



Evaluation of the UNEP Finance Initiative (UNEP FI)

UNEP PIMS ID: 62-P2; 33-P13; 1715; 1769

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Acknowledgments

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List of acronyms and abbreviations

AGM	Annual General Meeting
BSP	Bali Strategic Plan
CIF	Climate Investment Funds
COP	Conference of the Parties
DTIE	Division of Technology, Industry, and Economics
EA	Expected Accomplishments
EBRD	European Bank for Reconstruction and Development
ERG	Evaluation Reference Group
ESG	Environment, Social and Governance
ESIA	Environmental and Social Impact Analysis
GCF	Green Climate Fund
GEI	Green Economy Initiative
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GSC	Global Steering Committee
HBRA	Human Rights Based Approach
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFI	International Financial Institution
IR	Inception Report
JSE	Johannesburg Stock Exchange
MTS	Medium Term Strategy
NCD	Natural Capital Declaration
PAGE	Partnership for Action on Green Economy
PC	Portfolio Carbon
PDC	Portfolio Decarbonisation Coalition
PIMS	Programme Information and Management System
PoW	Programme of Work
PRI	Principles for Responsible Investment
PSD	Private Sector Development
PSI	Principles for Sustainable Insurance
REDD	UN collaborative initiative on Reducing Emissions from Deforestation and forest Degradation
SDG	Sustainable Development Goals
SP	Sub-programme (UNEP)
SPC	Sub-programme coordinator (UNEP)
TOC	Theory of Change
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNEP FI	UNEP Finance Initiative
UNGC	UN Global Compact

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Project Summary

(Source: Evaluation TOR)

UNEP PIMS ID:	62-P2 33-P13 1769 1715	IMIS number:	2G47 2822 2C51 3F37
Sub-programme:	Resource Efficiency (6) Ecosystem Management (3) Climate Change (1) Climate Change (1)	Expected Accomplishment(s):	62-P2: EAb ¹ 33-P13: EAc ² 1769: EAc 1715: Eab
UNEP approval date:	14/10/2009 03/2010 09/10/2014 15/04/2014	PoW Output(s):	622 (623.1 in approved PF) 333 (333.1 in approved PF) 132 Output 4
Expected Start Date:	01/2010 01/2010 01/2014 04/2014	Actual start date:	06/2010 06/2010 10/2014 04/2014
Planned completion date:	12/2014 12/2011 12/2017 12/2016	Actual completion date:	12/2015 12/2015 n/a n/a
Planned project budget at approval:	\$4,200,000 \$800,000 ³ \$321,520 (2013) and 800,632 (2014) (UNEP FI ICAs only) \$971,327 USD (UNEP FI output only)	Total expenditures reported as of 1 Jan 2015:	\$3,762,690 (62-P2 & 33-P13, 2010-2011) \$5,869,681(62-P2, 2012-2014) 911,478 (33-P13, 2012-2014)
Planned Environment Fund (EF) allocation:	\$150,000/year (in addition to the approved budget)	Actual EF expenditures reported as of June 2015:	\$150,000/year (2010-2013) plus additional contributions \$175,908 (2013). For 2014-2015, direct expenditure covering the personnel cost of Head of UNEP FI.
Planned Extra-budgetary financing (XBF):	\$4,200,000 \$800,000	Actual XBF expenditures reported as of 1 Jan 2015:	\$3,762,690 (62-P2 & 33-P13, 2010-2011) \$5,869,681(62-P2, 2012-2014)

¹ EA2 - Financing and investing in efficient, clean and safe industrial production methods through public policies and private sector action is increased (according to the ProDoc). EAb - Uptake of sustainable consumption and production and green economy instruments and management practices in sectoral policies and in business and financial global operations [...] (according to the approved Programme Framework (PF) for Resource Efficiency).

² The capacity of countries and regions to re-align their environmental programmes and financing to address degradation of selected priority ecosystems is enhanced (according to the ProDoc). Services and benefits derived from ecosystems are integrated with development planning and accounting, particularly in relation to wider landscapes and seascapes and the implementation of biodiversity related MEAs (according to the approved Programme Framework (PF) for Ecosystem Management)

³ 62-P2 budget after revision 6: 9,154,028 USD, 33-P13 budget after revision 6: 3,201,667 USD

			\$911,478 (33-P13, 2012-2014)
XBF secured:	\$4,203,000 (2010-2011) \$4,616,070 (2012-2013)	Leveraged financing:	n/a
First Disbursement:		Date of financial closure:	n/a
No. of revisions:	6 (first two projects) 4 (last project)	Date of last revision:	February 2015 (6 th revision for first two projects)
Date of last Steering Committee meeting:	20-21 Apr 2015 (UNEP FI Global Steering Committee GSC) 24/02/2015 (Natural Capital Declaration – NCD SC) 21-22/05/2015 (UN-REDD Policy Board)	Mid-term review/ evaluation (actual date):	Strategic Review commissioned by DTIE Director, December 2013 (covering the UNEP FI as a whole)
Mid-term review/ evaluation (planned date):	n/a	Terminal Evaluation (actual date):	July-September 2015

1. Executive Summary

1. This evaluation report sets out the findings and recommendations of the consultants engaged by the UNEP Evaluation Office (the “Evaluation Team”) to undertake an independent evaluation of the UNEP Finance Initiative (UNEP FI).

2. The consultants conclude that UNEP FI should be rated as “**Satisfactory**” and “**Moderately Likely**” to achieve its expected impact. This overall conclusion is based on the following ratings⁴ against individual evaluation parameters:

A. Strategic relevance	<i>Highly satisfactory</i>
B. Achievement of outputs	<i>Satisfactory</i>
C. Effectiveness (attainment of project objectives and results)	<i>Moderately satisfactory</i>
D. Sustainability and replication	<i>Satisfactory</i>
E. Efficiency	<i>Moderately satisfactory</i>
F. Factors affecting project performance	<i>Moderately unsatisfactory</i>
OVERALL PROJECT RATING	SATISFACTORY

3. UNEP FI has and continues to be a centre for innovation – this remains its core strength. UNEP FI continues to be able to recruit highly trained, very smart, and dedicated staff. UNEP FI has created an environment where ideas are allowed to flow. UNEP FI continues to generate ideas, programs, and initiatives of global importance. One need only look at the key announcements of the first week of COP21: (i) special sessions on the role of private sector financing, (ii) President Obama’s pledge of \$30 million towards climate risk insurance, (iii) private sector focus and commitments towards energy efficiency and renewable energy, and (iv) portfolio decarbonisation commitments.

4. Three main factors have prevented UNEP FI from otherwise achieving the highest evaluation rating of **Highly Satisfactory**. These clearly interlinked factors are as follows:

- Not enough time and resources provided for monitoring and evaluation (M&E) of outcomes and impacts due to (i) resource constraints in the Secretariat and (ii) UNEP’s and the GSC’s lack of emphasis on M&E oversight.

1. Ratings are based on a six-point scale: Highly Satisfactory (HS); Satisfactory (S); Moderately Satisfactory (MS); Moderately Unsatisfactory (MU); Unsatisfactory (U); and Highly Unsatisfactory (HU).

- Leadership gaps in program management and implementation; human resource constraints in the Secretariat; and, recently, the unsuitable way that the UMOJA management information and financial control system has been applied to UNEP FI.
- Weak strategic planning and unrealized synergies between UNEP FI and the rest of UNEP, arising from insufficient alignment between the two main parties to the partnership, exacerbated by a lack of clarity and decisiveness on the UNEP side with respect to (i) the principle and practice of private sector partnership, including the absence of an overall strategy for private sector engagement in general and (ii) UNEP's overall intentions and operational configuration for engagement on the sustainable finance topic specifically.

Key recommendations on UNEP FI

5. The following recommendations are intended to strengthen UNEP FI's demonstrated achievements to date. Recommendations imply areas for improvement. This is balanced against a strong recognition by the Evaluation Team of UNEP FI's 20+ years of industry leadership resulting in multiple highly impactful initiatives that have been game changers, such as PRI, PSI, etc. The Evaluation Team notes that UNEP-FI is already implementing several of the recommendations. All can and should be implemented in the next 1-2 years. It is important to build on this external evaluation process, grab the opportunity, and implement these recommendations while there is interest, focus and attention.

- **Recommendation 1: Clarify and communicate UNEP's overall position on UNEP FI.** *UNEP senior management should seek to come to a clear and well-communicated long-term (3-5 year) view on UNEP FI, either re-affirming its commitment or initiating new dialogue at the GSC to review the mutual alignment of interests and expectations. Actions and messaging consistent with this should be delivered to coincide with UNEP FI's forthcoming GSC elections and surrounding the Initiative's AGM and Global Roundtable in October 2016.*
- **Recommendation 2: Address leadership of UNEP FI Secretariat.** *UNEP senior management should continue to use best efforts to ensure that the UNEP FI Secretariat is provided with a suitable permanent leader as soon as possible, working in close consultation with the UNEP FI GSC co-chairs. This might involve, for example, taking advice from an appropriate executive recruitment specialist. The suggestions made in Recommendation 1 above should also help to confirm the attractiveness and likely security of this career opportunity. The appointed person should be on-boarded before the UNEP FI's AGM and Global Roundtable in October 2016. If this proves impossible, then notwithstanding the fact that the leadership post is funded by the UNEP Environment Fund budget, the GSC should take an active role on behalf of UNEP FI's members (whose membership fees pay for the rest of the Secretariat staff, after deduction of UNEP's Project Support Costs) in working with UNEP to better understand and decisively address the root causes of the recruitment problem (including the role that members play in supporting the recruitment process through referrals via their own professional networks).*
- **Recommendation 3: Review Governance Reforms and Operating Policies & Procedures.** *The UNEP Evaluation Office and UNEP FI Secretariat should work together to ensure that any action plans resulting from this evaluation are integrated in and aligned with the governance changes*

already being developed. Key issues include (but are not necessarily limited to) those covered in Recommendations 6 and 7.

- **Recommendation 4: Resolve accounting Policies and Systems (UMOJA).** *UNEP FI should ensure they are sufficiently well informed about the significant challenges created by the way that UMOJA has been applied to the UNEP FI Trust Fund, and facilitate a timely and effective solution to the problem for implementation no later than Q3 2016.*
- The way that UMOJA currently treats the UNEP FI Trust Fund as grant income means that the Initiative's budget is not allowed to run at a deficit. Given the cashflow profile of UNEP FI (core funding via membership fees 'trickles' in over the course of the financial year), this is a significant and current impediment to the effective and timely deployment of the Initiative's resources, for example affecting both recruitment of regular staff and the use of short term consulting contracts. The UNEP FI Officer in Charge is already seeking a solution in coordination with the relevant Fund Manager; this may involve transferring the UNEP FI Trust Fund to a different UMOJA module. Tentatively, we suggest another option might be the provision of a "working capital" credit facility from UNEP reserves; a more radical long-term solution might be to "out-source" UNEP FI's administration to UNOPS.
- **Recommendation 5: Align planning and approval processes/documents.** *UNEP senior management should request the UNEP FI Secretariat to coordinate with the GSC and UNEP's SPCs on the preparation of a single overarching project document, covering the next 4-year window (with a mid-term review), for joint review and approval. This should provide an agreed framework that is consistent with UNEP's MTS and POWs, and under which individual work streams and activities can be reviewed and approved on a more streamlined basis. The framework should balance UNEP's requirements and processes with an acknowledgement that, under its current governance structure, UNEP FI is also accountable to its membership via its AGM.*
- **Recommendation 6: Investment in M&E.** *UNEP FI should ensure that the Monitoring and Evaluation function is embedded in project implementation and adequately funded. This should be a priority across the team and built into the new 2016 project documents. Effective M&E entails establishing SMART measurable indicators to monitor against performance.*
- **Recommendation 7: Invest in communications.** *The UNEP FI Secretariat should obtain approval and secure funding to appoint a full time Communications Officer. A documented communications strategy should be developed and further funding sought for its implementation. To reinforce UNEP FI's capacity for M&E (see Recommendation 7), the communications strategy should aim to improve the quality and flow of information into UNEP FI as well vice versa. In preparing this strategy, consideration should be given to repeating a version of the stakeholder survey used by this evaluation (see Annex 1) on an annual or biannual basis.*
- **Recommendation 8: Publish an Annual Report.** *UNEP FI should publish an annual report for distribution to members, donors, UNEP colleagues and other stakeholders, summarising the year's news, activities, achievements, and results.*
- **Recommendation 9: Invest in donor relations and pursue new funding sources:** *In 2016, UNEP FI should develop a strategy to maximize access to and use of donor funds, both those available to*

UNEP, and in partnership with other international organizations such as IFC, EBRD and the Green Climate Fund.

- **Recommendation 10: Invest in growing the membership base:** *UNEP FI should work to increase its membership in Latin America, Africa, MENA, CIS/CEE, and South Asia and Asia/Pacific by 10 per cent per year to the point that these regions represent 60 per cent or more of the membership, while also expanding South-to-South collaboration. We note that UNEP FI is in the process of on-boarding a new member of staff with specific responsibility for member relations.*
- **Recommendation 11: Develop baseline assessment and market practices analysis.** *UNEP FI and the UNEP Inquiry should collaborate (on equal terms) to prepare a “state-of-the-art” report along the lines originally proposed by UNEP FI in 2013 (see **paragraph 114**), perhaps for launch at the UNEP FI Global Roundtable in October 2016 if time and budget permit. Amongst other things, such a report would help to (a) further raise UNEP FI’s profile (b) review trends and gaps that UNEP FI may wish to prioritise in future (c) establish a baseline against which progress in the market can be tracked and UNEP FI’s impact measured or estimated.*
- **Recommendation 12: Consider and implement new topics.** *The Evaluation Team felt that UNEP FI should investigate with its membership possibilities to address gender in the context of sustainable finance. Other topics that appear to be of potential mutual relevance to UNEP and UNEP FI are (a) the role of financial institutions in combatting international environmental crime (tying in with Anti Money Laundering issues etc.) and (b) the ESG aspects of trade finance (c) the intersection between sustainable financial markets and international trade agreements. We also suggest that the UNEP FI GSC should take a fresh look at the opportunity/need to develop new work on the topic of ESG accountability and reporting by the financial sector.*
- **Recommendation 13: Expand training.** *We encourage UNEP FI to expand its excellent training activities with a target of increasing the number of participants by 10% per year over the next 4-year cycle.*
- **Recommendation 14: Upgrade MIS in the UNEP FI Secretariat (including better tracking of contributions-in-kind).** *In 2016, UNEP FI should upgrade their internal accounting systems by introducing appropriate user-friendly software. Members and UNEP FI should develop a system to track and report on in-kind contributions.*

Recommendations on broader strategic questions

6. The TOR asked the Evaluation Team to address seven key evaluation questions (see section 5.2) with an emphasis on providing advice on whether and how UNEP should strengthen and consolidate its institutional engagement in the sustainable finance space, taking into account other UNEP work in this field (particularly the UNEP Inquiry) in addition to UNEP FI. Questions 1-6 focus on the effectiveness of UNEP FI, are reflected in our overall positive rating, and led to several of the recommendations above. With respect to question 7, our overall conclusion is that UNEP should strengthen its engagement with the sustainable finance sector, but should approach this gradually over a period of 1-2 years. The initial priorities over this time horizon should be:

- Reinforce UNEP's continued commitment to UNEP FI, not only through appropriate and consistent messaging, but also by taking decisive and effective action to address the various management issues, problems and untapped opportunities identified by this evaluation.
- Focus on the success of the Inquiry's immediate work programme by continuing to provide a stable and certain environment in 2016 and fostering a better culture of coordination and professional collegiality between the Inquiry and the UNEP FI teams. This should be followed in 2017 by a consultative, well planned, and evidence-based approach to thinking through the opportunities and options available to UNEP once the current second phase of the Inquiry comes to an end.
- Clarify and if necessary update UNEP's overall position and policy context for partnership and private sector engagement. This may also be a valuable opportunity to consider whether and how lessons learned from UNEP FI over the last 20+ years could be used to develop new forms of successful cooperation with other parts of the private sector that might be relevant to UNEP.
- Further develop UNEP's institutional understanding and capacity with respect to sustainable finance in order to lay the foundations for a more integrated and scaled-up strategy. Relevant steps could include temporary rotation of staff from the UNEP FI Secretariat to other teams and vice versa on developmental assignments; pre-feasibility analysis and stakeholder consultation on potential new areas of endeavor (e.g. engagement with the financial sector in relation to, say, international trade, sustainable consumption or environmental crime); opportunities for UNEP's relevant Sub Programme Coordinators (SPCs) to interact and collaborate more directly with UNEP FI's members; and resourcing to enable the UNEP FI Secretariat to dedicate more time to networking, awareness raising and cultural integration with other parts of UNEP.

7. In conclusion, UNEP FI's mission is "Changing finance, financing change". This is an important and relevant goal for UNEP, the private financial sector, and the wider sustainable development community. UNEP FI is an important, relevant and impactful vehicle for contributing to this goal. UNEP FI has delivered valuable accomplishments and results since its inception. The role that UNEP FI plays will continue to be important for the foreseeable future. Any planning for and renewed commitment to UNEP FI's future should be based a time horizon of 3-5 years.

2. Introduction

8. The business case for the global private financial sector to address ESG issues has been known for many years and is becoming clearer each year, as evidenced by the strength of the financial sector's engagement in the recent COP21. UNEP FI has been a key player in this space for over two decades and is credited for launching or inspiring many of the key initiatives that have emerged in this community of practice over this period. This evaluation is therefore timely to assess UNEP FI's performance and provide recommendations going forward.

2.1 Structure of the report

9. This is Volume 1 of the Evaluation Team's Draft Final Report and contains our main report, comprising:

- Section 1: Executive Summary
- Section 2: Introduction (including summary of terms of reference, overview of the evaluation team, and the evaluation methodology and work programme including stakeholder engagement)
- Section 3: Project Description (including reconstructed Theory of Change (ToC))
- Section 4: Evaluation Findings (structured in accordance with the six main evaluation criteria specified by UNEP)
- Section 5: Conclusions and Recommendations

10. Volume 2 of the Draft Final Report contains a series of annexes that the reader may wish to refer to in conjunction with Volume 1:

- Annex 1: Stakeholder survey and results
- Annex 2: Three case studies
- Annex 3: Responses to stakeholder comments on the Draft Final Report (intentionally blank at this stage)
- Annex 4: Evaluation Terms of Reference (ToR)
- Annex 5: Evaluation programme and key persons interviewed
- Annex 6: Bibliography
- Annex 7: Summary of financial information
- Annex 8: Brief biographies of the evaluation consultants

2.2 Intended audience

11. UNEP FI is a partnership between UNEP and a membership network of 200+ banks, investment institutions and insurance companies, as well as about 40+ supporting institutions (mostly insurance associations, regulators and stakeholders) overseen by the Global Steering Committee consisting of UNEP senior management and elected representatives of the private sector

membership. This evaluation has been commissioned and overseen by UNEP - in accordance with UNEP's Evaluation Policy and standardized evaluation framework. Whilst considerable effort has been made to involve UNEP FI's GSC and members in the design and performance of the evaluation, it is nevertheless noted that an equivalent evaluation by and on behalf of UNEP FI's private sector membership might not necessarily have focused on the same range of issues and criteria or have used the same methodology.

12. This Final Report – and in particular, its conclusions and recommendations – are therefore addressed primarily to UNEP senior management and to the UNEP staff who manage and make up the Initiative's Secretariat. However, the report is obviously also relevant to the GSC and UNEP FI's private sector membership at large.

2.3 Terms of Reference

13. The UNEP mandate for conducting, coordinating, and overseeing the evaluation functions are vested in the Evaluation Office as described in the UNEP Evaluation Policy. This mandate covers all programmes and projects of the Environment Fund, related trust funds, earmarked contributions, and projects implemented by UNEP under the Global Environment Facility (GEF). The Office reports directly to the Executive Director but works independently from the substantive programmatic divisions. The UNEP Evaluation Policy and procedures are available from the Evaluation Office's webpage.

14. The Evaluation Office prepared a very detailed and thoughtful TOR for this evaluation exercise. The UNEP FI Secretariat, UNEP senior staff and the UNEP FI membership were asked to comment on the TOR and comments incorporated. The Evaluation Office ran an open transparent and independent evaluation exercise.

15. This evaluation assesses the performance of UNEP FI (in terms of relevance, effectiveness, efficiency, and sustainability) and outcomes and impact (actual and potential) stemming from the Initiative and its projects, including the sustainability of these results. The criteria and ratings framework for this analysis are presented in Section 4 and a detailed explanation was provided in the evaluation TOR (Annex 4).

16. This evaluation of UNEP FI, the first independent evaluation since its inception, was commissioned to assess performance and inform the redesign and extension of UNEP FI. The analysis generated lessons of operational relevance for future project formulation and implementation as UNEP FI plans its work for the biennium 2016-2017. The evaluation also paid particular attention to the issue of the structure and organization of UNEP FI. Lessons, recommendations, and options on the role of UNEP FI within the wider framework of the UNEP finance-related initiatives are also provided to help inform Senior Management thinking on the way forward.

17. The TOR posed seven key questions for the Evaluation Team to address when formulating lessons and recommendations to help inform Senior Management thinking on the role of UNEP FI within the framework of the UNEP finance-related initiatives:

- 1) To what extent is UNEP FI being successful in providing support to individual finance institutions to raise awareness and capacity to adopt strategies and frameworks to manage environmental, social and governance (ESG) risks, with the objective of minimising their unsustainable impacts and developing greater positive impacts?
- 2) To what extent is the UNEP FI promoting sustainable finance at the sectoral level and developing a sustainable financial system in cooperation with the private sector? To what extent are existing initiatives being implemented by the private sector as a result of UNEP FI's work?
- 3) To what extent is UNEP FI successfully ensuring that the voice and expertise of financial institutions are taken into account in green economy policy developments?
- 4) To what extent are the UNEP FI objectives relevant and strategic considering the current landscape of initiatives in sustainable finance?
- 5) According to the UNEP Medium Term Strategy 2014-2017, partnerships are a corner stone of the delivery mechanisms to be adopted by UNEP. To what extent is UNEP FI successful in working in partnership with other on-going initiatives (especially considering the current landscape and its increased complexity due growing numbers of actors and initiatives) and to what extent it is successfully working in partnership with relevant internal stakeholders, including the UNEP Inquiry?
- 6) To what extent is the current operational framework effective in supporting the delivery of UNEP FI's objectives?
- 7) Based on evidence emerging from the evaluation of UNEP FI together with available information on the UNEP Inquiry, to what extent should UNEP strengthen its engagement with the sustainable finance sector and, if so, what would be the options to consolidate and strengthen the existing work?

18. Our responses to these questions are included in *Section 5: Conclusions and Recommendations*.

2.4 Team and coordination

19. The UNEP Evaluation Office teamed up two consultants to undertake the evaluation under the overall management of the Evaluation Officer in charge of this assignment, Elisa Calcaterra. Arthur Dennis Long is a professional evaluator with an extensive experience in sustainable development, development finance and environmental finance. Dan Sidy is a sustainable finance expert with extensive experience in ESG issues in the banking, investment and insurance sectors. The two consultants' individual ToRs are reproduced in Annex 4 and short biographies are provided in Annex 9.

20. Coordination with the UNEP FI Secretariat was conducted primarily through the Acting Director (Eric Usher) and his Deputy (Yuki Yasui). The team also had direct access to other members of the Secretariat team as and when appropriate. The Secretariat team kindly created an online data room with extensive information relevant to the evaluation and were responsive to the consultant's additional data requests. The evaluation team wishes to note its appreciation for the level of cooperation and assistance provided by the UNEP FI team.

