

STAP guidelines for screening GEF projects

Part I: Project Information	Response
GEF ID	10765
Project Title	Scaling Up CRAFT: Mobilizing Private Capital to Mitigate Climate Change and Reduce Land Degradation through Resilience Investments
Date of Screening	June 1, 2021
STAP member screener	Mark Stafford Smith
STAP secretariat screener	Thomas Hammond
STAP Overall Assessment and Rating	<p>Minor issues to be considered during project design.</p> <p>This project describes a modest NGI investment (~\$4m) by the GEF into de-risking and thereby enabling a substantial investment pool (~\$80m) into private sector innovators that are putting products to market that have the potential to enable reductions in GHG emissions and land degradation in developing countries. Building on an initial smaller investment in CRAFT, this is an extremely important venture for the GEF to test and demonstrate to investors; hence STAP has been particularly concerned to ensure GEF’s acceptance of additional risk here is fortified by a strong process of articulating the full causal chain to delivering GEBs, and by monitoring and evaluation of the assumptions involved in this to enable rapid learning feedback.</p> <p>STAP sees that the finance part of this process is well-thought through, with good safeguards and, mostly, data collection to learn about the process. However, the connection from the recipient companies to actually delivering the GEBs that are GEF’s core mandate is much less clear, as exemplified by the theory of change (ToC) diagram, that doesn’t show convincing how the outputs are going to lead to outcomes 1.2 and 1.3 in any durable way that avoids leakage and rebound effects (see below).</p> <p>Because of the importance of the financial innovation, STAP believes that it is vital that the GEF be able to learn</p>

	<p>about what characteristics of companies, clients and contexts achieve durable GEBs as opposed to this that do not, to steer future investments. For this, the project needs to articulate, monitor and then learn from the degree to which investee companies actually manage to deliver durable GEBs. This may well be intended by CI, but is not clear from the proposal; in STAP’s view, this is not onerous, but requires a clear logic to be spelt out so the correct information is collected at the correct time and then subjected to speedy evaluation and learning feedback.</p> <p>In particular, STAP would recommend the project consider having some form of advisor(s) to the ‘Investment Advisory Committee’ with knowledge to draw up a simple ToC for each prospective investee showing how their innovation would lead to GEBs and identifying what contextual factors must be in place for this to work (examples below). If still regarded as plausible after this analysis, then this ToC would drive the short and long-term metrics to be collected for each investment to enable the GEF to learn quickly what investment types work for this style of leveraged private capital as opposed to which need other approaches. That is, STAP recommends (i) an injection of specific skills into the decision making process (which may be already in CI), (ii) a simple amendment to the appraisal process, leading to (iii) some consequences for the monitoring and learning process for the GEF.</p> <p>Below, STAP provides further details on this guidance.</p>	
Part I: Project Information B. Indicative Project Description Summary	What STAP looks for	Response
Project Objective	Is the objective clearly defined, and consistently related to the problem diagnosis?	
Project components	A brief description of the planned activities. Do these support the project’s objectives?	
Outcomes	A description of the expected short-term and medium-term effects of an intervention.	The short-term outcomes are clear (leveraging more capital and finding some potentially suitable

	Do the planned outcomes encompass important global environmental benefits/adaptation benefits?	candidate investees), and credible based on experience already. However, as noted below, the longer-term outcomes are superficially analysed and absent from the theory of change, so that whilst there is a good intent to measure impacts on potential GEBs, the analysis of potential barriers to achieving these once target companies have been successfully invested in is weak. As a consequence it is not clear that there is a well-structured process for the GEF to learn from the durable GEB vs the investment aspects of this important test of an innovation.
	Are the global environmental benefits/adaptation benefits likely to be generated?	Possible but weakly indicated. STAP understands that the project has to have flexibility to choose appropriate companies to invest in, but sees the logic for these investments actually delivering durable GEBs being very woolly.
Outputs	A description of the products and services which are expected to result from the project. Is the sum of the outputs likely to contribute to the outcomes?	Not as stated – outcome 1.1 is very plausible; outcomes 1.2 and 1.3 are inadequately framed.
Part II: Project justification	A simple narrative explaining the project’s logic, i.e. a theory of change.	
1. Project description. Briefly describe: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed (systems description)	Is the problem statement well-defined?	Fine
	Are the barriers and threats well described, and substantiated by data and references?	The barriers to investment in relevant innovating companies are explained well. The barriers to the uptake of commercial products actually achieving the intended GEBs are discussed only very weakly. For example, there is plenty of evidence in providing cheaper energy or more efficient water use of the rebound effect, that is, purchasers use the

