**Project Completion Review**

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| **Title: Global Environment Facility (GEF) Sixth Replenishment** |
| **Final Programme Value £ 210m** | **Review Date:** |  **September 2018** |
| **Programme Code: 204056** | **Start Date July 2014** | **Final End Date: June 2018** |

**Summary of Programme Performance**

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| Year | **2015** | **2016** | **2017** | **2018** |
| Programme Score | **A+** | **A+** | **A+** | **A+** |
| Risk Rating | **Low** | **Minor** | **Minor** | **Minor** |

**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).

**GEF progress since inception (1991 to date)**

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), 790 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 scale of the GEF has grown from the original US$1 billion programme and over its lifetime has invested a total of over US$14.5 billion, and raised $75.4 billion in co-financing, for nearly 4,000 projects in 167 countries.

However, whilst GEF projects and programmes have achieved good results, this has not been sufficient in itself to shift investment at the system-wide scale needed to reverse the sharp downward trend in the global environment. The GEF has made progress in ensuring that the projects and programmes it funds have a broader impact, for example through leading to changes in legislation or financing by the private sector, but this remains a challenge. The independent review of projects completed during this sixth replenishment shows that ‘broader adoption at a large scale’ was achieved in 24% of projects, with 37% of projects achieving ‘broader adoption at a local scale’. The UK has been active during negotiations for the seventh replenishment of the GEF in pushing for an increase in the transformative impact of GEF projects. A key element of this within GEF7 will be a set of ‘Impact Programmes’ that seek to make shifts in the sustainability of systems that underlie much of the global environmental degradation being observed, specifically Food Systems, Cities, and Forest Management.

The GEF allocates resources to developing countries according to a System of Transparent Allocation of Resources (STAR) that reflects the development status of the country, the relative significance of their environmental resource or impact, and their historic project performance. Countries then work with implementing agencies (predominantly the multilateral development banks and UN agencies) to develop and deliver projects. Strategically, the GEF’s board (GEF Council) of developed and developing country representatives provides effective executive direction, including through written procedures to expedite decision making. The Secretariat and the World Bank as Trustee provide effective implementation at costs comparable to similar development institutions. The GEF’s Independent Evaluation Office (IEO) assesses performance of the GEF, particularly through Overall Performance Studies of each replenishment period (that for GEF6, OPS6, is available at [http://www.gefieo.org/evaluations/gef-changing-environmental-finance-landscapeHYPERLINK "http://www.gefieo.org/evaluations/gef-changing-environmental-finance-landscape-ops6"-ops6](http://www.gefieo.org/evaluations/gef-changing-environmental-finance-landscape-ops6)) and the Scientific and Technical Advisory Panel (STAP) provides technical input to programming at both a strategic and project level. DFID’s 2016 Multilateral Development Review (MDR) of the GEF found that it had a consistent record in delivering programmed results and a number of comparative advantages as a result of its broad global presence (active in more than 150 countries) and network of partner agencies.

**GEF progress during GEF6 (2014-2018)**

The GEF’s sixth replenishment started in July 2014, and ended in June 2018. Programmes under this replenishment primarily covered the GEF’s main focal areas: International Waters, Land Degradation, Biodiversity, Chemicals and Waste, and Climate Change – plus the Sustainable Forest Management programme, the Non Grant Instruments Pilot and the Small Grants Programme. The GEF largely met or exceeded its expected results targets for all focal areas, except that for ozone depleting substances, which could not be met for country capacity reasons beyond GEF’s control (see output 1, below). Information on GEF projects from GEF6 and previous replenishment periods is given at <https://www.thegef.org/projects>. The major policy and programming in innovation in GEF6 was the piloting of three Integrated Approach Pilots (IAPs), which took a systems approach to addressing major drivers or environmental degradation – the removal of deforestation from commodity supply chains, strengthening food security in sub-Saharan Africa, and incorporating sustainability and efficiency into urban planning and management. The success of these IAPs is being extended through the Impact Programmes in GEF7 mentioned above.

The major external pressure depressing GEF’s performance was the shortfall of about $600m from the $4.4bn GEF6 budget, caused by the appreciation of the US$ relative to all the other donor currencies.

In response to the shortfall, the GEF Council, including the UK, decided to protect the GEF6 allocations for Least Developed Countries (LDCs) and Small Island Developing States (SIDS) and core obligations for developing countries compliance with the Conventions the GEF serves, and reduce programming to other countries. The reduction of programming led to a reduction in expected results, but the majority of targets (particularly for output 1 on environmental improvement) were still met or exceeded. This was the first time that exchange rates have had a major negative effect on GEF, and the risks of a repetition in GEF7 (i.e. further substantial appreciation of the US$) was not considered great enough to merit some sort of hedging scheme for GEF7.

The independent evaluation of GEF6, OPS6, found that 79% of projects assessed had satisfactory outcomes, and that project design, quality of implementation, quality of execution, and level of materialised co-financing are the strongest drivers of performance. Co-financing was 8.8 to 1, which exceeds the portfolio target. Sustainability of outcomes is a challenge, primarily due to weak financial sustainability, with 63% of projects assessed were rated as having outcomes that were likely to be sustained. 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.

The GEF performed well, overall, in implementing the policy recommendations to improve its effectiveness, efficiency and economy. Targets to increase the proportion of programmes yielding multi-focal area benefits and increase incentives for sustainable forest management were exceeded; as was inclusion of gender equality measures. However, the target to increase private sector engagement in GEF projects, outside the dedicated private sector programme, was missed (see output 2, below). GEF’s targets to speed up the project approval cycle and achieve satisfactory or better project scores for project implementation were met. However, the ambitious target to increase broader adoption and scaling of GEF results was missed (although these scores relate largely to projects initiated in the fourth and fifth replenishment periods).

**The Capacity Building Initiative for Transparency**

The Capacity Building Initiative for Transparency (CBIT) was established by the GEF in November 2016 pursuant to the decision adopting the UNFCCC Paris Agreement. BEIS committed £10m funding in December 2016 (the Scottish Government also contributed £1m). CBIT’s key aim is to support developing countries to improve their institutional capacity to carry out transparency-related activities under the Paris Agreement, for example, developing a greenhouse gas inventory. The Paris Agreement provides for an enhanced transparency framework, and many developing countries are expected to need capacity building to meet the requirements of the framework when it is in force. BEIS has carried out its own Project Completion Report for the first phase of CBIT. A summary of their findings is given below.

Good progress has been made in the 2.5 years since the establishment of the CBIT Trust Fund, particularly considering the projects being implemented are preparing recipient countries to report under a transparency framework that has not yet been finalised. The CBIT Trust Fund was mainstreamed into GEF7 after 30 June 2018 and will continue to provide support to developing countries, including through the 41 projects approved during its time as a separate trust fund. This change was made in accordance with the GEF Council Decision in 2016 on Establishment of a new Trust Fund for the Capacity Building Initiative for Transparency, which provided that in GEF7 CBIT would be an integral part of the GEF’s climate change support. Oversight of the UK contribution to CBIT will be transferred to DFID as part of overall programme management of UK funding for GEF7. DFID will continue to engage with BEIS to ensure alignment between UK objectives for the UNFCCC and its financial mechanisms including the GEF.