21. The Evaluation Office established an Evaluation Reference Group (ERG) to provide strategic direction to the evaluation, and to secure the credibility and legitimacy of the evaluation process across the range of evaluation stakeholders. The Evaluation Team appreciated the feedback, information, and guidance provided by the ERG members. The ERG consisted of:

- David Pitt-Watson and Denise Hills, Co-chairs of the UNEP FI GSC
- Andreas Spiegel, Co-chair of the UNEP FI's Principles for Sustainable Insurance Board
- Dirk Wagener, Sub-programme coordinator (SPC) for Resource Efficiency
- Niklas Hagelberg, SPC for Ecosystem Management, UNEP
- Steven Stone, Chief, Economics and Trade Branch, UNEP
- Michele Candotti, Chief, Executive Office, UNEP
- Simon Zadek, Co-Director, UNEP Inquiry
- Ligia Norhona, DTIE Division Director, UNEP.

2.5 Evaluation framework

Evaluability assessment

22. During the Inception Phase an assessment of evaluability was undertaken. It covered completeness of the data, information gaps, and options for providing a counterfactual. It also addressed the limitations of this evaluation exercise.

Completeness of documentation set/information gaps

23. A key deliverable undertaken during the Inception Phase was an initial screening of the project documentation. The UNEP FI project is documented, both in the project design stage, and during implementation – the various initiatives have developed and published numerous reports. However, the project documentation does not reflect all that UNEP FI is undertaking, and higher-level outcomes lack SMART indicators.

24. Many of the activities undertaken by UNEP FI result in published reports. These reports have been provided to the Evaluation Team in an extensive on-line data room and/or are available on-line. UNEP FI also provides extensive training. Both the training materials and student exit evaluations were included in the data room. The UNEP Evaluation Office and UNEP FI gave the Evaluation Team full access to staff, reports, etc. Senior UNEP staff also made themselves available for interviews.

25. The Evaluation Team prepared a Reconstructed ToC. UNEP FI lacked a documented ToC, but it was implicit in all the work being undertaken. This Reconstructed ToC was used as the basis for the evaluation exercise, looking backwards. It is not intended as a forward-looking ToC.

26. This evaluation constituted the first formal evaluation of UNEP FI under UNEP's Evaluation Policy. However, internal management reviews incorporating elements of self-evaluation have been undertaken on a number of occasions over UNEP FI's long history. Most recently, a strategy review was completed in 2012 by a consultant, Paul Hohnen; and Charles Anderson (former Head of UNEP FI) also completed a strategy review/assessment in 2014. The Evaluation Team has taken both documents into account, together with a complete set of GSC and AGM meeting minutes from January 2010 – July 2015.

Counterfactual

27. This Evaluation does not meet the conditions required for a true counterfactual comparison, as it is difficult to answer the question: ‘what would have happened without this intervention?’ UNEP FI seeks to have global impacts on the financial sector over an extended time period (20+ years). Global understanding of climate change and approaches to sustainable development have changed substantially since the project was established following Rio 1992. Even in the last five years, covering the period of this evaluation, there have been significant global shifts in both awareness and action.

28. It is clear that within the financial sector, UNEP FI has made a substantial contribution, resulting in new initiatives such as the Principles for Responsible Investment (PRI), the Principles for Sustainable Insurance (PSI), etc. Without UNEP FI, perhaps slightly different structures may have emerged, yet UNEP deserves credit for what has been created.

Limitations

29. This evaluation was primarily undertaken as a desk study, with support from the UNEP FI Team and access to the membership and senior UNEP staff. It included a survey of the membership, UNEP FI staff, and UNEP staff. The sustainable development impact, if it is to be achieved, happens at the level of individual financial institutions (banks, investment companies, and insurance companies) in their countries of operation and through their portfolios. Budget restrictions did not allow for country or client visits, nor did it allow for detailed discussions with interested financial sector regulators.

30. As discussed in *Section 4: Evaluation Findings*, the Evaluation Team finds that UNEP FI lacks an effective Monitoring and Evaluation (M&E) system to get at outcomes and impact. The lack of data on, for example, climate change impact as a result of UNEP FIs work is a limitation to this evaluation. The ToC points to the need for greater “accountability,” thus supports our recommendation on how best to evaluate the changed performance of UNEP FI’s membership.

31. To partly address the limitations indicated above, the Evaluation Team completed three case studies (Annex 2), described in further detail below. While not able to look at all activities in detail, the three case studies provided some greater degree of depth.

2.6 Methodology and information sources

32. The evaluation methodology utilized triangulation of key findings to derive a set of common understandings, based on the following tasks and inputs:

- A desk review of key documents.
- A literature review of supporting documentation and understanding of what has and can be accomplished.
- Semi-structured interviews with key stakeholders including a field mission to the Geneva headquarters of the UNEP FI Secretariat in October 2015.
- Participation (as observers) in UNEP FI’s AGM in Paris in October 2015.

- A comprehensive survey of UNEP FI members, UNEP FI Secretariat staff, and other UNEP personnel, conducted in January 2016 (see below)
- Preparation of case studies in January-February 2016 (see below).

Case Studies

33. Given the complexity and scale of UNEP FI's work, the backwards-looking component of this evaluation included three illustrative case studies. Each is included as a mini-evaluation (Annexes 2a, 2b & 2c). By focusing in-depth on these three case studies, we were able to look at broader operational, organizational, and strategic questions. Having reviewed several options in consultation with the UNEP FI team and selected stakeholders, the following case studies were selected:

- **Principles for Sustainable Insurance (PSI).** Feedback indicated that the PSI is considered to be a major success of the last five years. Endorsed by the UN Secretary-General, the PSI has been signed by CEOs of leading insurance companies worldwide, as well as by insurance associations, regulators and stakeholders. Thus the PSI Initiative is membership based, and gave us an insight into the work of UNEP FI as a membership organization.
- **The Fiduciary Duty work stream.** This work provided a long-term perspective as it tracked the evolution of UNEP FI's work to the initial 2005 Freshfields Report. It also raised questions of UNEP FI's mandate and role with respect to environmental governance and legal and regulatory reform, and the nexus between the private sector and the regulator.
- **Natural Capital Declaration** and the supporting project (UNEP PIMS ID 33-P13). This case study provided a stand-alone review of one of the two dedicated UNEP FI projects (33-P13), thus giving a look at the relevance, effectiveness etc. of the UNEP project structure within UNEP FI.

Stakeholder survey

34. As part of this evaluation exercise, the team conducted an on-line survey, separately of the membership, UNEP FI Secretariat, and UNEP staff. The survey and its compiled results are presented in Annex 1 and are summarised in Section 3.9. The survey was not intended to be a statistically valid sample (due to sample size); rather the results should be treated as "indicative".

2.7 Timetable, key tasks and interim deliverables

35. The consultants were issued with contracts in early September 2015. Field missions to the UNEP FI's Geneva headquarters and to UNEP FI's AGM in Paris took place in early-mid October. The consultant's Inception Report was submitted in draft form on October 13 and was finalized on November 18 after review and discussion with all parties (including the ERG).

36. November 2015 also saw a change to the consultants' ToR. The evaluation exercise initially made specific reference to the UNEP Inquiry into the Design of a Sustainable Financial System (the UNEP Inquiry) - at the time a time bound initiative intended to end in 2015 - with a view of considering the extent to which the results of the Inquiry could be relevant to the work of UNEP FI going forward. In November 2015, mid-way through the evaluation, the UNEP Inquiry was extended

for two years to the end of 2017. The Evaluation TOR was therefore modified to look instead at how UNEP FI contributes to UNEP's work in the global financial sector in an institutional setting that also includes the UNEP Inquiry.

37. In accordance with the ToR, the consultants submitted a Preliminary Findings and Recommendations Note on December 15, 2015. Extensive and valuable feedback was received from the UNEP FI Secretariat and the ERG. This feedback and the evaluation team's response thereto was documented in a further note circulated to all parties on February 2, 2016.

38. The stakeholder survey was undertaken over the period January 14-31, 2016. The results were shared with the UNEP FI Secretariat in "raw" form immediately after the survey closed, and were then compiled into the report provided in Annex 1, which was circulated to the UNEP FI Secretariat and ERG on February 11.

39. At the UNEP FI Secretariat's request, the evaluation team made a short preliminary presentation to the full Secretariat team during their team retreat on February 18.

40. The Draft Final Report was submitted to the Evaluation Office for final editorial checks on March 17, 2016 and was then distributed on April 8, 2016 to the UNEP FI Secretariat for review. Comments were provided by April 18. The updated draft report was then circulated to the ERG and UNEP Senior Management for further review and comment. The report was finalized on June 8, 2016.

3. Project Description

3.1 History of UNEP FI

41. UNEP FI was established in 1992 following the Earth Summit in Rio. It was and remains a highly innovative initiative. UNEP sought to engage the private sector, and in particular the global financial sector, in support of sustainable development. The financial sector was seen as neutral to environmental issues, yet made decisions that collectively led to significant environmental impacts. While UNEP is primarily focused on the role of governments, UNEP FI was explicitly set up to engage the private financial sector. Today there are additional models (e.g. Equator Principles), and project environmental screening is standard (e.g. the International Finance Corporation's (IFC) and the European Bank for Reconstruction and Development's (EBRD) performance standards), but in 1992 this was not the case.

42. Today UNEP FI finds itself in the company of several other bilateral and multilateral projects and initiatives occupying the same or similar space; although, no other program has the same mandate of UNEP FI. While managed by the UNEP, UNEP FI has a strong membership base and partnerships with other organizations. UNEP FI's activities and membership are not limited to a development focus. UNEP FI can, for example, impact large multinational banks that assume the UNEP FI core principles across their operations, including for example their activities in Europe, North America, and Japan. The challenge for UNEP FI going forward is to maintain, or redefine its role in an increasingly crowded space.

43. UNEP FI is managed by a Secretariat based in Geneva, out of the UNEP Economics and Trade Branch, within the Division of Technology, Industry, and Economics (DTIE). The Secretariat supports the work of the three UNEP FI commissions (Banking, Insurance and Investment), leads the work of the three thematic areas (Climate Change, Ecosystem Management, and Social Issues), and contributes to the five regional Task Forces.

44. The Evaluation Team observes that UNEP FI is implicitly involved in a fourth UNEP thematic theme – Environmental Governance. Governance - through engagement with Governments and providing advice on legal and regulatory reform – is an integral part of the work of all three UNEP FI Commissions, yet not currently spelled out as a separate thematic working area.

45. Concurrent to this evaluation exercise and partly as a result of lessons from the evaluation, the UNEP FI Secretariat and the GSC have reviewed the governance structure of UNEP FI and approved a new governance structure⁵ (Figure 1). This builds on and streamlines the prior structure (see TOR Annex 4). UNEP FI is accountable to its membership via its AGM and governed by its Global Steering Committee (GSC). In the new proposed structure, the three industry commissions will be

⁵ The GSC approved the new structure on February 26th, 2016. Final adoption will be voted on by the membership at an Extraordinary General Meeting scheduled for early May.

renamed as industry committees and will now include regional and thematic focal points that separately meet in cross-cutting Regional Committees and Thematic Advisory Boards.

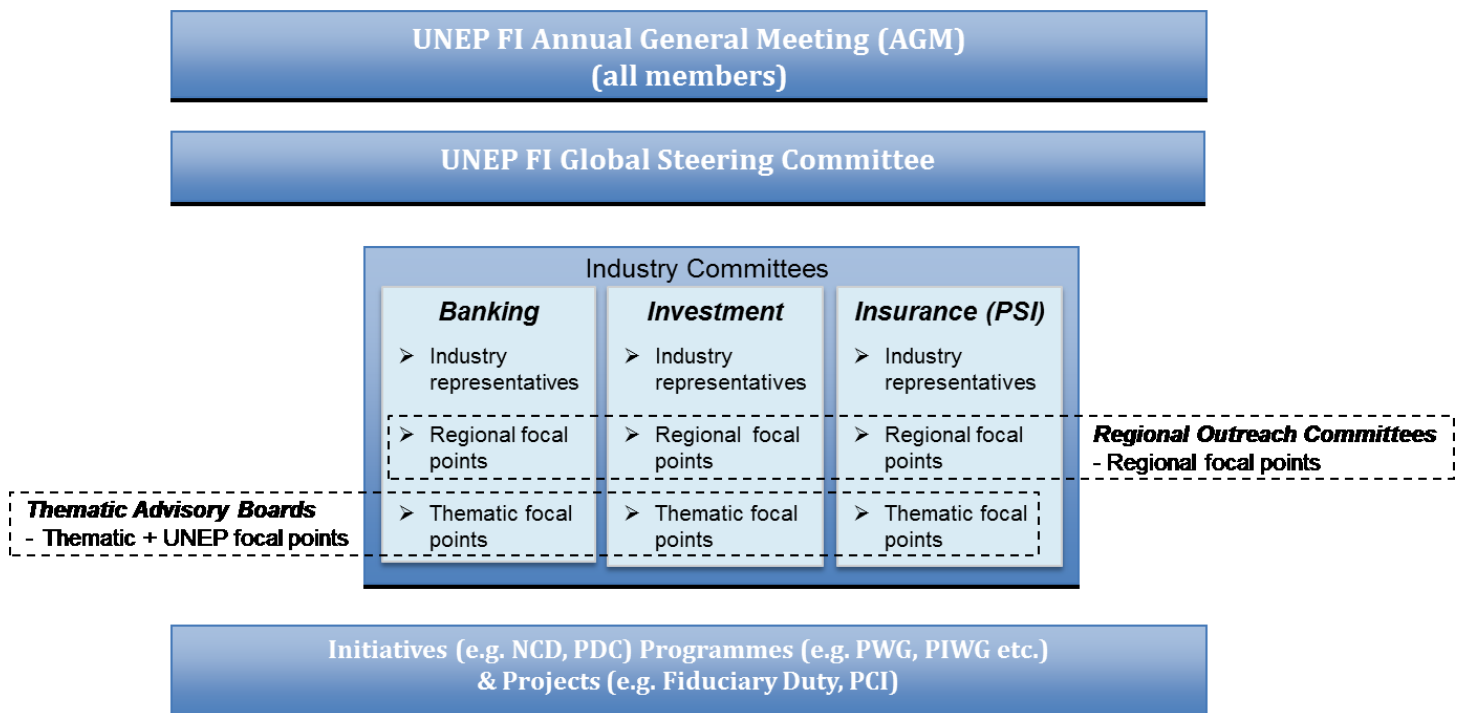


Figure 1: UNEP FI Newly Proposed Organizational Framework

46. Understanding how the three industry committees, the thematic advisory boards, and regional outreach committees interact is critical to understanding the success of the UNEP FI model. The thematic boards parallel strategic areas within UNEP and will include UNEP experts. What UNEP FI brings to the UNEP equation is the focus on the financial sector via the three Industry Committees.

47. UNEP FI also has dedicated coordinators for each UNEP Regional Outreach Committee, and a few additional staff dedicated to specific areas of importance (e.g., energy efficiency).

48. The survey indicates that there are some differences in how various stakeholder groups see and understand UNEP FI (Figure 2). In answer to the question below, the staff of UNEP FI appear to have a broader definition of the “partnership” than is understood by either the members or other UNEP staff. This and other aspects of the relationship between the membership, UNEP (and its various other programmes and projects), and UNEP FI are discussed further in the evaluation section.

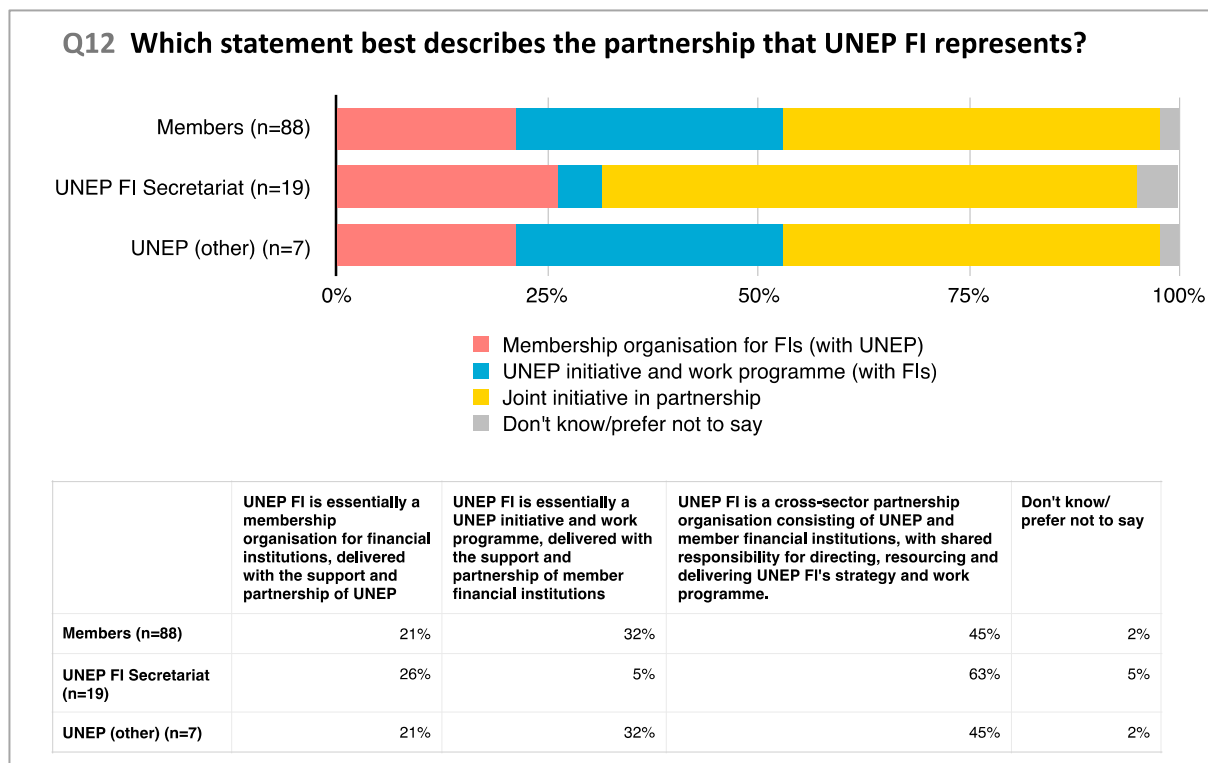


Figure 2: Survey question on understanding the meaning of the “partnership”

3.2 Theory of Change

49. The following mission statement⁶ summarizes UNEP FI’s function:

“UNEP FI’s mission is to bring about systemic change in finance to support a sustainable world, and is highlighted in its motto, Changing finance, financing change”.

50. Based on this mission statement and UNEP FI’s project design and structure, a reconstructed ToC is presented in Figure 3. While UNEP FI has been operational for 20+ years, no ToC existed prior to this evaluation exercise.

51. The Theory of Change underpinning UNEP FI over the period subject to evaluation (2010-15) has been reconstructed based on a number of sources and inputs, including:

- The UNEP FI Statement of Commitment
- UNEP Project Documents and PRC reports for each of the four PIMS ID projects
- Strategy and work program papers, project summaries and overview presentations prepared by UNEP FI Commissions and the UNEP FI Secretariat

⁶ www.unepfi.org/about/

- Discussion with the UNEP FI Secretariat including access to the team’s work in progress on an updated Theory of Change to support the 2016-17 planning process.

52. This is a backward looking ToC. One designed for the future would likely to be different. A comment received was that this ToC lacks intermediate outcomes. We agree with this observation. However, the figure is already necessarily complex and our objective is to present a simple yet comprehensive overview. There is direct linkage to portions of the UNEP PoW via the three thematic Advisory Groups, which parallel UNEP’s internal structure, and indirect linkage via many of the activities within the three Commissions (see Section 4.1 and Table 5).

53. The Evaluation Team argues that it is important to highlight “Accountability” as an intermediate outcome in the reconstructed Theory of Change, even though the information available suggests that UNEP FI has not directly addressed this aspect in its change management model or operational activities over the period subject to evaluation. Inclusion of “Accountability” is merited for three reasons:

- Accountability is explicit in the UNEP FI’s Statement of Commitment, the achievement of which can reasonably be viewed as relevant to UNEP FI’s *raison d’être*.
- Accountability is arguably an essential lever in sector-wide voluntary initiatives that seek to make a transformational impact on sustainable finance practice (as exemplified by the emphasis placed on the accountability dimension by the PRI, the PSI and the Equator Principles, amongst others).
- Accountability at the level of individual financial institutions provides essential data when aggregated for the purpose of monitoring progress and reviewing priorities at sector level, which in turn has important implications for (i) UNEP FI’s capacity for self-evaluation and well-informed planning, and (ii) UNEP’s capacity to provide context and evidence when engaging with policy makers and regulators on the hypothesis that voluntary action is not sufficient.

54. The factors that drive the outcomes, impacts, and goals of sustainable finance are many and complex (as evidenced by the need for the UNEP Inquiry, for example); are already well documented within UNEP FI, UNEP, and elsewhere; and enjoy a relatively high level of consensus. We have avoided reproducing them in detail in the reconstructed ToC; as to do so would create additional complexity without much value added.

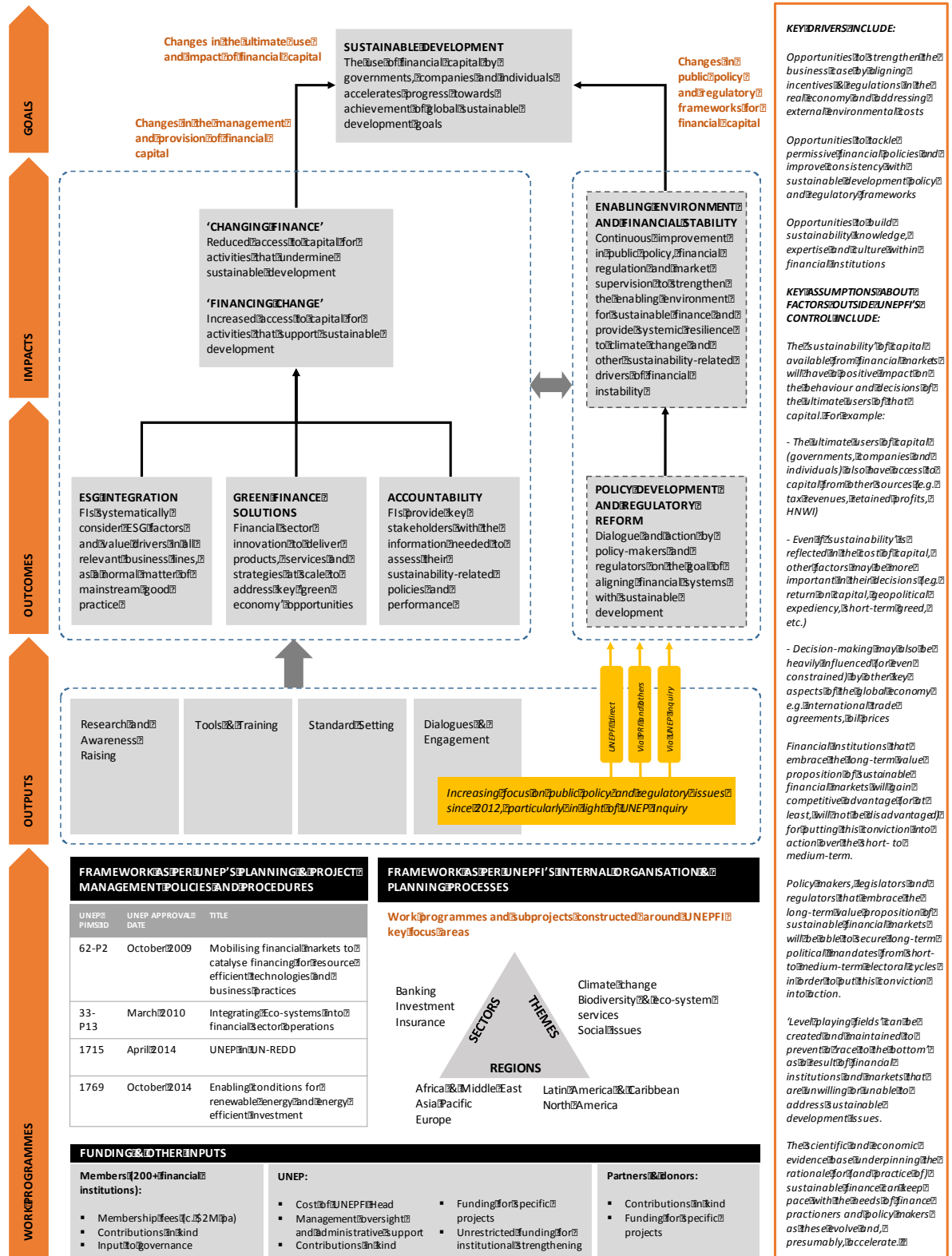


Figure 3: UNEP FI - Reconstructed Theory of Change

3.3 Target areas/groups

Membership

55. UNEP FI currently has 215 members and 41 supporting institutions (including PSI signatories and supporters), listed in Table 1 overleaf (source: UNEP FI web site). Figure 4 illustrates the geographical and sectoral breakdown of UNEP FI members (excluding supporting institutions).

