

Final Evaluation Report

Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries



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Acronyms

CI	Conservation International
CIF	Climate Investment Funds
CI-GEF	Conservation International Global Environment Facility Project Agency
EA	Executing agency
ESMS	Environment & Social Management System
FIP	Forest Investment Program
GARI	Global Adaptation & Resilience Investment Working Group
GEF	Global Environment Facility
GHG	Greenhouse gas
IA	Implementing Agency
IFC	International Finance Corporation
IMS	Impact Management System
ISS	Integrated Sustainability Solutions LLC
KI	Key Informant
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MSP	Medium Sized Project
MTR	Midterm Review
NDA	Non-disclosure agreement
OFP	Operational Focal Point
PIR	Project Implementation Report
PPCR	Pilot Program for Climate Resilience
PRI	Principles for Responsible Investment
QR	Quarterly Report (of CI-GEF)
RFP	Request for Proposal

SDG	United Nations Sustainable Development Goals
SEC	U.S. Securities and Exchange Commission
SREP	Scaling Up Renewable Energy Program In Low Income Countries

I. Executive Summary

Integrated Sustainability Solutions LLC (ISS) implemented the Terminal Evaluation (TE) of “Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries,” referred to hereafter as CRAFT, for the Conservation International Global Environmental Facility (GEF) Project Agency (CI-GEF).

CRAFT was implemented by Lightsmith Group LLC (Lightsmith). Per the final PIR, dated 9/23/2019, the objective of the project was to “To establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT), the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement.” Further descriptive information about the project is provided in section II.1 below. The components of the project are: Component 1: CRAFT Investment and Impact Strategy; and Component 2: Fund Resource Mobilization.

The TE was implemented by Keith Forbes (hereafter consultant or ISS), Founder and Principal of Integrated Sustainability Solutions LLC (ISS). The research was designed to consist of three phases: 1) Desk Research, 2) Field Work, and 3) Analysis and Report Writing. CRAFT was implemented domestically; as such phase 2 was carried out with Lightsmith and other key informants (KI) in New York city, and with CI-GEF and KIs in the Washington, DC area. No international travel was involved.

In rigorous compliance with the Scope of Work, the TE considered the following evaluation elements – Theory of Change (TOC), Assessment of Project Results, Progress to Impact, Quality of Implementation and Execution, Gender and Safeguards, and Sustainability, and provided ratings as per GEF guidance. Given that a project involving a U.S. based private sector financial entity was new to both CI-GEF and ISS, and Lightsmith had never undergone a GEF evaluation in the past, numerous issues needed to be addressed prior to starting the evaluation, which are described in further detail below (section II.1). ISS worked closely with CI-GEF and Lightsmith to resolve these issues and conduct the evaluation in a manner that both met GEF and CI-GEF requirements, while respecting the regulatory and confidentiality requirements of an investment firm operating in the U.S., with NDAs limiting the access of the evaluation team (ET) to investors and potential target companies for investment.

It is important to stress that the evaluation maintained complete independence in terms of findings, recommendations, and ratings. A remote Inception Workshop was held on 9/22/2019 and the Inception Report was submitted by ISS to CI-GEF on the same day. A remote informal discussion of Initial Conclusions was completed on 12/12/2019 to ensure that there were no material or substantive issues with the conclusions.

A summary of the ratings is provided below.

Evaluation Theme	Rating
Theory of Change	Satisfactory
Assessment of Project Results	Highly Satisfactory (Results Framework design: Moderately Satisfactory)
Progress towards Impacts	Highly Satisfactory
Quality of Implementation and Execution	Highly Satisfactory
Gender and Safeguards	Highly Satisfactory
Sustainability	Likely

II. Introduction: Purpose, Scope, and Methodology

II.1 Purpose and Scope of Evaluation

Integrated Sustainability Solutions LLC (ISS) is pleased to submit to CI-GEF the Terminal Evaluation (TE) of “Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries” (hereafter, referred to as CRAFT).

The Conservation International Foundation (CI) issued RFP No. 002 – 2019 (included in the Annex) on 5/31/2019, for multiple evaluations including the TE for this project. ISS was pleased to have been selected through a competitive bidding process on 7/22/2019, and fully executed the contract with CI on 10/14/2019. The period of performance of the contract was 10/11/2019 through 12/30/2019, which was subsequently extended to 1/31/2020, due to the unavailability of critical key informants (KI) for interviews until much later than originally anticipated. The total level of effort of 24 days.

The final duration of the project was from January 2018 to June 2019. The evaluation accordingly focused on this period and does not include events that occurred or may occur after this time period. The project was implemented solely by Lightsmith Group LLC. A summary of the biographical information of the project is provided below:

Table 1. Key Descriptors of Project

Item	Information
GEF Project ID	9941
Project name	Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries
GEF financing	USD \$1,027,500
Planned and materialized co-financing	USD \$1,192,320 (planned); Co-financing (from the Nordic Development Fund (NDF) and Lightsmith Group LLC) realized as of June 30, 2019 - not available
Key objectives	To establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT), the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement
GEF Implementing Agency (IA)	CI-GEF
Project countries	Global
Period of performance	January 2018 to June 2019
Name of the Project	Lightsmith Group LLC

Item	Information
Executing Agency(ies) (EA)	

The components of the project are: Component 1: CRAFT Investment and Impact Strategy and Component 2: Resource Mobilization, and Component 3: CRAFT Legal Setup.

This TE presented some unique challenges related to it being the first CI-GEF project involving a U.S. private sector financial sector firm and the first GEF evaluation for Lightsmith. These included potential liability, assessing impact, and constraints related to the regulatory framework and business confidentiality, and will be further elaborated upon in the Limitations section.

The research consisted of three phases: 1) Desk Research, 2) Field Mission, and 3) Analysis and Report Writing. The field mission was carried out in New York city and the Washington, DC, area, and was scheduled per the availability of the Executing Agency (EA), Implementing Agency (IA), and the key informants. The dimensions of the project which were evaluated were the usual for a GEF project, which were: Theory of Change (TOC), Assessment of Results, Progress to Impact, Quality of Implementation and Execution, Gender and Safeguards, and Sustainability.

The report is structured as follows: I. Executive Summary, II. Introduction: Purpose, Scope, and Methodology, III. Findings, Conclusions and Recommendations, and IV. Key Conclusions and Lessons Learned for Future Such Projects. Chapter II discusses the scope of the evaluation, the methodology, and its limitations. Chapter III presents the findings and conclusions for each of the evaluation themes, makes recommendations, and provides a rating per the GEF six-point system (from Highly Satisfactory to Highly Unsatisfactory) for all the themes except Sustainability. This rating system is detailed below:

- Highly satisfactory (HS): Level of outcomes achieved clearly exceeds expectations and/or there were no shortcomings
- Satisfactory (S): Level of outcomes achieved was as expected and/or there were no or minor shortcomings
- Moderately Satisfactory (MS): Level of outcomes achieved more or less as expected and/or there were moderate shortcomings
- Moderately Unsatisfactory (MU): Level of outcomes achieved somewhat lower than expected and/or there were significant shortcomings
- Unsatisfactory (U): Level of outcomes achieved substantially lower than expected and/or there were major shortcomings
- Highly Unsatisfactory (HU): Only a negligible level of outcomes achieved and/or there were severe shortcomings
- Unable to Assess (UA): The available information does not allow an assessment of the level of outcome achievements.

Per GEF evaluation guidelines, Sustainability is rated differently, using a four-point scale (Likely to Unlikely) based on an assessment of the likelihood and magnitude of the risks to sustainability across multiple dimensions. These ratings are defined as follows:

- ❖ Likely (L): There is little or no risk to sustainability.
- ❖ Moderately Likely (ML): There are moderate risks to sustainability.
- ❖ Moderately Unlikely (MU): There are significant risks to sustainability.
- ❖ Unlikely (U): There are severe risks to sustainability.
- ❖ Unable to Assess (UA): Unable to assess the expected incidence and magnitude of risks to sustainability.

Chapter IV integrates the recommendations from Chapter III and focuses on key lessons learned of relevance to future CI GEF projects.

II.2 Methodology

The methodology of the TE consisted of the following steps:

- I. Desk research focusing on relevance to the TE (Final Project Report/PIR; Project Summary Slides; Quarterly Reports, Stakeholder Engagement and Gender Mainstreaming plans, Investment Theses; Impact Strategy; Adaptation Metrics; Environmental, Social, and Corporate Governance, ESG; Term Sheet; Company Pipeline; and Project Inception Report)
- II. Design of evaluation methodology and development of questionnaires for IA, EA, and other KIs
- III. Inception Workshop (held September 22, 2019) – held remotely with the Evaluation Team (ET), IA, and EA
- IV. Detailed KI questionnaires applied with Lightsmith (Table 2) and CI-GEF (Table 3) – these were similar except for the Implementation and Execution sections
- V. Field mission to New York city (11/18-20, 2019) and Washington, DC (11/25-26, 2019), and remote interviews (11/20 - 12/3/2019) using KI questionnaire (Table 4)
- VI. Analysis and preparation of Initial Conclusions presentation (presented remotely to CI-GEF and EA on 12/12/2019)
- VII. Preparation of Draft and Final reports

The following table provides the questionnaire administered with Lightsmith Group LLC.

