

IEO Learnings

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• PRIVATE SECTOR •



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GEF ENGAGEMENT WITH MICRO, SMALL, AND MEDIUM ENTERPRISES

MSMEs make up a large part of the private sector. This evaluation assesses how the GEF engages with MSMEs to generate global environmental benefits as well as economic and social benefits.

Emerging findings

- Almost half of Global Environment Facility (GEF) projects involving the private sector specifically included micro, small, and medium enterprises (MSMEs). While climate change and chemicals and waste projects dominated the GEF's overall private sector portfolio, MSMEs were more involved in the biodiversity and multifocal areas. The climate change focal area had similar numbers of MSME-inclusive and non-MSME projects.
- GEF interventions that engaged the private sector to generate global environmental benefits typically included technical knowledge and skills training, technologies or practices, and access to grants and financing.
- Involving a diverse range of private sector partners beyond a cofinancing role most consistently predicted successful engagement.
- More than half of the projects that successfully engaged the private sector generated environmental, economic, and social benefits.
- Projects that failed to generate social and economic benefits were associated with unsuccessful private sector engagement and a lack of MSME involvement. Lack of a relevant project design combined with poor project preparation most consistently predicted unsuccessful private sector engagement.
- Capacities and access to resources are lower among small and micro enterprises. GEF support should address context-specific needs, barriers, and economic viability related to generating global environmental benefits.

This ongoing evaluation assesses the extent to which the GEF engages MSMEs, and whether this engagement results in economic and social benefits while generating global environmental benefits. The evaluation defines MSMEs to include all micro, small and medium-scale profit-oriented entities—including individuals—that earn income through the sale of goods and services rather than a salary.

The evaluation findings are based on a review of terminal evaluations of 303 projects identified through text analytics as having involved private sector actors in some form. In-depth findings on MSME engagement draw on two case studies in India and the Philippines.

Roles of private sector actors

The MSMEs that could be identified consisted mainly of companies with more than 10 employees (SMEs) and individual producers (e.g., farmers, fishers, miners). Another major group consisted of community-based organizations that generated profits. By focal area, climate change projects most commonly attracted SME involvement; and more than half of biodiversity projects involved individual producers, followed by community-based organizations. Projects that involved MSMEs tended to also involve other types of private sector actors such as national corporations and trade associations; projects lacking MSME involvement typically included only large enterprises.

Half of the projects in this portfolio received private sector cofinancing. The great majority of private sector cofinanciers were national corporations, followed by multinationals. MSMEs cofinanced 6 percent of projects, where these actors could be identified. The average cofinancing ratio for projects involving the private sector was higher by almost 50 percent compared to the rest of the GEF's completed projects.

The most common reasons for projects to involve private sector actors were to have them adopt interventions that generated global environmental benefits and continue funding the implementation of these interventions beyond the project. The least common reason to engage the private sector was for innovation. Twenty percent of projects saw the private sector as a means for scaling up interventions. Innovation and scaling-up roles for the private sector were more common in the climate change focal area.

Extent of private sector engagement

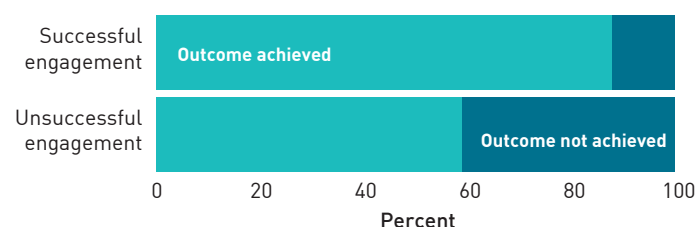
Private sector engagement refers to private sector participation in activities that directly or indirectly generate global environmental benefits, such as the adoption of technologies and membership in decision-making bodies.

Almost 80 percent of projects successfully engaged private sector actors to some extent. Fourteen percent of projects failed to engage any private sector actors.

Projects that involved MSMEs had similar levels of private sector engagement compared to those that involved only larger enterprises. The extent of private sector engagement was also similar across focal areas.

Projects that successfully engaged the private sector had a higher percentage of successful outcome ratings relative to those that failed to engage the private sector (figure 1). More projects that successfully engaged the private sector were designed to help them economically benefit from implementing interventions that generate global environmental benefits and to scale up these interventions.

FIGURE 1 Private sector engagement and outcome achievement



SOURCE: GEF IEO terminal evaluation review data set 2020.