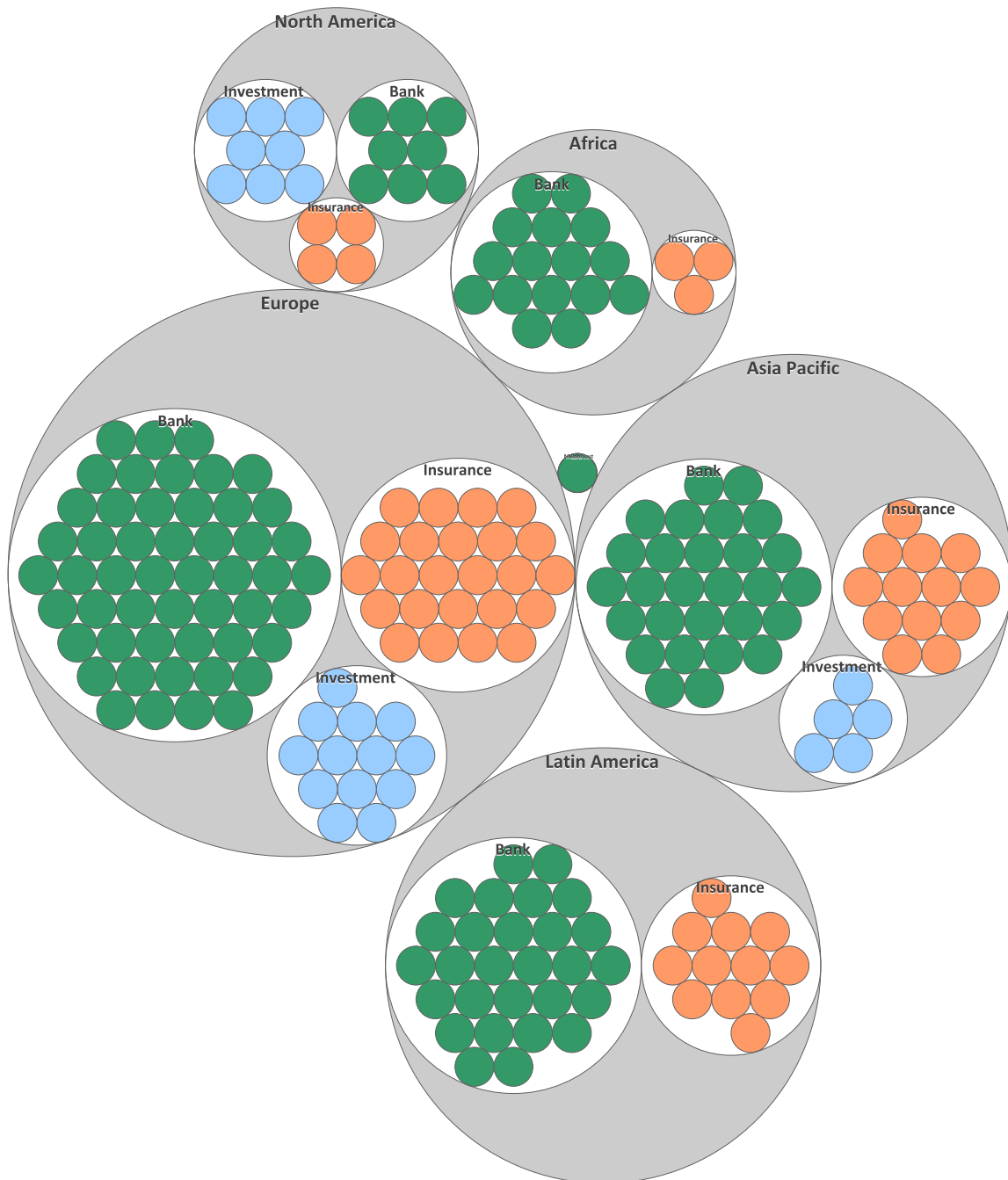


Figure 4: UNEP FI's membership distribution by sector and region

Table 1: UNEP FI members and supporting institutions list as of March 2016**UNEP FI members**

ABN AMRO BANK N.V.	Calvert Investments	ILFS	Santam Limited
Access Bank Plc.	China Development Bank	ING	SCOR SE Scotiabank (Bank of Nova Scotia)
Achmea	China Merchants Bank CO.,LTD	Insurance Australia Group	Seguradora Lider DPVAT
AEGON N.V.	CIBanco S.A.	* Amgeneral Insurance Berhad	Sekerbank
* MONGERAL AEGON	Citigroup	Interamerican Hellenic Life	Shinhan Bank
African Risk Capacity Insurance Company Limited	* Grupo Financiero Banamex	Insurance Company SA	Skandinaviska Enskilda Banken (SEB)
AGF Investments Inc.	ClearBridge Investments, Legg Mason	Intesa Sanpaolo	Skye Bank PLC
Aioi Nissay Dowa Insurance	Commercial Bank of Africa	JPMorgan Chase & Co.	Société Générale
Allianz SE	Commonwealth Bank of Australia	KCB	Sompo Japan Nipponkoa Insurance Inc.
Alpha Bank	Concordia oeco	KEB Hana Bank	Standard Bank Group
Amundi Asset Management	Lebensversicherungs-AG	KfW Bankengruppe	Standard Chartered plc
Aquila Holding GmbH	CONTINENTAL REINSURANCE	La Banque Postale	State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"
* KlimainVEST Management	Corporación Andina de Fomento (CAF)	Land and Agricultural Development Bank of South Africa	State Street Corporation
Argonaut Services GmbH	Corporacion Financiera de Desarrollo S.A.	Land Bank of the Philippines	Storebrand
ASN Bank	Corporacion Financiera Nacional	Landeskreditbank Baden-Württemberg - Foderbank - (L-bank)	Sudameris Bank S.A.E.C.A.
ASR Nederland N.V.	Crédit Andorrà	Landsbankinn (NBI hf.)	SulAmérica
ATLANTICLUX S.A.	Credit Suisse	Lend Lease Investment Management Pte. Ltd	Sumitomo Mitsui Financial Group, Inc.
Australia & New Zealand Banking Group Limited (ANZ)	HBOR	Liberty Seguros S/A	Sumitomo Mitsui Trust Holdings, Inc.
Australian Ethical Investment Limited	Custodian and Allied plc	Lloyd's	Sun Life Financial Inc.
Aviva plc	Danske Bank A/S	Manulife Financial	Suramericana SA
AXA - Group	Delta Lloyd	MAPFRE S.A	Svenska Handelsbanken
Banca Commerciala Romana	Desjardins Group	* Grupo Segurador Banco do Brasil e Mapfre	Swedbank AB
Banco Bradesco S.A.	Deutsche Bank AG	Mirova (Natixis Asset Management)	Swiss Reinsurance Company TAL
Banco Continental S.A.E.C.A.	Development Bank of Japan	Mitsubishi UFJ Financial Group	TD Insurance
Banco CorpBanca Colombia	Development Bank of the Philippines	Mitsui Sumitomo Insurance	TEMPORIS CAPITAL LLP
Banco de Desarrollo de El Salvador (Bandesal)	DGB Financial Group	Mizuho Financial Group, Inc.	Terra Brasis Resseguros S.A.
Banco de Galicia y Buenos Aires SA	DNB	MOZA BANCO SA	The Co-operators Group
Banco de la Republica Oriental del Uruguay	Earth Capital Partners LLP	Munich Reinsurance Company	The Export-Import Bank of Korea
Banco de las Microfinanzas - Bancamia S.A.	Ecobank Transnational Inc	Mutualista Pichincha	The Link REIT
Banco del Estado	Edmond de Rothschild (Suisse)	National Australia Bank	The Shiga Bank, Ltd.
Banco General, S.A.	EUROBANK ERGASIAS SA	National Reinsurance Corporation of the Philippines	ThomasLloyd Group Ltd
Banco Itaú Holding Financeira	* Eurobank Bulgaria AD	Nedbank Ltd	TISCO Financial Group Public Company Limited
Banco Nacional de Comercio Exterior S.N.C. - Bancomext BNDE)	* Eurobank EFG ad Beograd	Netherlands Development Finance Company (FMO)	Tokio Marine & Nichido Fire Insurance Co., Ltd.
Banco Pichincha C.A.	EBRD	NN Group N.V.	Toronto Dominion Bank
Banco Santander S.A.	FATUM Schadeverzekering	NORD/LB Norddeutsche Landesbank	Trillium Asset Management LLC
Bancoldex S.A.- Banco de Comercio Exterior y Desarrollo Empresarial	Fidelity Bank plc	Nordea AB	Triodos Bank NV
Bancolumbia SA	Findeter	Northern Trust Corporation	Türkiye Sinai Kalkinma Bankasi (TSKB)
BANCOMPARTIR SA	FirstRand Group Limited	NRW BANK	UBS AG
Bangkok Insurance Public Company Ltd	Fundacion Social	Pax World Management Corp.	UmweltBank AG
Bank bjb	Garanti Bank	Peak Reinsurance Company	UniCredit
Bank Muscat (SOAG)	Generalx Group - Assicurazioni Generali S.p.A.	Ping An Bank	VicSuper Pty Ltd
Bank of America	Global Bank Corporation	Piraeus Bank S.A	Visión banco SAECA
Bank of Montreal	GOLOMT BANK	Porto Seguro S.A.	WEMA BANK PLC
Bank of Taizhou Ltd	Grupo Financiero Banorte.	PT Bank Negara Indonesia (Persero) Tbk	Westpac Banking Corporation
Barclays Group plc	Guaranty Trust Bank plc.	QBE GROUP	XL Group
Bayern LB	Helvetia	Rabobank Netherlands	YES BANK Limited
BBVA Group	Henderson Global Investors	* Robeco Asset Management	Zenith Bank plc
BMCE Bank	Hermes Investment Management	Raiffeisen Zentralbank Austria	Zwitzerleven (SRLEV)
BNP Paribas	HSBC Holdings plc	Risk Management Solutions	Zürcher Kantonalbank
BRASILCAP CAPITALIZAÇÃO S.A	* HSBC Holdings Insurance plc.	Royal Bank of Canada	
Caisse des Dépôts	HSH Nordbank AG	Royal Bank of Scotland Group	
Caixa Geral de Depositos SA	Hyundai Marine and Fire Insurance Co. Ltd.	RSA Insurance Group plc.	
Caixa Seguradora SA	IDLC Finance Limited	Samsung Fire & Marine Insurance	
	ICBC		
	Industrial Bank Co. Ltd		
	Industrial Development Corporation (IDC)		
	Inflexion Point Capital Management		

UNEP FI supporting institutions

Association of Insurers & Reinsurers of Developing Countries (Philippines)	Global Organizational Learning & Development Network for Sustainability (Belgium)	International Insurance Society (United States)	University of Technology, Sydney (UTS) Business School (Australia)
Brazilian Insurance Confederation (CNseg) (Brazil)	Insurance Association of the Caribbean (Barbados)	Italian Banking, Insurance & Finance Federation (FEBAF) (Italy)	University of Westminster (United Kingdom)
Brazilian Superintendence of Private Insurance (SUSEP) (Brazil)	Insurance Commission of the Philippines (Philippines)	Italian Forum for Sustainable Finance (FFS) (Italy)	Washington State Office of the Insurance Commissioner (United States)
Cadre d'Actions et de Recherche pour la Démocratisation de l'Assurance (Association CAREDAS) (Senegal)	Insurance Council of Australia (Australia)	Mexican Association of Insurance Institutions (AMIS) (Mexico)	
California Department of Insurance (United States)	Insurance Council of New Zealand (New Zealand)	Multilateral Investment Guarantee Agency (United States)	
Ceres (United States)	Insurance Institute for Asia & the Pacific (Philippines)	National Committee on International Cooperation & Sustainable Development (Netherlands)	
Climate Bonds Initiative (United Kingdom)	Insurance Institute of India (India)	Philippine Insurers & Reinsurers Association (Philippines)	
ClimateWise (United Kingdom)	Interamerican Federation of Insurance Companies (FIDES) (Peru)	Philippine Life Insurance Association (Philippines)	
Dutch Association of Insurers (Netherlands)	International Actuarial Association (Canada)	South African Insurance Association (South Africa)	
Earth Security Group (United Kingdom)	International Cooperative & Mutual Insurance Federation (United Kingdom)	Temple University Fox School of Business (United States)	
Environment & Security Initiative (Switzerland)	International Finance Corporation (United States)	The Nature Conservancy (United States)	
Federation of Colombian Insurers (Fasecolda) (Colombia)	International Institute for Sustainable Development (Canada)	University of Cape Town, Centre of Criminology (South Africa)	
Finance Norway (Norway)			
Financial Services Council of New Zealand (New Zealand)			

Stakeholder analysis

56. UNEP FI's mission positions it at the centre of a complex web of actors and relationships in which the Initiative seeks to bring about change (Figure 5). Historically, UNEP FI's focus has been to encourage financial institutions to take ESG issues (or "sustainable development issues" into account in their relationships and dealings with customers. To achieve this, UNEP FI has facilitated and helped to shape interactions between financial institutions and a wide range of stakeholders including: UNEP (and the wider UN system) and other leading actors in the field of sustainable development science and policy; with selected service providers in the financial industry; with policy-makers and regulators responsible for environmental and social issues; and with policy-makers and regulators responsible for financial markets.

57. There is a growing focus within UNEP FI (and UNEP as a whole, partly as a result of the UNEP Inquiry) on the need to strengthen linkages with the latter group of stakeholders. The modalities for achieving this are still under consideration but without doubt, market policy makers and regulators are increasingly important stakeholders for (and possibly in) UNEP FI as it looks to the future.

58. At an operational level, key stakeholders in/for UNEP FI include its members; other parts of UNEP; other UN organisations; and other external project partners and peer group initiatives of various types. Some of these stakeholders can be classed as "enablers" of UNEP FI by virtue of providing (a) funding and/or contributions in-kind (b) sharing knowledge capital and/or influence and convening power. Some stakeholders can be classed as "beneficiaries" or the target audience of UNEP FI (whether directly or indirectly) because they are part of the financial system that is the focus of UNEP FI's Theory of Change.

59. Some stakeholders (particularly UNEP FI's members) can be regarded as both "enablers" and "beneficiaries". Because of this, it is important to differentiate between (a) their motivations, expectations and effectiveness as "enablers" of UNEP FI's mission, and (b) the extent to which UNEP FI has been successful in helping them (as "beneficiaries") to internalise and operationalize the concepts and practices that the Initiative seeks to promote.

60. When considering "financial institutions" as stakeholders in/for UNEP FI, it is also important to bear in mind that UNEP FI's membership (approximately 215 financial institutions plus a number of supporting institutions) is a small (albeit significant and influential) sub-set of the global financial industry. UNEP FI's impact and achievements in the financial sector are rated in terms of (a) results evident within the membership base, and (b) results evident in the wider marketplace. Moreover, UNEP FI's membership is not a homogenous stakeholder group; rather there is a diversity of views, insights, and practices.

61. To assess the "reach" of UNEP FI, the Evaluation Team looked at the largest 50 banks in the world and compared this with UNEP FI membership data (see Table 2). Twenty-nine are UNEP FI members, indicating that UNEP FI is indeed working with the major players in the banking sector. In the insurance industry, the PSI has been adopted by nearly 100 insurance and stakeholder organisations worldwide, including insurance companies representing more than 20% of world premium volume and USD 14 trillion in assets under management. This makes the PSI the largest collaborative initiative between the UN and the insurance industry.

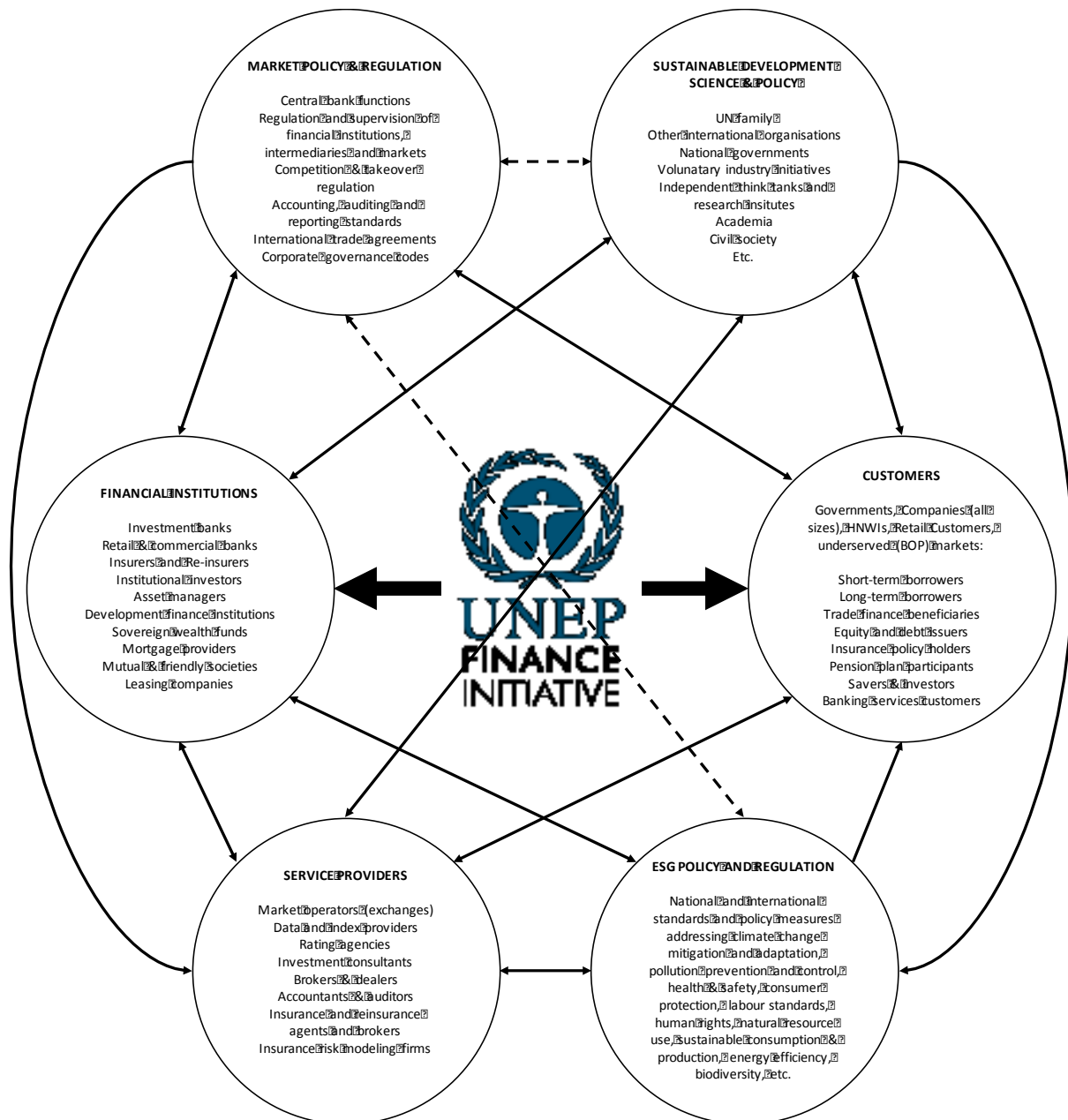


Figure 5: Overview of UNEP FI’s principal stakeholder community

Table 2: UNEP FI's footprint on the world's 50 largest banks

Current rank	Bank	Country	Assets US\$m	UNEP FI membership
1	Industrial & Commercial Bank of China Limited, China	China	3,320,865	
2	China Construction Bank Corporation, China	China	2,697,968	
3	Agricultural Bank of China Limited, China	China	2,573,902	
4	BNP Paribas SA, France	France	2,513,621	UNEP FI member
5	Bank of China Limited, China	China	2,457,443	
6	Barclays Bank PLC, UK	UK	2,115,448	UNEP FI member
7	JPMorgan Chase Bank National Association, USA	USA	2,074,952	UNEP FI member
8	Deutsche Bank AG, Germany	Germany	2,067,146	UNEP FI member
9	Japan Post Bank Co Ltd., Japan	Japan	1,961,701	
10	Crédit Agricole SA, France	France	1,922,424	
11	China Development Bank Corporation, China	China	1,662,266	UNEP FI member
12	The Royal Bank of Scotland plc, UK	UK	1,628,176	UNEP FI member
13	The Bank of Tokyo-Mitsubishi UFJ Ltd, Japan	Japan	1,622,205	
14	Société Générale, France	France	1,582,591	UNEP FI member
15	Bank of America NA, USA	USA	1,574,093	UNEP FI member
16	Wells Fargo Bank NA, USA	USA	1,532,784	
17	Banco Santander SA, Spain	Spain	1,531,933	UNEP FI member
18	Sumitomo Mitsui Banking Corporation, Japan	Japan	1,509,437	UNEP FI member
19	BPCE, France	France	1,479,915	
20	Mizuho Bank Ltd , Japan	Japan	1,437,609	UNEP FI member
21	Citibank NA, USA	USA	1,356,781	UNEP FI member
22	Lloyds TSB Bank Plc, UK	UK	1,349,818	
23	HSBC Bank plc, UK	UK	1,242,077	UNEP FI member
24	UBS AG, Switzerland	Switzerland	1,068,310	UNEP FI member
25	UniCredit SpA, Italy	Italy	1,021,313	UNEP FI member
26	Bank of Communications Co Ltd, China	China	1,010,006	
27	ING Bank NV, Netherlands	Netherlands	1,002,422	UNEP FI member
28	Postal Savings Bank of China Co Ltd, China	China	920,682	
29	Credit Suisse AG, Switzerland	Switzerland	909,945	UNEP FI member
30	The Hongkong and Shanghai Banking Corporation Limited, Hong Kong	Hong Kong	886,864	UNEP FI member
31	The Toronto-Dominion Bank, Canada	Canada	839,621	UNEP FI member
32	Royal Bank of Canada, Canada	Canada	835,896	UNEP FI member
33	Rabobank Nederland, Netherlands	Netherlands	823,961	UNEP FI member
34	Nordea Bank AB (publ), Sweden	Sweden	809,753	UNEP FI member
35	The Norinchukin Bank, Japan	Japan	805,396	
36	Intesa Sanpaolo SpA, Italy	Italy	782,031	UNEP FI member
37	Crédit Agricole Corporate and Investment Bank, France	France	779,212	
38	National Australia Bank Ltd, Australia	Australia	772,589	UNEP FI member
39	Banco Bilbao Vizcaya Argentaria SA, Spain	Spain	764,508	
40	China Merchants Bank Co Ltd, China	China	762,436	UNEP FI member
41	Commonwealth Bank of Australia, Australia	Australia	746,370	UNEP FI member
42	Standard Chartered PLC, UK	UK	725,914	UNEP FI member
43	The Bank of Nova Scotia, Canada	Canada	716,020	
44	Natixis, France	France	714,280	
45	Industrial Bank Co Ltd, China	China	710,000	UNEP FI member
46	Shanghai Pudong Development Bank Co. Ltd., China	China	676,086	
47	Australia and New Zealand Banking Group Limited, Australia	Australia	675,319	UNEP FI member
48	Commerzbank AG, Germany	Germany	674,581	
49	Westpac Banking Corporation, Australia	Australia	674,225	UNEP FI member
50	China Citi Bank Corporation Ltd. (CNCB), China	China	666,884	

Source: www.accuity.com (data as 24 June 2015)

3.4 Milestones/key dates in project design and implementation

62. Table 3 shows key UNEP FI milestones to date. It emerges that UNEP FI appears to work towards key events, e.g. Rio +20. Deadlines are a useful way to bring people and organizations together.