		<p>tech to improve their profitability and production and therefore invest in producing more, even clearing more forest for this. Similarly, improved water efficiency often only drives a price incentive for less total use if water is metered and paid for so this outcome might not be achieved in the main un-metered watersheds.</p> <p>STAP emphasizes that these issues should <i>not</i> inhibit the pursuing of this investment vehicle innovation, but <i>should</i> be considered (i) in deciding which investments to make and (ii) in determining what to monitor to see if GEBs are really achieved in different contexts, (iii) to allow GEF to learn more quickly about this.</p>
	For multiple focal area projects: does the problem statement and analysis identify the drivers of environmental degradation which need to be addressed through multiple focal areas; and is the objective well-defined, and can it only be supported by integrating two, or more focal areas objectives or programs?	
2) the baseline scenario or any associated baseline projects	Is the baseline identified clearly?	Yes, in a narrow sense of CRAFT with or without this extension.
	Does it provide a feasible basis for quantifying the project's benefits?	
	Is the baseline sufficiently robust to support the incremental (additional cost) reasoning for the project?	
	For multiple focal area projects:	
	are the multiple baseline analyses presented (supported by data and references), and the multiple benefits specified, including the proposed indicators;	
	are the lessons learned from similar or related past GEF and non-GEF interventions described; and	
	how did these lessons inform the design of this project?	

<p>3) the proposed alternative scenario with a brief description of expected outcomes and components of the project</p>	<p>What is the theory of change?</p>	<p>The toc is credible as far as the investment vehicle aspects of the project are concerned; but weak as far as the consequent delivery of GEBs.</p> <p>There is an overriding assumption that if technologies are brought to market that <i>could</i> reduce emissions or improve land management, etc, then these outcomes <i>will</i> be achieved; we know from the rest of the GEF portfolio that this is not necessarily true – that many other factors such as appropriate governance, tenure reliability, cultural norms, etc etc all can matter. In addition there is a widespread problem of ‘leakage’ and rebound – where improvements in one place or one factor result in pressures moving to another place. This project cannot address all of these, but it should be establishing an understanding of the key factors likely to confound intended outcomes in the different investment areas, and establish some hypotheses about contexts in which the logic is more or less likely to work. For example, improved water and nutrient efficiency in a region where total land availability is controlled (strong land use planning, land degradation neutrality commitments, etc) may genuinely improve emissions etc; the same actions in areas where there are still pressures to clear new land may simply create more profitable businesses that have money spare to clear more land. If a client company is marketing their product into 2 regions, one with controlled land use and another without, one would monitor the GEBs produced in each region comparatively, and bring this information to the board table of the client company as well as to future GEF projects.</p> <p>In general adding thought about these issues should be resourced by GEF to ensure learning; STAP does not view this as an onerous addition at all, but rather directing monitoring that is already intended</p>
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		in ways that are better informed by the right expertise for each client company's marketing context.
	What is the sequence of events (required or expected) that will lead to the desired outcomes?	As above
	What is the set of linked activities, outputs, and outcomes to address the project's objectives?	As above
	Are the mechanisms of change plausible, and is there a well-informed identification of the underlying assumptions?	As above – yes through the investment phase logic, but not as regards how the successful investee companies have impact on GEBs.
	Is there a recognition of what adaptations may be required during project implementation to respond to changing conditions in pursuit of the targeted outcomes?	
5) incremental/additional cost reasoning and expected contributions from the baseline, the GEF trust fund, LDCF, SCCF, and co-financing	GEF trust fund: will the proposed incremental activities lead to the delivery of global environmental benefits?	As above
	LDCF/SCCF: will the proposed incremental activities lead to adaptation which reduces vulnerability, builds adaptive capacity, and increases resilience to climate change?	
6) global environmental benefits (GEF trust fund) and/or adaptation benefits (LDCF/SCCF)	Are the benefits truly global environmental benefits/adaptation benefits, and are they measurable?	Potentially, but needs better logic outline to measure the right ancillary variables.
	Is the scale of projected benefits both plausible and compelling in relation to the proposed investment?	As above – the project needs to be pursued to test whether these benefits can be achieved, as this would be valuable leverage for GEF; but STAP is concerned the logic is not spelled out clearly enough to ensure this test is compelling as yet
	Are the global environmental benefits/adaptation benefits explicitly defined?	Yes – actually STAP feels too much time has been spent in calculating possible GEBs at a crazy level of precision (5,640,388 beneficiaries?), where effort would be better spent on analysing the chain of logic by which these GEBs might be achieved and then identifying some contextual variables which should be monitored in the targets markets of the investee companies to help GEF learn about where and when this approach will work.