Broader adoption of outcomes

The broader adoption of outcomes refers to the sustaining, mainstreaming, replication, and/or scaling-up of project results by stakeholders.

In 76 percent of projects, at least one type of outcome was broadly adopted by stakeholders. Twenty-three percent of projects had taken actions toward broader adoption by project end. More specifically, sustainability or progress toward sustainability was achieved by the majority of projects in the areas of capacity building, knowledge and information dissemination, and adoption of technological innovations and improvements.

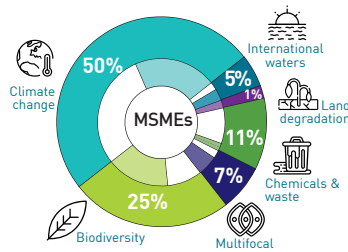
In the majority (86 percent) of projects, stakeholders trained to provide support for interventions continued to do so. Eighty percent introduced technologies or approaches that continued to be used. Continuity in both occurred without project funds, or were in the process of being sustainable. Some behavior change was observed in 70 percent of projects as a result of knowledge and information dissemination initiatives. Formal adoption of policies, laws, or regulations, or at least some progress in this area, was reported in 63 percent of projects.

Information on scaling-up of technologies or approaches, sustainability of financing mechanisms, and mainstreaming of multistakeholder platforms was the least reported on, likely because more time is needed to see evidence of broader adoption by stakeholders in these areas.

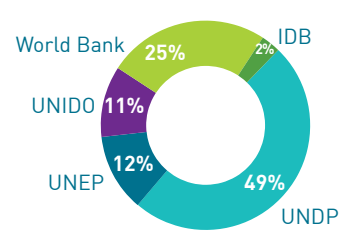
COMPLETED GEF PROJECTS WITH PRIVATE SECTOR INVOLVEMENT

303

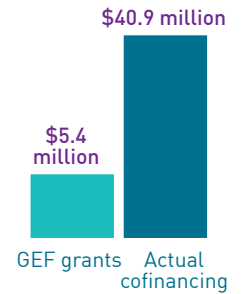
PRIVATE SECTOR INVOLVEMENT BY FOCAL AREA



PORTFOLIO BY LEAD AGENCY



TOTAL FUNDING



SOURCE: GEF Portal. IDB = Inter-American Development Bank; UNDP = United Nations Development Programme; UNEP = United Nations Environment Programme; UNIDO = United Nations Industrial Development Organization.

Environmental, social, and economic outcomes

Almost all projects in the evaluation portfolio (95 percent) aimed to have direct environmental benefits; of these, 76 percent generated environmental benefits to some extent. The most common environmental targets involved reducing greenhouse gas emissions and improving practices in landscape management. The majority of projects that monitored quantitative indicators reported achieving 100 percent or more of their stated targets; this was true for all GEF core indicators except for water- and marine-related indicators, including fisheries, for which quantitative outcomes were typically not available.

Most projects (78 percent) intended to create social and economic benefits as indicated in their results framework. Of these, 68 percent achieved their target to some extent. More than half of the projects that intended to create social and economic benefits aimed to improve access to financing. Other common targets were improved technical standards and processes (46 percent), increased income and jobs (35 percent), and increased savings or reduced costs (25 percent). Relative to the number of projects that set them as targets, greater success was seen in increased savings or reduced costs (78 percent) and increased income/income sources (76 percent); of those that aimed to improve access to finance, 58 percent succeeded.

Case studies revealed that micro and small enterprises tend not to benefit as much as medium enterprises because of more limited capacities and resources to access or benefit from project support. Limitations included inability to meet administrative requirements and less than optimal production volume to make interventions economically viable. Increasing access to financing for this group of MSMEs was not always appropriate given the higher costs and risks involved. Instead, lower-cost practices and technologies seemed to address the need to generate both environmental and economic benefits.