Table 2. Questionnaire for EA – Lightsmith

Terminal Evaluation - Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries
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I. Theory of Change

Background: "CRAFT's theory of change is to invest in solutions that can directly enhance the climate resilience of individuals and businesses, providing both investment capital and technical assistance to help scale up these solutions and to extend their application into new economic sectors and new countries. By expanding the availability and application of climate resilience solutions, CRAFT can achieve direct impact via two routes: 1) First, CRAFT's "resilience intelligence" investments will help businesses and communities improve their understanding of climate risks affecting them, integrate climate risk into their decision-making, and take action to reduce their vulnerability to those risks. 2) Second, CRAFT's "resilience solutions" investments will expand availability of products and services that directly help businesses and communities reduce their climate vulnerability."

Questions:

1. Who would be the most likely customers of the related services and products?
2. Can you discuss the likely distribution of the customers in the developing world between the public and the private sector, and, within the private, national vs. international (multinationals) firms?
3. How will developing world governments access these services?
4. Can you comment on the implicit "build it and they will come" assumption?
5. Can you distinguish between adaptation and resilience? Does this distinction have any relevance to your implementation of the Project?

II. Results Framework

General questions (the complete results framework, RF, was reviewed with EA)

1. Why do the outputs in the RF have indicators but no baseline and no targets?
2. What was the methodological approach to M&E?
3. Who was responsible for M&E? Was there enough time and resources for tracking and reporting?
4. What was the process used to ensure that progress on indicators was on track?

III. Progress to Impact (Note that questions 1 to 3 were eventually omitted from KI interviews per agreement with CI-GEF regarding the scope of the impact assessment, as discussed above)

1. Can you discuss any policy/ legal/regulatory/socioeconomic changes as a result of this Project?
2. What can you say about the changes in environmental stress (e.g., emissions, water pollution, etc.) in

the short, medium, and long term to which this Project has contributed?

3. What can you say about the changes in environmental status (e.g., reduced emissions, cleaner water, etc.) in the short, medium, and long term to which this Project has contributed?
4. Has the interest in such climate resilience funds changed as a result of this Project?
5. Have you seen other investment firms taking notice and considering their own products?
6. Can you comment on how companies have reacted to your partnering efforts? Do you see a greater interest in climate change as a market in any of the companies that are not high probability investments?

(IV.1 Implementation, administered only with IA)

IV.2 Execution

IV.2.1 General

1. How were project funds used and managed?
2. Who were the project coordinators?
3. How was the project conceived and how did the GEF/CI-GEF get involved?
4. In the absence of GEF funding, what could have been the other sources of financing for the Project? Presumably, the level of interest from investors and companies indicates that capital could have been raised from investors? If so, why was the GEF option preferred?
5. Were there any issues with project reporting?
6. Were there any issues with procurement?
7. As your (presumably) first GEF project, what was your experience like?

IV.2.2 Gender and Safeguards

1. Please describe (development of plan and implementation): a) Stakeholder Engagement Plan (SEP), b) Gender Mainstreaming Plan (GMP), and c) Accountability and Grievance Mechanism. How were they designed and implemented? Any violations/complaints/issues with any of them? Re. a) how were developing country governments, NGOs, and CSOs engaged?
2. Regarding gender and safeguards, who was responsible for "To that end and to ensure day-to-day attention to safeguards aspects of the project, Lightsmith will dedicate human personnel, estimated at 1/2 full-time equivalent (FTE) to manage these aspects."
3. How were decisions made regarding attending the regional meetings?
4. How was gender integrated into hiring practices (full-time Associate, a half-time Associate, and an Executive Assistant)?

5. How was gender integrated into procurement – legal and compliance?
6. How did you ensure equitable gender participation in events and meetings?
7. Can you provide examples of how you fulfilled the “Panel Pledge?”
8. How was “GENDER INDICATOR #2: “Receiving Benefits from the Project - Number of men and women who received benefits (e.g., employment, income generating activities, training, access to natural resources, land tenure or resource rights, equipment, leadership roles) from the Project - Logic: Reflects male/female access to resources and benefits of the Project.- Threshold: No gender discrimination in distribution of benefits.” implemented?
9. Was the “Accountability and Grievance” mechanism exercised? If so, how were things resolved?

V. Sustainability

V.1. Institutional/Regulatory Risk

1. What is the status of the efforts to reduce/eliminate regulatory risk?
2. How will the complexity of operating in countries where there may be:
 - a. Conflict zones
 - b. Risks of child or slave labor
 - c. Low environmental standards, be addressed?
3. How have export controls for technologies and products (e.g., dual use) that are banned for export to certain countries been addressed?

V.2 Financial

1. How was “Risk 1: Inability to identify appropriate investments” addressed?
2. How was “Ineffectiveness of technical assistance” addressed? Did it go beyond capital mobilization ratio? How is impact determined?
3. How has the risk of injecting capital into firms operating under a wide variety of legal frameworks and in countries with different levels of adherence to the rule of law been addressed?
4. What is the investment risk to the investors?

V.3 Technical/Environmental

1. How certain can you be that the companies of interest can provide effective climate resilience tools? (lack of sufficient data, lack of understanding of use of data, infrastructure challenges, etc.)
2. Was any research conducted into existing multilateral and bilateral donor financed public climate resilience information services? (FEWS NET, RCMRD, ICIMOD, INPE, EMBRAPA, AGRHYMET, CILSS,

SERVIR, ADPC, CIAT). If so, will the companies in the fund compete with them for service provision?

3. Was any research conducted into existing instruments like PFAN and CIF? If so, in what way is CRAFT different?

V.4 Sociopolitical

1. Failure to achieve developmental and climate resilience outcomes
 - a. Have KPIs been developed?
 - b. How would you address attribution?
 - c. How is the risk that the products and services will only be used by large multinationals for example addressed?
 - d. How is the risk that the most vulnerable communities such as small landholders on marginal lands being excluded being addressed?
2. How was mal-adaptation considered (unsustainable actions or those that while adapting to one climate impact cause worse climate impacts in other sectors or shift the impact towards the more vulnerable)?

Given the nature of CRAFT as a domestic project, there was no GEF Operational Focal Point was inapplicable. The questionnaire for the IA is provided in Table 3 below.

Table 3. Questionnaire for IA - CI-GEF

Terminal Evaluation - Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries

I. Theory of Change

Background: "CRAFT's theory of change is to invest in solutions that can directly enhance the climate resilience of individuals and businesses, providing both investment capital and technical assistance to help scale up these solutions and to extend their application into new economic sectors and new countries. By expanding the availability and application of climate resilience solutions, CRAFT can achieve direct impact via two routes: 1) First, CRAFT's "resilience intelligence" investments will help businesses and communities improve their understanding of climate risks affecting them, integrate climate risk into their decision-making, and take action to reduce their vulnerability to those risks. 2) Second, CRAFT's "resilience solutions" investments will expand availability of products and services that directly help businesses and communities reduce their climate vulnerability."

Questions:

1. Who would be the most likely customers of the related services and products?
2. Can you discuss the likely distribution of the customers in the developing world between the public and

the private sector, and, within the private, national vs. international (multinationals) firms?

3. How will developing world governments access these services?
4. Can you comment on the implicit “build it and they will come” assumption?
5. Can you distinguish between adaptation and resilience? Does this distinction have any relevance to your implementation of the Project?

II. Results Framework

General questions (the complete results framework, RF, was reviewed with EA)

1. Why do the outputs in the RF have indicators but no baseline and no targets?
2. What was the methodological approach to M&E?
3. Who was responsible for M&E? Was there enough time and resources for tracking and reporting?
4. What was the process used to ensure that progress on indicators was on track?

III. Progress to Impact (Omitted from CI-GEF interview and subsequent KIs, following discussion with CI-GEF regarding the scope of the impact assessment, as discussed above)

IV.1. Implementation

1. This kind of project is different from CI-GEF's usual portfolio. Can you comment on how this project idea came about? Is ASAP a follow-on project?
2. How will this evaluation impact ASAP if at all?
3. How were the project outcomes and outputs that require financial sector expertise assessed?
4. What was the thinking behind financing a private sector financial firm?
5. Were there any issues with M&E reporting?
6. Were there any financial issues in the implementation?
7. How was the efficiency of the Project in terms of salaries, etc. determined?
8. Was reporting regular and timely? Can you comment on the level of satisfaction with the reports and deliverables?
9. Did the confidentiality and legal issues inherent in such a project cause any hesitation on the part of CI-GEF?
10. Why was the project only 1.5 yrs in duration?
11. Who were the project coordinators?

12. In the absence of GEF funding, what could have been the other sources of financing for the Project? Presumably, the level of interest from investors and companies indicates that capital could have been raised from investors? If so, why was the GEF option preferred?

