**Annual Review – July 2018-June 2019**

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| **Title: Global Environment Facility (GEF) Seventh Replenishment** | | |
| **Programme Value £ (full life): up to £250 million** | | **Review Date: June 2019** |
| **Programme Code:** 300057 | **Start Date:** July 2018 | **End Date:** June 2022 |

**Summary of Programme Performance**

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| Year | **2018** |  |  |  |  |  |  |  |
| Programme Score | **A** |  |  |  |  |  |  |  |
| Risk Rating | **Minor** |  |  |  |  |  |  |  |

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| DevTracker Link to Business Case: | [**37917779**](https://ec.vault.dfid.gov.uk/otcs/cs.exe/properties/37917779) |
| DevTracker Link to Log frame: | [**42895581**](https://ec.vault.dfid.gov.uk/otcs/cs.exe/properties/42895581) |

**A. Summary and Overview**

**Description of programme**

The Global Environment Facility (GEF) was set up in 1991 to provide funding to developing countries to address global environmental challenges, including climate change, biodiversity loss, land degradation, marine degradation and chemicals pollution. The GEF provides funding in support of five major international environmental conventions, which are the Convention on Biological Diversity, United Nations Framework Convention on Climate Change, Stockholm Convention on Persistent Organic Pollutants, UN Convention to Combat Desertification, and Minamata Convention on Mercury. GEF funding also supports UK Government priorities including the illegal wildlife trade and marine protection and is in a strong position to contribute to the Sustainable Development Goals (SDGs).

Since its inception in 1991 the GEF has supported management of more than 3,300 protected areas covering 860 million hectares (an area larger than Brazil), 1010 climate change mitigation projects contributing to 2.7 billion tonnes of greenhouse gas emission reductions, sustainable management of 34 of the world’s major river basins and provided $131m to the Global Wildlife Programme to tackle the illegal wildlife trade.

The GEF provides grants and other support to developing countries for projects and programmes to address global environmental problems. The GEF works with developing countries and a set of 18 accredited agencies (predominantly the multilateral development banks (MDBs) and UN agencies) to develop and implement projects and programmes. The GEF is governed by a balanced board (GEF Council) of developed and developing country representatives; its work is co-ordinated by a Secretariat and the World Bank is Trustee. The UK has its own constituency seat on the board, represented by DFID with an Alternate from Defra. The projects and programmes funded by the GEF are developed in accordance with a set of Programming and Policy Directions set at the start of each four-year replenishment period.

The UK has supported the GEF since inception. In the most recent seventh replenishment of the GEF (GEF7) the UK committed £250m, which equates to approximately 10% of total donor contributions to GEF7. GEF7 marks a significant step forward by the GEF in its potential to deliver more transformational results in addressing environmental degradation, by taking a multisectoral integrated multi-stakeholder programming approach to tackle the underlying drivers and systems involved in environmental degradation, through ‘Impact Programmes’, including Food, Land Use, and Restoration; Amazon Sustainable Landscapes; Congo Sustainable Landscapes; dryland Sustainable Landscapes; and sustainable cities.

This Annual Review assesses the first year of programming under the 7th replenishment of GEF. The programme is performing well according to the programming and policy directions set at the start of the current replenishment and through the approval of a major work-programme at the June 2019 Council meetings, which provides 57% of resources to the new Impact Programmes.

Twenty percent of the total UK pledged contribution is conditional on achievement of agreed targets for performance against agreed policy reforms. The GEF has made good progress in these policy areas which include: improved resource allocation, optimising the use of GEF resources in different countries, results reporting, private sector engagement, increased operational efficiency and transparency, improved management of data and information and gender equality and women’s empowerment. As a result of achieving these targets the GEF will receive the full amount committed by the UK for this year of the replenishment.

**Overall output score and description**

Expected results against the indicators for the programmed portfolio mostly exceed their milestones. Overall output score is A, with the following individual output scores:

Output 1 - Global environmental benefits to be delivered through approved GEF7 projects and programmes - A

Output 2 - GEF7 policy recommendations delivered successfully - A

**Recommendations for the year ahead**

1. The UK will continue to engage strongly through the GEF Council in steering policy reforms, through the UK’s results-based funding tranche, and approve work programmes that fit with UK priorities.
2. The UK will engage in the process to recruit a new Chief Executive for the GEF to replace Naoko Ishii, whose term ends in July 2020.
3. In line with the reform priority on results reporting, the UK will continue to monitor progress towards the collection and reporting of achieved results. Reporting actual results for GEF is essential for providing evidence that GEF is realising the results it expects.
4. The UK will pursue with the GEF Secretariat in establishing a more explicit effort for a more integrated gender perspective throughout the project cycle, including a gender analysis and action plan covering the entire implementation period.

## B: DETAILED OUTPUT SCORING

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| **Output Title** | Global environmental benefits to be delivered through approved GEF7 projects and programmes | | | |
| Output number per LF | | 1 | **Output Score** | ***A*** |
| Impact weighting (%): | | 70 | Impact weighting % revised since last AR? | N |