**GEF progress in the past year (2017/18)**

Within the GEF6 logframe, indicators of the state of climate change, forestry, and marine and terrestrial biodiversity protection have been selected in order to assess performance. The nature of GEF support (to programmes and projects that operate over long time periods, often beyond the replenishment period) means that annual assessments of progress are, necessarily, estimates and based on the results expected from projects approved, rather than actual results which will be reported at project completion in future years. We will be seeking to improve rolling reporting of actual results from GEF projects during the GEF7 replenishment period. A narrative and some quantitative assessment of progress to improve the state of the global environment are set out below, based on the May 2018 GEF Corporate Scorecard.

* The first outcome indicator covers the area of protection of terrestrial and marine areas. This indicator links to the 2011-2020 Strategic Plan for Biodiversity Aichi Biodiversity Target 11, which aims for protection of at least 17% of terrestrial and inland water areas and 10% of coastal and marine areas, by 2020. During GEF-6, GEF projects have been approved that aim to improve the management of landscapes and seascapes for biodiversity conservation of 360 million hectares (against a GEF6 target of 300 million hectares). This equates to a total area of larger than India. The investment in biodiversity has totalled $823.4 million of GEF resources against an original GEF6 target allocation of $1,101 million.
* The second outcome covers CO2 emissions per $1 of GDP in developing countries. This indicator was previously in use for the Millennium Development Goals, which have now ceased reporting (having been superseded by the SDGs). However the European Commission’s Emissions Database for Global Atmospheric Research provides data that has been recorded up to 2015 – which shows that there was a continuing downward trajectory of the volume of CO2 emissions against each $1000 of a country’s GDP between 2013-2015, and that there was a decline for each five-year milestone prior to that since 1990. In 2015, at a global level and average of 339 kg of CO2 was emitted per $1000 of GDP, compared with 483 kg in 1990. During GEF-6, projects have been approved that aim to mitigate 1,419 million metric tonnes CO2e (against a GEF6 target of 750 million metric tonnes). Investment in climate change has totalled $737.8 million against an original GEF6 target allocation of $1,130 million.
* The third outcome indicator measures forest cover as a percentage of global land area within GEF countries. The FAO data upon which this indicator was originally dependent became unavailable after 2010. The methodology used for last year’s Annual Review drew from the Food and Agriculture Organisation’s latest Global Forestry Assessment data, which reaches until the year 2015, and remain the most up-to-date data currently available, with the next report due in 2020. This tracks the changes in ‘forest and other wooded land’. As can be seen below, the rate of change in Brazil and Nepal seems to be slowing, while Democratic Republic of Congo (DRC) has seen a large constant rate of net deforestation. Ghana has seen growth of forests and wooded land, and Indonesia has unfortunately seen an increase in rate of deforestation after reductions from 1990-2000 levels. In GEF6 $227.5 million was spent on the Sustainable Forest Management (SFM) Programme against an original target allocation of $230 million.

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|  | Annual change rate (%) |
|  | 1990-2000 | 2000-2010 | 2010-2015 |
| Brazil | -0.5 | -0.4 | -0.2 |
| DRC | -0.2 | -0.2 | -0.2 |
| Ghana | 0.3 | 0.3 | 0.3 |
| Indonesia | -1.7 | -0.5 | -0.7 |
| Nepal | -2.1 | -0.7 | 0 |

**Overall output score and description**

Overall output score is A+, with the following individual output scores:

Output 1 - *GEF interventions approved to deliver GEF6 corporate-level results framework across 6 focal areas: climate change; biodiversity; land degradation; international waters; chemicals and waste; and corporate programmes.* A+

Output 2 - *GEF policy priorities identified during GEF6 replenishment process, and as set out in GEF6 Business Case, implemented.* A

Output 3 - *Effectiveness, efficiency and economy of the GEF improved through operational reforms as set out in the GEF6 Business Case.* A

**Recommendations from GEF 6** **for GEF 7**

Good progress was been made during the GEF7 replenishment negotiations. The UK worked closely with other donors and the GEF Secretariat to push for reform across a number of areas, with a focus on scaling up the integrated programming piloted in GEF6 to increase results and return on donor contributions and in increasing resource availability through higher expectations for co-financing (particularly for larger and wealthier developing countries). The UK was active in a number of improvements to GEF7 relative to GEF6, including:

i) higher targets for the results to be achieved from GEF7 relative to GEF6, with clearer focus on sustainable development objectives, such as food security;

ii) increasing the proportion of programming designed and measured for multiple benefits, such as a joint climate and biodiversity benefits from sustainable forestry;

iii) putting in place policies to help increase the amount of GEF resources used to lever Multilateral Development Bank and private sector investment;

iv) optimisation of GEF support, to require higher financial leverage from middle-income countries and increasing allocations to low-income countries;

v) operational efficiency and transparency, including a commitment to publish GEF data under the International Aid Transparency Initiative (IATI).

During the GEF7 replenishment period we will be continuing our efforts in the following areas to:

i) Increase value for money, by improving sustainability and the quantity and quality of GEF’s results, including increased effort on tackling illegal wildlife trade and marine pollution;

ii) Increase the number of programmes that contribute to results in more than one area, such as a joint climate and biodiversity benefits from sustainable forestry;

iii) Increase the proportion of GEF’s resources used to lever additional investment from the multilateral development banks (MDBs);

iv) Increase resources for low income countries and increasing co-financing and leverage ratios to be achieved by higher income countries;

v) Improve GEF’s operational performance in a number of areas, including gender, reporting and transparency;

vii) Improve Knowledge Management, including options for an IT-based GEF Knowledge and Learning Platform to be operational in GEF7;

viii) Review the Joint GEF-UNDP Small Grants Programme Evaluation: continue upgrading the SGP Country Programme, and to revisit the criteria for selection of countries for upgrading;

ix) Monitor GEF’s Safeguarding policies including through their updates;

x) Strengthen operational governance across the partnership;

xi) Begin the collection and reporting of achieved results across GEF through assessing evaluations of completed projects and/or changing the M&E requirements of projects. Reporting actual results for GEF is essential for providing evidence that GEF is realising the results it expects.