IV.2 Execution (only asked of EA)

V. Sustainability

V.1. Institutional/Regulatory Risk

1. How will the complexity of operating in countries where there may be:
 - a. Conflict zones
 - b. Risks of child or slave labor
 - c. Low environmental standards, be addressed?

V.3 Technical/Environmental

1. How certain can you be that the companies of interest can provide effective climate resilience tools? (lack of sufficient data, lack of understanding of use of data, infrastructure challenges, etc.)
2. Was any research conducted into existing multilateral and bilateral donor financed public climate resilience information services? (FEWS NET, RCMRD, ICIMOD, INPE, EMBRAPA, AGRHYMET, CILSS, SERVIR, ADPC, CIAT). If so, will the companies in the fund compete with them for service provision?

V.4 Sociopolitical

1. How was mal-adaptation considered (unsustainable actions or those that while adapting to one climate impact cause worse climate impacts in other sectors or shift the impact towards the more vulnerable)?

The questionnaire applied to the other keys beyond the IA and the EA was less detailed and is provided below. The list of KIs is provided in Table 5. The ET reached out to double the number of informants eventually interviewed, but numerous individuals did not respond, and some were unavailable for interviews. The list of potential KIs contacted was obtained from the EA and supplemented by the ET's research with others from the same sector.

Table 4. Questionnaire for other KIs

Terminal Evaluation - Structuring and Launching CRAFT: the First Private Sector Climate Resilience & Adaptation Fund for Developing Countries

I. Theory of Change

Background: "CRAFT's theory of change is to invest in solutions that can directly enhance the climate resilience of individuals and businesses, providing both investment capital and technical assistance to help scale up these solutions and to extend their application into new economic sectors and new countries. By expanding the availability and application of climate resilience solutions, CRAFT can achieve direct impact via two routes: 1) First, CRAFT's "resilience intelligence" investments will help businesses and communities improve their understanding of climate risks affecting them, integrate climate risk into their decision-making, and take action to reduce their vulnerability to those risks. 2) Second, CRAFT's "resilience solutions" investments will expand availability of products and services that directly help businesses and communities reduce their climate vulnerability."

Questions:

1. Who would be the most likely customers of the related services and products?
2. Can you discuss the likely distribution of the customers in the developing world between the public and the private sector, and, within the private, national vs. international (multinationals) firms?
3. How do you think developing world governments can access climate resilient products and services?

III. Progress to Impact

1. What, in your opinion, is the state of private sector investments in climate resilience or climate finance: (a) domestically and (b) in the developing world?
2. Has the interest in designing and structuring climate resilience finance instruments changed as a result of this Project?

IV.2.2 Gender and Safeguards

1. Did you attend any GARI, NY climate week or regional events at which CRAFT was presented by Lightsmith Group?
2. If so, can you comment on the gender balance in the audience and on any panels (if applicable)
3. How do you think climate finance can help ensure that the benefits of climate resilience in terms of employment, income generating activities, training, access to natural resources, land tenure or resource rights, equipment, and leadership roles can accrue equally to men and women?
4. Can climate finance help integrate a gender lens (explain if needed) on climate adaptation and resilience?

V. Sustainability

V.3 Technical/Environmental

1. What is your view of the current ability of companies in the developing world (national or foreign) to provide effective climate resilience products and services (information and analysis)? (lack of sufficient data, lack of understanding of use of data, infrastructure challenges, etc.)

V.4 Sociopolitical

1. How can products and services to increase climate resilience ensure that there is no maladaptation (that is adaptation in one activity that causes negative environmental or social impacts)?
2. How can these products and services be provided in a way that national industries and the public sector can obtain benefits?
3. How can these products and services meet the needs of the most vulnerable communities such as small landholders on marginal lands?

Table 5. List of Key Informants (alphabetical order by first name)

1. Bella Tonkonogy, Climate Policy Initiative
2. Dan Bierenbaum, Global Parametrics
3. Ernest Chung, Nixon Peabody
4. Hui Wen Chanh, Citi
5. Isabel Leroux, NDF
6. Jennifer Morris, Conservation International
7. Joyce Coffee
8. Loreta Rufo, CIF
9. Paul Bartel, SERVIR W. Africa (USAID/Tetra Tech)
10. Preston Brooks, Macquarie
11. Rich Sorkin, Jupiter Intelligence
12. Sean Kidney, Climate Bonds

Following the desk research and interviews, the consultant analyzed all the data. The first step of this analysis was to collate all the data in tabular form to facilitate further analysis. The consultant then compared the information obtained from the different sources, highlighting similarities and differences. In the case of the latter, an analysis was conducted to identify the reasons behind the differences and reconcile them based upon an understanding of the KI's perspectives, their degree of project knowledge, and the consultant's expert judgment.

This analysis of the differences in KI views resulted in a set of findings, which served as the foundation for the determination of conclusions and recommendations. This ensured that the *findings* incorporate the value added from analysis and are not merely a reproduction of the

field notes, or essentially a list of *responses*. The findings also omit responses that show an obvious misunderstanding of the question or are off-topic. They can therefore be regarded as the refined and analyzed set of the raw data, the conclusions as statements of expert opinion based upon these findings, and the recommendations as specific actions put forward based upon the conclusions. ISS LLC is known for its focus on *actionable* recommendations and maintained this focus in this evaluation.

The findings, conclusions and recommendations are discussed in Chapter III. GEF requirements stipulate that the following six-point rating system be used – Highly Satisfactory (HS), Satisfactory (S), Moderately Satisfactory (MS), Moderately Unsatisfactory (MU), Unsatisfactory (U), and Highly Unsatisfactory (HU) – to rate the evaluation findings. Each evaluation theme (except for Sustainability, which uses a four-point scale) is therefore also rated according to this scale, and the ratings included in the next chapter. For the Progress towards Results, the traffic light model (red-yellow-green) is used to indicate the degree of progress.

II.3 Limitations of the Evaluation

As mentioned above, this was the first CI-GEF project with a U.S. private sector financial firm and involved the structuring of a financial instrument. The EA, Lightsmith, was also participating as a GEF EA for the first time and had never experienced a GEF evaluation. Thus, there were numerous unique issues related to the pioneering nature of the project and of the evaluation itself. All parties involved, CI-GEF, ISS, and Lightsmith had to learn about the requirements and limitations associated with GEF reporting, financial sector rules, and business confidentiality, and reconcile the requirements of a GEF evaluation with financial sector rules and NDAs. This required a longer than usual ramp-up time from the award to ISS to the signing of the contract. The issues that arose can broadly be characterized as: 1) Liability, 2) Assessing Impact, and 3) Methodological and Data Constraints.

II.3.1 Liability

Given that the TE will eventually be made public by the GEF, ISS raised concerns that the conclusions and recommendations in the report could represent a source of liability for both ISS and the EA. This issue was resolved through extensive discussions between the IA, EA, and ISS. Besides partially externalizing ISS risk through liability insurance, it was agreed that, to allay any concerns, a redacted public and a non-redacted confidential version of the report would be created. Subsequently, and related to the issue discussed in II.3.2 below related to the boundaries of the evaluation, it is expected that this will not be a concern, since bounding the evaluation to the activities within the project period, excluding speculation about downstream impacts, removes the vast majority of potential liability triggers. It is recommended that, should CI-GEF engage in similar projects in the future that standard operating procedures be developed including the handling of business confidential documents and ways to protect its consultants from liability claims that result from their conducting an evaluation.

II.3.2. Assessing Impact

Another issue that arose was that of assessing impact. Unlike other GEF projects, which are structured such that the specific impacts on GEF focal areas such as climate change can be determined from the activities implemented during the period of performance of the project, the objective of this project was the structuring of an investment fund that could, when potentially established and operational in the future, make investments in firms that provide products and services related to climate resilience.

Thus, the activities of the project (which, in broad stroke, consisted of the creation of an investment and impact strategy, the mobilization of fund resources, the identification of potential investment targets, and the development of the legal and regulatory structure) can only be assessed relative to the degree to which they contributed to the actual objective of the CRAFT project, i.e., structuring a fund. This would naturally preclude any analysis of downstream impacts, which could eventually potentially contribute to climate resilience.

Initially, it was thought that the impact (as defined by GEF evaluation guidelines) in terms of the reduction of environmental stress, change in environmental status, and policy changes could be identified. It became apparent in the early KI interviews that such a process would be fraught with cascading uncertainties inherent in making assumptions about the establishment of a fund, its operations, the actions of the firms that received investments, enabling environments in countries where the fund could operate, successful application of the products and services by stakeholders, and, finally, an impact on climate resilience. Thus, and appropriately so, the TE took as its boundaries the activities of the project itself culminating in the structuring of a fund and did not make assumptions about any potential establishment and impacts during its operation.