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| **Indicator(s)** | **Milestones to June 2019** | **Expected results of projects and programmes approved at June 2019** |
| 1,1 Terrestrial protected areas created or under improved management for conservation and sustainable use (million hectares) | 50 | 70 |
| 1.2 Marine protected areas created or under improved management for conservation and sustainable use (mha) | 2 | 2.9 |
| 1.3 Area of landscapes restored (mha) | 1.5 | 4.7 |
| 1.4 Area of landscapes under improved practices (mha; excl. protected areas) | 80 | 87 |
| 1.5 Area of marine habitat under improved practices (mha; excl. protected areas) | 7 | 1.8 |
| 1.6 Greenhouse gas emissions mitigated (million metric tons of CO2e) | 375 | 581 |
| 1.7 Number of shared water ecosystems (fresh or marine) under new or improved cooperative management | 8 | 9 |
| 1.8 Globally over-exploited marine fisheries moved to more sustainable levels (thousand metric tons) (Percent of fisheries, by volume) | 875 | 8.2 |
| 1.9 Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials and products (thousand metric tons of toxic chemicals reduced) | 25 | 30.9 |
| 1.10 Reduction, avoidance of emissions of POPs to air from point and non-point sources (grams of toxic equivalent [gTEQ]) | 325 | 557.8 |
| 1.11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment | In absence of past, portfolio-level monitoring of beneficiary data, no GEF7 target is proposed, but the indicator will be monitored across the GEF7 portfolio. Of projects that report on the number of direct beneficiaries, however, all are expected to provide gender-disaggregated data. | 15.2 million |

**Provide supporting narrative for the score**

The GEF7 results framework is linked to the GEF7 programming strategy through 11 core indicators to track progress towards agreed targets for GEF7. Output 1 of the UK’s logframe for GEF7 is taken from these agreed indicators and targets. The framework allows for the comprehensive monitoring of the results expected by GEF projects and programmes, including multiple benefits across focal areas as well as tracking data on beneficiaries disaggregated by gender[[1]](#footnote-2).

This annual review takes place a quarter of the way through the GEF7 replenishment period. GEF7 Programming is so far broadly delivering on its GEF7 targets. By June 2019 overall GEF7 programming has allocated 27% or $1,044m of the overall GEF7 resource allocation of $3,895m. Focal area programming to date varies from International Waters at 9.4% of allocated resources to Land Degradation and Biodiversity at 37.1% and 34.4% respectively. Both Chemicals and Waste and Climate Change are at similar levels of programming to date at 21.9% and 23.0% respectively. These percentages of allocations for resources for the replenishment are broadly in line with the expected results and explain expected results below milestones for the International Waters. As such this output 1 has been given an aggregate score of A within this annual review.

During the GEF7 replenishment negotiations, the UK and several other donors pushed for the GEF to increase integrated programming to tackle the underlying drivers and systems involved in environmental degradation. Our expectation was that these Impact Programmes (IPs) would increase both the impact and sustainability of GEF interventions. GEF7 programming by June 2019 includes four Impact Programmes (Food, Land Use, and Restoration, Amazon Sustainable Landscapes, Congo Sustainable Landscapes, and Dryland Sustainable Landscapes), with a fifth Sustainable Cities due to be added. The Impact Programmes are significantly contributing to 4 of the core indicators (core indicators 1, 3, 4, and 6, and a more modest contribution to indicator 9) with, as had been hoped for, significantly higher proportion of the overall GEF7 proposed results than what would be predicted based on the proportion of resources programmed. In all, the IPs are programming 15% of the STAR[[2]](#footnote-3) (System for Transparent Allocation of Resources) resources allocated to countries yet they are delivering between 21-58% of the results on the 4 core indicators. In addition, several other important Programmes (Global Wildlife Programme, EMobility Programme, and ISLANDS Chemicals and Waste Programme) that have been approved in GEF7 are designed to deliver transformational change, which have further contributed to the progress in indicators 1, 3 and 6.

In the first two work programmes the International Waters focal area has focused mainly on fresh-water areas and there has been less focus on marine interventions, which is why progress in related indicators has been modest. This is expected to change as the GEF7 programming moves forward. We will expect to see a ramping up of marine International Waters programming in future work programmes and will continue to monitor the work programmes to ensure that expected results in this area match the allocation of resources.

There is no specific target for the beneficiary indicator 11, but the progress shows that women make up 50.25% of the expected beneficiaries of GEF projects and programmes, reported as of June 2019.

**Lessons identified this year, and recommendations for the year ahead linked to this output**

* Continue to track performance against both results targets and resource allocations that have been agreed for GEF7. As noted above, ensure that marine programming under the International Waters focal area increases to catch up with agreed GEF7 targets.
* In line with the UK’s interest in integrated programming, engage with the Impact Programmes and other significant programmatic approaches (particularly the Global Wildlife Programme) to seek to optimise alignment with UK interests and bilateral programming.
* Continue engagement with the GEF Secretariat to highlight the expectation of seeing programming under the Sustainable Cities Impact Programme appear in the next Work Programme.

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| **Output Title** | GEF7 policy recommendations delivered successfully | | | |
| Output number per LF | | 2 | **Output Score** | ***A*** |
| Impact weighting (%): | | 30 | Impact weighting % revised since last AR? | N |

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| **Indicator(s)** | **Milestones to June 2019** | **Progress at June** |
| 2.1 Resource allocation (System for Transparent Allocation of Resources) | * Council agreed updated STAR being implemented. * Secretariat reporting to Council on the programming of funds. | **Achieved.** In June 2018, the GEF Council approved a new Policy for the System for Transparent Allocation of Resources (STAR), which introduced modifications to STAR as agreed by the Participants to the seventh replenishment of the GEF Trust Fund (GEF7). These allocations were publicly released on the GEF website on 1 July 2018 and reported to the 55th GEF Council in December 2018 (GEF/C.55/Inf.03).  Information on cumulative STAR utilisations at various levels of aggregation will be available in the GEF7 Scorecard that will be reported to each Council. The first of these was presented at the June 2019 Council meeting. |
| 2.2 Optimising the use of GEF resources in different countries | * Overall GEF portfolio to reach at least 7:1 Co-Financing ratio to GEF Project Financing. * For the portfolio of projects and programmes approved in Upper-Middle Income Countries and High-Income Countries that are not SIDS or LDCs to reach a ratio of Investment Mobilised to GEF financing of at least 5:1. | **Achieved.** 7.8:1 Co-Financing at portfolio level. 5.9:1 Investment Mobilised. |
| 2.3 Results | * Measures to enhance the sustainability, including financial sustainability of the activities funded by the GEF presented for Council consideration. * Proposal prepared by the Secretariat approved by the Council. | **Achieved.** The Secretariat presented Measures to Enhance the Sustainability of GEF Projects and Programmes (GEF/C.55/Inf.14)for Council information in December 2018. A further paper, Further Work on the Sustainability of GEF Projects and Programmes (GEF/C.56/Inf.08) was presented to Council in June 2019. |