**B: DETAILED OUTPUT SCORING**

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| **Output 1**  | *GEF interventions approved to deliver GEF6 corporate-level results framework across 6 focal areas: climate change; biodiversity; land degradation; international waters; chemicals and waste; and corporate 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)** | **Target for GEF6** | **Results at May 2018** | **UK imputed share of results (8.7%)** |
| **1.1 Climate Change:** Tonnes of CO2-equivalent emissions to be mitigated through approved projects [from GEF6 Programming Directions, 24 February 2014] | 750 million tonnes mitigated  | 1,419 million tonnes mitigated (189% of target for replenishment)Exceeded | 123 million tonnes |
| **1.2 Biodiversity:** Hectares of landscapes and seascapes to have improved management in place through approved projects [from GEF6 Programming Directions, 24 February 2014] | 300 million hectares with improved management  | 360 million hectares with improved management (120% of target for replenishment)Exceeded | 31 million hectares |
| **1.3 Land Degradation:** Hectares of agriculture, rangelands and forest landscapes to be sustainably managed through approved projects [from GEF6 Programming Directions, 24 February 2014] | 120 million hectares  | 103 million hectares (86% of target for replenishment)Not achieved | 9 million hectares |
| **1.4 International Waters:** Number of freshwater basins to have Water-Food-Energy-Ecosystems security and conjunctive management of surface and groundwater through approved projects [from GEF6 Programming Directions, 24 February 2014] | 10 water basins  | 29 water basins (290% of target for replenishment)Exceeded | 3 water basins |
| **1.5 Chemicals &Waste:** Tonnes of Persistent Organic Pollutants (POPs - PCBs, obsolete pesticides) to be disposed of through approved projects [from GEF6 Programming Directions, 24 February 2014] | 80,000 tonnes of POPs  | 76,251 tonnes of POPs (95% of target for replenishment)Achieved | 6634 tonnes of POPs |
| **1.6 Chemicals &Waste:** Tonnes of mercury to be reduced through approved projects [from GEF6 Programming Directions, 24 February 2014] | 1000 tonnes of mercury | Projects approved = to 638 tonnes of mercury (64% of target) Not achieved | 56 tonnes of mercury |
| **1.7 Chemicals &Waste:** Tonnes of Ozone Depleting Potential (HCFC) to be phased out through approved projects [from GEF6 Programming Directions, 24 February 2014] | 300 tonnes of ODP  | 26 tonnes of (9% of target)Not achieved | 2 tonnes |
| **1.8 Corporate Programmes:** Number of countries to be supported in the creation of development and sectoral planning frameworks, that integrate measurable targets drawn from the MEAs, through approved projects [from GEF6 Programming Directions, 24 February 2014] | 10 countries  | 19 countries (190% of target)Exceeded | 2 countries |
| **1.9 Corporate Programmes:** Number of countries to be have functional environmental information systems, to support decision making, provided through approved projects [from GEF6 Programming Directions, 24 February 2014] | 10 countries | 19 countries (190% of target)Exceeded | 2 countries |

Average 137% achievement of targets across all indicators

**Supporting narrative for the score**

The targets were achieved or exceeded during GEF6 for 6 of the 9 indicators for Output 1 and the mean rate of achievement across all indicators is 137%. The biodiversity and climate change focal areas form the largest focal areas within the GEF (financial allocations of $823.4m and $737.8m respectively out of a total programming of $3141.5m) and performed particularly strongly. On this basis, and with consideration of the currency shortfall meaning lower overall funding was available compared with that projected when targets were set, Output 1 has been given an overall score of A+. Some detail on performance against each of the focal areas/indicators in GEF6 is given below.

During GEF-6, the GEF supported developing countries in their climate change mitigation efforts, including by approving projects that are expected to mitigate 1,419 million tonnes of CO2-equivalent emissions. This result equates to 189% of the target set during the GEF-6 replenishment, and is more than **three-and-a-half times the United Kingdom’s greenhouse gas (GHG) emissions of 388 million tonnes of CO2-equivalent in 2017**. The strong results are due to greenhouse gas mitigation resulting from multi-focal area (MFA) projects and initiatives that seek to combat land degradation and preserve forests. The GEF Independent Evaluation Office Climate Change Focal Area Study concluded that “activities funded by other focal areas and initiatives along with multi-focal area (MFA) projects are poised to deliver significant global environmental benefits (GHG emission reductions) that may be greater than those achieved by activities financed by the climate change focal area alone”. In GEF7 we have agreed a more ambitious target for climate change mitigation (despite a reduction in funding allocation to dedicated climate projects) based on an expectation that land and MFA projects will deliver significant GHG emissions reductions.

In terms of biodiversity conservation, the GEF exceeded the GEF6 target. GEF6 support is expected to bring 360 million hectares of landscapes and seascapes under improved management for biodiversity conservation. This result equates to **120% of the target set during the GEF-6 replenishment, and 14 times the area of the United Kingdom**. The GEF in the same period also approved projects that are expected to bring 103 million hectares of agriculture, rangelands and forest landscapes under improved management, **the equivalent of more than 50 times the size of Wales**. This is slightly lower than the target of 120 million hectares set for the GEF-6 period, mainly due to the shortfall in available resources resulting from currency fluctuations.

In the area of international waters the GEF seeks to promote the collective management of transboundary water systems and implementation of the full range of policy, legal and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services. The GEF6 target was to increase the number of freshwater basins in which water-food-energy-ecosystem security and conjunctive management of surface and groundwater is taking place by 10. Demand in GEF6 for international waters support by recipient countries was high, and thus the number of freshwater basins with such sustainable management of resources has been brought to 29, meaning that the target has been exceeded by 290%. In accordance with the wishes of the UK and several other donors, the proportion of GEF7 allocated to international waters has been increased compared with GEF6.

Due to the shortfall in resources available in the second half of GEF6, the chemicals and waste focal area was slightly off target in terms of Persistent Organic Pollutants (POPs), where approved projects are expected to dispose of 76,251 tonnes, or 95% of the GEF-6 target, as well as in terms of mercury reduction, where GEF projects achieved 638 tonnes, or 64% of the GEF6 target. Notable success on tackling mercury was made in the sector of artisanal and small-scale gold mining, with strong potential to scale up the approach demonstrated by the GEF in its regional project in Peru and Ecuador. The original target for GEF6 was premised on phasing out Ozone Depleting Substances in Russia, but this work was not approved by Council. Subsequently, the GEF worked with the agencies to get five new ODS projects submitted and approved (in Belarus, Tajikistan, Uzbekistan and Kazakhstan). Thus projects approved during GEF-6 are expected to phase out 26 tonnes of Ozone Depleting Potential (HCFC), which equates to 9% of the target.

Finally, the GEF approved projects for 15 countries to establish development and sectoral planning frameworks that integrate measurable targets drawn from the Multilateral Environmental Agreements (MEAs). This exceeds the target of 10 countries set at the beginning of GEF-6 and is considerable in light of the Sustainable Development Goals (SDGs) and the need to translate global SDG goals and perspectives to the national level.

**Lessons identified this year linked to this output and recommendations for future programmes**

Integrated programming in GEF6 has demonstrated that synergistic, multi-purpose projects and programmes that target multiple environmental objectives simultaneously are more efficient and effective in achieving global environmental benefits, compared with single-focus projects, where management is sophisticated enough to manage the associated complexity. The GEF should focus its investments in areas where it can help catalyse the necessary change in key systems. As a result, GEF7 will include Impact Programmes tackling the food, forestry and urban/cities systems in an integrated way, focussing on the drivers of environmental degradation. The UK will work with the GEF Secretariat to ensure these programmes are well designed and give maximum transformative impact.

The GEF has a formal mandate as a financing mechanism under the Convention on Biological Diversity (CBD), the United Nations Convention to Combat Desertification (UNCCD), the United Nations Framework Convention on Climate Change (UNFCCC), the Minamata Convention and the Stockholm Convention and it supports countries with economies in transition in their implementation of the Montreal Protocol. GEF support has been critical in allowing parties to translate these agreements into national action, and in ensuring transparency of action through effective reporting from countries to conferences of the parties (COPs). While the GEF’s broad responsibilities under various Multilateral Environmental Agreements (MEAs) may add complexity to the GEF’s work, these responsibilities are often mutually supportive, and makes the GEF uniquely placed to harness synergies across the different MEAs in line with a more holistic, systems approach. GEF7 will seek to increase the integration in approaches to achieve results across MEAs. This is also in line with a growing body of recent GEF guidance and decisions coming from MEA COPs requesting GEF to foster integration as well as promote synergies among actions and strategies.

