the partnership. Noting that the GEF has historically accepted some risk exposure to facilitate innovation, there is GEF-wide support for innovative financing and risk-mitigation approaches to be further pursued and offered. This is a potential way for the GEF to further distinguish itself.

176. A key strategic and operational aspect of its work, the GEF's new co-financing policy has been beneficial. Co-financing has allowed the GEF to access sizeable resources for its projects. It is recognized that the Multilateral Development Banks (MDBs) and certain focal areas (such as Climate Change) have greater capacity to generate co-financing. Co-financing commitments for GEF-6 projects exceeded the targets set by the GEF co-financing policy. Against the co-financing policy mandated target of 6:1, co-financing commitments so far for GEF-6 projects have been mobilized at a rate of 8.8:1 and across the GEF periods – from GEF-1 to GEF-6 – there has been a steady increase in the co-financing ratio of the GEF portfolio. Co-financing commitments were fully met for a majority (59 %) of completed GEF projects. However, there is confusion in Agencies around the application of the GEF aspirational ratio of 6:1.

177. Private sector investment and financing have an important role to play to close the funding gap. In the GEF the private sector portfolio is catalyzing private investment. Every \$1 from a GEF grant leverages a competitive ratio of \$8 in co-financing, compared to \$6 in co-financing estimated for the overall GEF portfolio. Three (\$3) out of \$8 in co-financing come from private sector investments, mostly in the form of equity investment. Beyond facilitating investment, the GEF also has a role to play in regulatory reform to facilitate environmental finance.

178. **Health of the Expanded GEF Partnership and Governance Structure.** The expansion in the number of GEF Agencies from 12 to 18 in GEF-6 brings good potential along with challenges. There is potential for the increased diversity of Agencies to enhance the partnership's capacity to deliver global environmental benefits, but challenges exist in dealing with the greater competition among Agencies for GEF's limited resources. There is some evidence in relation to the three IAPs of improved cooperation among the Agencies, drawing upon their respective advantages as MDBs, UN Agencies, and international Non-Governmental Organizations (NGOs).

179. GEF strategies have mostly been responsive to convention guidance. The GEF has responded expeditiously to new mandates including the Paris Agreement's request to establish the new Capacity-Building Initiative for Transparency (CBIT). The GEF Secretariat has made efforts in recent years to get more usable guidance from the conventions, yet certain features of convention guidance have made operationalization challenging. OPS5 referred to ambiguous language, lack of prioritization, cumulative nature, and repetition. Some of these issues have been addressed; for example, the CBD has eliminated repetitive messages and updated its guidance.

180. Overall, the GEF partnership is well governed; concerns continue to exist on matters related to representation, efficiency, accountability, and transparency. Seventy-three percent of respondents to an IEO survey on GEF governance note that the GEF is effectively governed overall, and representatives of all stakeholder groups indicate that the governance structure has served the GEF reasonably well. Council members are engaged; and there is a high level of trust and goodwill, and a sense of common purpose. However, the GEF Instrument and current rules of procedure do not fully and accurately reflect the way in which the partnership is actually functioning.

Agency minimum standards on environmental and social safeguards

181. The review of the GEF policy on agency minimum standards on environmental and social safeguards (GEF/ME/C.52/Inf.08, May 2017; Evaluation Report No. 116, January 2018) contains the following findings:

Value proposition of the GEF safeguards

182. The review has demonstrated that the GEF Safeguards have served as an important catalyst among many GEF Agencies—both existing and newly accredited—to strengthen existing safeguard policies and, in a number of cases, to adopt comprehensive safeguard policy frameworks, together with supporting implementation systems and procedures. The compliance review of existing GEF Agencies found that some Agencies, particularly the multilateral development banks, had well-developed safeguard policies that were broadly equivalent to the GEF Minimum Standards, and the accreditation and compliance review process provided the necessary impetus for many Agencies to revisit and strengthen their respective safeguards policies and approaches.

183. By establishing a set of minimum requirements, the GEF Safeguards have contributed to more harmonized approaches in managing project-level environmental and social risks and impacts across the GEF partnership. The GEF Safeguards have also provided “fast track” access to Green Climate Fund (GCF) accreditation for some other GEF Agencies.

184. A high-level review of the GEF-6 portfolio found a range of potential environmental and risks across all GEF focal areas, including a small number of projects categorized as high risk dealing with chemicals and wastes. These wide-ranging risks reinforce the need and value of the GEF Safeguards, which have reinforced and strengthened risk identification and management systems among a number of GEF Agencies (noting that some existing GEF Agencies have long maintained comprehensive environmental and social risk management systems).