Table 3: UNEP FI Key Milestones

Date	Milestone
1991	Development of concept for UNEP FI
May 1992	Launch of <i>UNEP Statement of Commitment by Financial Institutions on Sustainable Development</i>
June 1992	Rio Earth Summit
1992	UNEP FI founded following Rio Earth Summit
1995	Launch of <i>UNEP Statement of Environmental Commitment by the Insurance Industry</i>
1997	Formation of <i>Insurance Industry Initiative (III)</i>
1997	Redrafting and launch of <i>UNEP Statement by Banks on the Environment and Sustainable Development</i> . Banking Initiative renamed the <i>Financial Institutions Initiative (FII)</i> .
1999	UNEP FI starts three working groups: Climate Change Working Group; Asset Management Working Group; and Environmental Management and Reporting Working Group.
2003	At the 2003 Annual General Meeting (Geneva), the UNEP Financial Institutions Initiative (FII) and the UNEP Insurance Industry Initiative (III) agreed to merge, forming one Initiative to be known as the UNEP Finance Initiative.
2004	Publication of the report, <i>“The Materiality of Social, Environmental, and Corporate Governance Issues to Equity Pricing”</i> , by the UNEP FI Asset Management Working Group, the first report of the “Materiality series” that helped lay the research foundation for the development of the Principles for Responsible Investment
2005	Publication of the “Freshfields I” report: <i>“A Legal Framework for the Integration of Environmental, Social and Governance Issues into Institutional Investment”</i> , by Freshfields Bruckhaus Deringer and the UNEP FI Asset Management Working Group, as the centrepiece report of the 2005 UNEP FI Global Roundtable in New York. The report helped lay the legal foundation for the development of the Principles for Responsible Investment
2005	Beginning of UNEP FI’s training programme, starting with in-country workshops on Environmental & Social Risk Management
2006	Principles of Responsible Investment (PRI) endorsed by the UN Secretary-General and launched at the New York Stock Exchange Establishment of the UNEP FI Insurance Working Group focusing on environmental, social and governance risks and opportunities in the context of the insurance business. Publication of the report, <i>“Show Me The Money: Linking Environmental, Social and Governance Issues to Company Value”</i> , by the UNEP FI Asset Management Working Group as the second part of the “Materiality Series” to help build support for the Principles for Responsible Investment Launch of a UNEP FI dedicated work stream on finance and human rights
May 2007	Launch of the agenda-setting global study, <i>“Insuring for Sustainability: Why and How the Leaders are Doing It”</i> by the UNEP FI Insurance Working Group at the Insurance Day Summit in London; part of the research foundation for the development of Principles for Sustainable Insurance
July 2007	Publication of “The Working Capital Report” by UNEP FI and UN Global Compact, a snapshot in time describing how the PRI came about and capturing the views of leading thinkers in the field of

	sustainable finance and responsible investment
Oct. 2007	Launch of the global report, <i>“Demystifying Responsible Investment Performance: A Review of Key Academic and Broker Research on ESG Factors”</i> by the UNEP FI Asset Management Working Group and Mercer, as the centerpiece report of the 2007 UNEP FI Global Roundtable in Melbourne
July 2009	Launch of the “Fiduciary II” report: <i>“Fiduciary Responsibility: Legal and Practical Aspects of Integrating Environmental, Social and Governance Issues into Institutional Investment”</i> , by the UNEP FI Asset Management working Group at the 2009 PRI Annual Event in Melbourne
Oct. 2009	Endorsed by the UNEP Executive Director and His Royal Highness The Prince of Wales, launch of the first-ever global survey of the insurance industry, <i>“The Global State of Sustainable Insurance”</i> , as the centerpiece report of the 2009 UNEP GI Global Roundtable in Cape Town; part of the research foundation for the development of Principles for Sustainable Insurance
2010-11	UN-convened, insurance CEO-led global consultation process to develop Principles for Sustainable Insurance, spanning Africa, Asia, Europe, Latin America & the Caribbean, Middle East & North Africa, North America, and Oceania
May 2010	Announcement of the Carbon Disclosure Project at the World Climate Summit in Mexico
Sep. 2010	Publication of ‘Seeking Liquidity: Integrating Corporate Water Performance into the Core of Financial Services and Capital Markets’ at World Water Week in Stockholm
Oct. 2010	Publication of CEO Briefing: ‘Demystifying Materiality: Hardwiring biodiversity and ecosystem services into finance’.
Nov. 2010	Publication of ‘Financing real transformation? Designing an effective financial mechanism under the Convention’ for COP 16 in Cancun.
Nov. 2010	Approval of Project 62-P2: “Mobilising financial markets to catalyse financing and investment opportunities for resource efficient technologies and business practices ”
Oct. 2011	Publication of the UNEP FI Guide to Banking & Sustainability (1st edition)
April 2012	Approval of Project 33-P13: “Integrating Ecosystems into financial sector operations”
June 2012	Natural Capital Declaration (NCD) launched at Rio+20
June 2012	Principles for Sustainable Insurance (PSI) endorsed by UN Secretary-General and launched at Rio+20 by UNEP Executive Director and insurance industry CEOs
June 2012	UNEP FI-backed Green Growth Action Alliance, a new partnership initiative addressing the estimated USD 1 trillion annual shortfall in green infrastructure investment, launched at the Business 20 (B20) Summit.
June 2012	Launch of Sustainable Stock Exchange (SSE) Initiative
July 2012	Publication of <i>Lenses and Clocks: Financial stability and systemic risks, and Tomorrow’s Capital Markets</i> .
Nov. 2012	Launch of <u>E-RISC</u> - Environmental Risk in Sovereign Credit analysis report.
Dec. 2012	Publication of <i>Responsible Property Investment – What the leaders are doing 2nd edition</i> .
2013-14	PSI becomes part of the insurance industry criteria of the Dow Jones Sustainability Indices, FTSE4Good, and Brazil’s BM&FBOVESPA Corporate Sustainability Index
May 2013	Publication of NCD Roadmap
June 2013	PSI becomes largest collaborative initiative between the UN and the insurance industry
Oct. 2013	Release of 2nd edition of UNEP FI Guide to Banking & Sustainability (online)
2014	PSI Secretariat becomes insurance lead of international group of sustainable finance experts for policy initiatives by the Chinese government, UNEP, IISD and partners to green China’s financial system

Jan. 2014	Launch of Green Growth Knowledge Platform (GGKP)
April 2014	Launch of <i>Energy Efficiency - The First Fuel for the EU Economy. How to Drive New Finance for Energy Efficiency Investments</i>
May 2014	Launch and publication of <i>Sustainability Metrics: Translation and Impact on Property Investment and Management</i> .
June 2014	<p>Launch of the first report of the PSI Global Resilient Project, “<i>Building Disaster-Resilient Communities and Economies</i>” at the PSI Market Event in London co-hosted by the Aviva Group and Lloyd’s of London</p> <p>Launch of the global consultation on how insurance policy and regulation could better support sustainable development by the PSI and UNEP Inquiry into the Design of a Sustainable Financial System at the PSI Market Event in London co-hosted by the Aviva Group and Lloyd’s of London</p> <p>Launch and publication of <i>Integrated Governance – A new model of governance for sustainability</i></p>
Oct. 2014	In partnership with Cambridge University, publication of <i>Stability & Sustainability in Banking Reform: Are Environmental Risks Missing in Basel III?</i> which analysed whether and how Basel III could address systemic environmental risks
Nov. 2014	Launch of Portfolio Decarbonization Initiative
Dec. 2014	Launch of the first issue of Demystifying Climate Finance series at COP20 in Lima. Peru - <i>Demystifying private climate finance</i>
Dec. 2014	Launch of the fully revised <i>UNEP FI Human Rights Guidance Tool for the Financial Sector</i> - an online signposting tool for finance practitioners on human rights risks initially released in 2007
Feb. 2015	UNEP FI, in partnership with the PRI, the UN Global Compact and the UNEP Inquiry launches a project to scale up ESG integration as part on investors’ fiduciary duties and launch “Freshfields III Report”.
March 2015	Launch of “ <i>United for Disaster Resilience: The Insurance Industry’s Statement in Support of Disaster Risk Reduction</i> ” by the PSI at the 3 rd UN World Conference on Disaster Risk Reduction, which produced the Sendai Framework for Disaster Risk Reduction 2015-2030
May 2015	<p>Roundtable on “<i>Insurance 2030: Policy and Partnerships for Sustainable Development</i>” by the PSI and UNEP Inquiry hosted by Swiss Re in Rüşchlikon, Switzerland, which involved the UNEP Executive Director, the UNFCCC Executive Secretary and insurance industry leaders, regulators and stakeholders</p> <p>Launch of the PSI global platform for insurance Industry commitments to promote climate and disaster resilience and sustainable development at Climate Finance Day in Paris</p>
June 2015	Launch of the global report “ <i>Insurance 2030: Harnessing Insurance for Sustainable Development</i> ” by the PSI and UNEP Inquiry and of the PSI Global Risk Map on the final day of the Global Insurance Forum of the International Insurance Society, which was opened by the UN Secretary-General and held at the UN Headquarters in New York
June 2015	PSI Secretariat becomes part of international expert group to develop the UN Secretary-General’s Climate Resilience Initiative; several meeting hosted by UNEP in Geneva, starting June 2015
July 2015	First comprehensive briefing on the management of carbon risks by financial institution - <i>Carbon Asset Risk Framework</i>
Sep. 2015	PSI contribution to the UN Global Compact and KPMG global report, “Sustainable Development Goal (SDG) Industry Matrix for Financial Services”, which was launched at the UN Sustainable Development Summit in New York
Sep. 2015	New report <i>Fiduciary duty in the 21st century</i> launched to end the debate surrounding Environmental, Social and Governance issue integration and fiduciary duty
Oct. 2015	Release of the Positive Impact Manifesto
Oct. 2015	‘UNEP Inquiry’ report reveals how environmental needs can be aligned with global financial system

Oct. 2015	Launch of the first-ever global survey of its kind " <i>Business unusual: Why the climate is changing the rules for our cities and SMEs</i> " by the PSI and AXA in Paris
Nov. 2015	Launch by the UNEP Executive Director of the PSI initiative to develop a set of Insurance Development Goals in support of the UN Sustainable Development Goals, and the PSI-UNEP Inquiry initiative to create a Sustainable Insurance Policy Forum at the 7 th International insurance Conference in Paris PSI collaboration with the French Federation of Insurance Companies (FFSA) for the largest insurance industry gathering that convened UN leaders, government ministers, insurance leaders and insurance regulators in support of COP21 (i.e. 7 th International Insurance Conference) PSI support for the "Appeal on Climate Change" developed by the French Insurance Association (AFA) and Insurance Europe and backed by various insurance associations
Nov. 2015	First World Forum on Natural Capital
Dec 2015	PSI contribution to UN Secretary-General's Climate Resilience Initiative: Anticipate, Absorb, Reshape (A2R), which was launched at COP21 Launch of the final report of the PSI Global Resilience Project, "Collaborating for Resilience: Partnerships that Build Disaster-Resilient Communities and Economies" at Resilience Day of COP21 PSI mobilisation effort to get insurance organisations worldwide to sign the Paris Pledge for Action initiated by the COP21 French Presidency
Dec. 2015	At COP 21, UNEP FI mobilizes real estate sector to play a significant role in limiting global temperature increase to below 2°C
Dec. 2015	New UNEP FI - Foley Hoag LLP research paper contributes to a better understanding of banking and human rights, from a legal perspective

3.5 Implementation arrangements

63. UNEP FI is managed by a Secretariat based in Geneva, out of the UNEP Economics and Trade Branch, within the Division of Technology, Industry, and Economics (DTIE). This has been the situation for several years. Funding is provided by various sources, as described in the next section.

64. The UNEP FI Secretariat leads the daily affairs of three commissions (i.e. Banking, Insurance and Investment) and three thematic areas (i.e. Climate Change, Ecosystem Management, and Social Issues).

3.6 Project financing

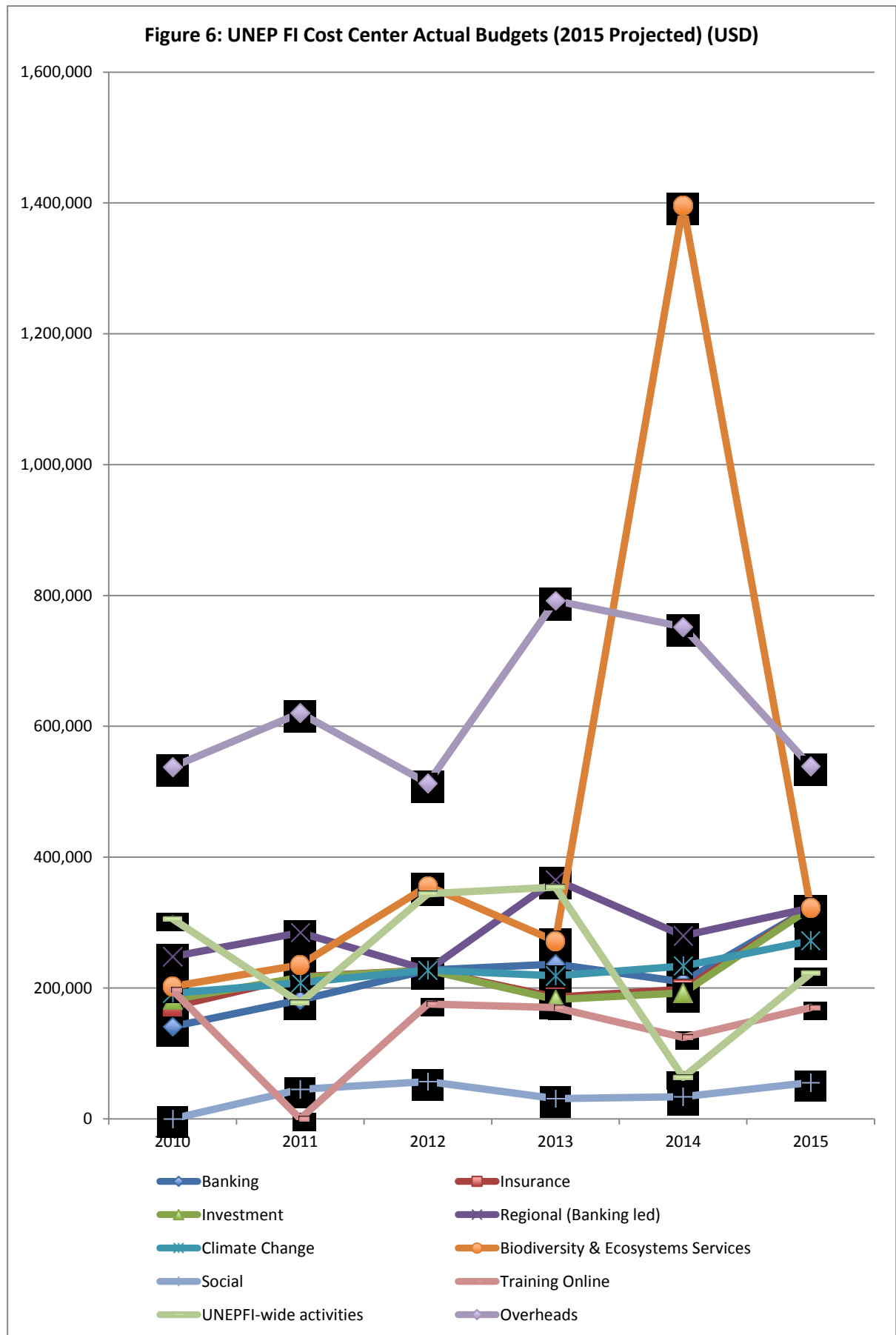
65. Budget data are provided in Annex 7 and below. There are different ways to analyse the budget. Unfortunately, as of the drafting of this report, the UN accounting system cannot provide actual costs data for 2015, and is unlikely to provide the timely accounting that can be easily "sliced and diced". UNEP FI currently uses QuickBooks for its internal accounting. QuickBooks has some ability to "slice and dice" the data. The Evaluation Team's concern relates to how UNEP FI has designed its accounting system and how staff input data, whether UNEP FI has sufficient human resources to keep its accounts up to date, etc. On-line systems like XERO are more user friendly, allowing staff to easily enter the data, thus reducing the requirement for dedicated "accounting staff", and provide easy to use analytical tools so that all staff can easily and daily slice and dice the data.

66. Figure 6 and Table 4 analyse the expenditure by project cost center – where the funds are spent. Actual data for 2015 were not available due to introduction of UMOJA in June 2015, which has delayed the closing of 2015 accounts. In 2014 the Biodiversity and Ecosystems Services team received a large grant from UN REDD (Euro 825,000), which was repeated in 2015 (see below)⁷. Overheads – staff and other costs (including communications/IT) not related to any commissions / thematic / workstream - declined in 2014/15 due to the gap in the Directorship position, filled at a lower level. Human rights and gender are UNEP crosscutting issues (see Section 4.6 and associated recommendation). More could be done on social issues if funding was available. At the same time, other UN Agencies are likely better placed to address human rights issues and funding has so far been minimal. It would therefore be advisable to assess the extent to which UNEP FI can work in partnership on this issue and focus on its added value.

67. Figure 7 and Table 5 analyse the funding by source – where the funds come from. Cumulatively, membership fees account for 76% of UNEP FI's budget, while contributions from the UNEP Environmental Fund only account for 6% of total funding to date; although there was an increase starting in 2014. Also in 2014 (and 2015 not shown), UNEP FI received a large UN REDD grant, thus the expenditure increase noted above. UN REDD contributions (Euro 1.6 million) and 2015 contributions for Climate Change work (not shown as not available) are important as they demonstrate increasing integration and acceptance of UNEP FI into UNEP's PoW.

68. Also, not shown are funds channeled through Global Canopy Programme (GCP), and membership in-kind contributions. From the survey, members estimate that in-kind contributions are roughly equal to membership fees. PSI received approximately \$1 million in in-kind contributions to support the initial consultative process. Over 50% if the cost of the Fiduciary Duty study were covered by in-kind and other contributions, not reflected in the budget data below. These data also omit the USD 1 million grant from the Generation Foundation agreed in 2016, which will be used to implement Phase 2 of the *Fiduciary Duty in the 21st Century* project (see Annex 2c).