In line with the likelihood that a more integrated approach will deliver greater results, and that targets for GEF6 were generally exceeded, the targets for GEF7 are more ambitious. In addition, in line with the Independent Evaluation Office finding that sustainability, particularly financial sustainability, and broader transformative impact remains a challenge, the UK will work with the GEF Secretariat to develop indicators for transformative impact in GEF7.

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| **Output 2**  | *GEF policy priorities identified during GEF6 replenishment process, and as set out in GEF6 Business Case, implemented*  |
| Output number per LF | 2 | **Output Score**  | ***A*** |
| Impact weighting (%)?  | **15** | Impact weighting % revised since last AR?  | N |

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| **Indicator(s)** | **Target for GEF6** | **Results at May 2018** |
| 2.1 % share of private sector co-financing in GEF6 projects  | 25% | 13%Below target |
| 2.2 % of GEF funds allocated to multi-focal area (MFA) focal area  | 50% | 53%Exceeded |
| 2.3 % of GEF funds allocated to Sustainable Forest Management Programme and the Integrated Approach Pilots  | 10% | 12%Exceeded |
| 2.4 % of GEF6 projects that incorporate gender equality and women empowerment issues in project document / project monitoring and evaluation reports \* | 60% | 78%Exceeded |

\*The two GEF-6 indictors on gender that GEF has tracked and reported on in the scorecard and the Progress report, include

* % of projects that have conducted a gender analysis
* % of projects that have incorporated elements of a gender responsive results framework

The 78% figure is based on the latter of these indicators, i.e. gender responsive results framework.

**Supporting narrative for the score**

**Private sector co-financing.** The GEF continues to prioritise engagement with the private sector and mobilising and leveraging private finance. Unfortunately, in the latter parts of GEF-6, the currency fluctuation shortfall led to the council decision mentioned above to protect the resources allocated toLeast Developed Countries (LDCs) and Small Island Developing States (SIDS)*.* This, coupled with lower demand for programming in the focal areas of climate change and chemicals and waste, meant that there were fewer opportunities to lever the private sector. Typically LDCs and SIDS countries have less capacity to partner with the private sector especially in focal areas associated with natural resources. We recognise that, more broadly, collaboration with private sector in the field of environmental protection is a challenge. For GEF7 steps have been taken to try to improve this. Specifically the GEF has introduced an expectation for higher financial leverage from larger and wealthier countries and endorsed the setting up of a Private Sector Advisory Group with representation from industry to drive forward the GEF private sector engagement.

**Multi-focal area.** GEF6 programming continued to reflect the dual approaches of single focal area projects for very specific environmental benefits, with multi-focal area (MFA) projects to deliver multiple benefits across several focal areas. At the conclusion of GEF-6 the goal of 50% of programming through MFA projects was exceeded and we think this trend towards increasing MFA projects will continue in GEF7.

**Sustainable Forest Management Programme and the Integrated Approach Pilots.** In GEF6, all set aside resources for SFM and IAPs were programmed and the GEF reached the goal set out at the start of this replenishment period. Countries took advantage of the financial incentives in both cases very quickly. The GEF Secretariat pushed to get the IAPs in implementation phase as soon as possible to start learning from these programmes and apply that knowledge to impact programmes in GEF7. The success of the IAP approach helped to support the case for the systems based Impact Programmes that are included in GEF7.

**Gender**: The new Gender policy adopted in November 2017 outlined an ambitious shift from “do no harm” to “do good”. The policy introduces new requirements to mainstream gender into design, implementation and evaluation of GEF projects; and to actively promote gender equality and the empowerment of women.   GEF’s new Policy on Gender Equality came into effect on July 1, 2018, as the GEF entered its seventh programming cycle. Accordingly there are no specific results reported as yet, but there is a strong framework in effect to ensure results reporting and governance arrangements for GEF7. However, there are already some good results and an upward trend across gender equality indicators. For example, 66 percent (185 of 281) of projects – including the majority of full-size and medium-size projects under GEF6 - have carried out some type of gender analysis, and in many cases this has led to development of additional gender-related actions. Analysis from the GEF IEO (<http://www.gefieo.org/sites/default/files/ieo/council-documents/files/C-52-me-Inf-09.pdf>) shows that 35% of projects included gender specific objectives/activities.  78 percent (220 of 281) projects under GEF-6 included some type of gender-responsive results framework.

**Lessons identified this year linked to this output and recommendations for future programmes**

**Private sector co-financing.** The role and importance of the private sector in GEF operations has become a key pillar of the implementation of the GEF7 strategy. The GEF7 Strategy Directions document contains a section specifically devoted to engagement with the private sector, as well as a policy adopted by council on the development of a private sector strategy and the creation of an advisory group. This will enable the GEF to continue to engage with the private sector, and find new and innovative ways to engage and scale up the benefits that can be gained from such engagement.

**Multi-focal area.** MFA projects per se can and will continue in GEF7, but the Impact Programmes are designed at the outset to address common drivers of environmental degradation as well as achieve global environmental benefits across multiple focal areas. The GEF7 Results Framework and GEF7 targets were designed on the basis of this MFA architecture. Due to greater expectation of results under GEF7, we expect the value for money (units of global environmental benefits delivered per unit $) will be considerably greater under such a strategy architecture.

**Sustainable Forest Management Programme and the Integrated Approach Pilots.** In GEF7 we have captured the lessons learned from both the Sustainable Forest Management (SFM) and Integrated Approach Pilots (IAPs) in GEF6 to design the Impact Programmes. Impact Programmes will build on the success of GEF6 IAPs and use the lessons learned on managing the complex nature of these programmes. The SFM programmes of past replenishments have taught us that more concentrated and focused forest management investments in globally important biomes can achieve more lasting and sustainable environmental benefits. Hence GEF7 includes targeted impact programming for the Amazon and Congo basins and drylands.

**Gender**: Recommendations include:

* There may be scope to encourage more proactive engagement with women’s rights organisations to support GEF7 gender ambitions.
* A focus on the importance of partner capacity and resources; and explore whether it’s possible to improve tracking and reporting of this element.
* The policy and guidance should reflect the particular opportunities and challenges for adolescent girls.

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| **Output 3**  | *Effectiveness, efficiency and economy of the GEF improved through operational reforms as set out in the GEF6 Business Case* |
| Output number per LF | 3 | **Output Score**  | ***A*** |
| Impact weighting (%)?  | **15** | Impact weighting % revised since last AR?  | N |

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| **Indicator(s)** | **Indicative target for GEF6** | **Expected Results June 2018** |
| 3.1 % of GEF funds committed to projects in less developed countries (LDCs)  | 19% | 17%Not achieved |
| 3.2 Median length of time elapsed between PIF approval by the Council and CEO endorsement | 18 months | 18 monthsAchieved |
| 3.3 % of GEF6 projects that involve civil society organisations or indigenous people as key partners  | 70% | 95%Exceeded |
| 3.4 % of projects from all replenishments in which some or most broader adoption initiatives have been successfully adopted or implemented  | 66% | 55% or 649 projects achieving broader adoption at project completion (as of July 2018). Not achieved. |
| 3.5 % of GEF portfolio under implementation that receive moderately satisfactory or higher rating on progress towards development objectives in a given financial year  | 90% | In FY17, 87% of 746 projects under implementation were rated 'moderately satisfactory' or higher. Achieved. |
| 3.6 GEF agency fees  | 9.5% for grants up to $10 million and 9% for grants above $10 million  | Cumulative share of Agency fees is 7%. Exceeded. |