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| 2.4 Private sector engagement | * Strategy on private sector engagement presented for Council consideration * Strategy prepared by the Secretariat approved by the Council | **Partially Achieved.** In the June 2019 meeting the Secretariat informed the Council (GEF/C.56/Inf.05) of the composition of private sector advisory group and of its plan to submit the draft private sector for Council consideration at its 57th meeting in December 2019. |
| 2.5 Operational efficiency and transparency | * Proposal with additional policy measures to enhance the operational efficiency and transparency presented for Council consideration. * Proposal prepared by the Secretariat approved by the Council. | **Achieved.** In its 55th meeting, the Council approved Policy Measures to Enhance Operational Efficiency, Accountability and Transparency (document GEF/C.55/04/Rev.01) in December 2018. The Secretariat will report on the effectiveness of these measures and share with the Council information on the performance of each Agency on regular basis. These policy measures became effective on 1st March 2019. |
| 2.6 Improved management of data and information | * First publication of data on GEF financing and results to the IATI Registry. * Publication of data on GEF financing and results to the IATI Registry. | **Partially Achieved.** Secretariat has initiated the process by creating an IATI publisher account and will publish its first data set following Creative Commons Attribution 4.0 International License (CC by 4.0) by 30th June 2019. |
| 2.7 Gender equality and women’s empowerment | * Council agreed measures in GEF7 gender strategy being implemented according to agreed timetable. * Annual updates by the Secretariat on the progress on activities outlined in the Strategy, as well as on the results framework. * Percentage of projects that have conducted a gender analysis, plan to carry out gender-responsive activities and include sex-disaggregated and gender-sensitive indicators. | **Achieved.** Progress report on the GEF gender implementation strategy (GEF/C.56/Inf.03) presented at the June 2019 Council. 98% of GEF7 projects provided indicative information on gender relevant to the proposed activities, 94% of projects are tagged to contribute to closing gender gaps and 85% of projects explicitly stated that they expect to develop sex disaggregated and gender sensitive indicators. |

**Briefly describe the output and provide supporting narrative for the score**

Participants to the Seventh Replenishment of the GEF Trust Fund agreed on a set of Policy Recommendations, in line with UK priorities: updates to the STAR allocation methodology; optimising the use of GEF resources in different countries with a view to mobilising greater investments in measures to achieve global environmental benefits; results; enhanced engagement with the private sector; operational efficiency and transparency; improved management of data and information; and further work on practical approaches to gender mainstreaming and capacity development. In the first year of GEF7, the Secretariat has advanced considerably in delivering and implementing these policy measures.

At the start of the GEF7 replenishment the GEF Secretariat presented (i) a new Policy for the STAR, which introduces new focal area floor allocations, increases the weight of the GDP index, and increases flexibility; (ii) Updated Co-financing Policy, which introduces the concept of “investment mobilised”, raises the level of ambition for the overall GEF portfolio to reach a co-financing ratio of 7:1, and sets out clearer requirements for Agencies and the Secretariat to document, monitor and report on co-financing and investment mobilised at the project, programme and portfolio levels; (iii) Updated Results Architecture for GEF7 including a simplified results framework of eleven core indicators and associated sub-indicators; agreed GEF7 targets across the core indicators; streamlined monitoring and reporting requirements; measures to enhance the availability, accessibility, quality and timeliness of data and information on results; and the capture of data on beneficiaries.

In December 2018 Council meeting, the Secretariat presented (i) the Policy Measures to Enhance Operational Efficiency, Accountability and Transparency, which were approved by the Council, and include specific amendments to the Cancellation Policy, specific amendments to the Project and Programme Cycle Policy, and a proposal for a one-time cancellation of the uncommitted/unused funds under Programmes approved on or before June 30, 2014; (ii) Report on the Implementation of the Co-Financing Guidelines that looks more closely at the implementation of the Co-Financing Guidelines, particularly with regard to the identification of the sub-set of co-financing that meets the definition of investment mobilised; and (iii) Measures to Enhance the Sustainability of GEF Projects and Programmes that explores the latest Independent Evaluation Office (IEO) evaluations of the sustainability of GEF projects and programmes, associated limitations and areas for further analysis, as well as challenges and opportunities to enhancing sustainability going forward. There remains work to do to incorporate findings on sustainability into practical actions. At the June 2019 Council meeting the UK and other Council members requested that that the Secretariat present, for Council consideration at its 57th meeting in December 2019, a summary of key factors that influence the sustainability of GEF projects and programmes and how such factors are taken into account and may be strengthened in current GEF operations.

On the private sector engagement, at its 54th meeting in June 2018, the Council approved the proposed TOR for the Private Sector Advisory Group and requested the Secretariat present a proposal for a strategy on private sector engagement, with inputs from the Advisory Group, for consideration by the Council in Spring 2019. The Private Sector Advisory Group was established, with Council approval, in April 2019. This Advisory Group plays a fundamental role in the preparation of the Strategy and, as such in the June 2019 meeting, the Secretariat informed the Council (GEF/C.56/Inf.05) of its plan to submit the draft private sector strategy for Council consideration at its 57th meeting in December 2019. Whilst this measure is behind schedule, it is recognised that it has been important to secure the senior and sector relevant private sector participation to properly inform the private sector strategy.