III.3.3. Methodological and Data Constraints

In terms of methodology and data gathering, the unique challenges included: 1) Confidentiality, 2) Design of Questionnaires, and 3) Access to Key Informants. With regard to Confidentiality, while standard CI-GEF contracts contain a confidentiality clause, the handling of materials provided by the EA to ISS required extraordinary care, and some of the materials were received by the ET in abbreviated form from the EA, in order that the EA could ensure its obligations under its various NDAs with potential investors and target investment companies. This limited the data available to the ET. As for the Design of Questionnaires, working with the EA, the ET was careful to structure the questionnaires with due care to avoid even any hint of sharing non-public or confidential information and maintaining EA compliance with U.S. Securities and Exchange Commission (SEC) rules and the EA's NDAs. This limited the level of detail of the key informant discussions since they had to be framed in speculative terms of a fund *potentially being established* and so on.¹ Finally, concerning ET Access to Key Informants, it was not possible for the EA, given the existence of NDAs, to divulge the names of all the potential investors and potential target companies for investment. This again limited the range of individuals available to the ET as data sources.

¹ At the time of the KI interviews, the fund had not yet been launched and therefore discussions about its eventual launching (or not) were unallowable, and such conversations had to be conducted more abstractly.

III. Findings, Conclusions and Recommendations

The findings, conclusions and recommendations for all the evaluation themes are presented in this chapter. The findings are based upon a rigorous analysis of the data as described above. The conclusions reflect further analysis and consideration of the multiplicity of views and opinions and project documents through triangulation. The findings and conclusions are presented together, followed by a set of *actionable* recommendations for each set of findings and conclusions. The recommendations are based upon these findings and conclusions, additional research as needed, and the expert judgment of the consultant.

III.1 Theory of Change

The Theory of Change (TOC) of a project consists of overall objective(s), and a set of components, outputs, and outcomes, which have been designed to attain the given objective(s). Also included in the TOC is the long-term environmental impact of the project that is implicitly or explicitly embedded in the overall objective(s), and the assumptions that underlie the strategy of using the set of components, outputs, outcomes to achieve the objective(s). Per the One-step MSP (GEF-6 Request for One-step Medium-sized Project Approval), “CRAFT’s theory of change is to invest in solutions that can directly enhance the climate resilience of individuals and businesses, providing both investment capital and technical assistance to help scale up these solutions and to extend their application into new economic sectors and new countries. By expanding the availability and application of climate resilience solutions, CRAFT can achieve direct impact via two routes: 1) First, CRAFT’s “resilience intelligence” investments will help businesses and communities improve their understanding of climate risks affecting them, integrate climate risk into their decision-making, and take action to reduce their vulnerability to those risks. 2) Second, CRAFT’s “resilience solutions” investments will expand availability of products and services that directly help businesses and communities reduce their climate vulnerability.”

According to the Project Document, the objective is “To establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT), the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement.”

As discussed in section II.3.2 above, very deliberate discussions were held between ISS and CI-GEF to determine how to appropriately define the scope of the impact assessment. It was decided that the evaluation should be bounded by the end point of the project which was the structuring of the CRAFT fund, and that attempting to consider the multiple layers of downstream impacts would be overly speculative and of no added value to the TE.

The components, outputs, and outcomes are shown below in tabular form.

Table 6. Components, Outcomes, and Outputs of Project

Component	Outcome	Output
I. CRAFT Investment and Impact Strategy	Outcome 1.1: Fund Investment Strategy prepared	Output 1.1.1: Detailed investment theses for 4 of the 20 target market segments developed
	Outcome 1.2: Fund investment pipeline further developed	Output 1.2.1: 250 additional climate resilience companies identified and added to company database
		Output 1.2.2: At least five companies identified as high-probability potential investment transactions
	Outcome 1.3: CRAFT Impact Strategy and TA Facility Strategy developed	Output 1.2.3: Workshop on private sector engagement in climate adaptation and resilience with GEF and private sector participants held (e.g., during Climate Week 2018 in New York)
Output 1.3.1: CRAFT Impact strategy, including Environmental, Social, and Governance (ESG) approach and climate change adaptation impact metrics, document prepared		
Component 2: Fund Resource Mobilization	Outcome 2.1: Key marketing documents written, and website and online data room functional	Output 1.3.2: TA Facility Strategy and operations documents (investment strategy, grant guidelines, impact measurement, and operating procedures) prepared
		Output 2.1.1: Key marketing documents prepared and ready to share with investors and the public
	Output 2.1.2: Website and online data room completed	
Outcome 2.2: Fundraising Strategy developed, and implementation started	Output 2.2.1: 200 Limited Partner (LP) investor candidates identified and prioritized	
	Output 2.2.2: At least 3 placement agent candidates identified, and discussions held	
	Output 2.2.3: 25 LP investor candidates with discussions held	
	Output 2.2.4: Potential first- close investors brought into due diligence stage with total potential commitments of at least USD 50 million	
Component 3: CRAFT Legal Setup	Outcome 3.1: Legal structuring of CRAFT determined	Output 3.1.1: Fund structuring approach, meeting EU/US and other public/private investor requirements, defined
	Output 3.1.1: Fund structuring approach, meeting EU/US and	Output 3.1.2: Key Fund legal documents drafted
		Output 3.1.3: TA Facility key legal documents drafted

	other public/private investor requirements, defined	
	Outcome 3.2: Fund regulatory compliance plan prepared	Output 3.2.1: Regulatory compliance plan for US, EU, and other jurisdictions prepared

For the Theory of Change to be valid, certain assumptions must be made about the activities and outputs. These are summarized below, as elaborated in the Project Document. The project’s One-step MSP does not explicitly address Assumptions but does address Risks, which are incorporated into the table below as assumptions. How these assumptions were tested by the TE is also included below.

Table 7. Project Outcomes and Assumptions

Outcome	Assumptions	TE Approach
Outcome 1.2: Fund investment pipeline further developed	The fund structured under this project will be able to identify appropriate investments: While the need for adaptation and climate resilience is significant, the field of private sector climate adaptation and resilience is still emerging, and there is a risk that the project may struggle to identify sound investments to build the pipeline within the timeframe of the project.	Application of TE Methodology - in particular, the detailed review of the RF with EA, and by TE team against the defined outputs of the project.
Outcome 1.3: CRAFT Impact Strategy and TA Facility Strategy developed	Ineffectiveness of technical assistance: There is a possibility that the project will fail to identify and structure an effective technical assistance program.	Application of TE Methodology - in particular, the detailed review of the RF with EA, and by TE team against the defined outputs of the project. It is important to note that the related Output 1.3.2 (TA Facility Strategy and operations documents prepared) only refers to the development of the strategy itself and not the full funding, establishment, and operation of the TA Facility. Since the TA was not established by June 2019, the TE does not include an analysis of its effectiveness.
Outcome 2.2: Fundraising Strategy developed, and implementation started	Inability to raise capital for the Fund: Given that the emerging market and developing economy regions the Fund will be investing in are perceived as risky by a considerable proportion of investors, there is a risk that the	Application of TE Methodology - in particular, the detailed review of the RF with EA, and by TE team against the defined outputs of the project.

	amount of capital the Fund will attract will be less than estimated.	
(Not associated with any particular outcome)	Failure to achieve developmental and climate resilience outcomes: The focus on commercially successful investment could detract from the goals of achieving developmental impact and greater climate resilience and adaptation in developing countries. In addition, it can be risky and difficult to transfer technologies and achieve successful market entry and uptake in developing countries.	As discussed in section II.3.2 above, the operation of the eventually established fund is beyond the scope of the GEF project and, in agreement with CI-GEF, does not form part of this TE.

III.1.1 Findings and Conclusions

General Validity and Importance of TA Facility – In general, most KIs agreed that there was indeed a need for more private sector funding of climate resilience and that, given the other necessary downstream conditions for impact, that the TOC was a sound approach. KIs applauded the efforts of the EA to move the climate resilience discussion forward through this project and the Global Adaptation & Resilience Investment Working Group (GARI), the activities of which were complementary to those of CRAFT. CRAFT ensuring that the products and services provided by the future investment target companies can be translated into effective resilience on the ground would require reliance on the TA Facility or other such advisory groups with climate resilience experience in the developing world.

As discussed in section II.3.2, the provision of capital even to companies with existing markets for their products and services is only the first step in a chain of events that could eventually lead to increased climate resilience. Simply increasing the provision of goods and services (through investments in companies that provide them) that *have the potential* to increase climate resilience is insufficient. There are numerous examples of well-meaning development interventions of similar technologies (rocket stoves, alternative irrigation techniques, etc.) and services (e.g., USAID/NASA SERVIR and FEWSA) that have not reached their full potential to increase climate resilience. Numerous factors such as insufficient or no understanding of local level energy use for cooking, policy environments, land tenure, gender roles, immediate versus short term needs, etc. determine whether a given product or service can reach its potential. This requires careful case-by-case analysis such as the TA Facility could provide.