Alignment with Good International Safeguards Practices

185. When developed more than a decade ago, the key principles upon which the GEF Minimum Standards are based reflected a consensus on key operational safeguard principles. These requirements continue to underpin key thematic safeguard areas among many institutions and remain aligned with international good practice. However, the intervening years have witnessed a number of changes regarding both the breadth and depth of safeguard frameworks adopted by a wide range of institutions, including many GEF Agencies.

186. A comparison of the GEF Safeguards with more recently adopted policy frameworks identified a range of thematic coverage gaps and/or areas of greater emphasis, including human rights; non-discrimination equity; stakeholder engagement; climate change and disaster risk; biodiversity offsets; invasive alien species; supply chains; sustainable resource management; community health, safety and security; hazardous materials; involuntary resettlement; indigenous peoples and the application of FPIC; cultural heritage; and labour and working conditions. Many of these thematic gap areas appear relevant to GEF-supported operations.

Reporting on Safeguard Risk Levels and Implementation in the GEF

187. Effective safeguards systems include monitoring and reporting on implementation of environmental and social management measures over the course of a program/project. Safeguard issues may be addressed in detail up front, at project preparation and appraisal, but receive less attention during implementation.

188. At the GEF portfolio level, potential environmental and social risks are not systematically tracked. The GEF is informed ex ante about potential project-level environmental and social risks and impacts. The project identification form (PIF) and CEO endorsement/approval templates require Agencies to identify “potential social and environmental risks that might prevent the project objectives from being achieved” and to propose measures to address them. The GEF’s project tracking systems, however, do not record Agency-designated environmental and social risk category levels or assign risk flags to any relevant

potential areas of concern. Project monitoring and evaluation reports are not required to report on progress related to implementation of safeguard elements unless these were specifically included in the project results framework as a project outcome, output, or indicator. Both the AF and the GCF include specific requirements for accredited entities to report on safeguard implementation issues during project implementation and completion.

189. The expanded GEF partnership includes Agencies with less-developed experience with safeguard implementation and monitoring. Strengthened GEF safeguards reporting guidance may help drive consistency.

190. Some Agencies have established monitoring and reporting systems that can be used as a base for providing the GEF with information on safeguard implementation. Agencies typically require implementing entities to report on project implementation, including implementation of environmental and social management plans and measures. A number of GEF Agencies that are also accredited to the Adaptation Fund (AF) and the GCF are already required to provide this information.

XIII. Monitoring and evaluation

191. The consolidated guidance on monitoring and evaluation contained in annex II to decision XIII/21 highlighted the following for the Global Environment Facility: (i) Consult with the Executive Secretary in relevant review processes undertaken by the Global Environment Facility that affect the financial mechanism of the Convention; (ii) Include in its monitoring and evaluation activities the assessment of the compliance with the policy, strategy, programme priorities and eligibility criteria established by the Conference of the Parties; (iii) Elaborate and transmit to the Conference of the Parties, well-summarized evaluation products and full evaluation reports relevant to biological diversity and to the guidance provided by the Conference of the Parties; (iv) Include in its regular report findings, conclusions and recommendations of all relevant evaluations of the GEF Evaluation Office.

192. During the preparation of the sixth comprehensive evaluation of the GEF, the Independent Evaluation Office engaged the staff of the Convention Secretariat in all its thematic and impact assessments, through teleconference, interviews, on-line surveys and face-to-face meetings.

XIV. Small grants programme

193. The consolidated guidance contained in annex II to decision XIII/21 requested the Global Environment Facility to continue its expansion of the Small Grants Programme to other developing countries, in particular the least developed countries and the small island developing States. The joint GEF/UNDP Small Grant Program (SGP) evaluation (GEF/ME/C.48/Inf.02, May 2015) covers the period 2008 to the present, with a focus on the fifth SGP operational phase, which began in 2011, and draws the following conclusions:

194. **Conclusion 1: The SGP continues to support communities with projects that are effective, efficient, and relevant in achieving global environmental benefits while addressing livelihoods and poverty as well as promoting gender equality and empowering women. Replication, scaling-up, and mainstreaming are occurring.**

195. The SGP has successfully delivered grants to communities in more than 125 countries since its start of operations in 1992. These grants are leading to a direct impact on biodiversity, climate change mitigation and adaptation, land and water resources, and use of chemicals—all while addressing livelihoods. The grants and the overall SGP are used efficiently and are relevant.