The Secretariat is also currently preparing its first publication of data on financing and results to the IATI registry, which will be finalised by June 2019.

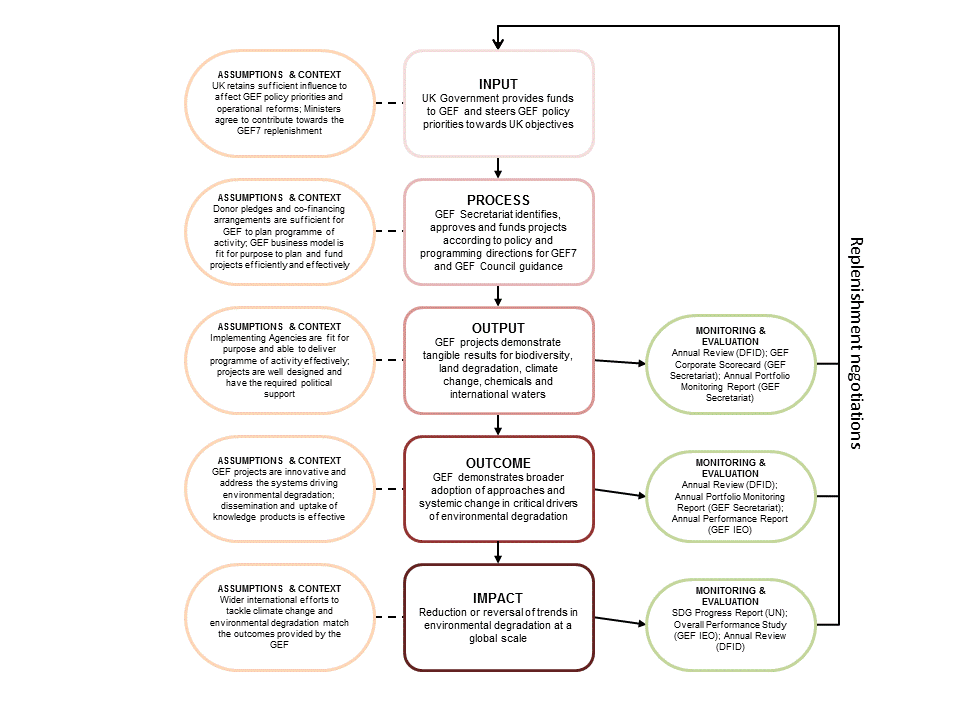
The first progress report on the GEF gender implementation strategy was presented to the Council at the June 2019 meeting. Analysis of the first two work programmes of the GEF7 suggests that, to date, projects have been compliant with the GEF Policy on Gender Equality and that projects are incorporating gender-responsive approaches in the design of GEF projects. The analysis shows that: 98% of projects provided indicative information on gender relevant to the proposed activities; 85% of projects explicitly stated that they expect to develop sex disaggregated and gender sensitive indicators; 93 % of projects are tagged to contribute to closing gender gaps and promoting gender equality and women’s empowerment. Also, the June 2019 Work Programme includes 7 Programmes which all incorporated gender considerations in the Programme Framework Document and included specific information on the number of direct beneficiaries disaggregated by gender. Specifically, all 4 Impact Programmes have elaborated on measures to mainstream gender and address gender gaps, including: (i) Ensuring women’s participation and role in natural resources decision-making processes; (ii) Targeting women as specific beneficiaries and investing in women’s skills and capacity; and (iii) Supporting women’s improved access, use, and control of natural resources.

**Lessons identified this year, and recommendations for the year ahead linked to this output**

* Keep track of GEF’s performance against agreed GEF7 policy recommendations and core indicators. Provide input to the development and implementation of GEF policies through Council meetings and interim engagement including participation in appropriate working groups.
* Monitor the development of the Private Sector Strategy, to ensure meaningful participation of private actors within GEF7 programming. (Note draft Strategy to be presented in December 2019).
* Additionally, UK to monitor further work being carried out by the GEF Secretariat on measures to improve the sustainability of GEF programming. (Note that further paper to be presented to Council in December 2019).
* Gender: Encourage consideration of greater upstream engagement in programme design, for example more proactive engagement with women’s rights organisations to help support GEF7 gender ambitions, with particular attention being paid to opportunities with the Impact Programmes.

## C: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES

Theory of Change set out in following diagram:

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**Summary of the theory of change**

For GEF7 the intervention built on GEF’s own TOC by recognising the contribution the GEF makes in supporting sustainable development and reducing the detrimental impact of climate change and environmental degradation on the poor. In summary, an adequately resourced GEF is managed effectively to deliver high impact projects delivering sustained global environmental benefits. The approaches demonstrated by GEF projects have a transformative effect (for example through uptake in other countries, or through systematic shifts in business practices) and this slows the pace of global environmental degradation. Given that the poorest people are often the most reliant on natural resources for their livelihoods, this has a positive impact on poverty reduction goals. There have been no major changes in the GEF’s theory of change in the past year.

**Description of where the programme is on track to contribute to the expected outcomes and impact, and where it is off track and so what action is planned as a result in the year ahead**

The overall impact of the programme is *The reduction or reversal of trends in environmental degradation at a global scale*. In contributing to this the GEF is an important delivery channel for nature-based solutions to climate change and biodiversity. It supports programmes that restore ecosystems and promote sustainable agriculture in a way that delivers cross cutting biodiversity, climate mitigation, resilience, and development benefits. Many of the Impact Programmes act to preserve land-based carbon reservoirs by encouraging the sustainable management of land and food systems – which also helps to preserve biodiversity.