Other factors include, according to one of the KIs, that “(more) capital in and of itself is insufficient, there needs to be widespread recognition of owners, lenders and investors ... that (*climate*) risks are real and should be taken seriously. Without attitudinal changes, capital changes aren’t enough.” The same KI also commented that the regulatory aspects of all global markets of interest to such a fund need to be taken into consideration. It is expected that these and the other steps would be eventually handled by the TA facility in a future, operational fund. The lifetime of the project only included the completion of the TA Facility strategy. However,

key elements of the TOC relative to impact on resilience through the “Intelligence” and Solutions, are heavily dependent on the actual funding, establishment and operation of the TA.

Strategic Interest to Conservation Organizations – A KI pointed out that from the point of view of large environmental organizations with a global mandate, strategic investments into structuring such a fund have an additional value, which is that it provides a “seat at the table” to make the case for climate resilience investment. The social and environmental returns of such investments can then be made clear to investors more focused on financial returns. Another KI echoed this point stating that the TOC was in line with the work done by the Climate Investment Funds (CIF) in their work on private sector engagement, such as the \$1.2 billion Pilot Program for Climate Resilience (PPCR), FIP (Forest Investment Program) and SREP (Scaling up Renewable Energy Program in Low Income Countries), as each of these programs included a private sector set aside.

Likely Customers of Climate Resilience “Intelligence” and Solutions – While the downstream impacts of the fund’s establishment and operation are beyond the scope of this TE, they are an integral part of the TOC, and therefore, to the degree possible, must be discussed in this section. There was a variety of opinions about who might be the most likely first customers for the climate resilience Intelligence and Solutions. Some KIs felt that it would primarily be the private sector and described a wide swath of potential customers such as insurers, reinsurers (Africa was particularly singled out for the crop insurance sector in East Africa), utilities, and owners of large infrastructure (e.g., airports, dams, railroads, etc.). Others felt that it would be local governments and multinationals with supply chains in the developing world, developing world and South-South firms. Local governments of large cities in the developing world were one category mentioned, who would need better data to move towards climate resilience. With respect to developing world governments, especially those with the least resources, KIs stressed the need for concessionary finance.

III.1.2 Recommendations

The recommendations regarding the TOC are as follows:

General Validity and Importance of TA Facility – The pathways to climate resilience impact for businesses and communities described in the TOC: 1) Assume the establishment and operation of the fund, and 2) Are heavily dependent upon the funding, establishment, and operation of the TA Facility or a similar advisory group. However, the objective of the project was to structure a fund through the various activities in the RF outcomes and outputs, and specifically did not include the operational phase of the fund and the TA Facility. It is therefore recommended that, in order to facilitate a “clean” evaluation, the TOC should have been limited to the structuring of the fund and not have included future elements, such as the fund’s operation and potential climate resilience impact, that are impossible to evaluate during the lifetime of the project.

Strategic Interest to Conservation Organizations – No recommendations. The TOC is clearly in line with the priorities of large environmental organizations and funds such as the CIF, and

current thinking regarding the potential role of the private sector in contributing to climate change resilience and adaptation.

Likely Customers of Climate Resilience “Intelligence” and Solutions – Once operational, the fund should focus on establishing a robust TA Facility or otherwise ensure that robust climate resilience impacts are actually obtained at scale. One way to do so would be to analyze the potential customers of the products and services provided through investee companies and determine whether they are indeed the best placed to channel these products and services downstream to achieve meaningful climate resilience impacts. A rudimentary approach could include analyzing the impacts of past sales down to ground level to see if real resilience impacts were achieved. This will require case specific analyses and strategies and a significant knowledge of operating in complex and resource constrained environments. ISS recommends that the EA and the TA Facility engage in robust dialogues with existing development programs and projects operating at national and regional scale that have been working on climate resilience for decades, to help identify needs and achieve impact.

III.1.3 Rating

Per the rating system of the GEF, “Theory of Change” is considered “Satisfactory.”

III.2 Assessment of Project Results

The following table presents the results framework (RF) and is based on the final Project Implementation Report (PIR) of 6/12/2019, the One-step MSP, and was updated by the ET through the detailed TE interview with the EA in November 2019.² With regard to compliance with the indicator as originally designed, the table is color coded using the “traffic light” system of green (achieved), yellow (on target) and red (not on target).

III.2.1 Findings and Conclusions

There is a design shortcoming in the RF, which is that (as shown in Figure 1 below), while it (appropriately) includes components, outcomes, outputs, baselines, and indicators, and the outcomes and outputs have their own indicators, only the indicators of the outcomes have baselines and targets. The output indicators lack baselines and targets and therefore add to the complexity of the RF and project reporting without representing any added value in terms of M&E or providing information of use to an evaluation. In the table below, the outcomes and outputs are included on different rows, so the indicators, baselines, and targets that apply to the outcomes can be differentiated from the indicators that apply only to the outputs. Note

² Note that the TE covers January 2018 to June 2019. The November 2019 values are provided as an update to the data in the project documents.

that the “---” in Table 8 (objective level indicators) and Table 9 (Outcome and output level) indicate that no specific baseline, indicator or target was defined in the project design documents. In most cases, it is implicit and obvious, as in the absence of an activity (such as documents not elaborated, consultations not held, etc.).

A challenge to the ET was the way that most of the indicators are defined. For example, many of the outcomes and outputs involve the completion of documents and consultations with investors or target companies for investments. The indicators are defined as the completion of the document or holding the consultation. The lack of any metrics that characterize the document or consultation, other than the binary (completed versus not completed) leads to a more superficial level of evaluation than would have been possible if the indicator had been defined with more detail. For example, considering “Indicator 1.3: CRAFT Impact Strategy and TA Facility Strategy developed,” the baseline is that these documents have not been prepared, and the target is that they have been prepared. An indicator that better measured the document, such as the elaboration of these strategies to a level comparable to an industry standard benchmark, or similar criteria, would have allowed for a more detailed assessment. Noting that the various components of the project have led to the successful establishment of the fund, there is no obvious concern regarding their quality.

Table 8. Results Framework – Objective Level Indicators

Objective	Baseline	Target	Indicator	Final PIR (6/12/2019)	Status at TE (November 2019)
To establish and mobilize resources for the Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT), the first private sector climate resilience and adaptation investment fund and technical assistance facility for developing countries, consistent with the goals of the Paris Agreement.	—	a. CRAFT legally established and initial funding mobilized.	CRAFT legally established and initial funding mobilized.	Luxembourg legal entity established, and detailed term sheet for fund documents negotiated. USD 50 million of funding commitments approved.	Various entities that compose CRAFT were in progress, and completion was expected in December 2019. ³ The Investment Advisor entity is established.
		b. At least USD 50 million of potential investment into Fund under due diligence by investors	At least USD 50 million of potential investment into Fund under due diligence by investors (related document -Summary slide)	\$105M	\$195M

³ On December 24, the fund achieved first close with \$88 million of commitments from 7 investors.

Table 9. Results Framework - Outcome Level Indicators, Baselines, Target, and Comments

Component	Outcome	Output	Indicator	Baseline	Target	Final PIR (June 2019)	Status at TE (Nov. 2019)
	Outcome 1.1: Fund Investment Strategy prepared		---	No Fund Investment Strategy	Target 1.1: Fund Investment Strategy document prepared Fund development team will have selected priority target market segments and prepared the Fund Investment Strategy	Focus areas identified, incl. 3 “core” areas and 2 “extended” areas; companies mapped in focus areas and initial investment theses developed	Same
		Output 1.1.1: Detailed investment theses for 4 of the 20 target market segments developed	Indicator 1.1.1: Number of target market segments with investment theses	---	---	Focus areas identified, incl. 3 “core” areas and 2 “extended” areas; companies mapped in focus areas and initial investment theses developed	Same
	Outcome 1.2: Fund investment pipeline further developed		Indicator 1.2: Fund Investment Pipeline document expanded	Baseline 1.2: A draft Investment Pipeline document exists. The company database currently has 450 climate resilience companies identified.	Target 1.2: Fund Investment Pipeline document prepared Fund development team will have a more fully developed investment strategy and pipeline, poising it for capital raise and launch of the Fund	>350 companies added to database (vs. target of 250), 5 high- probability investments identified (vs. target of 5)	Same
		Output 1.2.1: 250 additional climate resilience companies identified and added to company database	Indicators 1.2.1: Number of additional climate resilience companies identified	250	250 additional	Added 350	Same
		Output 1.2.2: At least five companies identified as high-probability potential investment transactions	Indicator 1.2.2: Number of active potential transactions	---	---	5 (generically identified by sector - company names were not available to the ET for confidentiality reasons)	Same