196. The SGP has established a structure and system that are committed not only to achieving global environmental benefits but also to addressing the socioeconomic objectives of improving livelihoods, reducing poverty, promoting gender equality, and empowering women. The SGP structure and system include skilled, competent, and committed people and institutions at the global, national, and local levels. The system ensures global policies are translated into action at the local level. And the results at the local level are rather impressive, with high percentages of projects contributing to livelihoods, poverty reduction, and gender issues. However, many projects do not contribute to all the socioeconomic objectives.

197. The achievements of the SGP are being replicated at the local scale, up-scaled and mainstreamed into local and, at times, national development processes. This replication occurs more frequently in the countries with more mature programs. Broader adoption occurs through a range of mechanisms—mostly replication, scaling-up, and mainstreaming—which are country and site specific. In each case of broader adoption, many factors and stakeholders play a role. The single most important factor in broader adoption is the activities of national stakeholders, notably of the national coordinators and national steering committee members.

198. **Conclusion 2: The introduction of upgrading and related policies contributed to the evolution of the SGP by setting out expectations for country programs and their development over time. The new policies have resulted in increased resources for the SGP, but have also brought challenges. The current criteria for selecting countries to upgrade to full-size projects are not optimal.**

199. Since 2008, the SGP upgrading policy and other GEF policies guiding SGP access to GEF resources have been actively implemented. This implementation has not only enabled the SGP to continue, but has also contributed to its expansion in terms of total funding and number of countries as well as to other opportunities vis-à-vis approaches and partnerships.

200. However, the way these policies and measures have been operationalized has had a number of negative effects, including increased delays and transaction costs and increased competition with other GEF project proponents, with the risk of the SGP being left unfunded. For upgraded country programs, additional challenges have included reduced time and flexibility to complete country programs and respond to local partners and, possibly, an overall more top-down approach with less community ownership over country program design and management. Some of these effects can be seen as teething problems, whose occurrence is to be expected with the introduction and operationalization of such major policies. An opportunity exists to build on the strengths demonstrated and address the weaknesses identified.

201. Currently, country programs in upgraded countries are implemented through the FSP modality. While this practice enables more in-country flexibility and increases the available funds in some countries, it has some negative aspects. Countries with low capacity may face even greater challenges in implementing the FSP modality. Additionally, as presently structured, upgrading is neither suitable for countries with a low STAR allocation nor for countries with limited ability to prepare and implement FSPs.

202. In OP5, selecting countries for upgrading to FSPs is based on two criteria that are not optimal and that are too narrow: the age of the program and the overall program size in terms of cumulative grants. A wide range of factors affect the maturity of a country program, and progression does not always occur steadily over time. There is a widespread belief among GEF stakeholders at all levels that program maturity is not only, or not predominantly, linked to program age and the number of grants issued. If the selection criteria are inappropriate, there is a risk of either choosing countries where the context and local capacity are not favorable to upgrading or not choosing countries whose context and capacities for

upgrading are optimal. As discussed, although two new criteria have been introduced for OP6, they do not change the substance of this conclusion.

203. **Conclusion 3: As a global program that acts nationally and locally and is grassroots driven, the SGP must align to GEF, UNDP, national, and local priorities. Within this context, the SGP has remained coherent while staying flexible. However, different perspectives and changing contexts create tensions. The global or long-term vision of the SGP has not been updated.**

204. Not only does the SGP need to align to GEF and UNDP policies and priorities, but it also has to adapt to multiple and diverse national and local policies and priorities which naturally vary from site to site and country to country. Notwithstanding, a high degree of relevance is found among the SGP priorities and programs, encompassing a mix of the global environment, the local environment, community empowerment, poverty and livelihoods, and gender.

205. Differences of opinion exist among SGP stakeholders, including global and national planners and managers, regarding the SGP and its components and their interrelationships; these translate into different expectations of what the SGP should be and do as a global environmental program. Notably, different stakeholders have different views on how to balance the objectives of global environmental benefits and livelihoods, and on the extent to which there may be trade-offs between these two sets of objectives. The manner that and extent to which broader adoption should be pursued by the SGP is another source of diverging opinion.

206. The SGP's overall context has changed since 1992. The policies and priorities that drive the program have evolved since its inception more than 20 years ago. Country programs have each followed unique, nonlinear paths. The SGP global vision has not been updated to adapt to these changes.