⁷ Until 2013, UNEP FI's accounts only included REDD activities funded by UNEP FI and not by donors. From 2014, UNEP FI decided to include them into their reporting, but under "Expenses under other accounts". From late 2015 REDD work has structurally come within UNEP FI so will start to report on actual expenditure basis. The data presented is as reported to the AGM which treated the REDD work by accounting 100% of its income as expended upon receipt as UNEP FI considers it as not really their own money (REDD is funded by UN REDD)



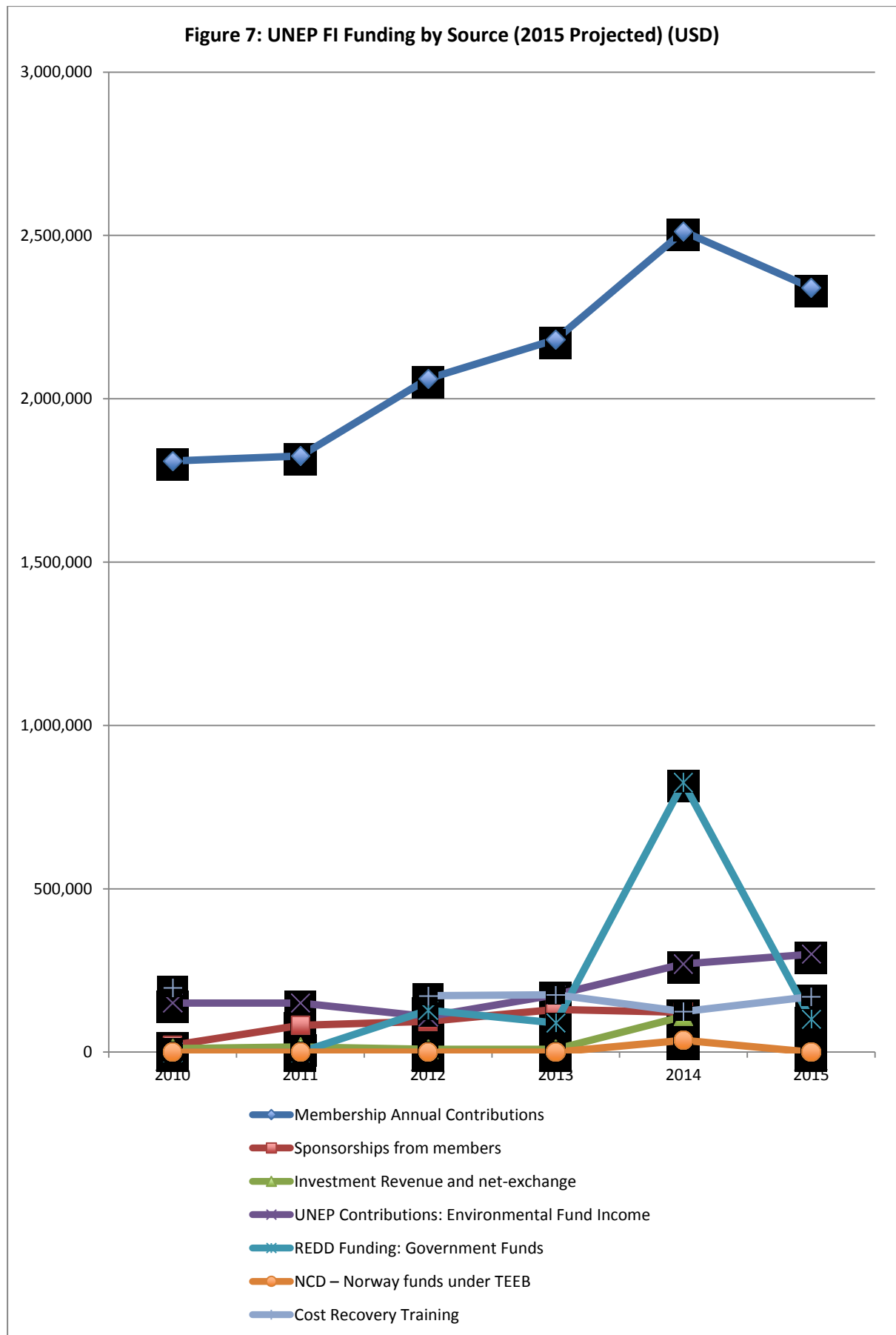


Table 4: UNEP FI financial results by Cost Centers/Activities (USD)

Component	2010			2011		
	Planned	Actual	Variance	Planned	Actual	Variance
Banking	226,500	141,093	62%	185,555	181,781	98%
Insurance	226,500	171,643	76%	195,555	217,333	111%
Investment	226,500	182,455	81%	228,055	216,169	95%
Regions	226,500	247,891	109%	285,555	284,776	100%
Climate Change	226,500	191,724	85%	195,555	207,961	106%
Biodiversity & Ecosystems	226,500	202,517	89%	205,555	235,434	115%
Social	0	0	0%	38,888	44,914	0%
Training Online	0	196,386	0%	0	0	0%
UNEPFI-wide activities	124,000	305,640	246%	285,555	177,233	62%
Overheads incl PSC	427,000	537,849	126%	429,722	620,087	144%
Total	1,910,000	2,177,199	114%	2,050,000	2,185,690	107%
Component	2012			2013		
	Planned	Actual	Variance	Planned	Actual	Variance
Banking	252,250	227,515	90%	275,444	236,303	86%
Insurance	252,250	227,515	90%	275,444	185,868	67%
Investment	252,250	227,515	90%	275,444	182,411	66%
Regions	252,250	227,515	90%	275,444	365,583	133%
Climate Change	252,250	227,515	90%	275,444	218,665	79%
Biodiversity & Ecosystems	252,250	356,129	141%	275,444	271,592	99%
Social	41,916	56,878	0%	47,611	31,054	0%
Training Online	0	175,651	0%		170,246	0%
UNEPFI-wide activities	297,666	343,996	116%	275,444	354,384	129%
Overheads incl PSC	500,916	513,070	102%	558,277	791,990	142%
Total	2,354,000	2,583,303	110%	2,534,000	2,808,096	111%
	2014			CUMULATIVE 2010-2014		

Component	Planned	Actual	Variance	Planned	Actual	Variance
Banking	245,611	209,247	85%	1,185,361	995,939	84%
Insurance	245,611	198,119	81%	1,195,361	1,000,478	84%
Investment	245,611	192,598	78%	1,227,861	1,001,148	82%
Regions	245,611	279,908	114%	1,285,361	1,405,673	109%
Climate Change	245,611	233,431	95%	1,195,361	1,079,296	90%
Biodiversity & Ecosystems	896,833	1,395,866	156%	1,856,583	2,461,538	133%
Social	61,402	33,742	0%	189,819	166,588	0%
Training Online	126,000	124,453	0%	126,000	666,736	0%
UNEPFI-wide activities	61,402	63,402	103%	1,044,069	1,244,655	119%
Overheads incl PSC	682,605	751,708	110%	2,598,522	3,214,705	124%
Total	3,056,300	3,482,474	114%	14,258,300	13,236,762	93%
	2015 (provisional)					
Component	Planned	Actual	Variance			
Banking	322,222	-	-			
Insurance	322,222	-	-			
Investment	322,222	-	-			
Regions	322,222	-	-			
Climate Change	272,222	-	-			
Biodiversity & Ecosystems	322,222	-	-			
Social	55,555	-	-			
Training Online	170,000	-	-			
UNEPFI-wide activities	222,222	-	-			
Overheads incl PSC	538,888	-	-			
Total	2,870,000	-	-			

Table 5: UNEP FI Income by Source

Component	2010			2011		
	Planned	Actual	Variance	Planned	Actual	Variance
Membership fees	1,760,000	1,809,461	103%	1,900,000	1,824,629	96%
Member sponsorship	0	21,100			81,692	
Investment revenue		10,831			15,804	
UNEP Environment Fund	150,000	150,000	100%	150,000	150,000	100%
REDD donor governments		0			0	
NCD donor governments		0			0	
Training cost recovery		196,386				
Total	1,910,000	2,187,778	115%	2,050,000	2,072,125	101%
Component	2012			2013		
	Planned	Actual	Variance	Planned	Actual	Variance
Membership fees	2,204,000	2,061,245	94%	2,384,000	2,181,616	92%
Member sponsorship		94,050			130,379	
Investment revenue	0	8,479			8,519	
UNEP Environment Fund	150,000	109,000	73%	150,000	175,908	117%
REDD donor governments	0	128,614			88,955	
NCD donor governments	0	0			0	
Training cost recovery	0	173,005			175,931	
Total	2,354,000	2,574,393	109%	2,534,000	2,761,308	109%
Component	2014			CUMULATIVE 2010-2014		
	Planned	Actual	Variance	Planned	Actual	Variance
Membership fees	2,400,000	2,511,950	105%	10,648,000	10,388,901	98%
Member sponsorship	0	121,911		0	449,132	
Investment revenue	0	109,359		0	152,992	
UNEP Environment Fund	367,800	269,723	73%	967,800	854,631	88%
REDD donor governments	160,000	825,000	516%	160,000	1,042,569	652%
NCD donor governments	0	36,255		0	36,255	
Training cost recovery	126,000	123,943	98%	126,000	669,265	531%
Total	3,053,800	3,998,141	131%	11,901,800	13,593,745	114%
Component	2015 (provisional)					
	Planned	Actual	Variance			
Membership fees	2,340,000					
Member sponsorship						
Investment revenue						
UNEP Environment Fund	300,000					
REDD donor governments	100,000					
NCD donor governments	0					
Training cost recovery	170,000					
Total	2,910,000					

3.7 Project partners

69. The stakeholder map (Figure 5 above) provides a broad overview of UNEP FI's various partners. UNEP FI is a UNEP-managed, membership organization. The "membership" pays annual dues, participates in the AGM, GSC, Commissions, and Advisory Groups. A single member, or group of members also undertakes many tasks. In such cases the funding does not go through or appear on UNEP FI's books, rather is treated as "in-kind" contributions. This does not in any way reduce the importance of this work; in fact, it is very positive "leveraging".

70. UNEP also receives funds from various organizations to carry out specific work streams. These "partnerships" are varied in role, function, and structure. In some cases, the "partner" provides funding via a grant (e.g. Norway and GIZ). In other cases, external funding is channeled through a partner (e.g. GCP for NCD). This directly covers GCP's administrative costs while avoiding UNEP's Project Support Costs. It was mentioned in several interviews that, in some cases, channeling funds through a partner is a way to increase efficiency (e.g. speed of contracting procedures) and reduce costs (e.g. as they relate to UNEP administration), as well as finding a shared administrative mechanism which better supports implementation. While these funds do not go through or appear on UNEP FI's books, this work is vital to the work programme. However, this also means that this work remains unseen, there is no formal financial accounting inside UNEP that this is happening. If UNEP senior staff are focused on what is implemented as per the two project documents (or going forward a single project document – see recommendations in 236) then this work has the potential of being lost. UNEP's ProDocs need to reflect all sources of funding, even if not channeled through UNEP FI. Additionally, all the work has to be fully integrated into the Programme of Work and monitored to ensure it is adequately considered towards the achievement of the UNEP FI mission (and, in turn, the UNEP objectives).

71. As a UN agency, UNEP contracts out for services, but would be reluctant to be a contractor to another international agency. In many areas where UNEP FI has expertise, such as banker training, energy efficiency, etc., agencies like IFC, EIB, and EBRD are currently issuing large competitive contracts. This is work that UNEP FI could do, probably better, and cheaper, while building collaborative networks. UNEP should investigate how it might structure "partnerships" with these agencies to collaborate on such work. This would mean engaging with them well in advance of specific TORs. The Green Climate Fund, recently established in Songdo Korea, is in a start-up mode and their work program is still being defined. Thus 2016 would be an excellent time to initiate a partnership with the Green Climate Fund.

72. UNEP FI does not have any structured "partnerships" where it gives out funding, other than consultancies. If funding could be obtained, to further expand the reach, particularly south-to-south, UNEP FI could consider a small grants program for innovation. In support of UNEP FI's capacity building activities, grants could be made to LDC financial institutions and banking associations to help them engage on ESG issues. The Evaluation Team believes this is likely something UNEP FI's larger international members might be willing to co-finance via their philanthropic arms.

3.8 Changes in design during implementation

73. UNEP FI's strength is as a center for innovation regarding ESG and the financial sector. If one looks at the "project design" as defined in 62-P2 and 33-P13, then one sees significant changes. For example, NCD was not envisioned in Project 33-P13. However, NCD is a very innovative, constructive, and useful approach to achieving the main objectives of 33-P13 with regards to ecosystems. The PSI did not exist in 2010 but was envisioned under 62-P2. It was successfully launched in 2012, with initial funding from UNEP FI, and now has its own Secretariat and membership embedded within UNEP FI. Therefore the project documents from 2010 do not fully reflect the realities in 2015; changes are accounted for in annual monitoring reports.

74. One implementation change is the increasing reliance on grants and donor Trust Funds to fund the work streams, for example the Norway and REDD grants. Why is this important? If an activity is agreed to and paid for by the membership, then the Secretariat staff are responsible to the membership via the Commissions and Advisory Groups. If, on the other hand, an activity is paid for by an external agency, then the staff effectively become "contractors" to the agency to whom they now need to report separate from UNEP FI's governance structure. As an example from the NCD case study, while UNEP FI staff sit on the NCD Secretariat, NCD does not report through the Ecosystems Management Advisory Group; although NCD is clearly a key part of the work programme of that team.

75. There are senior management issues, which are discussed elsewhere in this report. The survey data point to broad recognition that management and resourcing of UNEP FI is a shared concern (Figure 8).

76. Otherwise, the Evaluation Team is of the opinion that there have not been significant changes in the design and implementation of UNEP FI. The current exercise to prepare new project documents is an opportunity to review all implementation issues.

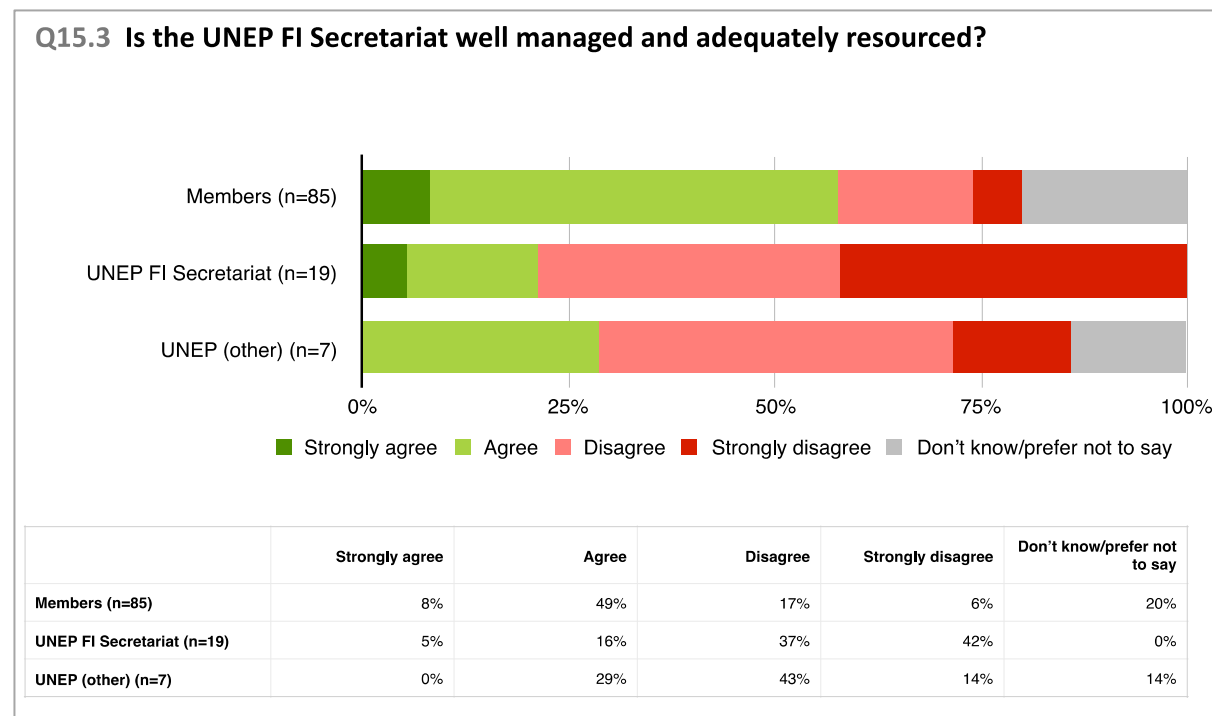


Figure 8: Survey feedback on management and resource issues at UNEP FI

3.9 Survey Results

77. As part of the evaluation methodology, a survey of the UNEP FI membership, the UNEP Secretariat, and key UNEP staff was undertaken. The results are presented in Annex 1, while specific responses to various questions are referenced throughout this report. These data should not be treated as statistically valid – there are issues of selection bias for example - but are indicative and provide opinions about UNEP FI and its performance to date.

78. The following observations and conclusions emerge from the membership responses:

- Both insurance and banking sectors were well represented while there was only one respondent from the investment sector. Therefore, we need to be careful about any conclusion regarding the investment sector.
- After some encouragement, all regions were represented.
- Only 26% respondents were from Risk and Operations departments, while 44% came from CSR departments.
- Most were senior/middle level managers. Positively, 11% were CEO level staff.
- 67% had been members of UNEP FI for more than 5 years.
- Most considered in-kind contributions and time commitments as significant.

- About 30% did not have advanced ESG programs prior to joining UNEP FI and over 80% feel that their membership in UNEP FI was moderately to very important in developing their sustainability programs. Over 90% felt that their membership in UNEP FI would be important going forward.
- Most felt that on several dimensions, UNEP FI has been and is an important player in bringing ESG issues to the fore within the global financial sector.

79. The survey also allowed us to triangulate results across the three groups to see where there is common understanding or perhaps misunderstandings. The following observations and conclusions emerge:

- There appeared to be general agreement that UNEP FI is having an impact on the global financial sector.
- To varying degrees, most saw UNEP FI as a “partnership” but linkages to UNEP could be strengthened.
- Members, staff, and half the other-UNEP group felt that UNEP FI is good value for money.
- There are management issues that need to be addressed.
- Monitoring and evaluation needs attention.
- The quality of reports and other products produced is generally good.
- Communications is effective, but could be improved, particularly with other UNEP units.

4. Evaluation Findings

80. Section 4 sets out our evaluation findings for UNEP FI using the six evaluation criteria defined in the TOR and Inception Report. As per the TOR, all evaluation criteria are rated on a six-point scale⁸ leading to an overall rating for UNEP FI: Highly Satisfactory (HS); Satisfactory (S); Moderately Satisfactory (MS); Moderately Unsatisfactory (MU); Unsatisfactory (U); and Highly Unsatisfactory (HU).

81. The findings presented in this section are a synthesis of four main considerations and inputs:

- a) The results of the evaluation stakeholder survey (see Annex 1);
- b) Our evaluations of the three individual case studies discussed in paragraph 33 (see Annexes 2a, 2b & 2c) (for ease of reference, a summary is provided in Table 6 below);
- c) Information on other UNEP FI project activities and thematic work;
- d) Consideration of cross-cutting/programmatic information and Initiative-level issues in relation to UNEP FI as a whole.

82. Individual recommendations related to specific points are provided in each section. As there is some degree of crossover and replication, in Section 5 these are combined into consolidated evaluation recommendations.

Table 6: Summary of evaluation results from the three case studies

	PSI (Annex 2a)	NCD (Annex 2b)	Fiduciary Duty (Annex 2c)
<i>Applicability to UNEP MTS Strategic Priorities</i>	<i>Resource efficiency</i>	<i>Ecosystems management</i>	<i>Resource Efficiency</i>
A. Strategic relevance	HS	HS	HS
B. Achievement of outputs	HS	Not rated	HS
C. Effectiveness (attainment of project objectives and results)	S	MS	S
D. Sustainability and replication	L	ML	HL
E. Efficiency	S	MS	HS
F. Factors affecting project performance	S	Not rated	MS
OVERALL CASE STUDY RATINGS	Satisfactory	Moderately Satisfactory	Satisfactory

⁸ "Sustainability and replication" ratings range from Highly Likely (HL) to Highly Unlikely (HU).

4.1 Strategic Relevance

Evaluation rating: Highly Satisfactory

83. UNEP FI’s mission of aligning the financial system with the needs of sustainable development is consistent with, and highly relevant to, global, regional, and national issues and needs, including the needs of the financial sector, as demonstrated by the engagement of CEOs at COP21. We believe this mission – which is shared by many other organisations, networks and initiatives - will continue to be strategically relevant for at least another 5-10 years (thus covering at least two MTS and/or two five-year COP cycles).

84. UNEP FI’s strategic relevance to the Sustainable Development Goals (SDGs) for 2015-2030 is amply illustrated in the reports *Private sector investment and sustainable development* (UNGC, UNCTAD, UNEP FI & PRI, 2015) and *SDG industry matrix: financial services* (UN Global Compact & KPMG International, 2016) (see Figure 9 below). All 17 SDGs have applicability to the financial sector and UNEP FI’s mission, and two are worth highlighting as cross-cutting themes:

- SDG 12 focuses on production and consumption and includes a specific target on “adopting sustainable business practices and reporting”; and
- SDG 17 includes two targets on multi-stakeholder partnerships to ensure this attracts sufficient focus.

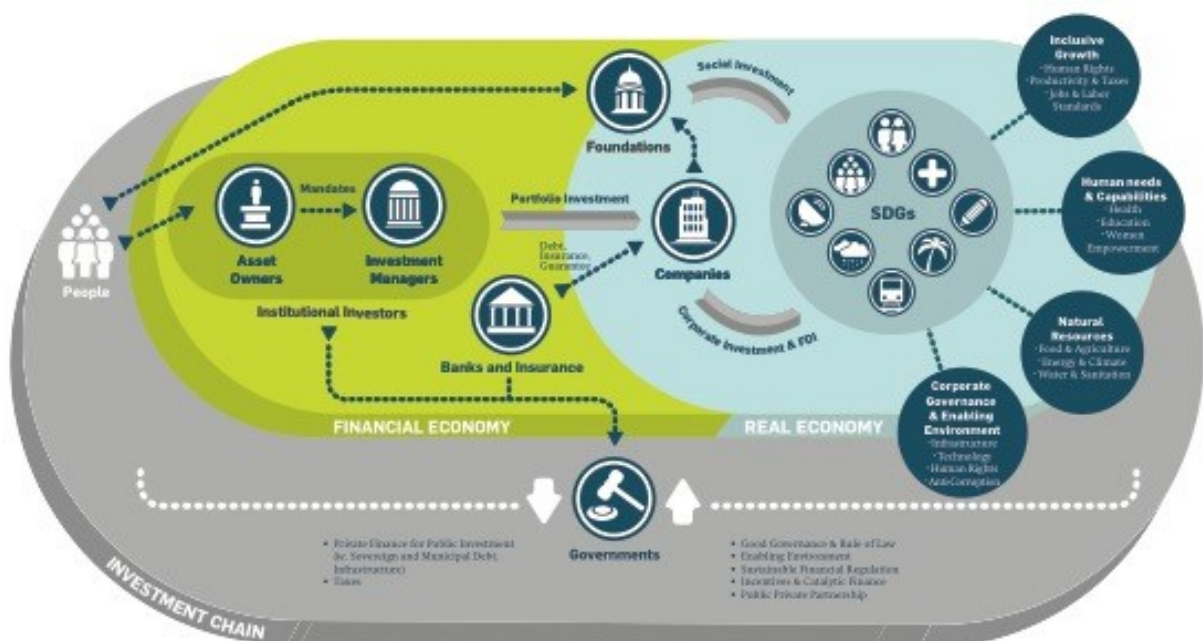


Figure 9: The financial services industry in context

(Source: *Private sector investment and sustainable development* (UNGC, UNCTAD, UNEP FI & PRI, 2015))

Alignment with UNEP’s strategy, policies and mandate

85. UNEP FI’s mission is highly relevant to UNEP’s mandate and MTS. The agenda of “changing finance, financing change” has particularly close synergies with UNEP’s focus areas of Resource Efficiency, Climate Change, and Ecosystem Management, and is arguably relevant (even if indirectly) to UNEP’s remaining four focus areas of Disasters and Conflicts, Environmental Governance, Chemicals and Waste, and Environment Under Review. The relevance for UNEP of engaging with the sustainable financial sector is further underlined by the UNEP Inquiry and by the potential connections that both UNEP FI and the UNEP Inquiry have with UNEP’s Green Economy agenda. The UNEP FI Statement of Commitment is now 20+ years old. It may be useful to review the Mission Statement in light of current activities, and other global initiatives.

86. It is important to note that issues, in addition to those covered by UNEP’s environmental mandate and core competencies, are strategically relevant to the sustainable finance agenda. In addition to climate change, ecosystems, resource efficiency etc., other key ESG issues for financial institutions (and other stakeholders in the concept of sustainable financial markets, including policy makers and regulators) range from corporate governance, tax avoidance, and international trade agreements to human rights, food security, poverty, and disaster resilience.

87. Via a series of responses to questions from the Survey (Annex 1), there was broad support for the relevance and value of UNEP FI (Figure 10).

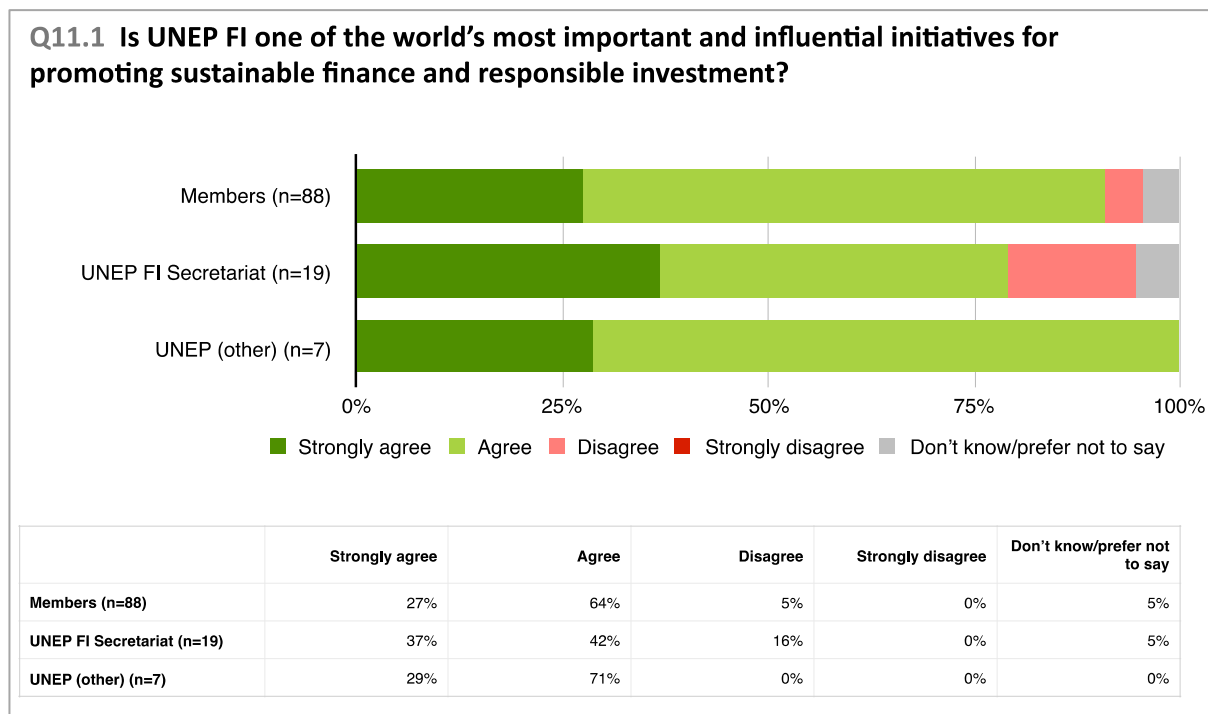


Figure 10: Survey feedback on the perceived relevance of UNEP FI.