		Output 1.2.3: Workshop on private sector engagement in climate adaptation and resilience with GEF and private sector participants held (e.g., during Climate Week 2018 in New York)	Indicator 1.2.3: Workshop with GEF and private sector participants completed	---	---	Completed	Same
	Outcome 1.3: CRAFT Impact Strategy and TA Facility Strategy developed		Indicator 1.3: CRAFT Impact Strategy and TA Facility Strategy developed	Baseline 1.3: 0 No CRAFT Impact Strategy and TA Facility Strategy has been developed	Target 3.3: CRAFT Impact and TA Strategy completed CRAFT development team will have developed an Impact Strategy, including ESG and metrics approaches, and will have prepared a TA Facility Strategy and operations document	Completed	Same
		Output 1.3.1: CRAFT Impact strategy, including Environmental, Social, and Governance (ESG) approach and climate change adaptation impact metrics, document prepared	Indicator 1.3.1: Summary overview of Impact strategy, including ESG and climate change adaptation impact metrics, prepared	---	---	Completed	Same
		Output 1.3.2: TA Facility Strategy and operations documents (investment strategy, grant guidelines, impact measurement, and operating procedures) prepared	Indicator 1.3.2: Summary overview of TA Facility Strategy and operations documents	---	---	Completed	Same

	Outcome 2.1: Key marketing documents written, and website and online data room functional		Indicator 2.1: Key marketing documents written and website and online data room functional	Key marketing documents have not been written, and website and online data room have not been prepared	Target 2.1: Marketing documents completed and website and online data room functional Fund development team will have a marketing strategy developed, website on-line, and investor outreach materials ready to use in road shows and other investor outreach	Completed	Same
		Output 2.1.1: Key marketing documents prepared and ready to share with investors and the public	Indicator 2.1.1: 1-page overview, Marketing Presentation (public version) prepared	---	---	Completed	Same
		Output 2.1.2: Website and online data room completed	Indicator 2.1.2: Public website, functioning; confirmation from team that investor portal and data room prepared	---	---	Completed	Same
	Outcome 2.2: Fundraising Strategy developed and implementation started		Indicator 2.2: a) Fundraising Strategy developed b) Amount of potential investment under due diligence	Baseline: 2.2a: 0, no fundraising strategy has been prepared and only initial meetings conducted Baseline: 2.2b: 0, No potential investment under due diligence	Target 2.2: a) Fundraising Strategy prepared b) Implementation of Fundraising Strategy started with at least USD 50 million of potential investment under due diligence Fund development team will have developed its fundraising strategy and will have begun active fundraising discussions with a larger set of potential LP investors in the public and private sectors, bringing some of them into the active due diligence stage	Fundraising Strategy developed and implementation started, with 200 LP candidates identified, 25 LPs in discussions, and \$50M in diligence	215 LP candidates, \$195M in diligence
		Output 2.2.1: 200 Limited Partner (LP) investor candidates identified and prioritized	Indicator 2.2.1: Number of LP investor candidates identified	0	200	374	402

		Output 2.2.2: At least 3 placement agent candidates identified and discussions held	Indicator 2.2.2: Confirmation that placement agent discussions held and whether one is selected	0	3	11 placement agent candidates identified, and discussions held	Same
		Output 2.2.3: 25 LP investor candidates with discussions held	Indicator 2.2.3: Number of LP investor candidates with discussions held	0	25	197	215
		Output 2.2.4: Potential first-close investors brought into due diligence stage with total potential commitments of at least USD 50 million	Indicator 2.2.4: Amount of potential first-close investment commitments brought into due diligence	0	\$50M at due diligence stage	\$105M	\$195M
	Outcome 3.1: Legal structuring of CRAFT determined		Indicator 3.1: Legal structuring of CRAFT determined	Legal structuring has not been prepared	Target 3.1: Legal structuring defined Fund structuring approach determined in order to establish the Fund and TA Facility	Key legal terms agreed-upon for Fund and TA Facility; final drafting in-process	Same
	Output 3.1.1: Fund structuring approach, meeting EU/US and other public/private investor requirements, defined	Output 3.1.1: Fund structuring approach, meeting EU/US and other public/private investor requirements, defined	Indicator 3.1.1: Summary slide of Fund structuring approach prepared; summary slide of proposed LP investment terms prepared	---	---	Completed	Same
		Output 3.1.2: Key Fund legal documents drafted	Indicator 3.1.2: Summary slide on key legal documents prepared, plus any public documents or filings that can be shared	---	---	Detailed term sheet for EIB (Euro Investment Bank) completed, legal documents to be prepared and filed post launch of fund	Draft limited partnership agreement has been prepared

		Output 3.1.3: TA Facility key legal documents drafted	Indicator 3.1.3: Summary slide on TA Facility key legal documents drafted	---	---	Structure, yes, legal is pending funding	Same (EA learned that it is necessary to postpone this step until investors are ready to commit as they will wish to have input)
	Outcome 3.2: Fund regulatory compliance plan prepared		Indicator 3.2: Fund regulatory compliance plan prepared	Baseline 3.2: 0 Fund regulatory compliance plan has not been created	Target 3.2: Fund regulatory compliance plan prepared Fund development team has a plan for full regulatory compliance in its jurisdictions of operation	Approach done (2 slides), talking to firms to carry it out. Cannot be completed until the fund is launched.	Same
		Output 3.2.1: Regulatory compliance plan for US, EU, and other jurisdictions prepared	Indicator 3.2.1: Summary slide on key regulatory requirements and compliance plan prepared	---	---	Slide done	Same

III.2.2 Recommendations

With the exception of some outputs of Component 3, which could not have been done by June 2019, since they required that the project be ready to launch and investor input, all other activities were successfully completed. The targets were all met or exceeded. In future such projects, the IA and GEF should attempt to create a set of standard indicators for outputs such as investment strategies, data room, impact strategy, ESG, and compliance plans, that can be used to more precisely evaluate the outputs of similar projects. It is recommended that similar projects in the future use fewer outputs and only use indicators at the objective and outcome level. **Given that there are no baselines and targets, the indicators at the output level (which are not required for GEF projects) are therefore somewhat vestigial in this RF.**

III.2.3 Rating

The EA's achievement of the targets in the RF is rated as "Highly Satisfactory." The structure and design of the RF is rated as "Moderately Satisfactory," because of the lack of baselines and targets for the output indicators, and the lack of detail in the indicators related to document preparation.

III.3 Progress to Impact

The previous section addressed the project's achievements at the level of detail of the objectives, outcomes, and outputs defined in the RF. This section focuses on Impact, considering the individual elements and how they contributed to the successful structuring and establishment of the fund. As discussed in detail in section II.3.2, the focus of the Impact assessment is bound by the objective of the project, the structuring and establishment of the fund, and does not consider downstream impacts in a future operational phase of the fund. As such, this section will focus on how the outputs contributed to the structuring and eventual establishment of the fund, interest in climate resilience funds as a means of achieving resilience impacts, and interest among other groups in developing similar products. In this respect, the concurrent activities of GARI, while not technically a part of this project, cannot be isolated from the CRAFT project itself, especially because, except for the IA and the NDF, the vast majority of the other key informants had simultaneous awareness of both GARI and CRAFT's climate resilience financing awareness building, and did not strictly differentiate between them.

III.3.1 Findings and Conclusions

Stepwise progress towards project objective – Here, the ET will describe, to the extent possible, the key steps that led to the establishment of the fund, while protecting confidential information. As mentioned above, the ET had access to some confidential project documents as well as excerpts of others. Certain NDA protected information such as the identities of target companies and all investors could not be shared with the ET. Overall, the EA took a stepwise and logical approach to the various elements needed to research, structure, and establish a fund. Highlights of some of these steps are described below.

The Investment Focus Areas narrowed the initial investment strategy to 5 investment focus areas (3 “core” areas and 2 “extended” areas) and refined investment theses for each. These mapped climate vulnerabilities to products and services and sought companies with proven market potential that could provide these services. The next step was to develop a pipeline of companies as potential targets for investment. The EA developed a database of 600, of which 5 were selected as high-priority investees. The Impact Management System (IMS) and Environment & Social Management System (ESMS) were developed. The IMS measures climate adaptation impact, capital mobilization, mitigation co-benefits, the United Nations sustainable development goals (SDGs), gender impact, biodiversity, and economic development. It also includes sets of key performance indicators (KPI) for different categories of investments. The ESMS aimed for consistency with international standards for investments such as those of the International Finance Corporation (IFC) and the United Nations Principles for Responsible Investment (PRI).

A critical ingredient of the ability of the fund to deliver on climate resilience impacts on the ground is the Technical Assistance (TA) Facility. The EA prepared a sound TA facility concept note detailing the rationale for its existence, purpose, legal structure, and budget. The ET views the TA facility as critical to filling the gap between financing companies that provide products and services related to climate resilience and achieving climate resilience impacts. As discussed in II.3.2, there are numerous intermediate steps that need to be considered, and it is clear that the EA proposed the TA facility with this in mind.

The TA facility would analyze specific investments using particular sets of KPI and provide guidance towards achieving climate resilience impacts. The EA developed marketing materials, a public-facing website as well as a private “data room” for investors only. The EA then identified approximately 400 limited partner investment candidates, prioritized them and held discussions with 215, significantly more than the original target of 25. By the end of the project, \$105M of potential investments were at the due diligence stage, and this had risen to \$195M at the point of the evaluation (November 2019). Through direct communication with one of the fund members, the ET determined that as of December 2019, the fund had achieved “first close” with \$88M in investment from 7 investors.

