

Review of the Global Environment Facility Earth Fund



From June to August 2010, the Global Environment Facility's (GEF's) Evaluation Office conducted a

review of the GEF Earth Fund. The review considered the context in which the Earth Fund has operated, focusing on the changes that have taken place within the GEF during the time of the Fund's establishment. The review included four areas of assessment:

- **Compliance with Council decisions**—the extent to which the design, development, and implementation of the Earth Fund responded to GEF Council decisions
- **Review of Earth Fund activities**—a desktop review of the Earth Fund and its implementation progress
- **Engagement with the private sector**—exploration of engagement at different levels (Earth Fund, platforms, and projects)
- **Efficiency of the Earth Fund**—efficiency of the Earth Fund's project cycle, and the roles and responsibilities of different stakeholders

Context

The GEF Earth Fund derives from the Public-Private Partnership Initiative established in 2007 as part of an effort to enhance engagement with the private sector. It evolved out of the GEF's long-standing desire to demonstrate the value of public-private partnerships in supporting its mandate to generate global environmental benefits and support countries in meeting national responsibilities under various conventions.

In 2008, the Public-Private Partnership Initiative was renamed the Earth Fund. As approved by the GEF Council and endorsed by the GEF Chief Executive Officer, the

Fund was restructured from aiming to create partnerships with the private sector to leveraging private sector funding.

The premise of the Earth Fund was to establish platforms that provided the technical expertise and financial and operational autonomy to launch, support, and supervise projects. As of May 2010, the entire \$50 million authorized for the Earth Fund pilot had been allocated among five platforms, only one of which—the International Finance Corporation (IFC) Earth Fund—has approved projects and allocated its Earth Fund appropriation. Because the other platforms are in the very early stages of implementation, the review could not report on results on the ground.

Findings

The Earth Fund did not achieve its purpose. The Fund did not attract private funding at the level necessary to achieve its stated purpose, nor did it establish sufficient partnerships with the private sector. It also experienced several issues with regard to its management set-up, funding, and learning mechanisms.

Although the Earth Fund was intended and expected to be set up as a fund, it over time became a grant-making mechanism. In the GEF Earth Fund, ownership is not defined, and risks and returns are not clearly allocated. Alignment of economic interest and clarity of purpose are needed to define workable investment regulations.

The Earth Fund committed the allocated \$50 million in five platforms in just over two years, but did so by falling back on GEF "business as usual." The private sector has not shared responsibilities or accountability, management was not visionary and strategic, and administration has not been adapted to meet Earth Fund needs.

Engagement with the private sector—the purpose of setting up the Earth Fund—was relegated mostly to the

project level. The Fund lacked transparent and efficient approaches and procedures for engaging the private sector, stemming from a lack of a clear definition of the purpose and priority areas of the Earth Fund, and secondarily from the GEF and GEF Agency culture, which is different from that of private enterprise and NGOs.

Expectations regarding cofinancing and reflows were unrealistic. There is a mismatch between the GEF's expectations of cofinancing and the value placed by the private sector on collaboration with the GEF, especially under difficult global financial and economic conditions.

The Earth Fund did not clearly communicate its purpose internally or externally, nor was there a plan for learning from its experience. There was no framework or strategy to define how the Earth Fund was going to be presented to the general public, to the private sector, or within GEF partnerships, causing confusion regarding the Earth Fund itself, its management, operations, and procedures, as well as limiting the fund's ability to identify potential partners.

The Earth Fund governance and management structure had several weaknesses, which were revealed during implementation. Several weaknesses were found by the review, including the existence of too many partners with no clear implementation roles, and no clear accountability.

Recommendations

- **The Council should ask the Secretariat to revise the Earth Fund for its second phase.** The second phase should meet the following conditions: its objectives, niche, and market barriers should be defined and disseminated; access to its new trust fund should be clarified; and its management strengthened.
- **Redefine Earth Fund objectives, niche, and market barriers.** The GEF Council should provide strategic guidance to the Secretariat on how to narrow and focus the scope of the Earth Fund. Working with the GEF Agencies and private sector representatives, the Secretariat should identify areas of work where the Earth Fund can act as a credible technical partner and

liaison between private and public sectors; establish a program to regularly scan the broader environmental finance space; rethink expectations of financial sustainability; and define the products, services, and markets for the next phase of the Earth Fund.

- **Clarify access to the redefined Earth Fund.** The GEF Secretariat should prepare an international call for expressions of interest in partnering with the GEF in the Fund's second phase and invite respondents to make formal proposals to operate Earth Fund platforms.
- **Strengthen management of the Earth Fund.** Operational management should remain with the GEF Secretariat and be strengthened to ensure appropriate financial resources are allocated by the GEF Council, staff experienced in working with the private sector in the GEF focal areas are recruited and assigned adequate management authority; a monitoring and evaluation system is established at the Earth Fund level; a knowledge-sharing mechanism and communications strategy are designed and implemented; and financial management of the trust fund is established.

Follow-up

The Council requested that the GEF Secretariat—in collaboration with the GEF Agencies and representatives of the private sector, foundations, and civil society organizations—prepare a revised strategy for enhancing engagement with the private sector for the May 2011 Council meeting. This strategy was to provide a clear analysis of the gaps and opportunities for GEF activities, to secure good value for GEF resources.

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The GEF Evaluation Office is an independent entity reporting directly to the GEF Council, mandated to evaluate the focal area programs and priorities of the GEF.

The full version of *Review of the Global Environment Facility Earth Fund* (Evaluation Report No. 62) is available on the GEF Evaluation Office website, www.gefeo.org. For more information, please contact the GEF Evaluation Office at gefevaluation@thegef.org.