88. The TOR asked that we address alignment with the Bali Strategic Plan (BSP)⁹. The primary focus of UNEP FI is on the private financial sector. This includes capacity building, with increasing engagement with host country regulators. Providing knowledge and skills and creating and facilitating dialogue between regulators and the private sector provides for a more constructive engagement. The project's objectives are therefore relevant to and consistent with the BSP for Technological Support and Capacity Building.

89. Like any organisation, UNEP FI must be realistically selective about which parts of the agenda it takes on and how it plays to its strengths. For UNEP FI to sustain and increase its strategic relevance, it will be important to consider whether and how to make changes that could strengthen UNEP FI's ability to work outside the UNEP, for example through more effective cooperation with other UN organisations dealing with issues other than environment, for example human rights and migration.

90. We assessed UNEP FI's strategic relevance against the framework provided by UNEP's four-year Medium Term Strategy (MTS) documents for 2010-13 and 2014-17 and related Programmes of Work (PoW). Under this UNEP system, UNEP FI is nominally allocated to the Sub-Programme (SP) for Resource Efficiency. Table 7 lists the Expected Accomplishments (EAs), Indicators of Achievement and Outcomes for this SP to which UNEP FI was/is intended to contribute according to the PoWs for 2010-11, 2012-13 and 2014-15. UNEP FI also contributes to UNEP's SPs on Climate Change and on Ecosystems Management, although the linkages as documented in the POWs are implicit rather than explicit.

91. Our evaluation leads us to conclude that the MTS and POW documents do not provide a sufficiently clear window into UNEP's strategic thinking, emphasis, and intentions in relation to the mission of aligning financial markets with the needs of sustainable development. UNEP FI has to date been incorporated into the MTS and POW documents in a fragmentary, incomplete and somewhat superficial way that, together with the public sector-oriented language of the documents, obscures the Initiative's contribution to UNEP's EAs. We also note that the UNEP Inquiry (announced in January 2014) is not mentioned at all in the 2014-17 MTS.

92. In effect, the MTS does not provide a cohesive vision that enables UNEP to find an adequate home for its work in private sector finance. As a consequence, implementation on the ground is to some extent detached from UNEP's higher level planning documents.

93. UNEP has been engaged with the sustainable financial sector via UNEP FI for over 20 years; began work on the financial sector dimension of the Green Economy initiative in 2011; and has added to this since 2014 with a significant strategic, financial and reputational investment in the UNEP Inquiry. In this context, the absence of a unified strategic framework is incongruous and problematic. Moreover, UNEP lacks a clear approach and policy context for private sector engagement. *Our recommendations in this regard are presented in paragraphs 235 - 236.*

⁹www.unep.org/ozonaction/About/BaliStrategicPlan/tabid/1060467/Default.aspx

Table 7: Key UNEP Expected Accomplishments applicable to UNEP FI

	PoW 2014-15	PoW 2012-13	PoW 2010-11
EA	Resource Efficiency EA (b): Uptake of sustainable consumption and production and green economy instruments and management practices in sectoral policies and in business and financial operations across global supply chains is increased, in the context of sustainable development and poverty eradication	Resource Efficiency EA (c): Increased investment in efficient, clean and safe industrial production methods through voluntary action by the private sector	Resource Efficiency EA (b): Investment in efficient, clean and safe industrial production methods through public policies and private sector action is increased.
Indicators of achievement	Increase in number of stakeholders reporting improved management practices and adoption of more resource efficient tools and instruments in sectoral policies with the assistance of UNEP	Increased number of businesses adopting and investing in resource-efficient management practices and technologies and cleaner and safer production methods	The number of Governments and businesses selecting environmentally sound technologies and more resource-efficient management practices, technologies and production methods, including for integrated waste management, is increased.
Outcome	Technical guidance, tools and best practices developed and provided to financial services and capital markets stakeholders to improve the integration of environmental and social considerations in their business practices	Investment opportunities in the development, transfer and implementation of resource-efficient technologies and business practices are advanced through finance sector interventions targeting financial services and capital markets in the development of new management principles approaches and building capacity in their use.	The business case for resource efficiency based on cost savings, competitiveness gains and new market opportunities is developed and demonstrated in the building and construction, energy and water and waste management sectors for public and private sector decision makers [eight rapidly industrializing and natural resource-dependent countries].

Relevance to global, regional, south-south and national environmental issues and needs

94. UNEP FI's mission is shared by a wide and ever-evolving range of other organisations and collaborative initiatives. To this end, UNEP FI remains a strategically relevant actor in this broad community of practice by virtue of its history, profile, connections, track record and consistent membership support plus the advantageous combination of its distinctive features (close links with the UN; global geographical scope; and global sectoral scope). However, UNEP FI's ability to remain strategically relevant and impactful in a dynamic and competitive 'marketplace' has been constrained in recent years by the way the partnership has been visualized, governed, managed, administered and resourced.

95. To date the regional breakdown in membership has been biased towards European financial institutions (40 per cent) with North America accounting for another 10 per cent. These numbers were also reflected in the survey results. There was a natural fit in UNEP FIs early days as these represented the main international financial institutions. Today there is clear need and justification to shift UNEP FI's focus to developing countries. Where UNEP FI has done so, namely via the establishment of its Regional Task Forces, it has been well received, as evidenced in countries such as

South Africa, Brazil, Kenya, Nigeria, China and South Korea. Increasingly, UNEP FI has focused on building linkages with regional offices and on starting to place UNEP FI secretariat staff in these offices, thus seeking greater south-south opportunities. This requires the right staff with appropriate language capacity and ability to build networks with the financial community. A related challenge is to consider expanding the work of UNEP FI to address Sharia or Islamic banking, not least because of the role the Middle East plays as a major producer of fossil fuels. UNEP FI should consider whether to engage with the Islamic banking community on ESG issues, perhaps initially via an issues paper on this topic. The 2016 UNEP FI Global Roundtable will be in Dubai and a topic to be addressed will be Islamic banking.

96. *Our recommendations on growing the membership base are presented in paragraph 243.*

97. UNEP FI has and continues to be a centre for innovation – this remains its core strength. UNEP FI continues to generate ideas, programs, and initiatives of global importance. One need only look at the key announcements of the first week of COP21: (i) special sessions on the role of private sector financing, (ii) President Obama’s pledge of \$30 million towards climate risk insurance, (iii) private sector focus and commitments towards energy efficiency and renewable energy, and (iv) portfolio decarbonisation commitments.

98. There are important opportunities for UNEP FI to be more strategic in the mix and design of its work programme. For example, much of the Initiative’s emphasis has been on activities and outcomes represented in the reconstructed TOC by the boxes entitled “ESG Integration” and “Policy Development & Regulatory Reform”. More should be done in relation to the other two levers of change, “Green Finance Solutions” and “Accountability (of financial institutions)”.

99. The financial sector is critical to a well-functioning real economy. UNEP FI’s focus on the investment, banking, and insurance sectors has resulted in a greater awareness and support by these sectors on sustainable development objectives and goals. One major gap is a focus on trade and trade facilitation. Financing and insurance are critical to the flow of trade. Changes in trading regimes shift industries and therefore environmental and social impacts. UNEP FI should investigate opportunities to work on the nexus of ESG issues and trade.

100. Change resulting from UNEPFI’s work is measurable via (i) increasing membership, and (ii) changes in the disclosure and practices of the membership. What is less clear is whether these changes result in substantial reductions in emissions, thus impacts on climate change, ecosystems, etc. Other strategic issues that the UNEP FI Team should consider going forward are:

- What advantages accrue to UNEP FI’s individual members as a result of their participation in UNEP FI, and are these optimised? For example, do the advantages flow to those types of financial institution that would most benefit from them (because of their starting point, size or location in developing markets)? Or do the benefits accrue mainly to transnational corporations in the financial sector? Where can UNEP FI make the biggest impact?
- What possible ways exist to make UNEP FI more strategically relevant to front line business units, top management, and boards of member financial institutions?

Human rights based approach to development (HRBA) and gender

101. A Human Rights Based Approach to development (HRBA) is a key cross cutting issue for UNEP. The major work to date under the Social Issues Advisory Group has been a focus on human rights issues. This work resulted in various publications, instruments, and a tool kit. Feedback from the membership indicates that this work has been well received.

102. Gender is another key cross cutting issue for UNEP. Gender is addressed in all project documents, reviews, etc. Gender has not been a focus of the work of UNEP FI. This is considered a missed opportunity. Women have less access to financial instruments, despite strong evidence that women represent a better credit risk. Although gender did not emerge as a suggestion for improvement from the stakeholder survey, the Evaluation Team believes this is an important and strategically consistent opportunity, in line with UNEP's commitment to mainstream gender in its work¹⁰ (see recommendations, paragraph 246).

4.2 Achievement of outputs

Evaluation rating: Satisfactory

103. The TOR defines the outputs in the context of the projects and their listed components. This is an evaluation of the Initiative, thus our starting point is the reconstructed ToC. The reconstructed ToC list four types of broad outputs or interventions, essentially UNEP FI's tools (the "what" and "how") to achieving programme objectives:

- Research and awareness raising;
- Tools and training;
- Standards setting; and
- Dialogue and engagement.



104. These are further defined within the context of the two main projects, 62-P2 and 33-P13 and projects 1769 and 1715.

105. Table 8 below maps UNEP FI outputs into expected outcomes and summarizes status of completion of expected outputs as of the end of 2015. It is important to note that most outputs are built around "ESG Integration," "Green Finance Solutions," and "Policy Development and Regulatory Reform" while activities addressing "Accountability" issues are limited.

Table 8: Summary of the Project's key successes during last five years in producing programmed outputs

Components	Expected Outcome	Outputs	Status as of December 2015
Sectors:	ESG Integration	Research and awareness	<ul style="list-style-type: none"> • Published a study on addressing environmental risks in Basel III

¹⁰ http://www.unep.org/gender/Portals/24117/Reports/Policy_and_Strategy_for_Gender_Equality_and_the_Environment.pdf

<p>Banking</p> <p>Investment</p> <p>Insurance</p>				<p>raising</p>	<ul style="list-style-type: none"> • Developed RPI toolkits and reporting guidelines for responsible property investment. • Developed Responsible investment (RI) benchmarking frameworks. • The PSI successfully launched and adopted by nearly 100 insurance and stakeholder organisations, and has become the largest collaborative initiative between the UN and the insurance industry • NCD successfully launched. • PDC launched and delivers decarbonisation commitments for COP21. • UNEP FI initiated work on energy efficiency. • UNEP FI completed a series of publications and capacity building activities for financial institutions to invest in ecosystem services. • Implemented an ESG benchmarking framework for investors with a focus on resource intensive industries. • Developed guidelines and matrix for financial institutions to better integrate biodiversity risk management in due diligence procedures and credit and investment decisions. • Developed the business case for and explored existing and innovative markets for financial institutions around REDD / REDD+.
<p>Themes:</p> <ul style="list-style-type: none"> - Climate Change - Ecosystems - Social Issues 		<p>Green Finance Solutions</p> <ul style="list-style-type: none"> - PSI - NCD - PDC 		<p>Tools and training</p>	<ul style="list-style-type: none"> • Developed the online Guide to Banking & Sustainability • Developed an online, publicly accessible PSI Global Risk Map covering natural hazards • UNEP FI continues to provide training (average 112 persons per year) focused on ESG integration in the banking and investment sectors. • Banks and institutional investors utilize sustainable banking (SB) and responsible investment (RI) metrics and guidelines developed by UNEP FI. • UNEP FI developed a Human Rights risk mitigation toolkit and a legal research project on banks and human rights • Dialogues, publications, and workshops delivered on private sector engagement in REDD+ readiness.
		<p>Accountability</p>		<p>Standards setting</p>	<ul style="list-style-type: none"> • The PSI successfully launched and adopted by nearly 100 insurance and stakeholder organisations, and has become the largest collaborative initiative between the UN and the insurance industry • PSI announced the initiative to develop Insurance Development Goals to help realise the UN’s 2030 Sustainable Development Goals • Developed legal and practical guidelines for responsible investment (RI) mandates. • Supported the development and implementation of country frameworks and principles for sustainable finance (e.g. Nigerian Sustainable Banking

				Principles, Colombian Green Protocol, Kenya Sustainable Finance Initiative).
		Policy Development and Regulatory Reform	Dialogue and engagement	<ul style="list-style-type: none"> Delivered “Insurance 2030” report based on a 2014-15 global consultation by the PSI and UNEP Inquiry on how insurance policy and regulation and partnerships could better support sustainable development PSI and UNEP Inquiry announced initiatives to create a Sustainable Insurance Policy Forum for insurance regulators, and to develop Insurance Development Goals to help realise the UN’s 2030 Sustainable Development Goals Annual consultative meetings and business forums held at various levels. Such meetings support collaborative initiatives and partnerships on transition pathways to the Green Economy. Forums held to increase involvement of banks, insurance companies, and investment firms in financing and investing in resource efficient and sustainable companies. UNEP FI supported the development of country dialogue and engagements on green financing in the Mongolia and the UAE Initiated dialogue and participated in the policy-making consultation processes with European institutions, in particular the European Commission

106. With respect to outputs achieved to date, it is important to note that the work of UNEP FI is on-going. However, several of the stated outputs have already been achieved, notably:

- The ESRA Training Programme has been running for 10 years and has delivered training to some 3,000 finance practitioners worldwide.
- PSI was successfully launched in 2012 and nearly 100 insurance and stakeholders have joined, including insurers representing more than 20% of world premium volume and USD 14 trillion in assets under management;
- The Natural Capital Declaration (NCD) was successfully launched in 2012;
- The Portfolio Decarbonisation Coalition (PDC) has been established and as of COP21 far exceeded its \$100 billion target by securing \$600 billion of decarbonisation commitments;
- There is a greater focus on energy efficiency;
- The Freshfields III report extends the work on sustainable banking (SB) and responsible investment (RI) metrics, etc.; and
- Banking and Human Rights report and Human Rights risk mitigation toolkit and the report on banking and human rights, from a legal perspective have been developed and well received.

107. In addition to quantitative responses, many survey respondents also provided written comments. Figure 11 illustrates those outputs of UNEP FI since 2010 that the respondents saw as the

most important (see also Annex A, Q16 for detail). The size of text reflects how often an output was listed. Clearly, there is a diversity of opinion across the respondents, with “PSI”, “ESRA Training”, “Promoting sustainable finance concepts”, and “Climate change work” emerging as the most important outputs.

108. On average, 112 people receive on-line ESRA training from UNEP FI per year at an average cost of \$1100, which is fully paid by the students. From exit surveys, 69% of the students rated the overall quality of the training as *Excellent* and another 29% rated it as Good, for an overall Satisfactory or better rating of 98%. Training may not be highly visible, but training is the “bread and butter” of capacity development. It is also fully cost recoverable, and therefore should be promoted and expanded (*see recommendation, paragraph 247*).

109. It is also worth noting that several UNEP FI reports are translated into languages other than English, often at the initiative of a local member; although, some respondents felt more reports could be translated into their language. Across the UNEP FI team eleven different languages are spoken. Finally, from the survey results, there is also strong agreement on the quality of reports and products produced by UNEP FI (Figure 12).



Figure 11: Key UNEP FI achievements and deliverables since 2010, as seen by survey respondents

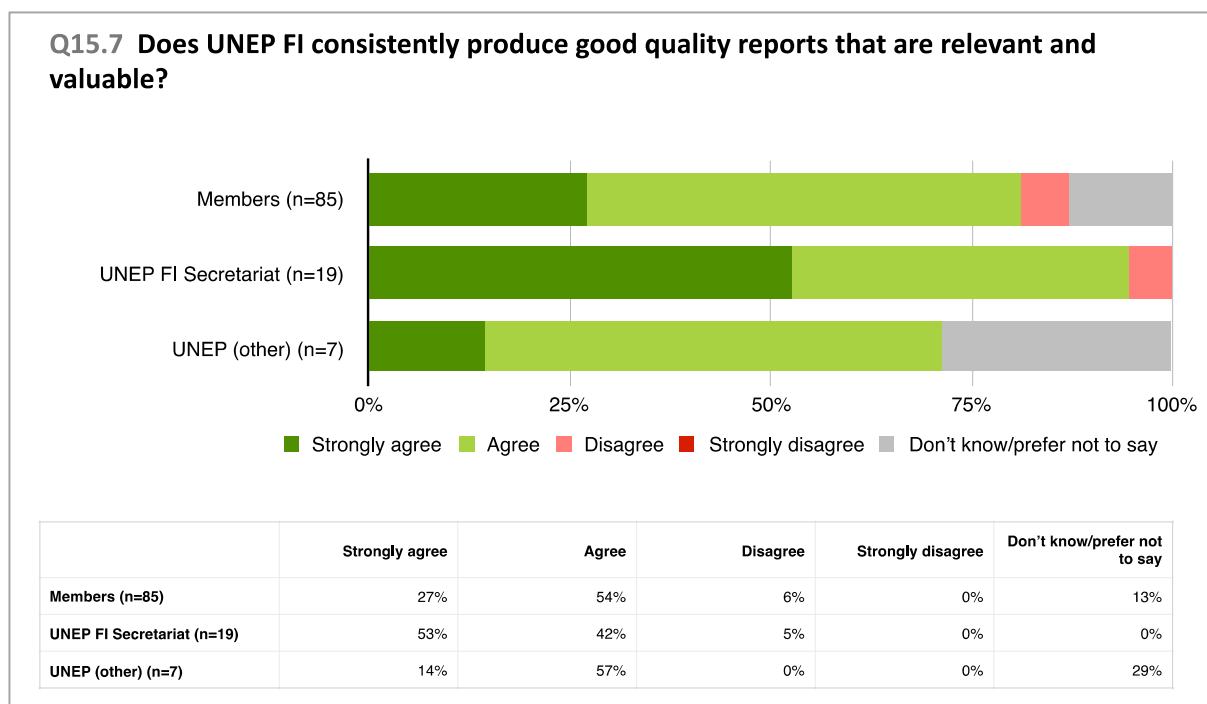


Figure 12: Survey feedback on the quality of UNEP FI reports etc.

4.3 Effectiveness: Attainment of objectives and planned results

Evaluation rating: Moderately Likely to achieve expected impacts

Achievement of direct outcomes as defined in the reconstructed ToC

110. Evaluation of the impact of UNEP FI uses a top-down as well as bottom-up approach. The bottom-up approach focused on evidence to show whether the activities UNEP FI has completed have had an impact, particularly in relation to the Expected Accomplishments (EAs) specified in UNEP’s MTS and Programmes of Work (PoW). The top-down approach involved asking, what have been the most impactful developments in sustainable finance in recent years and which of these can be attributed to UNEP FI in one way or another?

111. A key challenge to bottom-up analysis - and a key conclusion in its own right - is that UNEP FI does not appear to have invested sufficient management time and financial resources into monitoring and evaluation (M&E), especially when it comes to assessing the longer-term outcomes and impacts (see Section 4.6).

112. From a top-down perspective, there is no doubt that there has been significant progress in the mainstreaming of sustainable finance over last 5-10 years, accelerating year-on-year and leading some observers to (over-) use the term “tipping point”.

113. However, top-down analysis is constrained by the fact that, to the best of our knowledge, no organisation or initiative has yet prepared a sufficiently comprehensive report on the “state-of-the-

art” based on this very large and continually growing body of evidence. It is perfectly possible to assemble quantitative and qualitative evidence on these trends, milestones, results, gaps, and new priorities etc. This could be done using readily available information (supplemented by new primary research where needed), and could be presented in a way that corresponds to the outputs, outcomes, impacts, and goals presented in the Reconstructed TOC. The task is beyond the scope and budget of this evaluation.

114. Arguably, such a global assessment of the “state-of-the-art” could and should have been undertaken by UNEP FI in recent years, for example to coincide with Rio+20. As a minimum, UNEP FI should be producing an Annual Report. In 2012 UNEP FI committed to deliver such a state-of-the-art report for its 2013 Global Roundtable, but the project was not carried out. The UNEP Inquiry’s work and publications to date go some way towards this task, but the Inquiry has not tackled it head on or across all the key elements and levels in the Reconstructed TOC. We strongly suggest UNEP FI revisits the idea of preparing such a report (*see recommendations, paragraph 245*).

115. Bottom-up and top-down analysis together indicate that UNEP FI has made - and continues to make - significant and effective contributions towards the progress and success, although counterfactual analysis, impact measurement and attribution are difficult. The Survey results (Annex 1) support this finding. Selected examples of past and current UNEP FI projects and activities that have had (or show strong potential for) higher levels of impact include:

- The incubation and successful spin-off of the UN-backed Principles for Responsible Investment (PRI);
- The Fiduciary Duty work stream;
- The Portfolio Decarbonisation Coalition (PDC);
- The Natural Capital Declaration (NCD);
- The Principles for Sustainable Insurance (PSI) and its work stream on disaster resilience;
- The work stream on promoting energy efficiency dialogue within the G20;
- The work stream on sustainability in property and real estate investment; and
- UNEP FI’s most recent and very extensive work around COP 21.

116. The top-down analysis also shows that there have been a number of key developments in the sustainable finance space in recent years in which UNEP FI has not been the prime mover. As one actor in a diverse and dynamic community of practice, it is natural and right that UNEP FI is selective about what it takes on and, clearly, UNEP FI does not have a monopoly over thought leadership or implementation support. However, these developments involve many of UNEP FI’s members and stakeholders and several of them fell (or should have fallen) within UNEP FI’s mandate, capabilities, and ambitions. Examples of high impact projects and transformational initiatives where UNEP FI has been absent or peripheral include the Equator Principles, the Carbon Tracker Initiative, and the Climate Bonds initiative. CISL’s Banking Environment Initiative is also notable. Of current importance in this regard is the UNEP Inquiry, which has been a very significant game-changer for UNEP FI since its announcement by UNEP in late 2013.

117. These observations suggest that UNEP FI’s ability to initiate, retain ownership over and deliver catalytic, transformational impact in recent years has been somewhat inconsistent (due in part to a maturing and diversifying sector) and has not necessarily kept pace with the opportunities

and needs created by the rapid acceleration of the global sustainable finance agenda. If not addressed (including by measures set out in this report's recommendations), this may undermine the relevance and distinctiveness of UNEP FI in its wider community of practice and lead to progressive displacement by other organisations and initiatives.