The one component of the project that did not achieve all targets as originally conceived was Component 3. As noted in Table 9 above, certain aspects of the compliance plan could not have been completed as originally planned, because of the necessity of investor review and sign-off before “first close.” The preceding summary of the outcomes and outputs of the project make it very clear that the EA successfully accomplished a significant volume of activities in the short time period of 2 years.

State of private sector investments in climate resilience or climate finance – The ET attempted to determine the impact of the project upon the overall sector. Through KI interviews, it was established that the sector is at a very incipient stage. Asked to rate the state of development of the sector from 1 (low) to 10 (high), most KIs were reluctant to commit to a specific number, but, upon further probing, the responses ranged from 1.5 to 3. One KI mentioned that there were numerous opportunities that could be explored, but that concessional financing, a sound enabling environment, and technical assistance to end users like farmers and fishers are

needed. This echoes the conclusions in the previous section on the importance of the TA facility to the fund. The prevailing view was that, in financial services, there is a lot of discussion of climate resilience and climate finance, but that no meaningful behavioral changes had as yet occurred.

Interest in designing and structuring climate resilience finance instruments – The ET also inquired of KIs as to whether they had noticed any change in the level of interest in designing and structuring climate resilience finance instruments that they could attribute to the CRAFT project. In this regard, the impact of GARI cannot be differentiated from that of CRAFT. One observation was that the fact that an investment vehicle like CRAFT could exist would certainly move things forward. Another KI pointed out that the level of interest and engagement has increased and mentioned the Drawdown fund as an example. With respect not specifically to climate resilience investing, but climate resilience services providers, KIs pointed out that Moody's acquired 427,⁴ and that, in 2018, S&P Global Ratings created their own in-house metrics to capture companies' efforts to practice long term planning in the area of climate risk. Another example of the growth in climate resilience risk analysts was MSCI Inc. acquiring a 100% stake in data analytics firm Carbon Delta AG, Zurich.⁵ Resilience finance was seen to have more of a presence in financial circles due to the influence of the project and GARI.

III.3.2 Recommendations

Stepwise progress towards project objective – No recommendations. The EA clearly achieved the metrics as defined in the RF.

State of private sector investments in climate resilience or climate finance – The IA and GEF clearly made a strategic investment in providing seed capital for the development of a fund in a sector that is very much in its infancy. As one of the EA founders stated, without the input of capital by CI-GEF, "... (CRAFT) would have stopped otherwise in 2018." In addition to capital, the access to the knowhow and deep domain knowledge brought and/or facilitated by CI, on biodiversity, environmental impact, natural capital solutions, gender mainstreaming, and gendered climate impacts, was critical to the refinement of the CRAFT concept. The ET recommends that CI-GEF and the GEF continue to prioritize the funding of the creation of this and other ways of providing the capital needed for climate resilience, noting however, the importance of guidance from public-sector mission oriented investors and institutional setups similar to the CRAFT TA facility acting in parallel with the fund.

Interest in designing and structuring climate resilience finance instruments – While the sector is very much at its infancy, and no single project can be reasonably expected to make monumental changes in the finance sector in a two-year period, it is clear that the combined momentum of CRAFT and GARI have pushed the needle forward on the business case for climate resilience financing. The ET recommends that, once a sufficient quantity of investment

4 July 2019. "Four Twenty-Seven Receives Majority Investment from Moody's Corporation." Four Twenty-Seven provides climate change economic risk analytics. Accessed January 9, 2020. <http://427mt.com/2019/07/24/four-twenty-seven-receives-majority-investment-from-moodys-corporation/>

5 September 2019. "MSCI in deal to acquire data analytics firm Carbon Delta." Pensions and Investments. Accessed January 9, 2020. <https://www.pionline.com/esg/msci-deal-acquire-data-analytics-firm-carbon-delta>

and climate resilience activities have been catalyzed by the fund, CI and the TA facility of CRAFT, once operational, commission a follow-up study. This study could provide a retrospective and lessons learned on the TOC of CRAFT after one or two years of operation.

III.3.3. Rating

The rating for “Progress to Impact” is “Highly Satisfactory.”

III.4 Quality of Implementation and Execution

This section covers the day-to-day running of the project at CI-GEF (IA) and Lightsmith (EA) level. Issues such as contracting, procurement, internal organization, workflow, communications and relationships between the various entities involved are considered. The analysis is divided into Quality of Implementation (IA) and Quality of Execution (EA).

III.4.1 Findings and Conclusions

III.4.1.a. Quality of Implementation

Financial sector context – As mentioned before, this kind of project was new to the IA. Traditional GEF projects are characterized by the free flow of information and project details are openly shared between the EA and the IA. The IA did not fully understand the complexities of working with a private sector financial firm in the structuring and establishment of a fund. The project came out of discussions at GARI events with the GEF, and the GEF presented it to CI-GEF. CI itself aims to channel more private finance into conservation to be able to get to scale, and, in the past, CI has invested in and provided technical support to other funds like Althelia.⁶ As such, there was institutional interest in CI-GEF being the IA for the project. The project involved challenges for CI-GEF. This was due to the unfamiliarity with the document management systems needed for confidential documents, both internally, and in terms of how reporting documents, containing confidential material, submitted by the IA to the GEF would be handled. Another issue was how reports and other documents would be evaluated. As discussed in III.2.1, the RF defined many output targets as the completion of the documents (strategies, plans, etc.). Since CI-GEF was understandably not familiar with financial investment

⁶ Althelia is a fund that finances the transition to sustainable land use. According to the Althelia website, “Our vision is based on integrated rural landscapes that support conservation of natural ecosystems and the species they contain, ecologically sustainable commercial activities, and thriving new and traditional communities. Our mission is to finance this transition to sustainable land use, creating new environmental assets that reflect the value of natural capital. Our investments reduce deforestation, mitigate climate change, protect biodiversity and provide a fair and sustainable living to rural communities through activities that offer investors competitive returns.” Accessed January 10, 2019. <https://althelia.com/mission/>

strategies, compliance plans, etc., this made it impossible for the IA to review the documents in a more in-depth manner.

Support to EA – The EA indicated that the IA was an excellent partner, providing key support from the conception of the project, the elaboration of the One-step MSP, through reporting and close-out. The EA noted that the IA made it possible for them to interface with the GEF and learn how to apply GEF frameworks and reporting requirements to a small financial sector company. The IA was seen to be very flexible and highly constructive. Additionally, CI-GEF became a gateway to CI, which allowed the EA to access expertise in biodiversity, coffee production, agricultural supply chain experts, provenance tracking, etc. Through CI-GEF, CI has become a valuable partner of the EA. The EA reported that procurement, reporting, and other interactions with the IA went smoothly.

III.4.1.b. Quality of Execution

Project execution – The IA indicated that the EA was timely with all technical reporting and transaction testing conducted approximately at the mid-point of the project verified financial reporting. The EA integrated GEF requirements into their internal systems. Time spent by EA staff was reported using timesheets with codes for different components, using QuickBooks online. The EA used a firm called EAS systems as their accountant and were required to undergo a financial audit, which was conducted by RSM US LLP. With respect to the project evaluation, while the EA shared a considerable quantity of material, including confidential documents, the level of access of the ET to the project documents and stakeholders was less than for traditional GEF projects and evaluations. Given the nature of the EA’s undertaking, this was perhaps to be expected.

III.4.2 Recommendations

III.4.2.a. Quality of Implementation

Financial sector context – If the GEF and CI-GEF intend to engage in similar projects in the future, they should develop standard indicators for the inherent outputs such as investment strategies, compliance plans, marketing documents, etc. Additionally, protocols need to be established regarding document management (storage, transmission, and access) for confidential materials both within the IA and between the IA and the GEF. With respect to the evaluations of such projects, it is recommended that discussions be held at the project contract stage between the IA and future EAs to determine how to allow evaluators the greatest degree of access possible to documents and stakeholders, while respecting confidentiality and NDAs.

Support to EA – No recommendations. The IA clearly did an exemplary job of supporting the EA, which was particularly important given that this was the first GEF project for the latter.

III.4.2.b. Quality of Execution

Project execution – As discussed for the IA, should the EA wish to engage in future GEF projects, it is highly recommended that discussions about the management of confidential documents be held at the project design stage; and that processes to make financial sector rules, business confidentiality, and NDAs more compatible with GEF data requirements for evaluations be developed.

III.4.3 Rating

The Quality of Implementation and Execution are both rated as “Highly Satisfactory.”

III.5 Gender and Safeguards

This section focuses on the environmental and social safeguards triggered by this project during the One-step MSP process, which were Stakeholder Engagement, Gender mainstreaming, and Accountability and Grievance Mechanisms.