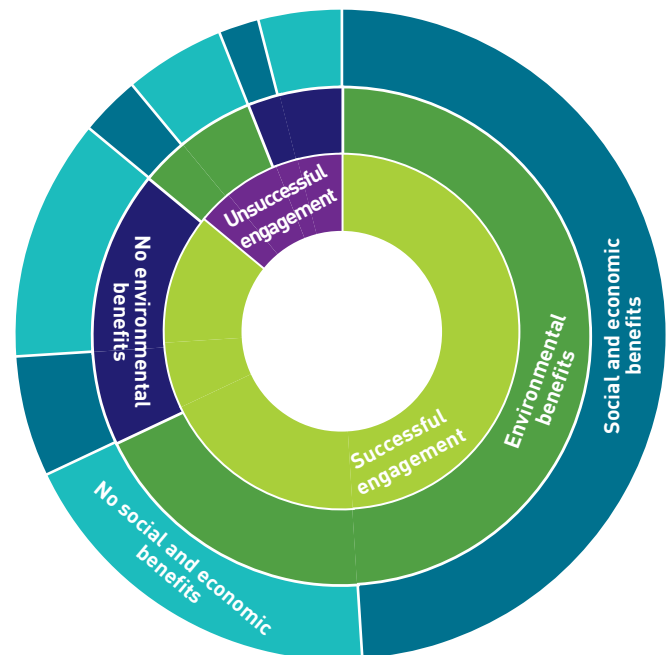
Forty-six percent of projects successfully engaged private sector actors and also reported producing some environmental, social, and economic benefits (figure 2).

Factors influencing extent of private sector engagement

Eighty-nine percent of projects that successfully engaged the private sector had a relevant project design. In contrast, 54 percent of unsuccessful projects had project design issues.

The majority of successful projects invested time in project preparation, while almost half of unsuccessful projects lacked project preparation. Good project preparation practices included consulting with a wide range of stakeholders and conducting sufficient market research as inputs to project design. The majority of successful projects also created appropriate incentives and a business case for generating global environmental benefits.

FIGURE 2 Private sector engagement and benefit creation



NOTE: $n = 270$.

Nearly half of the projects that failed to engage the private sector had excluded in their design private sector actors that would have been key to meeting project objectives and/or sustaining global environmental benefits. In comparison, only 12 percent of successful projects had committed this oversight. Almost half of unsuccessful projects also had failed to provide appropriate incentives and a business case.

Information dissemination activities were instrumental in making MSMEs in the case studies aware of the benefits of switching to practices and technologies that contributed to global environmental benefits. However, in both cases, what ultimately determined behavior change were economic viability and ease of switching. Projects in both cases also partnered with established organizations at the local scale. This choice of partners allowed them access to MSMEs through existing trust and knowledge networks; it also increased the likelihood of activities being sustained after project completion.

Benefits to marginalized populations

Based on the results frameworks, 21 percent of completed projects aimed to empower women; of these 49 percent succeeded to some extent. Positive outcomes were specifically reported for women in 29 percent of projects that aimed to create social and economic benefits. Less than 10 percent of projects reported on outcomes for indigenous groups, youth, and stakeholders with disabilities. Little information was reported on negative social and economic outcomes.

In the Philippines case study, 46 percent of project beneficiaries were women actively involved in trainings and awareness-raising activities. This led to a number of women miners becoming active members of local artisanal and small-scale gold mining (ASGM) associations. Similarly, members of the youth organization established by the project were said to now be youth leaders who continue to advocate against mercury use.

In the energy efficiency case study in India, most MSMEs either did not employ any women or employed women in positions not directly involved in production. Owners interviewed said they did not have any workers with disabilities.

Effects of COVID-19

For MSMEs that had already adopted energy-efficient technologies in India, the pandemic had no effect on their continued use of the technologies. However, it has affected the decisions of those who have yet to adopt, especially in sectors where the market was already in recession prior to COVID-19. The lockdown also greatly hampered the project's progress in scaling up.

In the Philippines, the pandemic has aggravated the economic situation of artisanal miners, pushing many children to return to mining. The lockdown has also reduced the ability of government staff to enforce the mercury ban. Field activities of the current GEF ASGM project in the country were delayed due to the pandemic.

Emerging conclusions

1 Private sector participation in project activities that generate global environmental benefits increases when effective approaches to private sector engagement are part of project design. Such approaches include broad stakeholder consultation and sufficient research on market readiness during project preparation; and the introduction of context-appropriate technologies, incentives, and economic benefits for key actors.

2 Differences in local contexts and in the types of MSMEs with which the GEF engages require interventions and long-term, established partners that address context-specific needs, barriers, and economic viability related to generating global environmental benefits.

3 GEF engagement with MSMEs may not necessarily be through obtaining cofinancing or increasing MSME access to financing, but by introducing low-cost, context-appropriate practices and technologies they can easily adopt that create environmental, social, and economic benefits.



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