

AUDIT TRAIL OF REFERENCE GROUP WRITTEN COMMENTS ON APPROACH PAPER OF EVALUATION OF GEF ENGAGEMENT WITH MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

TOPIC	COMMENTS FROM REFERENCE GROUP	GEF IEO RESPONSE
Use of term “informal”	GEFSEC: There is mention in the title and throughout the document of the “informal sector”. However, it is not clear how the Evaluation intends to address the “informal sector”. By the paper’s own definition, the informal sector constitutes small business that are “not formally organized or registered”. In fact, as they operate largely under the radar of mainstream economic systems, a whole area of economic literature (large and ever-expanding) is devoted to trying to identify and measure the informal sector in particular countries, and the contribution of that sector to those economies. While the Evaluation’s focus on MSMEs seems clear, the extension of this evaluation to the informal sector is not as clear. Identifying and engaging with the informal sector in the context of GEF interventions, and even further to the level of counter-factuals as in the proposed methodology, may be an extremely challenging task. Furthermore, it is instructive to note that the two case studies identified do not themselves refer to the informal sector, which further suggests that this area may well be outside of the scope of this Evaluation.	The original intention behind the use of this word was to increase the scope of the case studies beyond the climate change mitigation focal area, where MSMEs are more commonly engaged. Since MSMEs can be both formal and informal, based on the World Bank definition, we now use the term “MSMEs” to include both formal MSMEs and specifically the informal MSMEs that the GEF is trying to formalize (e.g. miners, farmers, fishers). In light of these clarifications, the <i>title of the evaluation</i> is now “Evaluation of GEF Engagement with Micro, Small and Medium Enterprises (MSMEs)”.
Use of term “GEF Support”; GEF’s role in Private Sector “Development” vs “Engagement”; Private Sector as Partner vs Beneficiary	UNIDO: It would be valuable to add more clarity on what is meant by “GEF support to MSMEs”. Currently, words such as engage/involve/develop/support are used. Is the evaluation focused on private sector engagement (PSE) or development, or both? <i>PSE strategies are a means to reach many development goals, the private sector being an equal partner with finance, ideas and capacity. Private Sector Development focuses on stimulating the private sector to generate more economic opportunities for the poor.</i> Or is the private sector considered more of a beneficiary? GEFSEC: In reading the title and the four research questions it might seem to a Council Member that GEF is directly supporting MSMEs or that GEFs goals are in private sector development and not in private sector engagement to support the delivery of GEBs. We noted some challenges through the PSES development process related to activities which could be classed as “development” and those of “engagement” with the private sector.	Instead of the term “support”, which can be interpreted in many ways particularly in the private sector, the term “engagement” is used, as this is also more aligned with the GEF’s over-all approach regarding the private sector. In the GEF, “engagement” means carrying out interventions with and through MSMEs to generate global environmental benefits (GEBs). MSMEs often require incentives to participate in these interventions, making them both partners and beneficiaries. In light of these clarifications, the <i>title of the evaluation</i> is now “Evaluation of GEF Engagement

	[RE: Portfolio Component] It would be useful to explicitly define "active engagement" and the thresholds. In addition, will there be a distinction between "active engagement" with the private sector as an active participant in a project versus the private sector as a beneficiary of the project outcomes? Can the paper more explicitly define "Support" (financial, policies, incentives, direct, indirect, etc.), and also in the context of the elusive informal sector? Could this question be tailored a little more for those readers that might read "support" as funding the MSME sector.	with Micro, Small and Medium Enterprises (MSMEs)".
GEF's mandate to deliver GEBs vs GEF engagement with MSMEs / private sector in general	GEFSEC: Insights into the most effective approaches to reach the MSME sector will be an extremely valuable contribution to GEF's private sector engagement and has the potential to more robustly underscore the need for integrated approaches through value chains and multistakeholder platforms. ... A question might be, how has MSME engagement supported the delivery of GEBs and to what extent has this contributed to impacts. The [evaluation purpose] seems inverted. Could it place a greater degree of primacy on the GEBs so that it reads <i>"the purpose of this evaluation is to assess the extent to which GEF's investment in the delivery of GEBs also creates social and environmental benefits in the MSME sector."</i>	The language has been modified to clarify that it is not the GEF's mandate to financially support MSMEs or to create social and economic benefits for them. Instead the emphasis on the purpose is to identify the ways that the GEF can engage better with MSMEs as a means to generating GEBs. Other evaluations will be dealing with <u>other parts of the private sector</u>. However this one will have an <u>additional separate global assessment component</u> focused more how the GEF can better engage with the private sector, with emphasis on MSMEs. This will be more forward-looking to provide more information to GEF's new Private Sector Engagement Strategy.
Assessing additionality	UNIDO: Consider adding a question about additionality (some of the questions proposed by Anita cover this aspect). E.g. <i>to what extent GEF support to MSMEs has been additional</i>. I find the flow chart developed by DCED (on pg. 2) to demonstrate additionality <i>ex-ante</i> quite useful.	In the GEF context, this term means that the MSMEs would not have generated GEBs without GEF support. We can look into the incremental reasoning provided in project documents at the portfolio level, and also look at it in more depth at the case level.
Assessing cofinancing and	IADB: Some additional questions that can be relevant for the evaluation. 1) Have GEF contributions attracted private investment/contributions for its MSMEs projects?	The GEF IEO 2017 study found that about 50% of cofinancing in projects that engaged the private sector came from the private sector. This