	Are indicators, or methodologies, provided to demonstrate how the global environmental benefits/adaptation benefits will be measured and monitored during project implementation?	Not elucidated sufficiently
	What activities will be implemented to increase the project's resilience to climate change?	The resilience of the investment process itself is probably good as regards climate risk; however, see Risk section below as regards climate change drivers on the company activities to be invested in.
7) innovative, sustainability and potential for scaling-up	Is the project innovative, for example, in its design, method of financing, technology, business model, policy, monitoring and evaluation, or learning?	Yes
	Is there a clearly-articulated vision of how the innovation will be scaled-up, for example, over time, across geographies, among institutional actors?	Yes for scaling; but no to ensuring the scaling is effective with regard to GEBs, see above.
	Will incremental adaptation be required, or more fundamental transformational change to achieve long term sustainability?	
1b. Project Map and Coordinates. Please provide geo-referenced information and map where the project interventions will take place.		
2. Stakeholders. Select the stakeholders that have participated in consultations during the project identification phase: Indigenous people and local communities; Civil society organizations; Private sector entities. If none of the above, please explain why. In addition, provide indicative information on how stakeholders, including civil society and indigenous	Have all the key relevant stakeholders been identified to cover the complexity of the problem, and project implementation barriers?	OK

<p>peoples, will be engaged in the project preparation, and their respective roles and means of engagement.</p>		
	<p>What are the stakeholders' roles, and how will their combined roles contribute to robust project design, to achieving global environmental outcomes, and to lessons learned and knowledge?</p>	
<p>3. Gender Equality and Women's Empowerment. Please briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis). Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment? Yes/no/tbd. If possible, indicate in which results area(s) the project is expected to contribute to gender equality: access to and control over resources; participation and decision-making; and/or economic benefits or services. Will the project's results framework or logical framework include gender-sensitive indicators? yes/no/tbd</p>	<p>Have gender differentiated risks and opportunities been identified, and were preliminary response measures described that would address these differences?</p>	<p>Ok, the investment process has safeguards in appraising the target companies; though not very well reflected in the project structure – e.g. all Advisory committee members are male, etc.</p>

	Do gender considerations hinder full participation of an important stakeholder group (or groups)? If so, how will these obstacles be addressed?	
<p>5. Risks. Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the project design</p>	<p>Are the identified risks valid and comprehensive? Are the risks specifically for things outside the project’s control? Are there social and environmental risks which could affect the project?</p> <p>For climate risk, and climate resilience measures:</p> <ul style="list-style-type: none"> • How will the project’s objectives or outputs be affected by climate risks over the period 2020 to 2050, and have the impact of these risks been addressed adequately? • Has the sensitivity to climate change, and its impacts, been assessed? • Have resilience practices and measures to address projected climate risks and impacts been considered? How will these be dealt with? • What technical and institutional capacity, and information, will be needed to address climate risks and resilience enhancement measures? 	<p>The direct risks to the investment process are handled well.</p> <p>There are a wide range of risks that could arise from investing in companies that turn out not to deliver GEBs or, worse, cause maladaptation. These risks seem to be mainly handled through Lightsmith’s Impact Measurement System and CRAFT’s Environmental and Social Management System, apparently mirroring the Safeguard Screening Analysis form? The current analysis regards safeguard risks as minimal, but commits the project to Gender and Stakeholder engagement plans, and to assessing Community Health Safety & Security and Climate and Related Disaster risks for each investment.</p> <p>It is not clear to STAP why all the Safeguard ESSs would not be swiftly but explicitly re-assessed for each investment, in fact, since it is not apparent how one could be sure none would apply before selecting the investments; perhaps this is intended.</p> <p>STAP continues to note that a post hoc assessment of whether climate and disaster risk may affect the implementation of a project (or, here, marketing of a product to a region), this is not the same as assessing what climate change is likely to occur in a region and hence how a project (or here product line) should be designed to best enable climate compatible development. This issue should be part of the assessment of investment choice, in the sense of ensuring that investee companies are marketing their products into places where they will not cause maladaptation (and in fact prioritizing investments on the basis of which will</p>