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global Assessment Report on Biodiversity and Ecosystem Services published in May this year highlights that biodiversity remains in catastrophic decline globally, with circa 1 million species threatened with extinction and that three-quarters of the land-based environment and two-thirds of the marine environment have been significantly altered by human actions. The IPBES report highlights the five direct drivers of change in nature with the largest relative global impacts so far are, in descending order: (1) changes in land and sea use; (2) direct exploitation of organisms; (3) climate change; (4) pollution and (5) invasive alien species. It also indicates that current negative trends in biodiversity and ecosystems will undermine progress towards 80% (35 out of 44) of the assessed targets of the Sustainable Development Goals, related to poverty, hunger, health, water, cities, climate, oceans and land.

As such the GEF, and particularly GEF7 programming, remains highly relevant, and GEF7 expected results will contribute to the mitigation of these environmental problems. But GEF resourcing remains insufficient to have a major impact on the tide of global environmental degradation if an incremental project by project approach is taken. As such we are paying close attention to the programmatic approach of GEF7, particularly the Impact Programmes, which seek to deliver a more transformative shift by addressing the systems underlying biodiversity loss and climate change. For example, The Food Systems, Land Use and Restoration (FOLUR) Impact Programme outlines how GEF7 financing will help transform food production systems and land use as major causes of global environmental degradation. It will work through commodity supply chains around the world to reduce deforestation and other environmentally unsustainable practices. This will be achieved through a system-wide approach that brings together strategies and stakeholders through both horizontal (interventions with actors within landscapes, policy reform, governance strengthening, etc.) and vertical (food value and supply chain commitments and financing) dimensions. The Programme aims to push these supply chains towards ‘tipping points’, where the environmental costs of production are internalised into the market.

GEF7 is slightly off-track against three elements that will be critical in the translation of outputs from the projects and programmes funded by GEF7 into broader outcomes and impact as outlined in the theory of change and logframe. Firstly, as outlined above, the involvement of the private sector will be key to the delivery of transformative change. The GEF Private Sector Strategy is slightly delayed and we now expect to see it presented in December 2019. It will be important that the private sector is engaged more fully than in previous GEF replenishments in the design of programmes, particularly those that seek a broad scale change in practice by private sector actors. Secondly, also as outlined above, the programme still has further work to do to put in place measures to increase the sustainability, particularly the financial sustainability, of GEF programming. A set of measures on increasing sustainability will be presented to Council in December 2019. Thirdly, the Sustainable Cities Impact Programme has yet to commence, although we expect it to do so by the time of the next Council meeting.

**Explain major changes to the logframe in the past year**

None

## D: VALUE FOR MONEY

**Key cost drivers and performance**

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| Cost drivers: Since the inception of GEF in 1991 to March 31, 2019 funding approvals made by the Council and CEO total USD 18,595 million, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees and 4% for Administrative budgets[[3]](#footnote-4). From the inception of UK support for the GEF, there have been continual efforts by the UK to ensure that there is scrutiny and downward pressure on the fees charged by the implementing agencies. In 2012 the GEF Council approved a new fee policy for GEF agencies, which established a reduced fee for all agencies of 9.5% for project grants up to $10 million, and 9% for project grants above $10 million.  Performance: The value for money offered by GEF was assessed to be ‘good’ by the Multilateral Development Review (MDR) in 2016.The MDR referred to GEF’s continual focus on value for money, with caps on agency fees improving on the rates which were reported in MAR 2011, and low administrative costs relative to programme spend. The recent 17/18 MOPAN Assessment stated that ‘GEF is clear in its ambition to provide greater results for the global environment and improved value for money’, and under ‘Cost and value consciousness, financial transparency, scored the GEF as *Highly satisfactory.*  One of the key challenges for providing value for money from the GEF is the sustainability of projects and programmes supported by the GEF. The Independent Evaluation Office noted that 37% of projects have outcomes that are unlikely to be sustained beyond project completion, with weak financial sustainability identified as the major factor in this. Analysis also 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 established for future financial sustainability through the market, government budgets, or both. In the June 2019 Council meetings, the STAP provided a report on sustainability indicating that systems change for transformation requires innovation which can occur in diverse ways, but that greater innovation brings the likelihood of higher failure rates, which are also opportunities to learn. We will be monitoring GEF progress on financial sustainability and inter-agency collaboration to improve management of complex programmes. |

**VfM performance compared to the original VfM proposition in the business case**

**On economy**, the low administrative costs and the implementation of the agency fee caps have already been cited. The Secretariat’s FY19 expenses are projected at US$21.654 million[[4]](#footnote-5), or 3.6% less than the FY19 budget[[5]](#footnote-6).

**On efficiency**, GEF continues to maintain its careful allocation according to need via the System for Transparent Allocation of Resources (STAR), and has refined this further by introducing a minimum aggregate floor for the LDCs during GEF7, as well as deciding that those countries with total STAR allocations of less than USD 7 million will have full flexibility to programme the allocation across the three focal areas covered (Land Degradation, Biodiversity and Climate Change Mitigation). Allocations to LDCs have been protected at the expense of those to MICs in the reductions caused by foreign exchange fluctuations mentioned above.

**On effectiveness**, in GEF 6 we looked the likelihood of projects achieving their development and environmental objectives. In the GEF 7 2018 Business Case we stated that we expected the quantity, quality and sustainability of GEF results to improve.

