

AUDIT TRAIL OF WRITTEN COMMENTS ON MAY 7 DRAFT REPORT OF EVALUATION OF GEF ENGAGEMENT WITH MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

NO.	TOPIC	COMMENTS	GEF IEO RESPONSE
COMMENTS FROM GEF SECRETARIAT			
1	1.1. Purpose and Key Questions	Paragraph 16— 2) <i>What are the intended and unintended economic and social outcomes reported from GEF-supported interventions where positive environmental outcomes were reported?</i> This may have been one of the goals of the study, but unintended economic and social aspects do not seem to be actually reported upon in the rest of the document as such.	Paragraph 65 states: <i>Little information was reported on negative social and economic effects or trade-offs.</i> Sub-section added to provide examples of unintended outcomes, as well as potential risks and trade-offs
2	1.2. Approach and Limitations: Portfolio Component	Paragraphs 20 and 21-- Observation: We are proposing (PSES and Implementation Plan) that the GEF records a greater degree of definition on its private sector engagement through classifications/typology of the private sector. These can then be applied to reviews and evaluations, to strategic investments that focus on key industry sectors. Also, tables 3 and 6 have a large percentage of “unable to assess” private sector noted in projects. More information will give us much more clarity into these projects.	“Unable to assess” refers to actors identified as belonging to the private sector (e.g. the terminal evaluation may use the term “private sector”) but were difficult to further classify under one of the more specific private sector actor types used in the evaluation, based on the limited information provided. Footnote added to tables. The IEO looks forward to a more detailed classification/ typology of private sector actors in future projects.
3	1.2. Approach and Limitations: Case Study Component	Paragraph 24-- In the screening of projects that benefit MSMEs, the selection of the two case studies were made <i>opportunistically and are not necessarily representative of the overall portfolio</i>. This aspect undermines the strength of the evaluation report.	The portfolio review provides the broader trends on the GEF portfolio. The case studies provide primary data collected from stakeholders, which give in-depth insights and lessons on how the GEF has engaged with MSMEs in at least two contexts. The lessons confirm findings from the broader MSME literature and may be applied where appropriate, not necessarily to the entire GEF portfolio. Clarified in text.

4	2.2. Types of Actors and Areas of Engagement	Table 6: <i>Types of private sector actors with roles in projects involving MSMEs</i> – While we noted the engagement of larger companies and producer groups is listed in the table, often the focus of this engagement is the MSME sector – so while the MSME sector is not engaged directly they do frequently benefit from private sector engagement with other entities indirectly and are the focus of their work. This is especially evident in commodities production such as cacao.	This aligns with the finding that MSMEs were usually involved in projects along with other private sector actors. The evaluation’s MSME portfolio covers projects where the focus may or may not have been MSMEs, but where they could be identified as one of the actors that the project aimed to involve in activities. The IEO looks forward to support for MSMEs being more explicitly identified in future projects, especially those that use a value chain approach.
5	2.2. Types of Actors and Areas of Engagement: Rationale for Engagement 2.3. Extent of Engagement	Paragraphs 48 & 53— Since some of the reasons to engage private sector are (i) a source of innovation and scale up interventions – as described in para 48-, the section on Extent of Engagement should cover those two aspects (innovation and scale up) too- which are now missing-. In paragraph 53, the statement “<i>Engagement was considered effective when private sector actors adapted their behavior, and ineffective when no private sector actors meaningfully participated in project activities even though they were invited to do so</i>”, misses innovation and scale up as effective engagement.	Figure 3 lists reasons for why the project may intend to engage private sector actors, as linked to the different mechanisms of broader adoption as well as other historical reasons for why the GEF has engaged the private sector (e.g. innovation). Paragraph 53 and Table 8, on the other hand, assess private sector actors’ change in behavior as response to project activities offered. It is more difficult to systematically distinguish the exact contribution of private sector actors to broader adoption processes based on information provided in terminal evaluations, as there are many different actors contributing to an outcome.
6	Non-Grant Instruments 2.2. Types of Actors and Areas of Engagement: Types of Activities 6.1. Conclusions	Paragraph 52 -- <i>Lack of mention of NGI projects have traditionally served MSMEs more than other private sector actors.</i> A specific section/category on how non -grant instruments have served MSMEs is missing in the document, hence not identifying one of the major modalities of serving MSMEs through the GEF. Non-grant is not even a separate category in paragraph 52 and table 7 in which access to grants /financing are considered the same. This may be a missed opportunity to demonstrate that NGI has traditionally served MSMEs. When looking at the NGI portfolio, we may have discovered additional valuable conclusions such as the need of simultaneous technical	This sub-section deals only with activities implemented within completed projects, not modes of financing. As noted in the audit trail of comments on the Approach Paper for this evaluation, “The GEF Programs Director has previously indicated that the NGI portfolio is not mature enough.” However, the IEO is doing a separate study on NGIs as a mode of financing, which looks into the types of beneficiaries of such projects. All findings on MSMEs from other private sector-related evaluations will be synthesized in the OPS7 report.