Likelihood of impact

118. UNEP's Review of Outcomes and Impacts (ROti) rating system is presented in Table 9. Our assessment of the project's progress towards achieving its intended impacts is presented in Table 10. Not all the outcomes are fully achieved, due partly to assumptions beyond the control of the Secretariat. Rating of progress towards Outcomes is rated "B/C". Rating of progress towards the Intermediate States is rated "C". The rating obtained is translated onto a 6-point rating scale used across UNEP project evaluations (Table 11).

119. Based on this analysis, the aggregate rating is "CC"; therefore UNEP FI can be rated as "Moderately Likely" to achieve the expected Impacts.

Table 9: UNEP rating scale for outcomes and progress towards intermediate states

Outcome Rating	Rating on progress toward Intermediate States
D: The project's intended outcomes were not delivered	D: No measures taken to move towards intermediate states.
C: The project's intended outcomes were delivered, but were not designed to feed into a continuing process after project funding	C: The measures designed to move towards intermediate states have started, but have not produced results.
B: The project's intended outcomes were delivered, and were designed to feed into a continuing process, but with no prior allocation of responsibilities after project funding	B: The measures designed to move towards intermediate states have started and have produced results, which give an indication that they can progress towards the intended long-term impact.
A: The project's intended outcomes were delivered, and were designed to feed into a continuing process, with specific allocation of responsibilities after project funding.	A: The measures designed to move towards intermediate states have started and have produced results, which clearly indicate that they can progress towards the intended long-term impact.

Table 10: Overall Likelihood of Achieving Impact

Results rating of project entitled: UNEP FI							
Outputs	Outcomes	Rating (D – A)	Intermediate states	Rating (D – A)	Impact	Rating (+)	Overall
Research and Awareness Raising	ESG Integration	B	UNEP FI has supported research and awareness activities across its membership to increase participation and commitment to ESG goals.	B	Led by UNEP FIs membership, the global financial sector has incorporated ESG standards in their decision making resulting in changes in what is financed - “changed finance ” (for example decarbonized investment portfolios, investments in renewable energy, climate risk related insurance instruments, etc.).		BB
Tools and Training	Green Finance Solutions	B	UNEP FI has provided ESRA training to its membership and developed and provided tools to assist the membership in implementing green finance solutions.	B	As an outcome of training and capacity building, member institutions have implementing ESG positive approaches across their institutions. Tools are adopted and implemented resulting in green finance solutions – changed finance.		BB
Standard Setting, tools and systems	Accountability	C	UNEP FI has worked with regulatory agencies to help establish ESG friendly standards. UNEP Fi has also developed self-reporting accountability tools for its membership.	C	Member organizations are reporting on their sustainable development outcomes. Through improved standards and greater accountability, UNEP FI and its membership are financing change.		CC
Dialogue and Engagement	Policy Development and Regulatory Reform	C	UNEP FI has engaged in dialogue with regulatory authorities, which have adopted regulations that are supportive of a shift toward a green economy	C	Implementation of pro-green economy regulations for the financial sector in a number of countries has resulted in reduced emissions and better ESG standards – i.e. financing change.		CC

Table 11: Overall likelihood of impact achievement on a six-point scale.

Highly Likely	Likely	Moderately Likely	Moderately Unlikely	Unlikely	Highly Unlikely
AA AB BA CA BB+ CB+ DA+ DB+	BB CB DA DB AC+ BC+	AC BC CC+ DC+	CC DC AD+ BD+	AD BD CD+ DD+	CD DD

NB: projects that achieve documented changes in environmental status during the project's lifetime receive a positive impact rating, indicated by a "+".

4.4 Sustainability

Evaluation rating: Satisfactory

Sustainability of institutional frameworks, catalytic role and replication

120. This section looks at the sustainability of the activities and initiatives developed, launched and managed by UNEP FI, including their catalytic role and potential for replication. As well as evaluating sustainability of project components (primarily through the three case studies), we considered some of the methods UNEP FI uses to increase the chances of sustainability more broadly, e.g. open access; doing work in partnership with others; methods and effectiveness of dissemination strategies; advisory role to other organisations wishing to take on a UNEP FI outputs and build it out further. Also, the extent to which UNEP FI, when creating initiatives/membership structures such as PRI, PSI, NCD etc. is explicit about their intended/potential longevity and takes steps towards this.

121. A major success of the current phase of UNEP FI has been the development of PSI (see PSI Case Study, Annex 2), following on PRI. PSI brings the insurance industry together in support of four broad global Principles focused on environmental, social and governance risks and opportunities, and its membership is growing. However, as an arm of UNEP with all the attendant bureaucratic systems and procedures, the sustainability of keeping PSI nested inside UNEP FI should be carefully considered.

Sustainability of Financial Resources

122. Based on increases in the membership (4.5% last year), increases in membership fees (17% cumulative growth since 2000), increased financial support channelled via UNEP (REDD etc.) and Trust Funds, uptake of UNEP FI initiative (e.g. PSI) and creditability for the work of UNEP FI emerging from events like COP21, there appears to be growing support for UNEP FI and UNEP to work in the private financial sector space. Further, the private financial sector is now seen as a key player in climate negotiations.

Country Ownership

123. Much of the work of UNEP FI is undertaken at a global level via initiatives such as PRI, PSI, NCD, etc. Increasingly, UNEP FI has initiated field-based programs on regulatory reform and is placing staff in regional offices. As noted above, the regulatory work creates a potential conflict of interests between UNEP FI's membership and government entities, and must be undertaken in a collaborative manner. UNEP FI management indicated to the Evaluation Team that field based programs have been met with varying success, for example strong uptake in Brazil and Kenya, while UNEP FI was less successful in Nigeria where IFC was already very active. However, the evaluation did not allow for a detailed look at UNEP FI's field based programmes.

124. Projects such as *Fiduciary Duty in the 21st Century* have a strong-country specific focus as well as international/global focus (see Annex 2c). The Phase 1 report, published in September 2015, analysed investment practices and fiduciary duty in eight countries: Australia, Brazil, Canada, Germany, Japan, South Africa, the UK and the US, and convened roundtables in Australia, Japan, Canada, the UK and the US. Phase 2 will replicate this analysis in five additional countries (China, India, Korea, Malaysia and Singapore) while also progressing follow-up implementation strategies in each of the eight countries covered by the Phase 1 report, and drawing a global synthesis through a planned international statement on fiduciary duty and ESG.

Environmental sustainability

125. Assessing environmental sustainability is more challenging. Lacking an M&E system that provides data on changes in the portfolios and therefore the performance of, first UNEP FI's membership and second the industry, it is difficult to know what the sustainability of environmental results might be. In the insurance sector, statements by CEOs indicate that change is beginning to happen. NCD is still young and has time horizons of 2020-2030 making assessment of environmental sustainability more challenging.

126. UNEP FI needs to come to terms with the "accountability" question. UNEP FI lacks the resources, and is highly unlikely to be granted additional staff, to create a meaningful accountability function. Further, the membership likely would object to UNEP FI taking on such a role. It is in no one's interest for UNEP FI to become a policing body over its membership. Transparency and accountability are built into all the Principles. The industry is developing tools for common reporting, e.g. portfolio decarbonisation accounting. The industry should develop a common self-reporting system that provides comparable data. UNEP FI could and is assisting by developing accountability tools.

Champions for change

127. PRI and PSI have resulted in changed practices within their membership. This in turn is setting an example across the industry. This can be initially measured by the proliferation of Sustainability Reports (see survey data). 86% of those members responding to the evaluation survey reported that they now publish a Sustainability Report.

128. The evaluation of UNEP FI has highlighted the importance of interaction with government institutions to raise their awareness and the need for establishing a formal body including both

private and public stakeholders in order to create an enabling environment for the scaling-up of UNEP FI activities. Such change was reflected by the degree of engagement with the private sector as noted at COP21. A regulatory only approach has not worked. A collaborative engagement with the private sector is leading to changed policies and practices.

4.5 Efficiency

Evaluation rating: Moderately Satisfactory

Cost efficiencies

129. Overall, UNEP FI delivers excellent value for money to UNEP, particularly considering the in-kind contributions. UNEP FI's strong emphasis on partnership and co-financing also adds to its cost-efficiency: for example, the *Fiduciary Duty in the 21st Century* report had a budget of just under US\$52,000, cost UNEP FI only US\$24,000 due to co-financing with PRI and other partners, and has subsequently enabled UNEPFI to leverage its initial investment into a US\$1M, three-year grant from a leading foundation to support the implementation of the report's recommendations (see Annex 2c).

130. UNEP FI operates as efficiently as it can, given the (considerable) challenges imposed upon it by the operational framework within which it exists. This achievement is largely due to the hard work of the Secretariat and very significant in-kind contributions made by the membership.

131. UNEP FI faces a number of challenges to operating efficiently. We have endeavoured to focus mainly on those challenges that are specific to UNEP FI, as opposed to those that are common across UNEP.

132. Management of UNEP FI's finances emerges as an issue from the case studies:

- NCD program funds are in part channeled through an NGO (the Global Canopy Programme, GCP) because NCD is a collaborative program with GCP. Please see section 3.6 for the implications in terms of integration into the Programme of Work of UNEP.
- For the REDD work, UNEP FI has received two grants from REDD in the amount of Euro 1.6 million combined. This work does not go through the Climate Change or Ecosystems Advisory Groups. Rather, the funds are transferred to UNEP FI via REDD and the team reports separately to REDD on the use of these funds. This work points to the value of Trust Funds to support future UNEP FI activities, perhaps with other bilateral and multilateral organizations. However, it also raises governance implications for how UNEP FI develops and manages its work programme.

Timeliness

133. Relative to schedules defined in the two key project documents (62-P2 and 33-P13) some activities are slightly behind schedule. Delays and inefficiencies are attributable to a multitude of factors including:

- a) Absence of a permanent Director during the last 3 years (see Table 12 below).
- b) Delays and inefficient use of Secretariat management time as a result of having to get UNEP FI projects through the UNEP's PRC approval process as well as through UNEP FI sector commissions, GSC etc.
- c) Long recruitment time and increase in costs (of staff vs. consultants) involved in creating and filling posts under UNEP's HR system, resulting in many staff retained as "short-term" consultants over repeat consultancies (a common UNEP issue).
- d) Problems relating to the Secretariat's financial management systems, including the way UNEP FI is accounted for in the UMOJA.
- e) Teething and downtime problems with MIS systems such as UMOJA (a common issue across UNEP since UMOJA's implementation in June 2015).

134. *Our recommendations in this regard are presented in paragraphs 233 and 249.*

4.6 Factors affecting performance

Evaluation rating: Moderately Unsatisfactory

135. What did the survey respondents consider the most important issues affecting performance? Figure 13 illustrates those areas for improvement as stated across the respondents (see Annex 1, Q17 for detail), with size of text reflecting how often an issue was raised. Clearly, there is a diversity of opinion across the respondents. "Unlocking synergies with UNEP," "Better strategy planning," "Improve Communications," and "Appoint a Director" emerged as the most important issues.

Structure, management capacity, and supervision

136. UNEP FI faces a number of solvable barriers to achieving its full potential. These are already well known but inertia has meant they have not been adequately and decisively addressed for many years. Required changes cannot be put off any longer.

137. Although UNEP FI currently has a very effective and capable Acting Director, it has experienced a series of leadership departures and gaps (made worse by a lack of succession and contingency planning) that have affected the performance of the Initiative at multiple levels and are not likely to have enhanced the reputation of UNEP and UNEP FI (Table 12).

138. The provision of a Director is of vital importance and is one of the few aspects of the UNEP FI partnership that is the sole responsibility of UNEP. Although, one could argue for an increased role of membership in the selection of the Director. On paper at least, the position should be one of the most sought after roles in the sustainable finance community, which is now so large and mature that it is capable, in theory, of offering many qualified candidates. The current recruitment process is

very advanced but, since few details are available (for understandable reasons of confidentiality), it is difficult to determine how much confidence to place on a timely outcome.



Figure 13: Survey respondents’ suggestions on improving UNEP FI

Table 12: UNEP FI Leadership Changes, 2000-2015

Dates	UNEP FI Leadership changes
Nov. 2000	Paul Clements-Hunt appointed Head of UNEP FI
March 2012	Paul Clements-Hunt resigns as Head of UNEP FI
Nov. 2012	Yuki Yasui appointed Acting Officer in Charge (Officially from November 2012)
Feb. 2014	Charles Anderson appointed Director of UNEP FI
Feb. 2015	Charles Anderson departs as Director of UNEP FI
Feb. 2015	Eric Usher appointed as Officer in Charge
Feb. 2015	Start of recruitment for replacement of Head of UNEP FI

139. In light of these serious factors, we believe it is necessary to look beyond explanations of “bad luck” or “culture clashes” to a more fundamental evaluation of root causes. Feedback indicates that: (i) the duration of contracts, (ii) comparatively low remuneration levels, (iii) extensive levels of hierarchy, and (iv) slow bureaucratic recruitment process have all been serious inhibitors for finding and keeping the right candidates. People with the right skills will seek and obtain senior well-paid positions within the financial sector.

140. Finding the right balance between supervision and backstopping is key. Supervision relates both to the role of the Director and to the team. An issue previously raised is alignment of UNEP FI within UNEP. Effective supervision of UNEP FI will help to facilitate UNEP FI’s efforts to engage the private sector and better align itself within UNEP. If UNEP is primarily public sector focused, it is challenging for UNEP FI, which is private sector focused.

141. *Our recommendations on filling the post of Director are presented in paragraph 229. This recommendation is an immediate priority.*

142. Balancing the leadership gap, UNEP FI has and continues to be able to recruit highly trained, very smart, and dedicated staff. UNEP FI has created an environment where ideas are allowed to flow and junior staff are allowed and encouraged to develop ideas. This is an important feature of the team and should be maintained.

143. UNEP FI is staff and resource constrained. This is partly a function of budget resources, but also partly a function of the bureaucracy imposed on UNEP FI as a UN/UNEP organization. As one example, the PSI Secretariat now has only one staff member and one vacancy. Compare this to PRI, which has over 60 staff.

Strategic alignment

144. Relative to UNEP’s seven core areas, UNEP FI is crosscutting, currently to three: Climate Change, Ecosystems, and Resource Efficiency. Organizationally, UNEP FI reports through Resource Efficiency. This UNEP structure can create challenging reporting systems, which become critical when arguing for additional head-count and budgetary support. By contrast, the Inquiry has been put above the UNEP structure, placing it above the inter-departmental conflicts and competition.

145. UNEP FI operates under four separate projects. The different cycles for funding, reporting, measuring results, etc. make for a confusing structure.

146. UNEP FI currently operates under two separate, poorly aligned and largely detached frameworks for work programme planning, project approval and progress monitoring and oversight: one process focuses on UNEP FI’s membership via the AGM, GSC and three sector Commissions; while the other focuses on UNEP’s SPCs, PRC and Senior Management. The UNEP FI team is left with the task to ensure that their work programme meets the needs of both processes. This situation is inefficient and limiting.

147. *Our recommendations on this point are presented in paragraph 236.*

Communications and outreach

148. As an organization whose primary output is measured in events, reports, capacity building, and engagement; having a well-staffed and effective communications team and strategy is critical. The current team involves staff as consultants, is under-budgeted, and staff are over-worked. Fortunately, this has been recognized. The position is being regularized. A new webpage has been developed, but much more can and should be done.

149. UNEP FI produces high quality documents, reports, webinars, etc. However, it lacks an effective feedback mechanism other than “hits” and therefore is limited in its capacity to engage with readers. The survey also points to concerns about UNEP FI’s own transparency and accountability (Figure 14). UNEP FI needs to practice what it preaches.

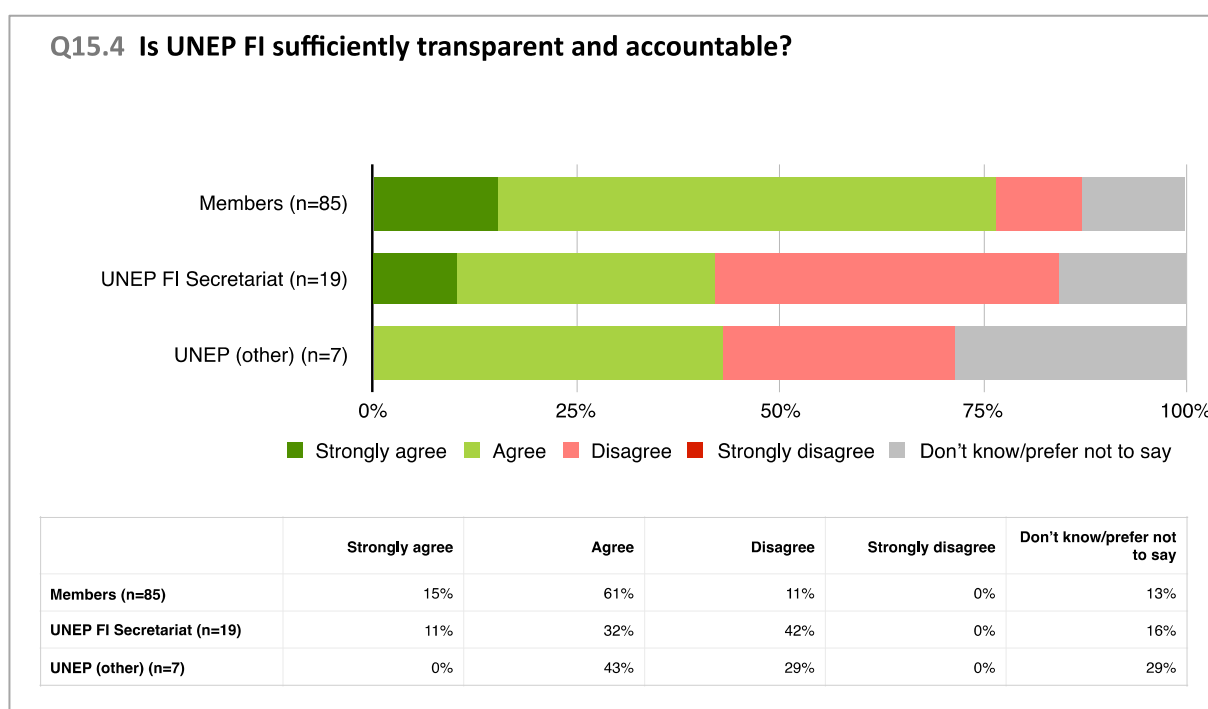


Figure 14: Survey data on UNEP FI’s transparency and accountability

150. Our recommendations on communications issues are presented in paragraphs 240-241.

151. There has been a year-on-year growth in the membership, but the rate of growth is limited. The total UNEP FI membership reflects only a small fraction of the financial sector. Therefore, there is significant growth potential to expand the membership, thereby raising the budget, thus allowing for significant new programs and activities, and greater impact. Further, the level of engagement is often with middle-level managers in the Human Resources, Sustainability, or equivalent departments. This varies by activity. UNEP FI is working to increase its direct access to and working relationships with Operations or Risk departments. As a positive example, the PSI are signed at CEO level, and various activities have engaged CEOs, Chief Underwriting Officers, Chief Risk Officers, Chief Strategy Officers, Chief Sustainability/Corporate Responsibility Officers.

152. *Our recommendations on membership recruitment are presented in paragraph 243.*

153. UNEP FI has been increasingly successful in raising support from external sources including Donor Trust Funds. However, there is a limited pool of Trust Fund money available across UNEP, for which there exists intense competition. Obtaining Trust Fund money requires both very strong proposals and active and effective engagement with the donors.

154. *Paragraph 242 sets out our recommendations on diversifying UNEP FI's funding sources.*

Monitoring and evaluation

155. Monitoring and evaluation is weak to non-existent. It is relatively easy to measure outputs, for example the number of people trained, but much more challenging to measure outcomes and impacts – does the training result in changed practices and therefore reduced ESG impacts. There are proxy indicators that can be measured, along with tools such as impact evaluations, industry self-evaluation, surveys, etc. An observation from evaluation is that “what gets measured gets attention”. This is also an area of keen interest of the membership as noted from the survey results.

156. *UNEP FI must instil an M&E culture and put in place appropriate resources and systems for M&E. Our recommendations are presented in paragraph 238.*

Financial management policies and systems

157. The cash flow profile of membership fee income, plus staff time needed to collect fees and juggle finances, presents significant challenges. The UNEP FI accounting system appears to have limited capacity due to the fact that it has to add additional resources to maintain, manage and analyse its voluntary accounting system on QuickBooks to the UNEP's internal system (UMOJA). While UNEP is able to track both income and costs against specified line items, it does not appear to have the features of modern accounting systems. The team should improve its system to daily “slice and dice” the accounts many ways, e.g. by activity, by component, by country, by sub-team, etc. (see also Section 3.6).

158. The primary source of income for UNEP FI is membership fees, which arrive throughout the year with many contributions coming in at the end of the year. Thus, the timing of the workflow and the income stream are not well matched. Even though the income can reasonably be expected (based on commitments from past years), the UMOJA accounting system requires a positive balance, thus the system constrains the workflow.

159. *Paragraph 233 presents our recommendations on the need to resolve the problem posed by the way UMOJA is currently applied to UNEP FI. This is an immediate priority.*

5. Conclusions and Recommendations

5.1 Overall project rating

160. Table 13 overleaf summarizes the evaluation ratings presented in the previous chapter. In line with the TOR, we have considered parameters A-F (placing particular importance on parameters C and D) in order to arrive at an overall rating. Our conclusion is that overall performance of UNEP FI should be rated as **Satisfactory** and **Moderately Likely** to achieve expected impacts, for the following principal reasons:

- a) "Changing finance, financing change" is an important and relevant goal for UNEP, the private financial sector, and the wider cause of sustainable development.
- b) UNEP FI is an important, relevant and impactful vehicle for contributing to this goal. Furthermore the UN-private sector partnership structure of the vehicle is a key ingredient in its relevance and rests on a good business case that makes sense for both "sides" and offers good value for money.
- c) UNEP FI has delivered valuable accomplishments and results since its inception, including since 2010 (the main focus of the evaluation). On-going work such as PSI and Fiduciary Duty are rated as Satisfactory and have good potential to yield results in the medium-long term.
- d) Notwithstanding these positive findings, there are three main factors that we believe prevent UNEP FI from being given the highest evaluation rating of **Highly Satisfactory** at the current time. These factors are as follows, and are clearly interlinked:
 - i. Weak monitoring and evaluation (M&E) of outcomes and impact due to (i) resource constraints in the Secretariat and (ii) a lack of emphasis on results-based targets and M&E oversight both by UNEP FI and the Initiative's GSC.
 - ii. Weaknesses in program management & implementation arising from the leadership gap; human resource constraints in the Secretariat; and, recently, the unsuitable way that the UMOJA management information and financial control system has been applied to UNEP FI.
 - iii. Weaknesses in strategic planning and unrealized synergies between UNEP FI and the rest of UNEP, arising from insufficient alignment between the two main parties to the partnership, exacerbated by a lack of clarity and decisiveness on the UNEP side with respect to (i) the principle and practice of private sector partnership (including the absence of an overall strategy for private sector engagement in general) and (ii) UNEP's overall intentions and operational configuration for engagement on the sustainable finance topic.