Overall, 80 percent of all completed GEF projects with terminal evaluations have an outcome rating in the satisfactory range. Outcome rating for the 2019 cohort of closed projects was nominally lower at 78 percent, with those projects accounting for 80 percent of funding (table 1). Within the GEF portfolio, the percentage of projects with an outcome rating in the satisfactory range moves within a narrow band of 78 to 82 percent from GEF1 to GEF4 (figure 1)[[6]](#footnote-7). However, 87 percent of the completed projects approved in GEF5 are rated in the satisfactory range. Most of the projects from GEF5 are still under implementation so the figures for this period may change as more projects from the period are completed.

The assessment of sustainability estimates the extent a project’s outcome is durable and it is likely to achieve its expected long-term impact. Compared to the portfolio average of 62 percent, 59 percent of the projects of the 2019 cohort are rated in the likely range for sustainability. The difference between the portfolio average and the 2019 cohort is not statistically significant. Improving sustainability of GEF project outcome has been a long-standing concern of the UK and other GEF stakeholders. Although, ratings for the projects approved during GEF4 and GEF5 is somewhat higher than for earlier replenishment periods, the percentage of projects where outcomes are rated to be sustainable is still low. GEF IEO will keep tracking performance on this dimension.

Compared to the portfolio average of 80 percent, 83 percent of the projects of the 2019 cohort were rated in the satisfactory range for quality of implementation. Seventy seven percent of the projects of the 2019 cohort are rated in the satisfactory range for quality of execution, which is close to the portfolio average 80 percent.

The 2019 cohort shows improvement in M&E design rating. Compared to the portfolio average of 65 percent of projects rated in the satisfactory range for M&E design, of the 2019 cohort a significantly higher 80 percent are rated in this range. Compared to the long-term portfolio average of 65 percent, 70 percent of the projects of the 2019 cohort are rated in the satisfactory range for M&E implementation. The difference in the percentage rated in the satisfactory range for M&E implementation is not statistically significant although the direction of the difference is consistent with the trend of improvement.

**Assessment of whether the programme continues to represent value for money**

We consider that given the good progress against the targets set for the GEF’s seventh replenishment and maintained downward pressure on cost drivers (for example implementation of the GEF’s agency fee limits) that the GEF continues to represent value for money. GEF has updated its budgeting process to align with and track core work areas for performance in both programming and policy-operations in GEF 7. In budgeting and in preparing and reviewing progress on its Business Plan, it plans investments against expected results in light of past performance and other factors, including actions needed to implement priorities in the core work areas. The planning also integrates and assesses updated information on results and results-based management.

**Quality of financial management**

The World Bank as Trustee reports on GEF expenditure and resource availability at the biannual GEF Council meetings. The most recent Financial Report was presented to the GEF Council in June 2019, and highlighted the shortfall being faced by the GEF’s seventh replenishment due to unexpected exchange rate fluctuations. The GEF most recently filed an Independent Auditors’ Report and Statement of Receipts, Disbursements and Fund Balance in October 2019, in which the auditors did not provide any qualifications to their opinion. The independent audit of the GEF Trust Fund by the World Bank’s external auditors have been concluded for the period ended June 30, 2018 and is to be issued in October/November 2019.

**E: RISK**

**Overview of programme risk (noting the rating from p.1) and mitigation**

The overall risk category of ‘minor’ has been maintained in the last year, in light of the due diligence completed in January 2017 which indicated that the controls in effect were sufficient to monitor and respond to GEF risks as needed. These controls apply to all GEF’s implementing agencies, including:

* the Minimum Fiduciary Standards for GEF Implementing and Executing Agencies and Minimum Fiduciary Standards on Issues Related to Anti-Money Laundering and Combating the Financing of Terrorism.
* An updated Policy on Environmental and Social Safeguards. In June 2019 the GEF Secretariat presented a paper on Informing the Council of Possible Non-Compliance with Environmental and Social Safeguards[[7]](#footnote-8). This UK supported the changes recommended but highlighted that GEF needed to go further, e.g. on reporting non-compliance with a reputational risk.

As of June, 2019[[8]](#footnote-9) 17 GEF Implementing and Executing Agencies were confirmed as meeting the GEF’s minimum fiduciary standards. These include requirements for Partner Agencies to conduct internal auditing in line with internationally recognised standards and to have a hotline to report incidents and a whistle-blower protection policy. With respect to the Inter-American Development Bank (IDB), the Council took note of Agency’s request to review its compliance in 2020, once its AML-CFT Framework is fully implemented. Council members have emphasised the urgency of this issue and have requested a third-party comprehensive assessment on the Agencies’ compliance as a pro-active management measurement to prevent any possible reputational risks. Financial risks are managed by the World Bank as Trustee, which is considered to be a low-risk partner for the UK. The World Bank provides financial reporting for the UK Council member and advisor’s review at each biannual Council meeting.

Alongside these various measures of risk control, it was identified at the last GEF Annual Review that the GEF would also benefit from an over-arching internal risk framework, which would allow mutual understanding of the status of various operational or strategic risks across the GEF’s network, as well as of the risk tolerance levels within the GEF. This was pursued as part of the 2017 Due Diligence update and at the GEF Council meeting in May 2018. The GEF Secretariat acknowledges the benefit of an overarching policy. This will contribute towards the GEF’s risk management capabilities and is therefore one of the UK’s priorities to pursue in GEF 7.

The Policy on Ethics and Conflict of Interest for Council Members, Alternates, and Advisers was adopted in 2017, and an Ethics Committee has been appointed to oversee its implementation.

The risk register for GEF has been maintained since the Business Case risk assessment and aligned with the new DFID risk management framework. Two of the components assessed exceed moderate and the following mitigation actions have been taken.