**Supporting narrative for the score**

The ability of the GEF to prioritise support to those countries where it is most needed, including increasing the proportion of funding going to LDCs, was a major theme within the GEF7 replenishment negotiations, which agreed to increase the allocation for LDCs. This built on an increase in GEF6, during which allocations to LDCs were protected when resource rationing was introduced owing the foreign currency shortfall described above. However, LDC uptake of allocations was variable and not fully used in some countries, leading to the GEF6 target for funding to LDCs being narrowly missed. We support efforts being made to help LDCs develop strong GEF proposals and make the best use of the resources available to them. Looking ahead to GEF7, increased support to LDCs will be achieved in two ways: firstly through an increase in the weighting of Gross Domestic Product in the System for Transparent Allocation of Resources (STAR) method GEF uses to calculate country allocations, and secondly through an expectation of increased financial leverage from larger and wealthier countries.

Improvements have been made in the time taken for projects to be developed in the GEF. In FY17, excluding GEF5 overdue projects, the average duration of time between PIF approval and CEO Endorsement/Approval for Full-Sized Projects met the 18‐month target. Including overdue GEF5 projects takes the average gestation period to 19 months. We expect the target will be met in GEF7.

The GEF6 Corporate Results Framework includes the following two indicators: 1) Number of projects that engage indigenous peoples and local communities as partners; 2) Percentage of projects that engage civil society organisations as partners. Amongst the 281 projects that have been GEF CEO endorsed or approved since the start of GEF6, **112 projects** engaged indigenous peoples and local communities. The total GEF grant towards these 112 projects is $817 million. The relevance of indigenous peoples’ engagement varies depending on the thematic and geographic focus of a project.

Amongst the 281 projects that have been endorsed or approved since the start of GEF‐6, **267 projects (95%)** engaged civil society organisations as partners. Therefore indicator 3.3 has achieved an overall score of 95%.

For indicator 3.4, the most recent results collation shows 55% projects achieving broader adoption at project completion (as of July 2018). This includes 649 projects since the inception of the GEF. However, according to the GEF Secretariat this number is likely an underestimate, since it is based on “at completion” and many GEF projects achieve broader adoption even after the project completion. More details on broader adoption are provided in reporting from GEF Independent Evaluation Office ([http://www.gefieo.orgHYPERLINK "http://www.gefieo.org/sites/default/files/ieo/evaluations/files/project-accomplishments-2017.pdf"/sites/default/files/ieo/evaluations/files/project-accomplishments-2017.pdf](http://www.gefieo.org/sites/default/files/ieo/evaluations/files/project-accomplishments-2017.pdf)). As mentioned in the narrative for output 1, the UK will work with the GEF Secretariat to improve the transformative impact of GEF projects in GEF7, and will seek to develop indicators for this.

A discussion on Agency fees and the administrative costs of the GEF governance is given in the section on Value for Money.

**Lessons identified this year linked to this output and recommendations for future programmes**

**Transformative impact.** As outlined above, the UK will work with the GEF Secretariat to improve the transformative impact of programming, including through seeking to develop a set of relevant indicators.

**Funding for LDCs.** The UK worked with others to agree an increased allocation for LDCs in GEF7.

**Project cycle effectiveness and Agency fees.** Continue to apply downward pressure on the gestation period for projects developed under the GEF and on Agency and broader GEF fees.

**C: THEORY OF CHANGE AND PROGRESS AGAINST OUTCOMES**

**Overall assessment of whether the expected outcomes and contribution to target impacts were achieved**

The GEF has made strong progress against the majority of focal areas for its sixth replenishment. Expected results from activities programmed have generally exceeded targets. Progress on chemicals has been slower, particularly on Ozone Depleting Potential due to country capacity constraints beyond GEF’s control.

The GEF serves a number of Multilateral Environmental Agreements (MEAs) and its work is divided into ‘focal areas’ corresponding to these various MEAs. However, the UK has promoted the use of the GEF’s experience to provide a more integrated approach, reflecting the inter-connected nature of the global environmental constraints that it seeks to overcome. Progress is being made. The latest data from the GEF shows that half of the portfolio for its sixth replenishment is made up of multi-focal area projects, just surpassing our milestone of 47%, while implementation continues for the Integrated Approach Pilots seeking to foster sustainability and resilience on the cross-cutting themes of food security in sub-Saharan Africa, sustainable cities and taking deforestation out of commodity supply chains.

The GEF’s portfolio continues to exhibit signs of strong progress towards development objectives, with 91.5% of projects assessed by their implementing agencies as being moderately satisfactory, satisfactory or highly satisfactory with respect to the likelihood of attaining their intended objectives by the end of project implementation. Of those, the agencies assessed 55.2% of their projects to be Satisfactory, 29.2% to be Moderately Satisfactory, and 7.1% to be Highly Satisfactory.

The GEF approved its Gender Equality Action Plan in 2014, outlining a number of actions to be implemented during its sixth replenishment. The GEF6 Results Framework includes two Core Indicators to track progress – the percentage of projects that have conducted gender analysis during project preparation, and the percentage of projects that have incorporated a gender-responsive project results framework. The gender analysis rate for the 29 projects approved by the GEF CEO is now at 66% (against a 2008 baseline of 18%), while 78% of results frameworks now show some form of gender sensitivity. This illustrates significant progress in the processes for project development. However, as will be discussed later, there is still further to be achieved to mainstream gender into implementation.

As discussed previously, despite having shown success in individual projects and in efficiency and effectiveness at the portfolio level, GEF programmes (alongside other global organisations) have not been sufficient in themselves to halt the global environmental degradation that it was set up to address. In order to have a greater effect on the regulatory and investment decisions which effect the suitability of development, the GEF will need to continue to increase its focus on projects that are capable of having a transformative impact, particularly through piloting and demonstrating sustainable changes to the primary systems that underlie the loss of biodiversity, greenhouse gas emissions, and land and water degradation. We assess, based on initial Independent Evaluation Office assessments to date, that the Impact Programmes on food systems, major forest systems and drylands and urbanisation will be important pilots in achieving greater systemic effects. (GEF policies, programmes, operational strategies and projects are monitored and independently evaluated on a regular basis, according to modalities decided by the Council).

**Summary of the programme’s theory of change and major changes to it in the past year**

For GEF6 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 – as outlined in the figure below. 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 are taken up more broadly 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.



It is noted that the Sustainable Development Goals (SDGs) were adopted to replace the Millennium Development Goals subsequent to the design of GEF6, but that this did not fundamentally change the underlying approach and assumptions in the ToC. The GEF7 results framework will match across to the SDGs, and the SDGs indicators will be used to assess progress or otherwise of GEF7 at the impact level.

There were no changes to the logframe in the past year.

**D: VALUE FOR MONEY**

**Summary:**

Performance

The value for money provided by GEF as a whole 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 lower caps on agency fees compared to those reported in MAR 2011, and low administrative costs relative to programme spend.