		contribute to adaptation that handles future climate risk best). This could be briefly accounted for in the suggested process of having a simple ToC for how each investment will achieve <i>durable</i> GEBs.
6. Coordination. Outline the coordination with other relevant GEF-financed and other related initiatives	Are the project proponents tapping into relevant knowledge and learning generated by other projects, including GEF projects?	This sounds good as regards investment and accelerator activities (where CoI issues are managed but in fact the links create good opportunities to encourage the right sorts of businesses). As noted above, more could be learned from many GEF investments about the ways in which technology marketing by itself may not result in durable GEBs.
	Is there adequate recognition of previous projects and the learning derived from them?	
	Have specific lessons learned from previous projects been cited?	
	How have these lessons informed the project's formulation?	
	Is there an adequate mechanism to feed the lessons learned from earlier projects into this project, and to share lessons learned from it into future projects?	
8. Knowledge management. Outline the "Knowledge Management Approach" for the project, and how it will contribute to the project's overall impact, including plans to learn from relevant projects, initiatives and evaluations.	What overall approach will be taken, and what knowledge management indicators and metrics will be used?	The KM approach at present is quite weak. It could cover at least these aspects: (i) learning about the investment approach, (ii) outreach to other investors who might be willing to engage in this approach, (iii) learning about how the investment approach is most likely to achieve GEBs, and (iv) learning among investment target companies to enable their peer group to deliver more effectively. (i) and (ii) are tackled reasonably; (iv) is probably premature at this stage of testing an innovative investment vehicle; but more attention needs to be paid to (iii), as discussed above. In the KM section, case studies of GEBs based on successful investment are mentioned, which is good, but with no indication of a larger logical framework for identifying the contexts in which this approach works or does not.
	What plans are proposed for sharing, disseminating and scaling-up results, lessons and experience?	

Notes

STAP advisory response	Brief explanation of advisory response and action proposed
<p>1. Concur</p>	<p>STAP acknowledges that on scientific or technical grounds the concept has merit. The proponent is invited to approach STAP for advice at any time during the development of the project brief prior to submission for CEO endorsement.</p>
	<p>* In cases where the STAP acknowledges the project has merit on scientific and technical grounds, the STAP will recognize this in the screen by stating that <i>“STAP is satisfied with the scientific and technical quality of the proposal and encourages the proponent to develop it with same rigor. At any time during the development of the project, the proponent is invited to approach STAP to consult on the design.”</i></p>
<p>2. Minor issues to be considered during project design</p>	<p>STAP has identified specific scientific /technical suggestions or opportunities that should be discussed with the project proponent as early as possible during development of the project brief. The proponent may wish to:</p>
	<p>(i) Open a dialogue with STAP regarding the technical and/or scientific issues raised;</p>
	<p>(ii) Set a review point at an early stage during project development, and possibly agreeing to terms of reference for an independent expert to be appointed to conduct this review.</p>
	<p>The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.</p>

<p>3. Major issues to be considered during project design</p>	<p>STAP proposes significant improvements or has concerns on the grounds of specified major scientific/technical methodological issues, barriers, or omissions in the project concept. If STAP provides this advisory response, a full explanation would also be provided. The proponent is strongly encouraged to:</p>
	<p>(i) Open a dialogue with STAP regarding the technical and/or scientific issues raised; (ii) Set a review point at an early stage during project development including an independent expert as required. The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.</p>