III.5.1 Findings and Conclusions

Stakeholder Engagement – The ET reviewed the Stakeholder Engagement Plan. Included in the plan are the EA’s outreach to stakeholders primarily through GARI meetings and Climate Week 2018 (New York City). Additionally, other outreach would occur at select regional meetings when feasible. The very nature of the project required intense engagement with investors and companies. Overall, according to the project summary slides, the EA discussed the fund strategy with 200 investors and 35 climate resilience and adaptation related firms. Through this project, the EA engaged with 120 firms and over 1,200 individuals. The project and climate finance in general were discussed in 25 panel discussions at 19 conferences and events globally, and 11 GARI meetings in San Francisco, New York, Washington DC, and London. There were no issues raised by the KIs regarding stakeholder engagement.

Gender Mainstreaming – The ET reviewed the Gender Mainstreaming plan, which detailed efforts in a) Recruitment and Procurement; b) Meetings and Events; c) Project Governance; d) Strategies and Plans; and e) Monitoring & Evaluation (M&E). KIs consulted confirmed the good representation of women at GARI and project events. The EA also took on board the Panel Pledge,⁷ and an illustration of this is that, at the UNFCCC COP 24 in Katowice, Poland, the panel they organized had 4 women and 1 man. The plan also had detailed M&E metrics for how to track gender mainstreaming. Particularly significant, beyond the gender balance in EA staffing, consultants, and events, the EA incorporated the differential impact of climate change on

⁷ The Panel Pledge is “At a public conference I won’t serve on a panel of two people or more unless there is at least one woman on the panel, not including the Chair.”

women and men into the Impact Strategy of the fund. Overall, there were no concerns with gender mainstreaming, which is noteworthy given that the financial and legal sectors involved continue to be dominated by men.

Accountability and Grievance Mechanism – This project was relatively simple in terms of not having direct exposure to beneficiaries that belong to vulnerable groups. This mechanism was accordingly straightforward, with stakeholders engaged with the project, as described above, being able to raise concerns with the EA (in person or via the website) or with the IA (by email or mail). No complaints were made through this mechanism.

III.5.2 Recommendations

Stakeholder Engagement – There are no recommendations about Stakeholder Engagement, as the EA conducted outreach with a large number and wide variety of relevant stakeholders in a relatively short project period.

Gender Mainstreaming – There are no recommendations about Gender, as the project did commendable work in its gender mainstreaming efforts and integration of a gender lens into its Impact Strategy.

Accountability and Grievance Mechanism – No recommendations, as the mechanism was appropriate to the nature of the project, and there were no complaints.

III.5.3 Rating

Gender and Safeguards is assessed as “Highly Satisfactory.”

III.6 Sustainability

Sustainability is the goal of all conservation and development interventions. Financing institutions seek the assurance that the positive impacts of their investments will continue after the life of the project, and not merely represent a temporary upwards trend. The degree of sustainability is inversely proportional to the magnitude of the risks, which include institutional, sociopolitical, financial, and environmental risks. Sustainability is not rated using the six-point HS to HU scale, but a four-point scale (Likely to Unlikely) based on an assessment of the likelihood and magnitude of the risks to sustainability.

The assessment of sustainability draws on the relevant risks identified in the final PIR as well as those identified by during the TE include the following. The parentheses after each bullet categorizes these risks within the standard GEF typology.

- Inability to identify appropriate investments (Technical, Financial)
- Ineffectiveness of technical assistance (Technical)
- Inability to raise capital for the Fund (Financial)
- Failure to achieve developmental and climate resilience outcomes (Environmental)
- Reputational risk (Institutional)
- Regulatory risk (Institutional)

III.6.1. Institutional

The fund was successfully launched and achieved first close in December 2019. In discussions with KIs, the impression of the EA was positive. This and the launching of the fund, which required the mobilization of capital from investors, indicates that any reputational risks were successfully addressed and overcome. The institutional sustainability rating is therefore Likely.

III.6.2. Sociopolitical

The sociopolitical dimension of risk will only be manifested during the operational phase of the fund which was outside the evaluation period of January 2018 to June 2019. Therefore, the ET is unable to assess sociopolitical risk.

III.6.3. Financial

The fund was able to identify appropriate investments and raise capital, overcoming any financial risks. The financial sustainability rating is therefore Likely.

III.6.4. Environmental

The achievement of developmental and climate resilience outcomes can only be assessed once the fund is operational which was outside the project period (which ended with the structuring and establishment of the fund). Environmental sustainability cannot therefore be assessed.

The sustainability ratings are summarized, as follows: Institutional (Likely), Sociopolitical (Unable to Assess), Financial (Likely), and Environmental (Unable to Assess). The **overall sustainability rating**, noting that only two of the dimensions could be assessed, is **Likely**.

III.7 Summary of Ratings

The following table summarizes the ratings for the evaluation elements.

Table 9. Summary of Ratings

Evaluation Theme	Rating
Theory of Change	Satisfactory
Assessment of Project Results	Highly Satisfactory (Results Framework design: Moderately Satisfactory)
Progress towards Impacts	Highly Satisfactory
Quality of Implementation and Execution	Highly Satisfactory
Gender and Safeguards	Highly Satisfactory
Sustainability	Likely

IV. Cross-cutting Evaluation Themes and Lessons Learned

The main cross-cutting issue of relevance to the TE is not related to the implementation and execution of the project itself, instead to the overall context of a financial sector project funded by GEF. As mentioned above, the complexities inherent in such an arrangement were insufficiently understood during the development of the project, leading to challenges for the IA and the evaluation process. It is evident that certain GEF requirements are difficult to reconcile with this kind of project.

Timing of the Evaluation – Leading among these is the requirement that a GEF funded project be evaluated within a year of its completion. For CRAFT, this meant that the evaluation had to be conducted before the fund was established, let alone operational. Since the climate resilience outcomes of interest to the GEF could only possibly occur after the fund had been in operation for some years, this meant that the technical scope of the evaluation had to be restricted to the structuring and establishment of the fund. It would have been better if the evaluation could have been postponed for at least a year and the GEF should consider changing its requirements for this kind of project.

Financial Sector Evaluations – By its very nature, a financial sector project involving investors and investee companies requires confidentiality, NDAs, and strict compliance with financial sector regulations. An evaluation, on the other hand, involves the need for access to project documents and stakeholders. The evaluation team needs to be able to have open discussions with KIs and ask detailed questions about the project, which stem from the evaluator's knowledge of the project gained through the desk review. The GEF and project agencies like CI-GEF need to consider how to balance the constraints of each operating environment or create a different evaluation framework for such projects.

Document Management and Liability – Protocols need to be developed to manage the potential liability to the evaluation team, from its conducting of the evaluation. While the IA is protected through indemnification in the contract with the grant recipient, such protections do not extend to the consultant. Both the conducting of the evaluation, especially interviews with KIs and the authoring of the TE report represent considerable liability to the ET, and measures should be considered that reduce the exposure or protect the ET from liability.

Annex

Evaluation Team Composition and Expertise

The evaluation was conducted by Integrated Sustainability Solutions LLC (<http://www.issolutionsllc.com/>) and implemented by Keith Forbes (kforbes@issolutionsllc.com). Mr. Forbes brings 25 years of international development, monitoring and evaluation, climate change and LULUCF experience. He has extensive evaluation experience of approximately 20 global and national projects, including the CEPF TriRIT evaluation, CI-GEF Satoyama, CI-GEF CEPF (Cerrado, Eastern Afromontane and Indo-Burma), CI-GEF AMBIO TE and MTR in Mexico, EU GCCA in Mozambique, USAID PERFORM in Malawi, U.S. Department of State ENR bureau, U.S. Department of State Short-Lived Climate Pollutants, USAID EC-LEDS Colombia, USAID EC-LEDS Mexico, and five USAID/NASA SERVIR evaluations (Brazil, Nepal, Bhutan, Ghana, and Nigeria).

Mr. Forbes has 25 years of experience working internationally on project evaluation, international development, LULUCF, and climate change in the U.S., Africa, Europe, S. America, and Asia. He has lived and/or worked in Zambia, Kuwait, Sri Lanka, the U.S., Canada, and Portugal, and, on work assignments in the context of international development programs and projects, in Ecuador, Mexico, Brazil, Colombia, Peru, Mauritius, Malawi, Mozambique, Nigeria, Ghana, South Africa, Thailand, Nepal, Bhutan, and Vietnam. He brings extensive evaluation and assessment experience in the include the interface between climate change and land use, conservation, biodiversity, climate change adaptation, resilience, greenhouse gas inventories. He is widely published with a Master of Science in Environmental Science, with a focus on tropical forest ecology and international development from Indiana University's (Bloomington, IN) School of Public and Environmental Affairs, an international leader in environmental science and policy graduate schools. He is a native English speaker, is fluent in Portuguese, and professionally fluent in Spanish.

Mr. Forbes has worked for international development contractors (for USAID, DFID, EU/EC), not-for-profit and for-profit private sector consulting, NGOs, foundations, and within academia. Mr. Forbes is the founder and principal consultant of ISS, an international development and climate change professional services firm, based in Saratoga Springs, NY. He has taught at Skidmore College, is on the UNFCCC roster of experts for land use and other climate change areas and has been an expert reviewer for the IPCC guidance on land use GHG inventories, and the U.N. Millennium Ecosystem Assessment.

Request for Proposal

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