207. **Conclusion 4: The SGP governance and management structures have been adequate, but are increasingly strained by an ever rapidly changing context. The GEF corporate nature of the SGP and the role and value added of UNDP as the GEF Agency are not clearly articulated.**

208. The SGP governance and management structure has evolved with the SGP and has been on the whole effective in supporting the SGP. Some weaknesses have nevertheless emerged since 2008. The absence of a mechanism for high-level interactions between the GEF and UNDP affects the program's clarity of purpose. The upgrading process has led to stresses on the governance and management structure, and these may grow as the number of upgraded countries increases. Defining the SGP as a corporate program or modality has not yet contributed to shaping a vision or expectations for the SGP.

209. UNDP adds significant value to the SGP, such as providing a management framework and an implementation infrastructure; supporting substantive issues at the global level; and, in many countries, providing technical support on issues such as the global environment, poverty, gender, capacity development, knowledge management, M&E, and broader adoption. However, as a GEF Agency, UNDP's added value is not optimized. The SGP is not mainstreamed into UNDP global programming, and the links between the SGP and UNDP's environment, governance, poverty, and gender initiatives are not fully established. At the national level, in many countries, the SGP is not seen as a full part of the UNDP program and country activities. Globally and nationally, UNDP's identity and role as the GEF Agency for a corporate program have not been adequately explored and developed.

210. UNDP management of the upgraded countries has differed from that of the rest of the SGP. For most of the period under review, implementation of the SGP through two separate mechanisms (as FSPs and under the CPMT) undermined knowledge management and complicated M&E. Recently, UNDP has introduced several important changes in program management arrangements at the central level, in an

attempt to bring the two mechanisms together. As the number of upgraded countries grows, this managerial disparity may become an increasingly important issue, with a real danger of the program splitting into two (or more) SGPs, potentially undermining its effectiveness and efficiency.

211. Conclusion 5: **Despite important progress, M&E does not adequately support decision making and remains too complex.**

212. Important progress has been made in the SGP M&E system since 2008, particularly at the global level. Yet the challenging nature of the SGP means that weaknesses remain related to monitoring and evaluating the program's impacts. There are also significant weaknesses at the national and project levels. At present, the M&E system is unable to provide a clear picture of the impacts of the SGP on the global environment. Moreover, emerging issues such as addressing poverty, gender, broader adoption, and trade-offs place additional burdens on the M&E system.

213. The issue is not a lack of resources. Rather, there is a need for a sharper focus and better use of M&E resources and information. An opportunity exists for the GEF and the SGP to continue developing innovative, simpler M&E tools and systems that are better adapted to the program's needs and resources.

XV. Financial management

214. In decision XIII/21, paragraphs 18-20, the Conference of the Parties took note of the projected shortfall of resources from sixth replenishment of the Global Environment Facility due to exchange rate movements, and requested the Global Environment Facility to continue its efforts to minimize the potential consequences of the projected shortfall for its support to developing countries, aiming to fulfil the relevant programming directions of the sixth replenishment of the Global Environment Facility and with a view to maintaining the level of support to Global Environment Facility recipient countries. It further requested the Global Environment Facility to consider exploring measures to mitigate possible risks, including currency risks, in order to avoid potential negative impacts on future replenishment periods for the provision of financial resources for all Global Environment Facility recipient countries.

215. In the sixth comprehensive evaluation of the GEF (OPS6) (GEF/R.7/Misc/OPS6-Final Report, December 2017), the Independent Evaluation Office concluded that GEF financing has been constrained by exchange rate volatility, fragmentation in donor funding, and impediments to scaling-up nongrant instruments.

XVI. Private sector

216. The GEF IEO evaluation of GEF's engagement with the private sector (GEF/ME/C.52/Inf.04, May 2017) provided the following conclusions:

217. Conclusion 1: **The GEF should continue to engage with a wide variety of for-profit entities that vary in their industry focus, size, and approach to environmental issues using a mix of intervention models.** The range extends in size from multinational corporations, through large domestic firms and financial institutions to micro, small and medium enterprises and smallholders/individuals. Because GEF projects are designed to address complex issues, an assortment of intervention models is needed to address the assortment of barriers to environmental protection. Among the intervention models, the most commonly applied ones are those that facilitate institutional strengthening and those that transform policy and regulatory environments. These are areas of comparative advantage for the GEF. Lack of regulatory frameworks and environmental policies can impede in-country compliance with standards and affect the achievement of global environmental benefits while creation of supportive conditions are a factor in successful private sector participation.