* Slow progress on programming on Ozone-Depleting Substances (ODS) - during GEF 6, there were delays in the implementation of activities to address Ozone Depleting Substances in line with GEF’s role under the Montreal Protocol. This was based on a change in the countries targeted by this programme during the replenishment period. During GEF7 $23m has been allocated to tackling ODS. As of June 2019, none of this resource has yet been programmed, and we will continue to track progress, although the risk present during GEF 6 no longer applies and this risk can be removed from the risk register.
* Exchange Rate Volatility - concern was raised due to a strengthening US dollar during the GEF6 replenishment period leading to a shortfall in resources. In response during the replenishment negotiations for GEF7, the GEF Trustee presented options to manage foreign exchange risk, including the option of hedging and the option to introduce a second operating currency. The conclusion of these discussions was to accept the risk arising from exchange rate volatility noting the role of the World Bank’s trust fund pool in hedging and the transaction costs of pursuing other hedging options.

**F: DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE**

**Performance of partners and DFID, notably on commercial, and financial issues**

The UK has been a member and major contributor to GEF since its inception in 1991. The UK is a permanent member of the GEF Council, which functions as an independent board of directors, with primary responsibility for commissioning, approving, and evaluating GEF programmes. The UK has influence over policy priorities and level of ambition, through the replenishment process, and in driving monitoring operational effectiveness and efficiency through the Council. The experience of the UK team has enabled effective development and promotion of innovation and improvements in implementation as indicated by the proportion of UK policy proposals adopted (to varying degrees) and the increases in resource allocation to UK priorities (e.g. Illegal Wildlife Trade (IWT), nature-based solutions to climate change) to GEF7. Defra’s increased engagement in GEF7 will enhance the quality and breadth of UK inputs into governing GEF. BEIS have continued to provide valuable guidance on climate mitigation activities, particularly in relation to the Capacity-Building Initiative for Transparency (CBIT) programme.

The relationship between the UK and the GEF Secretariat continues to be productive, and the Secretariat’s responsiveness continues to prove valuable to the UK programme management team. We remain strong and vocal proponents for progress on GEF initiatives such as gender mainstreaming and improved knowledge management, offering support where useful.

Staff members from the GEF Secretariat have been helpful and forthcoming in providing support to the UK during the completion of this Annual Review and have engaged constructively with the UK throughout the first year of GEF7.

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| --- | --- |
| Date of last narrative financial report(s) | June 2019 |
| Date of last audited annual statement (s) | Oct 2018 |

**G: MONITORING, EVIDENCE & LEARNING**

**Monitoring**

In addition to the Annual Performance Report, the GEF’s Independent Evaluation Office’s Overall Performance Studies (OPSs) are the primary tool used for evaluating GEF’s performance. OPSs are comprehensive evaluations that assess the performance, institutional effectiveness, and impact of GEF. The Final Report of the OPS which assessed GEF6 – known as OPS6 – was published in May 2018[[9]](#footnote-10).

OPS6 demonstrated that the GEF has built a strong record in delivering short- and medium-term results; in recent periods, the outcomes of about 80 percent of GEF projects have been rated as satisfactory. The IEO Semi-Annual Evaluation Report (June 2019)[[10]](#footnote-11) reiterates this success and acknowledges that recent projects show a continued trend in improvement in the M&E design rating. Compared to the portfolio average of 65 percent of projects rated in the satisfactory range for M&E design, 80 percent of the projects of the 2019 cohort are rated in the satisfactory range. By comparison, while the quality of M&E implementation also shows improvement, the level of improvement has been relatively modest. Compared to the long-term portfolio average of 65 percent, 70 percent of the projects of the 2019 cohort are rated in the satisfactory range.

However, despite this improving trend, ratings on quality of M&E design and implementation remain in the unsatisfactory range for a substantial percentage of projects. Over 35% of completed projects were rated unsatisfactory on M&E design and implementation. While this figure reflects older projects and masks improvements in more recent projects, the UK will continue to push GEF to monitor agency performance on M&E and include it in its Annual Performance Reports to Council.

The GEF Council approved in June 2019 an updated and separate Policy on Monitoring and separate Evaluation Policy, which had been proposed by the Independent Evaluation Office (IEO). The UK welcomes this development: the updated policies will address some of the UK’s previous comments on the evaluation approach. Beyond this progress, the UK will continue to push for improvements on monitoring and achieved results to be available on a more timely basis. We will also discuss GEF’s methodological approach to public and private leveraged financing, to ensure consistency with UK’s own Key Performance Indicator (KPI) definitions.

**Evidence**

GEF programming is guided by evidence at both a strategic and project level by a Scientific and Technical Advisory Panel (STAP). The Scientific and Technical Advisory Panel comprises seven expert advisers supported by a Secretariat, who ensure the GEF is linked to the most up to date, authoritative, and globally representative science. The STAP Chair reports to every GEF Council meeting, briefing Council members on the Panel’s work and emerging scientific and technical issues. Advice to Council includes writing primers, or leading in-depth analyses on themes influencing the sustainability of the global environment and development. In addition, STAP reviews and/or co- authors GEF Policy papers on emerging significant scientific or technical issues. As part of its statutory responsibilities, STAP reviews the scientific and technical rationale of GEF full-sized projects coming into the pipeline at concept stage - concomitant with Council review. The intent of the STAP screening is to add value to programs and projects during early preparation and provide quality assurance to the GEF Council.

The STAP achieves much of its work through collaborations with leading scientists, experts and practitioners around the world. STAP commissions studies by institutions or individuals, convenes expert working groups and holds workshops to identify the latest scientific knowledge and lessons learned from practice by translating them into operational and strategic advice for the GEF. STAP papers have had a significant influence on GEF7 programming and many have aligned with UK interests such as those on Plastics, Environmental Security, Food Systems and Integration of programming. The most recent papers presented by the STAP at the June 2019 Council were: a) Achieving more enduring outcomes from GEF investment; b) Climate risk screening; c) Local Commons for Global Benefits; d) Draft guidelines for Land Degradation Neutrality.