Since inception to March 31, 2017 funding approvals made by the Council and CEO total $17.281 billion, of which 89% was approved for Projects and Project Preparation activities, 7% for Agency Fees (the fees of the Agencies delivering GEF programming) and 4% for Administrative budgets (covering the costs of GEFSEC, GEF IEO, STAP and Trustee). 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. As outlined above, this reduction has been exceeded, with cumulative agency fees totalling 7%. Operating costs are comparable to other multilateral funds (for example the Global Fund had operating costs as a percentage of Total Expenditure of 6.6 percent in 2016).

As noted previously, 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. The GEF is attempting to respond to this. 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 established for future financial sustainability through the market, government budgets, or both. We will be monitoring GEF programming to scrutinise rigour in the two main areas identified by independent evaluation of the GEF: financial sustainability and inter-agency collaboration to improve management of complex programmes to drive up longer-term sustainability.

Cost drivers

The main change in cost drivers during GEF6 was the increase in the World Bank cost recovery rate, which includes a new cost-recovery approach to all external funds, including trust funds such as the GEF. The GEF Secretariat and the Independent Evaluation Office do not have any realistic possibilities to absorb this externally-imposed cost increase without undermining operations. Therefore some of these costs have been absorbed by GEF but most have and will have to be met by an increase in core budget for the remainder of GEF6 (and GEF7). The 2018 corporate budget from the GEF Trust Fund is set at $35.485 million, comprised of:

(a) $22.465 million as core budget and $1.825 million as Special Initiative (to run the GEF Assembly) for the GEF Secretariat;

(b) $2.698 million for STAP;

(c) $2.936 million as core budget and $315,000 as Special Initiative for the Trustee; and

(d) $5.246 million for the Independent Evaluation Office (IEO)

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

The 2014 Business Case for GEF6 assumed that programme work would lead to emissions cuts of upwards of 750MTCO2e. This has been significantly exceeded, with projects approved under GEF6 delivering 1419MTCO2e of mitigated emissions - 89% above the target. The Business Case also assumed that programme work would lead to improved biodiversity management of landscapes and seascapes covering upwards of 300 million hectares. This has been exceeded by actual results of 360 million hectares, 20% above the target for the programme.

A number of measures were identified in the Business Case through which the economy, efficiency and effectiveness of the programme should be assessed (equity was not considered at the time). The target and actual results of these indicators are summarised below. Note that these are taken from the GEF6 Logframe which reflects the final agreed indicators following GEF6 replenishment negotiations, and may differ slightly from the targets set out in the GEF6 Business Case which was drafted prior to the completion of the replenishment negotiations.

|  |  |  |  |
| --- | --- | --- | --- |
| **VfM Targeted** | **Measure of VfM** | **Target Results** | **Actual Results** |
| **Economy** |  |  |  |
| * Maximum feasible share of GEF funding for individual programmes is spent on delivering change
 | * **Logframe output indicator 3.6:** GEF agency fees remain the same or fall
 | * 9.5% for grants up to $10 million and 9% for grants above $10 million
 | Cumulative share of Agency fees is 7%.  |
| **Efficiency*** Measures to enable private sector engagement in all of GEF’s focal area strategies are integrated
* Operational efficiency improved by speeding up
 | * **Logframe output indicator 2.1:** % share of private sector co-financing in GEF6 projects
* **Logframe output indicator 3.2:** % of GEF6 projects meeting the project cycle standard of 18 months between PIF approval and endorsement
 | * 25%
* 18 months
 | * 13%
* 18 months
 |
| **Effectiveness*** Impact of GEF’s results increased by improving dissemination and uptake of knowledge products which can support mainstreamed change in policies and practice
* Impact of GEF resources is maximised by introducing measures to graduate GEF support according to country needs and capacities
* Programmes are successful
 | * **Logframe output indicator 3.4:** % of projects from all replenishments in which some or broader adoption initiatives have been successfully adopted or implemented
* **Logframe output indicator 3.1:** % of GEF funds committed to projects in LDCs
* **Logframe output indicator 3.5:** % of GEF portfolio under implementation that receive moderately satisfactory or higher rating on progress towards development objectives in a given financial year
 | * 66%
* 19%
* 90%
 | * 63%
* 17%
* 87%
 |

GEF6 is considered on track to meet the targets set for each of the headline VfM metrics identified in the 2014 Business Case. The results also reflect that further work is required through GEF7 to ensure that the programme continues to deliver significant value for money. Actual results have matched target results since at least 2017, delivering significant positive impacts in terms of the proportion of budget directed towards programming. The UK will look to build on this success by applying further downward pressure on GEF fees throughout the GEF7 replenishment period.

**For efficiency,** actual results have fallen short of the targets set, especially in the focus area of private sector engagement. Despite the small Private Sector set aside in GEF6 being over-subscribed at early stages, the capacity of the agencies to engage the PS in general programming were less successful. This justifies the UK’s continued focus on GEF’s approach to private sector leveraging in GEF7, to ensure that the programme delivers the levels of efficiency expected from HMG ODA spending. A strategy for private sector engagement will be presented to Council in November 2018 and a Private Sector Advisory Group will be set up including representatives from industry to improve GEF private sector engagement. More broadly, as discussed previously, we expect to see improvements in efficiency in GEF7 – with higher targets set across the results framework despite a slightly lower funding envelope – due to an increase in integration across programming.

**For effectiveness,** actual results are close to the targets set, reflecting the strong effectiveness scores given to GEF6 projects under implementation. The latest assessments of the GEF portfolio indicate the number of projects which have received a rating of moderately satisfactory or higher for the likelihood that they will achieve their development objectives has risen slightly to 87%, from the 86% reported for GEF5.

**On economy**, GEF continued to maintain low administrative costs and implementation agency fee caps. The financial report from the Trustee on GEF6 spending shows an administrative budget which remains 3% of the total spend, and the average for GEF spending on administration since inception has decreased to 4% from 5%.

Several tangible examples demonstrate continued focus on improving economy in the GEF:

* **Office lease space (action taken in GEF6 for savings in GEF7)**: the GEF anticipates savings of US$823,000 in GEF7 due to negotiation of lease at new offices in financial year 2016/17. This will return the lease to higher market rates in 2021 rather than 2018.  The new building is also LEED gold which consumes less energy and generates lower greenhouse gas emissions.
* **Fewer staff:** despite a higher workload, the Secretariat is currently operating with only 68 staff compared to 71 in 2012. This is due to higher productivity, re-deployment of staff as work requirements evolve, automation and merging of some responsibilities (e.g. office management).
* **Lower cost travel**:  the GEF applies numerous cost-saving measures for travel, including identification of lower cost travel options, use of video-conferences where feasible, and strict planning to increase the efficiency of missions.  As a result, both the number of trips and cost per trip has been reduced in the past three years (2015-2018).
* **Consultants**: the GEF follows the strict rules and procedures of the WB to lower costs, including competitive bidding and strict conditions and supervision of work and delivery.

Several of these actions build on cost-saving measures applied across the World Bank as part of its Expenditure Review:

* Corporate Procurement rebid top 80% of contracts in terms of value and identified additional opportunities for savings, improved efficiency, flexibility and strategic value for procurement.
* The Global Meetings Management Programme provides meeting management solutions which enhance efficiencies, and standardize processes on logistical planning and budgeting.

The Bank system helps enable advance booking and ticketing to take advantage of lower fares and increase in the use of restricted fares to take further advantage of lower ticket prices.