218. GEF's private sector activities overall, can thus be broadly considered as "upstream" in the development continuum – to create and nurture the necessary ecosystem for private sector engagement. However, this is potentially at odds with a push for greater financial self-sufficiency, which emphasizes reflows and financial structures that provide a financial return to the GEF. Indeed, the GEF appears to be drifting more "downstream," even structuring its non-grant instrument on equal footing with other investors in some recent cases.

219. **Conclusion 2: The GEF is constrained in its engagement with the private sector due to operational restrictions.** The GEF's ability to engage the private sector diminished during GEF-4 as a result of the then-introduced resource allocation framework (RAF). For many Operational Focal Points and countries this was a shift to empowering them to program GEF support to the country. Consequently, private sector set-asides have been a primary modality through which engagement has continued, first with the Earth Fund platform and then the PPP platform in GEF-5 and the non-grant pilot in GEF-6. The fragmented nature of these interventions combined with the limits of STAR allocation often mean that private sector innovation is not easily reconciled with country ownership and national strategies and priorities.

220. **Conclusion 3: It is difficult to systematically gather evidence on elements of GEF's private sector activities without improvements to the GEF Project Management Information System (PMIS).** GEF projects that have an element of private sector engagement are not easily retrieved from the organizational database. This lack of systematic 'tagging' of those projects was raised by the IEO in the OPS5 study on private sector engagement. The inability to generate accurate project data still persists. Moreover, the quality of the information about private sector engagement contained in terminal evaluations is extremely variable. A significant shortcoming was the scant attention paid in most non-grant project TEs to the financial information about the project.

221. **Conclusion 4: GEF investments involving private sector engagement have higher co-financing.** In particular, private sector portfolio is catalyzing private investment. Every \$1 from GEF grant leverages a competitive ratio of \$8 in co-financing, compared to \$6 in co-financing estimated for the overall GEF portfolio. Three (\$3) out of \$8 in co-financing come from private sector investments, mostly in the form of equity investment. The leverage ratio has been steadily increasing since the first GEF period (with exception in GEF-4). In GEF-5, for every \$1 spent by the GEF, \$11 in co-financing was received for private sector projects by other parties (incl. private sector).

222. By stimulating markets and reducing risk, non-grant projects have resulted in high co-financing leverage ratios. On average, \$1 GEF grant spent for non-grant projects leverages \$10 in co-financing. Not only is the overall leverage ratio highest amongst the private sector portfolio, but also highest among the general GEF portfolio. Notably, this ratio has improved greatly in GEF-5 and GEF-6. For every \$10 leveraged by GEF non-grant, \$5 comes from private sector investments.

223. **Conclusion 5: Climate change projects feature heavily in the private sector portfolio.** Two thirds of projects in the portfolio are in the climate change focal area, amounting to 62% of GEF's total investment in private sector projects. Furthermore, the majority of the non-grant projects concern climate change. This reflects the significant global effort that has gone into creating conducive policy and regulatory environments that would facilitate private activity in the climate change arena. In GEF-6, chemicals and waste, a differentiated focal area, was added. Sixteen chemicals and waste projects representing 17% of private sector portfolio projects and 15% in terms of investment in this period are being implemented. While all focal areas have consistently identified the private sector in their focal area strategies, it was considerably easier to locate examples of engagement from the climate change and biodiversity focal areas than it was to find project examples for International Waters, Land Degradation

(excluding projects concerning small holders). These signals of low involvement within a portfolio known to have engaged the private sector indicate a need for more comprehensive collection of information and documentation on engagement with the private sector.

224. **Conclusion 6: There are several players in the climate finance space but few in the other Convention areas covered by the GEF.** In comparison to climate change, the other Convention areas have limited private sector activity in present-day challenge areas such as water scarcity and food security affecting vulnerable populations. Though the low levels of activity impede GEF's ability to structure non-grant projects in these areas with significant reflows and returns, the earlier stage of development is an opportunity to focus and develop the upstream environments needed to enable private sector participation and thereby grow new environmental markets. The GEF has the flexibility and thematic breadth to employ cross-cutting approaches and to work in a wide range of environmental finance and conservation domains. Among non-grant projects in GEF-5 and GEF-6, there is a relative increase in non-climate change projects. Particularly, the GEF-6 projects show greater diversity in the sectors covered, with an increased focus on biodiversity and land degradation.