The STAP participated in the committees which reviewed 150 expressions of interest for the Impact Programmes, and also provided overarching comments on each of the Impact Programmes. STAP provided advice to the agencies on six issues STAP would look at in particular when screening proposals under the Impact Programmes to help promote innovation, integration, and transformation: innovation; barriers to transformation; interactions and trade-offs in global environmental benefits; multi-stakeholder

processes; theory of change; and monitoring, evaluation and learning.

A survey carried out for the independent evaluation of GEF6 found that overall, 70 percent of survey respondents agreed that the STAP provides high-quality knowledge- based guidance to the GEF but feel it should play a stronger unifying role across the partnership. The GEF Council members regard the STAP’s screening of project proposals as an important contribution to quality at entry. At the time of analysis, the STAP had identified 14 of 149 projects (9 percent) as having major issues to address during GEF6 which led to subsequent remedial action.

Further detail on the STAP is available at <http://www.stapgef.org>.

**Learning**

The relevance of knowledge management to the GEF mandate has been increasingly recognised, and efforts to improve knowledge management in the partnership have been made on several fronts[[11]](#footnote-12). The GEF 2020 Strategy emphasised the need to generate knowledge as a priority. The GEF has co-published, with the World Bank, guidance on how to share knowledge across different stakeholders, and in multiple set­tings[[12]](#footnote-13) (“The Art of Knowledge Exchange Guide: A Results–Based Planning Guide for the GEF Partnership”).

The GEF also set-up the knowledge management advisory group to discuss activities, to elicit feedback across the agencies and with STAP, and to strengthen the implementation of knowledge management in the partner­ship. The sixth evaluation of the GEF (Sixth Overall Performance Study, OPS6)[[13]](#footnote-14) recognises these and other accomplishments on KM led by the GEF Secretariat.

The STAP have acknowledged some progress in their ‘Managing Knowledge for a Sustainable Future’ document[[14]](#footnote-15) but argue that more remains to be done, reiterating their previous recommendations from 2015 on systematic knowledge management processes, progress indicators to be included in monitoring and evaluation and the Results-Based Management system as well as creating incentives for dissemination of project outputs, among other recommendations.

The 2018 PCR also includes a recommendation on Knowledge Management, including options for an IT-based GEF Knowledge and Learning Platform to be operational in GEF7. The UK will continue to press for progress on standardisation and the IT systems capable of facilitating it during GEF7.

**Progress on recommendations from previous reviews**

This is the first AR under the 7th replenishment of GEF.

1. More information on the core indicators can be found here <http://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.11.Rev_.02_Results.pdf> [↑](#footnote-ref-2)
2. [GEF-7-STAR.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-C.55-Inf.03-GEF-7-STAR.pdf) [↑](#footnote-ref-3)
3. [GEF/Trustee Reports/GEF 03\_19](http://fiftrustee.worldbank.org/SiteCollectionDocuments/GEF/Trustee%20Reports/GEF_TR_03_19.pdf) [↑](#footnote-ref-4)
4. The projection of FY19 actual expenditures include data for actual spending through April 30, 2019, and a projected spending during the remaining weeks of the fiscal year, which ends on June 30, 2019 [↑](#footnote-ref-5)
5. [Business Plan and Corporate Budget FY20.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF_C.56_06_GEF%20Business%20Plan%20and%20Corporate%20Budget%20for%20FY20.pdf) [↑](#footnote-ref-6)
6. [Annual\_Performance\_Report\_May\_2019](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C56_Inf.01_Annual_Performance_Report_May_2019_0.pdf) [↑](#footnote-ref-7)
7. [Informing the Council of Possible Non-Compliance with ESS](https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-C.56-05%2C%20Informing%20the%20Council%20of%20Possible%20Non-Compliance%20with%20ESS.pdf)  [↑](#footnote-ref-8)
8. [Status of Agencies Compliance.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-C.56-07%2C%20Status%20of%20Agencies%27%20Compliance.pdf) [↑](#footnote-ref-9)
9. <https://www.thegef.org/sites/default/files/council-meeting-documents/GEF.A6.07_OPS6.pdf> [↑](#footnote-ref-10)
10. <https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.ME_C56_01_SAER_June_2019_.pdf> [↑](#footnote-ref-11)
11. The GEF2020 Strategy emphasises “strategically generating knowledge” as a priority (GEF 2015a, 32). In 2014, the policy recommendations in the GEF‑6 Replenishment Document similarly emphasised “the importance of developing a knowledge”. management (KM) system that aims to improve the GEF partnership’s ability to learn by doing and thereby enhance its impact over time” (GEF 2014c, 6). [↑](#footnote-ref-12)
12. GEF 2017. “The Art of Knowledge Exchange Guide: A Results –Based Planning Guide for the GEF Partnership”. https://www.thegef.org/news/art-knowledge-exchange-results-focused-planning-guide-gef-partnership Last accessed March 21, 2018. [↑](#footnote-ref-13)
13. GEF 2017. “Sixth Overall Performance Study of the GEF: The GEF in the Changing Environmental Finance Landscape” http://www.gefieo.org/evaluations/ops-period/ops6the-gef-changing-environmental-finance-landscape Last accessed March 21, 2018. [↑](#footnote-ref-14)
14. https://www.thegef.org/sites/default/files/council-meeting-documents/EN\_GEF.STAP\_.C.54.Inf\_.02\_KM.pdf [↑](#footnote-ref-15)