		assistance and finance, the need of first loss capital to support MSMEs that may be perceived as not credit worthy etc.	
7	3.2. Social and Economic Benefits	Paragraph 64 -- <i>Case studies revealed that micro and small enterprises tend not to benefit as much as medium enterprises (see Chapter 5).</i> The meaning of this statement is unclear. Benefit from what? From GEF financing? From Environmental impacts?	Clarified, new text: <i>Case studies revealed that micro and small enterprises <u>may not necessarily benefit from project support</u> as much as medium enterprises (see Chapter 5).</i>
8	3.2. Social and Economic Benefits	Paragraph 64 -- <i>Increasing access to financing for this group of MSMEs was not always appropriate due to the higher costs and risks involved; instead...</i> Recent working group findings with the GEF Agencies on working effectively with the MSMEs show that higher costs and risks were a barrier but also the ability to resource the sector is significantly more labor and time intensive and this is a barrier cited by the Agencies in their ability to reach MSMEs.	Clarified and reflected in Sections 3.2. and 5.3 under Barriers to Shifting to New Technologies
9	4.1. Influencing Factors – Project Design	Paragraphs 90-91-- <i>MSMEs often do not continue participating in interventions introduced by the project when they do not receive sufficient follow-up technical and financial support.</i> These are very important points and guidance on how to include or finance/resource the project follow up and at some stage in the project lifecycle exit strategies be developed. Could there perhaps be some follow up work such as with STAP who worked on the durability question of projects to consider key factors in exist strategies and how to manage this process.	IEO has several evaluations that identify factors related to sustainability/ durability and broader adoption, including this one, and can collaborate further with STAP
10	5.2. India case study	Para 149— In India, SMEs are not defined in terms of number of employees as indicated in the evaluation. It is defined in terms of investments and turnovers. Ceramic industry clusters and Dairy Cooperatives are officially classified as MSMEs. So, this information needs to be verified. All the clusters selected under the project are classified as MSME cluster. The project is implemented with MSME ministry and therefore large industries cannot be covered under this project.	Verified with UNIDO India team that most enterprises labeled as “large” in the dataset they provided are medium enterprises under new definition of Indian government

		Most of the Dairy cooperatives in India are covered under MSME schemes https://msme.gov.in/sites/default/files/MSME_Schemes_English_0.pdf Similarly, ceramic sectors are also mostly classified as MSMEs in India.	
11	5.3. Synthesis of Lessons	Table 10 -- <i>Cost of Technology: More expensive than traditional equipment; savings does not justify cost for micro and small enterprises; Zero-cost practices available</i> This is probably a response from one of the MSMEs and not true in all cases. Strong evidence exists indicating that energy efficient equipments/technologies justify costs. It cannot be generalized as a lesson for future projects as stated in para 178. This also contrasts with para 154 which says “<i>All MSME owners interviewed who have adopted EE technologies and practices in five clusters within three sectors reported seeing monetary savings in the form of lower electricity bills. Monthly savings ranged from INR 6,000 for a small enterprise to INR 625,000 for a large enterprise within the same cluster in the foundry sector</i>”.	Clarified text in Table 10 to refer only to technologies introduced by projects in the two case studies, and that barriers apply to many but not necessarily all micro and small enterprises in the two case studies
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13	6.2. Recommendations	Recommendation 1-- It is not clear why this recommendation specifies “involving the private sector”. All projects involving the private sector may not have an exclusive MSME focus. Also, any MSME project will inevitably involve private sector. We therefore suggest the deletion of this text “involving the private sector”. Furthermore, we would like to suggest the deletion of the word “appropriately”, as we feel that text such as “GEF support should continue to address” or “GEF support should increasingly address” may be more relevant to the nature and context of the analytical findings.	New text: <i>MSMEs vary in their capacities and constraints and therefore GEF support should address their context-specific needs, barriers, and economic viability related to generating global environmental benefits.</i>
14	6.2. Recommendations	Recommendation 2-- We would like to suggest a slight rephrasing of this recommendation to the following:	New text: <i>In addition to tracking environmental outcomes, GEF projects should design for and monitor</i>

		<i>“...design and monitor social and economic benefits that engage the private sector, with specific focus on MSMEs”</i> Monitoring of private sector social and environmental benefits would be easier overall (as stated in the review there are more than half of the projects that engage at least three types of private sector actors) and then to focus on the MSME sector. It would therefore not be a benefit to omit the social and environmental from other types of private sector engagement.	<i>social and economic benefits that engage the private sector, including MSMEs.</i>
COMMENTS FROM OTHER REFERENCE GROUP MEMBERS			
15	5.1. Philippines case study	STAP: The mercury-free gold arena is a very dynamic space and there are new MSMEs developing regularly in this area. The Conservation X Prize in mercury free artisanal and small scale mining (ASM) was an important showcase of the MSMEs in this sector. On page 37, you may want to add a sentence or two referencing such dynamic spaces for linking the MSME partners with startups and technology innovators in this arena. https://www.artisanalminingchallenge.com/asm-overview Also, there is an important World Bank program on ASM called DELVE which GEF’s activities in this arena should link with as a resource for benchmarking on ASM’s performance in future evaluations. https://delvedatabase.org/	Partnering with funding platforms noted in Section 5.3. This information is especially valuable for the GEF Secretariat and Agencies for use in current and future ASGM projects.
16	5.2. India case study	UNIDO: I find the report very informative and highly appreciate that UNIDO’s comments on assessing additionality have been taken into account. Also good to read the positive assessment in this regard.	India case study report revised to address UNIDO India Team comments, and evaluation report updated accordingly
	GEF Additionality	I also find the conclusions and recommendations succinct and practical for future project design.	
	Conclusions and Recommendations	Furthermore, I understand that the draft report has been shared with the UNIDO India team for their comments on the case study. I trust the team has provided comments to you separately.	
17		UNDP: No further comments on the report	