**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 GEF6, as well as deciding that those countries with total STAR allocations of less than $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 Middle Income Countries (MICs) in the reductions caused by foreign exchange fluctuations mentioned previously.

Reducing the time elapsed over the project preparation, approval and implementation cycle has been a key effort and measure of efficiency since GEF4. The combination of targets to expedite approvals (PIF to CEO endorsement) and the cancellation policy (which caps the time for project cycle stages and release funds for new activities where projects are irrevocably stalled) has resulted in the GEF reaching its PIF to CEO endorsement 18 month target for GEF6 (with a minority of slower GEF5 projects just tipping the average to 19 months over the GEF6 period). As expeditious project cycle management is frequently cited as key by developing countries, the UK will continue to monitor progress towards the target in GEF7.

GEF has also taken a number of major steps during GEF6 to upgrade its IT systems to make its processes more efficient and its quality assurance procedures more streamlined. These include:

* **Upgrade and automation of Project Management Information System (in development)**:  As of July 2018, the upgraded system - the GEF Portal - will be an automated and efficient way to manage GEF project information. It will move away from email and paper-based submissions which require significant manual inputs, to an automated system of interactive screens that will enhance speed, efficiency, and data quality and assurance.  The GEF is working with implementing partners and others to ensure it works efficiently for the partnership overall and eventually achieves systems-integration with partners’ own IT platforms. This will further enhance efficiency.
* **Automation of transaction processing**:  the GEF is on the same technical platform as the World Bank, and has adopted a number of efficiency measures instituted in recent years as part of the World Bank Expenditure Review.  These include:  a new automated system for transaction processing (the Administrative Portal), and continuous IT upgrades and efficiency improvements for processing consultant recruitment and expense approval. The WB also is piloting more advanced IT to enhance efficiency and productivity in transactions and processes. The GEF will also apply these as they come on-line.
* **Automation of financial controls**:  working with the Trustee, the GEF has enhanced the automation of financial and fiduciary control of the GEF trust funds. This improves efficiency and reduces time required in tracking, reporting and follow-up.
* **GEF website, electronic publications**: the GEF recently upgraded its main website to have up-to-date features for knowledge sharing, access to documents and meetings, and other information features. It has also expanded the use of video-streaming and video-conferencing of meetings to share information more efficiently and reduce travel.

**On effectiveness**, the key measure of sustainability of project outcomes post project completion was 63%, narrowly missing the target of 66%, for projects for projects for all replenishments to date. This figure looks to be an improvement on GEF5 and is largely based on projects designed and implemented before GEF6 and so does not reflect improvements in design over the GEF6 period. The IEO’s OPS6 identified the need for better targeting the drivers of environmental degradation in an integrated way and improving financial sustainability as key to improving the prospects for sustainability. Accordingly, the UK sought and will continue to press for active management for the increases in ‘Integrated Approach Programmes’ described above.

Resources for LDCs were increased during GEF6, from a baseline of 15% to 17%, but missing the UK target of 19%. While GEF’s resources are allocated by an agreed formula primarily on the basis of country capacity to produce global benefits which benefit all countries, the formula includes a weighting for GDP in recognition of the fact that LDCs have smaller economies and lesser access to international capital. The weighting was increased for GEF6 and LDC allocations were protected when FX rate changes reduced GEF6 resources and required rationing. However, as discussed previously, we note that the full allocation for LDCs was not taken up, and further efforts are needed to ensure that LDCs are able to maximize the resources available to them, including within the Impact Programmes of GEF7. The UK pressed for the agreed increase in the GDP weighting for the allocation formula for GEF7, so the relative share of resources for LDCs is projected to increase.

GEF exceeded its target of projects under implementation achieving moderately satisfactory or higher rating on progress towards development objectives of 75% and scored 87% during GEF6, narrowly missing the UK stretch target of 90%. We assess that this reflects improvements in design, implementation and monitoring over time, being a 1% increase over GEF5. While this improvement is welcome, it should be noted that GEF’s role as a piloting and learning institution imply that it takes calculated risks in its projects and that a failure rate, provided lessons are learned, is to be expected, given its piloting role. The balance of reward and risk in project success and failure would merit more systematic attention, perhaps by STAP or IEO, during GEF7.

GEF also made progress in rationalising its results and indicator sets to record data for a limited number of Core Indicators, in order to improve learning and effectiveness in the organisation. This is intended to deliver:

* Simplification, with fewer, more relevant indicators and more streamlined reporting on project and programme level results.
* Clear technical definitions and methodological guidance to facilitate more consistent, higher quality monitoring and reporting across the GEF Partnership; and
* Enhanced availability, accessibility and timeliness of data and information on results for accountability, learning and decision making.

**On equity**, the GEF Council approved a **new Policy on Stakeholder Engagement** at its 53rd meeting. This policy was the result of a two-year process of deliberation and broad public consultation with stakeholders. The policy represents a significant strengthening and clarification of GEF's stakeholder engagement requirements, in order to better safeguard their interests. The policy sets out the core principles and mandatory requirements for stakeholder engagement throughout the programme and project cycles, including the mandatory requirement for agencies to provide a stakeholder engagement plan or equivalent documentation. The policy introduces a clearer focus and commitment on results, including requirements for monitoring and reporting on stakeholder engagement by implementing partners and the Secretariat.

In November 2017 the GEF Council approved a **new GEF Policy on Gender Equality**. It marks GEF’s ambition to address gender equality and promote women’s empowerment across its projects and programmes. Its mandatory requirements intend to shift GEF from a gender-aware “do no harm” approach to a “do good” gender-responsive approach. The policy requires a gender analysis as part of project design to ensure that GEF projects are designed with a better understanding of gender differences, roles and needs, and identify opportunities to address gender gaps critical to the achievement of global environmental benefits. The policy also provides for improved monitoring, reporting and learning of gender-responsive measures carried out in GEF-financed projects and programmes.

**Does the GEF continue to represent value for money?**

We assess that given the continued progress against the targets set for the GEF’s sixth replenishment, and maintained downward pressure on cost drivers that the GEF continues to provide value for money. We anticipate that the increases in results sought against inputs combined with further efficiency improvements will continue the trend of cost effectiveness in GEF7.

**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 2018, and highlighted the shortfall faced by the GEF’s sixth 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 2016, on which the auditors did not provide any qualifications. The independent audit of the GEF Trust Fund by the World Bank’s external auditors for the period ended June 30, 2017 is to be issued in November 2018.

**RISK**

**Overview of programme risk (noting the rating from page 1) during the past year and over the life of the programme**

The overall risk category of ‘minor’ has been maintained in the last year, in light of the updated 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 of GEF’s implementing agencies, including the Minimum Fiduciary Standards for GEF Implementing and Executing Agencies. As of January 2017 all 18 GEF Implementing and Executing Agencies were confirmed as meeting the GEF’s minimum fiduciary standards. These were updated in June 2014 and 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. 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 Annual Review that the GEF would also benefit from an over-arching internal risk framework, which would allow an overview 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 2017. The GEF Secretariat acknowledges the benefit of an overarching policy and the UK will continue to press for its development and adoption during GEF7. The GEF adopted a *Policy on Ethics and Conflict of Interest for Council Members, Alternates, and Advisers* in 2017, and an Ethics Committee has been appointed to oversee its implementation.