225. **Conclusion 7: The range of non-grant instruments employed by the GEF is needed to target specific environmental market failures.** Many of the barriers to private sector investment have not fundamentally changed in the 20-plus years covered by the sample projects. Justification for the GEF non-grant financing still includes limited availability of capital; limited appetite on the part of commercial banks; lack of familiarity with the sectors, financing modalities and instruments.

226. Technical Assistance (TA) plays a significant role in most non-grant projects, and is often integrated into the financing structure or mechanism. The GEF has a long history of and experience with providing TA and capacity building. These are necessary adjuncts to investment support, and a clear niche for the GEF when acting in conjunction with other financiers. The GEF also appears to have a greater risk appetite and tolerance than other financiers, as evidenced by its willingness to take first loss positions and assume the highest risk in a financing plan. This can play a vital role in unlocking other sources of finance, and together with TA, has catalyzed systemic shifts in climate change mitigation. Alongside TA and capacity building, the non-grant instrument can lend itself to a variety of structuring to address some subset or combination of these barriers.

227. **Conclusion 8: There has been an evolution in the use of the non-grant instrument towards more systematic reflows and a more explicit requirement for returns.** Non-grant projects in earlier cycles were structured to recover principal at best. In later cycles, there was an expectation of a positive financial return. To date \$8.2 million in reflows has been received. GEF-5 and GEF-6 projects have not yet begun generating reflows, and the long timeframes involved in the sorts of activities financed means that reflows would be generated 10-20 years into the future. It Projected reflows in GEF-5 and GEF-6 seem optimistic, particularly in light of GEF experience which suggests that many non-grant projects set overly ambitious targets for implementation results. It should also be noted that there are tradeoffs with returns and reflows based on the development phase of the activity being financed. If used in the context of more upstream activities, then instruments will need to focus more on concessionality, which will sacrifice returns and reflows. For more downstream activities, such as in early-stage and new concept projects, the GEF could expand the use of the non-grant instrument, with potential for greater returns and reflows.

228. **Conclusion 9: GEF country clients and private sector stakeholders each lack awareness of the opportunities for engagement with one another.** As reported through the online survey, the GEF's position, processes and role is insufficiently clear to the private sector. Similarly, GEF recipients have varying degrees of knowledge of the role of private sector in green finance and accessing funds beyond the usual GEF grant instruments. Private sector respondents find it hard to obtain information on the GEF's

private sector engagement and the role of Agencies and opportunities for cooperation. Additionally, nearly all stakeholder respondents mentioned that the approval process of the GEF is too slow and complex. This causes uncertainty and deters potential private sector partners from working with the GEF. Private sector respondents expect more clarity to help them better prepare for cooperation with the GEF.

XVII. Indigenous peoples

229. The GEF IEO undertook a review of the Global Environment Facility's (GEF's) engagement with indigenous peoples, from February to August 2017 using desk research, portfolio analysis, online surveys, and interviews. Evaluation of GEF Engagement with Indigenous Peoples, published as Evaluation Report No. 119 in April 2018, includes the following conclusions:

230. **Conclusion 1: The GEF recognizes indigenous peoples as important stakeholders in its mission to tackle global environmental issues.** The GEF has engaged with indigenous peoples since its first phase of project financing in 1991, and the level of engagement, consultation, and policy review with indigenous peoples has increased through each GEF funding period. Indigenous peoples are increasingly recognized for their traditional knowledge and customary practices. Application of these influence broader understanding of forestry, traditional medicine, conservation, resource management, and livelihood patterns, as well as responses to climate change, resilience, and adaptation. Evidence from projects suggests that empowering indigenous peoples to manage biodiversity in their own territories can result in more sustained and cost-effective ways to protect biodiversity. Other commitments embedded in the GEF's mission—reducing poverty, strengthening governance, and achieving greater equality—are also relevant to its engagement with indigenous peoples. Progress in these areas is integral to indigenous peoples realizing their rights as set out in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), to which almost all UN member states are now signatories.

231. **Conclusion 2: Recognition of the presence of indigenous peoples by national governments is axiomatic to the application of indigenous peoples' rights.** In some country contexts, the absence of recognition presents a significant challenge to the GEF partnership, and is reflected in reporting from some GEF and SGP country offices. This can be problematic for accurate assessment of GEF engagement with indigenous peoples. Some implementing organizations have addressed this situation by casting "indigenous peoples" within the broader nomenclature of "local communities." At times, the term "local communities" is used to avoid discrimination in places where populations are diverse in makeup. The current consensus from the UN and climate convention bodies, and adopted by the CBD in 2014, is that use of the term "indigenous peoples and local communities" enables inclusive approaches, while at the same time avoiding presumptions of common identity or that such groups are subject to the same circumstances.