types of interventions	2) Have GEF contributions to MSMEs projects attracted contributions from other climate funds (CIFs, GCF, etc.)? 3) Have GEF contributions to MSMEs projects contributed to the creation of new financial vehicles or products to MSMEs? 4) Have GEF MSMEs projects generated financial returns to GEF (and MSMEs) besides social and environmental returns? GEFSEC: [Evaluation questions] would be an ideal section to investigate channels of delivery, use of multistakeholder platforms, techniques of aggregation....	evaluation can consider looking into sources of cofinancing (#1 and #2) again. The evaluation will look at #3 and #4 and GEFSEC comments under the broader assessment of outcomes of different types of interventions.
Sustainability and scalability (of interventions and by MSMEs of GEBs)	CAF: We clearly understand the scope and very much agree with the key evaluation questions, however, it may be relevant to have in consideration as an additional question, or perhaps as an issue to be covered indirectly - <u>what has been the MSME's role in GEF support sustainability and scaling up.</u> We think that understanding MSME's possible role on project post-execution may provide valuable insights and a strong indicator of solid ownership and sustainable change. GEFSEC: [Evaluation questions] would be an ideal section to investigate ...ways to achieve scale and indirect dissemination.	The GEF IEO study on scaling-up showed that it was not the scalability of interventions that mattered but of the generation of GEBs, which was often inseparable from the generation of economic benefits due to the need for creating incentives for participation. Sustainability and scaling will be reported as part of the outcomes where applicable, and will look into the processes and factors of sustainability and scaling more through the case studies. At this point it may be too early to assess how MSMEs sustain GEBs.
Assessing GEF Council-related concerns	GEFSEC: It is not quite clear how the issue of human rights is going to be incorporated into this evaluation. Can the paper be more explicit on this point? [Looking at the extent to which the types of interventions supported and outcomes generated facilitate a green recovery from the economic and social effects of the COVID-19 pandemic, and enhance resilience to similar future shocks] would be extremely useful and can build the GEF case for investment.	At case level and for the <i>ex ante</i> portfolio review of the IAPs/ IPs, the evaluation will look into these issues wherever relevant to specific sectors (e.g. gender and child labor in ASGM), and assess as part of both positive and negative social outcomes as well as missed opportunities for GEF intervention. At portfolio level, the evaluation can just note any outcomes reported in the TEs that may be related to human rights. Any findings related to green recovery and resilience to shocks will be mainly at case level, as this is where more in-depth information can be obtained.

Methodological limitations and additional explanations	GEFSEC: This and the related footnote could benefit from a bit more clarity. It would be useful to more clearly identify the linkages and synergies between those specific, additional evaluations and this one. Furthermore, as each associated evaluation has its own timeline, there may be a risk that some of the evaluations identified in the footnote may not have had results or proceeded far enough to also cross-fertilize this study in good time (perhaps this point can also be added to the “limitations” section). It is not quite clear how this question 4 is different to question 2. The indicators indicate an emphasis on enabling conditions. Perhaps the question can therefore be restated in those terms. [Difficulty to identify projects with private sector engagement] was noted from OPS 6 and is now included in the PSES and Implementation Plan As the first IEO evaluation using this methodology, the paper would benefit from some more detail on how this method is going to be applied in this study. It is not clear why this evaluation will be developing Theories of Change. Can this point be elaborated? This is the first time in the paper that a “difference-in-difference” method is mentioned. As such, the paper would benefit from an explanation at this point of what this method involves. Word frequencies as a method of data analysis is repeated a few times in this Annex, and is a bit concerning. Can the paper discuss exactly what this method entails, and if/how it has been successfully used before in other evaluations, IEO and otherwise? Some of the potential limitations (both the ones identified, and the ones suggested below) are quite significant to the success of the study. As such, this section may benefit from the explicit identification of some mitigation measures in the eventuality that these limitations become reality. Given the potential use of external, wider datasets, it may be useful to discuss here the notion of attribution as another limitation.	Synergies with other evaluations and activities are mainly in the fieldwork for case studies, which can be finalized and presented before the full report itself is finalized; the evaluation itself is also going to be presented in phases. The language has been further clarified and made more explicit in the Key Evaluation Questions and Methodology section, including the Limitations sub-section, with relevant links provided for methods. The specific applications of the methodology to the case studies are also illustrated in Annex 2.
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Request for more case studies	GEFSEC: The document suggests only two, although very good, case studies and consideration the blended finance under the NGI and the breadth of initiatives under the SGP might be areas that have excellent information and are more inclusive and representative of the range of GEF investments relevant to MSMEs.	The case studies were selected for 1) synergistic opportunities in field data collection with other ongoing evaluations, and 2) their reported quantitative economic and social outcomes that could lend themselves to some type of counterfactual analysis. GEFSEC specifically asked for more case studies from the NGI and SGP portfolios. The GEF Programs Director has previously indicated that the NGI portfolio is not mature enough; the GEF IEO is doing a separate SGP evaluation jointly with UNDP IEO, and can look into an opportunistic focus on MSMEs in that evaluation's case studies. Due to time and movement restrictions, we can look into cases in countries where the IEO has already worked with consultants on previous projects. Over-all, due to data availability and COVID-19 limitations the evaluation will adopt a <u>phased and adaptive approach</u> in applying the methods.
Illegality in MSME	STAP: For the mercury reduction evaluation, there is a vast literature on artisanal and small-scale mining (ASM) and the role of private enterprise in this sector. A particular challenge here is to not only consider informality but illegality of some of the MSME operations. The State department has launched a series of new efforts at tracking illicit financial flows through this sector which deserves attention in the IEO's approach. The danger that some environmentally related MSMEs could also be used as a conduit for money laundering remains serious and should be considered.	Will be looked at in more depth through the parallel ASGM evaluation; in this evaluation, it can be examined if relevant through the Philippines ASGM case study