The risk register for the GEF has been maintained since the Business Case risk assessment and aligned with the new UK risk management framework. Two components were assessed as exceeding major risk:

* Impediments to implementing the Ozone-Depleting Substances work stream from GEF 6 persist and block progress in GEF7 – ‘**Severe’ -** Mitigation action - This is discussed above, and progress will be tracked with the technical lead in the GEF Secretariat.
* Exchange rate volatility –**Severe** – Mitigation action -. The Trustee holds a defined level of financial reserve estimated at approximately 15% of un-encashed promissory notes used for commitment purpose. The Trustee closely monitors and adjusts this amount to insulate the GEF from adverse exchange rate fluctuations without unduly constraining the programming ability of the GEF.

The Trustee makes funding commitments to GEF Agencies in US$ against GEF resources which include non-US$ promissory notes (PNs) that are encashed over a longer period. Adverse movements in foreign exchange (FX) rates might affect the value of future encashments of those PNs, thereby affecting the Trustee’s ability to meet its legal obligations in making payments to the GEF Agencies against the funding commitments. In order to manage this risk and mitigate any negative impact of FX volatility on the level and predictability of funding available for GEF programming, the Trustee holds a defined level of financial reserve estimated at approximately 15% of un-encashed promissory notes used for commitment purpose. The current financial reserve amount is $150 million and the Trustee closely monitors and adjusts this amount to insulate the GEF from adverse exchange rate fluctuations without unduly constraining the programming ability of the GEF.

The FX reserve is focused on limiting the negative impact of FX volatility on the programmed GEF’s activities but does not directly address the FX volatility inherent in the GEF’s funding structure. To facilitate a more comprehensive FX risk management solution, the Trustee reviewed additional measures to manage the FX risk, including options for an FX hedging programme within an overarching Risk Management Framework. However, given that FX problems in GEF6 were exceptional, the majority of contributors were not persuaded that a hedging mechanism would be good value for money for GEF7 and hedging is not being pursued further at this time.

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

**Performance of partners and the UK (DFID and Defra), 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. We assess that the experience of the UK team has enabled effective development and promotion of innovation and improvements in implementation over time, as indicated by the proportion of UK policy proposals adopted (to varying degrees) and the increases in resource allocation to UK priorities (e.g. IWT) in the GEF7 replenishment agreement. Defra’s increased engagement, begun during GEF6 and continuing in GEF7, will enhance the quality and breadth of UK inputs into governing GEF during GEF7. BEIS have continued to provide valuable guidance on climate mitigation activities, particularly in relation to the 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. The UK plays an active role in our partnership with the GEF via our UK Council member and specialists including our lead environmental adviser. 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 both the GEF Secretariat and GEF IEO have been helpful and forthcoming in providing support to the UK during the completion of this PCR, and have engaged constructively with the UK throughout the replenishment process for GEF7.

**Asset disposal and value obtained by UK Government**

Not applicable

|  |  |
| --- | --- |
| Date of last narrative financial report | 31 June 2018 |
| Date of last audited annual statement | 17 Nov 2018 |

**G: MONITORING, EVIDENCE & LEARNING**

**Monitoring:**

In addition to the Annual Performance Report, the GEF’s Independent Evaluation Office’s Overall Performance Studies (OPSs) is the primary tool used for evaluating GEF’s performance. OPSs are comprehensive evaluations that assess the performance, institutional effectiveness, and impact of GEF. OPSs draw on a wide range of sources, including literature and document reviews, desk studies, field visits and verifications, interviews, surveys, portfolio analyses, and stakeholder consultations. They are undertaken to inform the next replenishment cycle of GEF and to identify potential improvements. The Final Report of the OPS which assessed GEF6 – known as OPS6 – was published in May 2018 .

Both OPS6 and the Annual Performance Report concluded that the GEF is on track to meet its GEF6 replenishment targets for most of the indicators and to exceed a majority (8 out of 13) of GEF-6 targets. The Corporate Scorecard prepared by the Secretariat shows that the aggregated results from approved project identification forms (PIFs) exceed GEF6 targets for 6 out of 10 environmental results indicators. Expected results on the indicators were commensurate with the level of funds allocated, although this will only be confirmed when the projects are completed. OPS6 did not attempt to aggregate the results achieved by GEF projects. This is important to assess whether GEF is catalysing greater change over time. The UK will push for GEF and the IEO to begin reporting a running total of achieved results for GEF during GEF7.

Despite an 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.

GEF secretariat provided data to HMG to enable it to report results on its ICF KPIs for GEF and LDCF for the second year in spring 2018. The work of the secretariat on this is greatly appreciated. From next year, HMG will work with GEF secretariat to increase the level of reporting, both on numbers of indicators and on coverage of projects going back into previous replenishment periods. As discussed, this work will particularly focus on measure of transformational impact from GEF projects and programmes.

**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, which are together responsible for connecting the GEF 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.

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 presented at the June 2018 GEF Council meeting covered a number of areas of interest to the UK, including on Plastics, Environmental Security, Food Systems and Integration of programming.

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](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. In 2015, the knowledge management work stream was established to coordinate such work across the GEF partnership and since then, substantial activities have been implemented, including agency self-assessment, the development of a plan for knowledge management, new country-level Knowledge Days and the GEF Kaleo question and answer online tool. A project-level handbook on knowledge exchange and the incorporation of mandatory questions on knowledge management in project documents were also developed. These initiatives are demanding as they require cooperation across a range of MDB and UN agencies each of which has its own data and knowledge management approaches and systems.

Recent work on improving knowledge management has highlighted that standardisation of making, storing, and accessing GEF programme and project documentation is insufficient. As a result, GEF Agencies mainly rely on their own knowledge management systems and cannot readily draw on knowledge generated from other Agencies. Compared to four similar partnership organisations (the CIF, the GCF, GAVI, and the GPE), the GEF has placed less emphasis on knowledge management at the programme/project level in developing technical solutions to manage knowledge and in developing a systematic approach to its knowledge management products.

The importance of technology solutions for knowledge management has been recognised, but solutions have yet to be fully developed and implemented. The GEF has recently produced some specific resources, including 2017’s *The Art of Knowledge Exchange: A Results-Focused Planning Guide for the GEF Partnership*, co-authored with the World Bank, which addresses project-level knowledge exchange. The UK will press for progress on standardisation and the IT systems capable of facilitating it during GEF7.

**Progress on recommendations from previous reviews for this programme:**

**Project Management Information System:** Progress has been made with regard to the GEF’s PMIS, results-based management system, and knowledge management; the availability and quality of information in these systems needs further improvement and this will continue to be addressed in GEF7. For GEF7 the UK wants the M&E plan to include disaggregation of data related to disability. We appreciate this will be difficult to retrofit but one of the first steps can be to design a questionnaire at the baseline stage.

**Knowledge Management.** The GEF has also taken steps to improve its KM. In line with the GEF’s Monitoring and Evaluation Policy, the GEF Secretariat has established monitoring requirements at project, programme and portfolio levels. In addition, the Secretariat, with guidance from the GEF KM Advisory Group, is working to develop KM guidelines for agencies to follow throughout the project cycle, to integrate KM components into the GEF Portal for recording, search and analysis of lessons, and to identify options for an IT-based GEF Knowledge and Learning Platform that would be operational in GEF7.