232. **Conclusion 3: At the partnership level, the participation of indigenous peoples is well secured in GEF consultation arrangements, and is advancing the GEF's engagement with indigenous peoples.** In 2011, consultations began between the GEF and the indigenous peoples representatives comprising the Indigenous Peoples Task Force (IPTF). Discussion was focused on the development of a GEF policy on indigenous peoples. These consultations resulted in an issues paper, drafted shortly before the GEF Council's November 2011 launch of the GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards. Included is Minimum Standard 4: Indigenous Peoples, providing detailed minimum requirements including standards for consultation; social and environmental impact assessments; and references to land, culture, traditional knowledge, and livelihoods. The policy also details the GEF grievance system. The contents of the IPTF issues paper were further developed by the GEF in 2012, resulting in the GEF Council's adoption of "Principles and Guidelines for Engagement with Indigenous Peoples". In lieu of a policy, this document affirms the importance of indigenous peoples in

GEF-financed projects, identifies unintended adverse effects that can result from such projects, and articulates the desire for enhanced engagement by both indigenous peoples and the GEF. The principles and guidelines form a useful guide to and reinforcement for GEF policy toward indigenous peoples, though they lack practical guidance on project design and indicators, or a specific list of requirements that might be useful to aid operationalization of Minimum Standard 4 and other relevant GEF policies.

233. **Conclusion 4: In general, GEF Agencies are in alignment with the obligations under GEF Minimum Standard 4: Indigenous Peoples.** Of the nine provisions of Minimum Standard 4, seven show high levels of consistency across the Agencies, particularly in areas of appropriate socioeconomic benefits, indigenous peoples plans, and document disclosure. Regarding consultation, free, prior, and informed consent (FPIC), and participation, GEF Agencies tend to exceed Minimum Standard 4 provisions by insisting on greater protections for indigenous peoples, greater participation within project frameworks, use and rights to cultural resources and traditional knowledge, and specific attention to the monitoring of GEF-funded projects. By contrast, there are a few instances where GEF Agency safeguards, in the way they are worded, appear to fall short in meeting all the provisions of Minimum Standard 4. In these situations, the GEF is expected to detect discrepancies as part of periodic compliance monitoring of the minimum standards.

234. **Conclusion 5: Concerning the GEF safeguard on indigenous peoples, some restrictiveness and ambiguity exist around the GEF's approach to FPIC.** Currently, the GEF requires FPIC approaches from International Labour Organization (ILO) C169 signatory states. In so doing, it misses an opportunity to support self-determination—something intrinsic to indigenous peoples' rights. Currently, the safeguard policies of the West African Development Bank, Conservation International, the Development Bank of Southern Africa, FAO, FUNBIO, IFAD, IUCN, UNEP, UNIDO, and WWF all have mandatory FPIC processes for projects involving indigenous peoples, and IDB requires a similar approach while not utilizing the term FPIC. Also, the GEF's use of the term “free, prior, and informed consultations” complicates matters somewhat. This is a term borrowed from the World Bank's Operational Policies and includes elements of—but is not the same as—“free, prior, and informed consent.” Any implied intention to avoid a commitment to “consent” appears to be confounded by Minimum Standard 4, which states that GEF partner Agencies must “ensure that such consultations result in broad community support for the GEF-financed operation being proposed”.

235. **Conclusion 6: The GEF's ability to describe the application of Minimum Safeguard 4 and the benefits that flow from its engagement with indigenous peoples is restricted by the lack of monitoring information.** Some adjustments to monitoring practices have recently been introduced to better track projects involving indigenous peoples and to report in the Corporate Scorecard and the Annual Portfolio Monitoring Report. What is being counted here, though, are instances of projects with indigenous peoples' involvement; there is little in the way of qualitative information. While there is some assurance (through the Agency accreditation process) that GEF Agencies are prepared to abide by safeguards, there are presently no requirements for GEF Agencies to report against them at a portfolio level. Further, there are a few cases where Agency safeguards do not appear to extend to as high a level of protection as GEF Minimum Standard 4. In these instances, there is a lesser basis for assurance that engagement with indigenous peoples is occurring to expectations. At the same time, some GEF Agencies are recognizing the need for more engagement—through, e.g., the inclusion of indigenous peoples on staff and setting up indigenous peoples' advisory structures—and more robust tracking of indigenous peoples engagement and benefits. The latter appears to be a growth area for the GEF.

236. **Conclusion 7: The Indigenous Peoples Advisory Group (IPAG) provides relevant advice to the GEF Secretariat on indigenous peoples' issues.** The development of IPAG has been a positive step for the GEF's engagement with indigenous peoples. By the way it is composed and facilitated, the

IPAG has drawn together traditional and expert knowledge in dialogues among indigenous peoples and the GEF in developing indigenous peoples' capacity to engage in GEF projects and processes, in providing recommendations on financial arrangements to better support indigenous peoples' projects and project development, and in providing outreach with indigenous peoples organizations and communities. The IPAG has also assisted in developing indicators for the GEF Secretariat to better measure benefits and outcomes from GEF-funded projects to indigenous peoples, which are now being used to improve monitoring systems. A key achievement of the IPAG is the establishment of the Indigenous Peoples Fellowship Initiative, under the SGP, aimed at developing leadership to advance work in indigenous communities, organizations, and networks on national, regional, and global scales. It is too soon to draw conclusions about the impact of the fellowship, with only a few beneficiaries. However, anecdotal signals are promising. The IPAG fulfills an important technical advisory and dissemination role. However, operational limitations require attention, while opportunities for an expanded advocacy role remain limited. The scope of the IPAG's mandate and geographic coverage is large for the seven-person advisory group, with a limited frequency of face-to-face contact. No formal system of contact with the larger regional indigenous peoples' networks appears to exist within the IPAG or the GEF Secretariat. Also, IPAG members' communication and familiarity with the GEF and GEF Agencies is less than optimal for an advisory body. This is also noted for the relationship between the IPAG and the SGP national coordinators. Thus far, budgetary and staff support for the IPAG have been insufficient to engage participants in training, to support information dissemination (including at the country and regional levels), and to incentivize indigenous peoples' project innovation.

237. **Conclusion 8: The GEF's ability to systematically gather evidence on elements of its engagement with indigenous peoples is hampered by the lack of specificity within the Project Management Information System (PMIS).** GEF projects that have an element of engagement with indigenous peoples are not easily retrieved from the organizational database. This lack of systematic "tagging" of those projects confounds the generation of accurate project data. Moreover, the quality of the information about indigenous peoples' engagement contained in terminal evaluations is extremely variable. By number of projects and by investment, the proportion of full- and medium-size projects that include indigenous peoples has increased substantially since the beginning of the GEF. The biodiversity focal area dominates the indigenous peoples portfolio, with a total of 55 percent of projects. Indigenous peoples have been increasingly engaged in the other focal areas, however; and the relative number of biodiversity projects in the indigenous peoples portfolio has declined over time, with an increase of projects especially in the climate change and multifocal areas. Most of the projects involving indigenous peoples fall into the full-size category and have been implemented by just four of the GEF accredited Agencies (FAO, UNDP, UNEP, and the World Bank). The greatest number of projects and largest concentration of investment occurs in Latin America and the Caribbean. Seventy-five percent of indigenous peoples projects are rated as moderately satisfactory or above. Indigenous peoples projects are comparable to the GEF portfolio in terms of their likelihood of being sustainable. However, attaining sustainability poses a challenge for the portfolio, with just over half the projects showing moderate likelihood or greater of being sustainable. Capacity issues stand in the way of some indigenous peoples organizations assuming project management roles.

238. **Conclusion 9: The Small Grants Programme implemented by UNDP is the primary modality for the GEF's engagement with indigenous peoples.** The SGP has made efforts to reach out to indigenous peoples with limited capacity (e.g., through use of video proposals, project development grants, and acceptance of proposals in local languages). However, accessing SGP grant financing remains a challenge for some indigenous peoples due to capacity challenges, as well as administrative and language hurdles. Further efforts could be made to simplify grant processes and requirements, and proactively address needs and opportunities of indigenous peoples. Approximately 15 percent of SGP grants are awarded to the benefit of indigenous organizations or communities. Flexible approaches to proposal

development enable involvement by indigenous peoples organizations. Biodiversity is, by far, the most common thematic area covered across the SGP indigenous peoples portfolio. Results from a survey of SGP national coordinators indicated that 67 percent of respondents always refer to the GEF “Principles and Guidelines for Engagement with Indigenous Peoples” in projects involving indigenous peoples. According to survey respondents, observed benefits of SGP funding to indigenous peoples include access to training/capacity building, income and livelihoods improvements, and increased inclusion for consultation and project design.