Table 13: Summary of Evaluation Ratings

Criterion	Summary Assessment	Rating
A. Strategic relevance	UNEP FI engages with the global private financial sector on promotion of ESG standards and goals.	HS
B. Achievement of outputs	UNEP FI has produced the expected outputs (initiatives, publications, training, events, etc.) as defined in the project documents, on schedule or with only minor delays.	S
C. Effectiveness: Attainment of project objectives and results	Many expected outcomes have yet to be achieved and are not yet due ,as initiatives such as NCD have long development schedules. Further UNEP FI lacks an effective M&E system to measure outcomes and impacts.	MS
1. Achievement of direct outcomes	Initial results, for example launch of initiatives such as PSI, NCD, PDC are on schedule.	S
2. Likelihood of impact	Impacts are rated “moderately likely” to be achieved. Evidence is weak and time horizons lengthy.	ML
3. Achievement of project goal and planned objectives	There is some indication that UNEP FI is changing finance, which will lead to financing change, but with a very limited group of FIs. Evidence of a shift across the industry is lacking. UNEP FI lacks tools such as real time impact evaluation to access change.	MS
D. Sustainability and replication	UNEP FI has had a 20+ year successful track record in engaging with the global financial sector and leading to a changed approach to ESG issues.	L
1. Financial	The membership provides 76% of the funding. UNEP FI has experienced a slow but steady increase in the membership. The potential to grow the membership and therefore the budget is huge.	L
2. Socio-political	UNEP FI is private sector focused. The membership participates via the GSC and Commissions. UNEP FI also supports capacity building via training and is expanding its country and regional activities.	L
3. Institutional framework	Governance improvements are underway to support greater membership involvement. Many FIs are represented by staff from HR, Communications, and CSR teams, but there are also several examples of engagement at the CEO and senior management level. To increase impact, UNEP FI needs to better engage operational and risk departments of their membership organizations.	ML
4. Environmental	Evidence supporting real environmental change resulting from UNEP FI remains weak. Publishing Annual Sustainability reports does not necessarily lead to change. To understand if there is real change requires portfolio reviews, which are beyond the current capacity of UNEP FI.	ML
5. Catalytic role and replication	UNEP FI is changing practices within its membership. Previous successes, such as PRI, have contributed to new initiatives and launches such as PSI. UNEP FI is also changing the way UNEP looks at the private sector, contributing to the Inquiry, PAGE, Green Economy work, etc. Previously, UNEP FI and its focus on the private financial sector were treated as side activities. Today PSD is a key issue across UNEP’s sectors.	HS
E. Efficiency	UNEP FI works as efficiently as it can, given serious constraints of working under the UN accounting and HR systems. It is less clear what the “value for money” is. Issues around the Directorship of UNEP FI (see below) have plagued the team, its reputation with the membership, and has caused delays in completing the work programme.	MS
F. Factors affecting project performance	There are a series of organizational issues that need resolution, of which the most important is the appointment of a new Director. Communications and M&E are also areas of concern.	MU

1. Preparation and readiness	UNEP FI could be better aligned with UNEP PoW across the various subsectors. It remains relatively poorly understood within UNEP. UNEP FI is focused on the private sector while UNEP lacks a clearly articulated PSD strategy. As part of the Inception Report the Evaluation completed the Project Documentation and Readiness form. Our major concern was the lack of indicators at the outcome and impact levels.	MS
2. Project implementation and management	Project Management has been an issue throughout the last 5 years. This affected UNEP FI's reputation with the membership and negatively affected team morale.	MU
3. Stakeholders participation and public awareness	The membership is actively engaged and participates through the GSC, AGM, and Commissions. Awareness of UNEP FI by UNEP staff and linkages to other UNEP programs needs improvement. The UNEP FI team is currently preparing a new and much needed Communications strategy.	MS
4. Country ownership and driven-ness	UNEP FI's focus has been on global initiatives, such as PSI and has only recently begun to locate staff in Regional Offices. As a private sector focused membership organization, country ownership has not been a driver for change. UNEP FI is working with national governments to focus on regulatory issues.	MS
5. Financial planning and management	The UN is implementing a new accounting system that continues to have teething problems. Further, new positions must be fully funded for one year in advance, while UNEP FI's funds (membership fees) come in throughout the year. As a result many "staff" positions are filled via consultant contacts requiring multiple consultancies for some team members.	S
6. UNEP supervision and backstopping	Alignment with the UNEP PoW is a key issue going forward. Senior Management is responsible for backstopping UNEP FI and ensuring that it is well integrated across the organization. Another key issue is the management of UNEP FI, and the gap in leadership. Responsibility for the gap in leadership rests with UNEP Senior Management and needs to be resolved ASAP.	MS
7. Monitoring and evaluation	M&E is an area of weakness. Monitoring currently focuses on measuring inputs and outputs. There is not an effective M&E system for outcomes and impacts.	MU
a. M&E Design	As noted, the Monitoring is poorly designed to get at outcomes and impacts.	U
b. Budgeting and funding for M&E activities	There is no dedicated budget for M&E. Sufficient budget was allocated for this evaluation, but it should be considered that this was the first in more than 20 years of existence of the initiative.	MU
c. M&E Plan & Implementation	The M&E plan and its implementation, such as it is, is based on the two projects and inputting data into the PIMS system, however this does not allow for sufficient data to be collected on the entire range of UNEP FI's work. This means that it is not possible to measure the level of achievement of outcomes and impact.	MU
Overall project rating		S

5.2 Conclusions

161. The TOR (as revised in November 2015) posed seven key questions for the evaluation team to consider. Our conclusions in response to these questions are presented below.

162. **Question 1: To what extent is UNEP FI being successful in providing support to individual finance institutions to raise awareness and capacity to adopt strategies and frameworks to manage ESG risks, with the objective of minimising their unsustainable impacts and develop greater positive impacts?**

163. It is important to begin by clarifying definitions and implicit assumptions. In principle, every financial institution participating in UNEP FI benefits (or should benefit) from the various forms of support that the Initiative provides to its membership collectively and to the financial sector in general. This support is often focused on distinct sub-groups or clusters of financial institutions that show demand, for example, based on sub-sector, geographical market or thematic/project-specific interest. It also includes UNEP FI's online training courses. However, the concept of providing tailored support to individual financial institutions is not part of UNEP FI's strategy or *modus operandi*. We believe this is appropriate for reasons that include (a) questionable compatibility with UNEP FI's mandate, priorities and capacity (b) issues such as professional liability, conflict of interest prevention, protection of impartiality, etc. (c) the ability of financial institutions to create in-house expertise and/or access external support from suitably qualified consulting firms or other local resources such as national banking associations.

164. We have therefore focused on evidence that indicates whether individual members of UNEP FI have achieved "success in sustainable finance" as a direct result of their involvement with UNEP FI and consistent with the Reconstructed ToC (see Section 3.2)

165. Given the limited availability of useful M&E information, the main sources of information available to address these questions are (a) the evaluation's survey of UNEP FI's membership (see Section 3.9 and Annex 1), (b) data on participant feedback from UNEP FI's training courses and (c) the three case studies prepared by the evaluation team (see Annex 2).

166. The survey results show that over 80 per cent of respondents agreed that UNEP FI has been an important or useful factor in their organisations' progress on sustainability issues in the last five years (Annex A, Q8). Just as importantly, over 90 per cent believe that membership of UNEP FI will continue to be important to their future progress over the next five years (Annex A, Q9). The significance of the progress being made with UNEP FI's assistance is illustrated by survey Q7: 55 per cent of respondents said they were at a relatively advanced level on ESG matters in 2010 and have made significant progress since then; and nearly a quarter reported making significant progress from a relatively low starting point.

167. The value that UNEP FI members attach to the contributions that the Initiative makes to their success in sustainable finance is also indicated by the response to survey Q15.1: over 70 per cent of respondents agree or strongly agree with the statement that UNEP FI delivers good value for money to its membership. Those outputs that have been most appreciated by members over the last five years are illustrated in Figure 11 and include PSI, online training, sustainable banking tools and implementation support.

168. Nevertheless, it must be noted that:

- 14 per cent per cent of members responding to the survey stated that they had made little or no progress on sustainability issues over the last five years (although most of these believed they were already at a relatively advanced level);
- 11 per cent of members responding to the survey stated that UNEP FI has not been an important or useful factor in their organisations' progress on sustainability over the last five years;
- 12 per cent stated that UNEP FI does not provide members with good value for money;
- Around two-thirds of the membership did not respond to the survey (it is interesting to note that over the last three years, the proportion of members not voting in the AGM has also consistently been about two-thirds), perhaps suggesting a degree of indifference by a portion of the membership¹¹

169. On average 112 people receive training from UNEP FI at an average costs of \$1100 per student. 69% of the students rated the overall quality of the training as *Excellent* and another 29% rated it as *Good* with an overall success rating of 98%.

170. Of the three case studies, those on PSI and NCD are most relevant to this question (the Fiduciary Duty case study focuses on work directed primarily at public policy and enabling environment issues, rather than financial institution capacity). Both projects show promising results in terms of their support to participating financial institutions.

171. It is also notable that in recent years, UNEP FI has increased its focused on the positive impacts (both environmental/social and financial) of good ESG practice, as opposed to the focus on ESG risk avoidance which predominated the agenda in the first decade or so after UNEP FI's launch. The Positive Impact Manifesto launched in late 2015 (and therefore not within the scope of this evaluation) underlines this ambition.

172. We have also tried to establish whether the benefits and results of UNEP FI membership accrue mainly to particular types of financial institutions (depending, for example, on sector, size or geographical location), and whether this flow of benefits matches identifiable needs and priorities. The evidence available to answer this is somewhat limited. However, the combined picture provided by responses to survey questions 2, 5, 7, 16 and 17 tends to indicate that the type of institution that UNEP FI is most geared up to assist through awareness raising and capacity building is likely to be:

- In the banking or insurance sectors (noting that PRI is now well established as the "go-to" knowledge management, training and implementation support resource for institutional investors and asset managers)
- Based in Europe (despite that fact that half the membership is from development countries)
- Already relatively sophisticated in ESG matters
- Able to handle reports etc. that are mainly or solely in English

¹¹ This is indicative as it was not possible to interview non-responders.

173. We therefore judge that the flow of benefits is not likely to be very close match with the needs of financial institutions (typically banks) outside Europe, who are likely to be at a relatively low or intermediate stage on ESG matters but actively wish to do more, may be small or medium-sized institutions with limited capacity to create in-house expertise, and who ideally need reports and communications in their local language. This is echoed by stakeholder feedback on suggestions to improve UNEP FI: as seen in Figure 13, there is strong demand for UNEP FI to do more in the regions and to be more multilingual (especially with respect to Spanish).

174. These are issues that the Secretariat and GSC are already well aware of and are addressing as best they can despite competing demands on finite resources. For example, UNEP FI has successfully put a strong priority on delivering its online training in Spanish (in fact the initial training was developed in Spanish); endeavors wherever possible to translate its flagship publications; and is attempting to strengthen the Secretariat's network of regional coordinators. However, we believe more can be done.

175. On the basis of this evidence, we therefore conclude that UNEP FI has achieved a high level of success over the evaluation period in supporting at least one-third of its current membership (about 70 institutions) to implement and continuously improve upon good ESG management practice. We believe it is both necessary and feasible to maintain and significantly enhance these results at individual institution level over the next 2-5 years. As noted in Section 4.3, we have evaluated the Initiative as "Moderately Likely" to achieve its expected impact. The opportunities, challenges and programmatic requirements require some segmentation (and probably some strategic choices based on prioritization of resources for extending UNEP FI's reach):

- a) We cautiously estimate that about 30 per cent of UNEP FI's current membership (primarily large European or transnational companies) are genuinely at a relatively advanced level of ESG integration. We believe this proportion can probably be increased by around 50 per cent over the medium-long term by "graduating" other existing members (see (b) below). Maintaining success with this segment of the membership is likely to involve continued partnership on increasingly sophisticated implementation tools and business case evidence development, probably developed and funded through project consortia and perhaps implemented in a way that provides participants with a period of privileged access to competitive advantage. This is likely to have implications for the skills mix and industry experience required in the Secretariat team (for example, requiring financial analysts, risk management professionals and/or financial product development experts). It is also important to note that this segment of the membership looks to UNEP FI not only to support them with their internal ESG implementation, but also to achieve change and best practice at sectoral level (not least to promote "level playing fields") (see Question 2 below) and to provide a stronger voice for the financial sector in shaping UN thinking and international policy on better enabling conditions for sustainable finance (see Question 3 below).
- b) We cautiously estimate that about 20 per cent of UNEP FI's current membership falls into the category characterised in paragraph 172 i.e. financial institutions (typically banks) at a low or intermediate level of sustainability performance but with an active interest in accelerating up the learning and implementation curve. They are typically

located outside Europe, with Latin America being a key region, and would like UNEP FI to have stronger regional presence and work with them in their native languages. Many of these organisations are good candidates for “graduating” to levels of advanced performance, as characterised in (a) above and are also likely to act as powerful agents for additional local recruitment of new members. However, UNEP FI needs to find more effective ways to unlock these opportunities. In addition to additional budgetary resources, this may involve the Secretariat re-thinking how it deploys its existing assets, including language skills. One option, for example, may be to concentrate effort (and resources) in one or two regions, rather than spreading the Secretariat’s regional resources more thinly across all regions. Another may be to concentrate resources in one or two senior staff members operating across multiple regions on a peripatetic basis. A complementary suggestion emerging from the stakeholder survey (Annex A, Q17) is that UNEP FI should seek to develop closer and more substantial alliances with existing national or regional networks, such as banking confederations, business schools or training institutes.

- c) Achieving and measuring results with the remaining 50 per or so of the current membership is likely to be more of challenge for UNEP FI. More work probably needs to be carried out to understand this “silent” segment of the membership in more detail, focusing on their motivation for joining UNEP FI and barriers to their engagement. It is likely that a significant proportion of this group of members are essentially “passengers” who have signed up to UNEP FI without necessarily intending to do more or understanding how to go about it. Progressing results with this segment of the market probably relies on UNEP and UNEP FI acting more as a “critical friend” (for example, by carrying out the kind of “state-of-the-art” assessment suggested in paragraph 114 in order to highlight gaps) and progressing policy and regulatory measures in conjunction with the UNEP Inquiry.

176. Enhancing UNEP FI’s results at individual institution level over the next 2-5 years can and should also be achieved by expanding UNEP FI’s membership base. We believe membership recruitment also needs to be a strategic priority in order to increase core funding and ensure the Initiative has a sectoral impact beyond the “usual suspects”. If this is to be achieved, it will be imperative for UNEP FI to gain a better understanding of the needs of the type of members (and prospective members) and to strengthen its value proposition and delivery capabilities in this regard. The intended appointment of Signatory Relations Manager will be a positive development in this regard, but we believe much more can be achieved if the UNEP FI partnership can find a way to invest for growth.

177. *Question 2: To what extent is UNEP FI promoting sustainable finance at the sectoral level and developing a sustainable financial system in cooperation with the private sector? To what extent are existing initiatives being implemented by the private sector as a result of UNEP FI’s work?*

178. As described in *Sections 3: Project Description* and *Section 4: Evaluation Findings*, UNEP FI is engaged in an extensive range of activities and partnerships to promote change at the sectoral level. However, the results of this effort are difficult to evaluate and attribute, not least because of the

limited availability of useful M&E information (see paragraph 155) and absence of the kind of “state-of-the-art” assessment discussed in paragraph 114 (whether by UNEP FI or another entity).

179. The UNEP Inquiry is grounded in the widely acknowledged and well-argued proposition that efforts to date to create a sustainable global financial system have not gone far or fast enough, and that the solution is to match voluntary efforts by the private sector with a powerful new campaign for policy and regulatory reform. Several of the practice-based examples included by the Inquiry in its “sustainable financial policy toolbox” are the result of initiatives in which UNEP FI and many of its most active members have played a part in one form or another. However, the Inquiry’s flagship reports do not describe voluntary industry initiatives such as UNEP FI in any great detail, nor do they provide much direct analysis of their impact.

180. It is also necessary to break this question down into three sub-sectors: banking, investment and insurance. Key sources of evidence include the evaluation’s stakeholder survey and the case studies on PSI and UNEP FI’s fiduciary duty work stream. Other key considerations include the extent to which UNEP FI’s membership is representative of the financial sector as a whole, and the success of UNEP FI’s work to date on public policy and regulatory issues, including cooperation with the UNEP Inquiry.

Banking sector

181. The survey indicates that nearly 60 per cent of respondents agreed or strongly agreed that UNEP FI has had a significant positive impact on the development and wide-scale implementation of sustainability good practice in the banking sector. The proportion disagreeing with this statement was 14 per cent, 1 per cent and 24 per cent either did not know or preferred not to say.

182. As discussed in paragraph 61 and evidenced by Table 2, 29 of the world’s 50 largest banks are members of UNEP FI. This is positive. On the other hand, it needs to be noted that 21 are not UNEP FI members. Many of these are in China, where significant changes continue to be made to cement sustainability principles in the financial sector as a result of actors other than UNEP FI.

183. On the public policy and regulatory front, UNEP FI has attempted to drive sectoral transformation through work directed at banking regulators and supervisors at both the national and supranational levels, including key organisations such as the Basel Committee on Banking Supervision. Due to prioritization of resources, we have not evaluated this part of UNEP FI’s work programme. However, discussions with the UNEP FI Secretariat indicate that this work was successful in getting sustainability issues onto the radar screen these institutions, although it will require nurturing and follow-up action before they bear fruit.

184. UNEP FI has also sought to achieve sectoral-level impact in the banking sector through collaboration with development finance institutions such as IFC, EBRD and DEG and involvement in national public/private initiatives in countries such as Kenya, Nigeria, Colombia and elsewhere. Again, due to prioritization of resources, we have not evaluated this part of UNEP FI’s work programme. These are relatively recent projects, therefore substantive outcomes may not be measurable for some time.

185. We have shared with the UNEP FI Secretariat our observation that UNEP FI's presence and impact in the banking sector to date has mainly been in the retail and commercial banking segment of the market (which is where the demand from members has emerged) and that little or no emphasis has been placed on investment banking. We believe this is at least a missed opportunity, and quite possibly is an important gap in UNEP FI's theory of change: investment banks are involved in a wide range of activities that have sustainability implications both for the banking sector and for the financial market as a whole. These include advising companies on IPOs, structuring and underwriting bonds, corporate finance and project finance. We note that the UNEP FI intends to engage investment banks in future through the Positive Impact workstream, but we do not believe this addresses the issue of investment banks in a sufficiently strategic way.

186. Through its support for PRI and latterly PSI, UNEP FI has contributed to the codification of widely accepted sustainability standards in the investment and insurance sectors, with associated norms and accountability mechanisms for disclosure and reporting by companies in those sectors. The same type of holistic, sector-wide framework has not yet emerged for the banking sector. UNEP FI has been an active stakeholder in recent initiatives by organisations such as the Global Reporting Initiative (GRI) and Sustainability Accountability Standards Board (SASB) to develop reporting guidelines for banks and other financial sectors. Although accountability and reporting are explicit commitments in the UNEP FI Statement of Commitment, UNEP FI has not placed a strong emphasis on raising the bar in relation to this topic and to date has provided only limited guidance to members (via the Communications module of its Online Guide to Banking and Sustainability).

187. We believe the issues discussed above are barriers to mainstream progress in the banking sector and are areas where UNEP FI ought to be well qualified to act as an agent of change.

188. Overall, we conclude that UNEP FI has been moderately successful in driving change in the banking sector beyond its core group of active member banks. The need to be more strategic and selective in this sector should be seen as an untapped opportunity to achieve greater impact, rather than as a criticism of the Initiative, the Banking Commission or the Secretariat.

Investment sector

189. Just over 60 per cent of respondents to the stakeholder survey agreed or strongly agreed that UNEP FI has had a significant positive impact on the development and wide-scale implementation of sustainability good practice in the investment sector. The proportion disagreeing with this statement was 14 per cent, 1 per cent disagreed strongly and 23 per cent either did not know or preferred not to say.

190. The launch of PRI in 2006 and its subsequent success since then underlines the fact that UNEP FI's has already achieved significant success in helping to mainstream sustainability into the investment sector. Since then UNEP FI has successfully maintained (and, with the Fiduciary Duty in the 21st Century report in 2015 and follow-up work now being implemented in 2016, renewed) its role and influence in this sector, whilst adjusting to the new dynamics resulting from the creation of this new membership organisation, for example by formalizing an MoU with PRI and piloting a joint membership scheme. The Fiduciary Duty work stream has been evaluated as a case study (Annex 2c) and our findings are summarized in *Section 3: Evaluation Findings*. We have rated this work as Satisfactory; it is still a relatively young initiative and its results will probably take another 2-3 years

to develop and mature. The new phase of work on fiduciary duty focuses on promoting further sectoral transformation by targeting national policy makers and regulators.

191. Overall, we conclude UNEP FI has been successful in the investment market at sectoral level over the evaluation period, primarily through its support of and partnership with PRI. In our view, UNEP FI's has significant potential to sustain and extend its impact at sectoral level, both by partnership on work with national policy makers and regulators and by acting as a "critical friend" to PRI to ensure that commitments and policies translate into real environmental and social outcomes on the ground, as attested to by the success to date and future potential of the Portfolio Decarbonisation Coalition.

Insurance sector

192. 63 per cent of respondents to the stakeholder survey agreed or strongly agreed that UNEP FI has had a significant positive impact on the development and wide-scale implementation of sustainability good practice in the insurance sector. 13 per cent disagreed, and 25 per cent either did not know or preferred not to say.

193. In terms of sectoral-level work to align the insurance sector with the needs of sustainable development, the key UNEP FI project is the PSI. This has been evaluated as a case study (Annex 2a) and our findings are summarized in *Section 3: Evaluation Findings*. We have rated PSI as Satisfactory; as with the current fiduciary duty work, it is still a relatively young initiative and its results will probably take another 2-3 years to develop and mature. Provided that PSI can sustain and increase its momentum and continue to recruit new signatories, we believe it has significant potential to drive further and deeper changes at sectoral level.

194. UNEP FI's membership includes a significant proportion of the world's leading insurance and re-insurance market, including global industry giants such as Allianz, Aviva, AXA, Munich Re and Swiss Re, and various national, regional and global insurance associations, initiatives, regulatory bodies and NGOs, etc. The Initiative's direct reach and influence at sectoral level is therefore already significant.

195. Overall, we conclude UNEP FI has been successful in the insurance market at sectoral level as well as at the level of individual member institutions, and continues to offer significant potential for further results.

196. *Question 3: To what extent is UNEP FI successfully ensuring that the voice and expertise of financial institutions are taken into account in green economy policy developments?*

197. Due to prioritisation of resources, we have not evaluated UNEP FI's collaboration with the Green Economy Initiative (GEI) or the related advisory services and Partnership for Action on Green Economy (PAGE). Discussions with UNEP DTIE management and with the UNEP FI Secretariat indicate that such work is on the "wish list" for UNEP FI but that operationalizing this has proved difficult, due partly to resource constraints and leadership changes in the UNEP FI Secretariat and perhaps also with the mixed experience under previous leadership of trying to input to 2012's Green Economy Report for the Rio+20 conference.

198. Nevertheless, UNEP FI has been very proactive in work to project the voice of its members and networks into other international policy developments that fit more neatly with the Initiative's core purpose and context. A key example is the extensive work that UNEP FI and its members engaged in around COP21. Other examples include UNEP FI's work on Basel III, and engagement with the International Accounting Standards Board (IASB).

199. It is important to acknowledge that UNEP FI's 200+ members do not constitute a homogenous group with uniform views on, or appetite to engage in, green economy policy developments. Differences of opinion can and do emerge, for example on policy issues such as the responsibilities of financial institutions with respect to human rights. The ability to act as a critical friend, convenor and facilitator in this regard is widely and rightly regarded as one of the key roles that UNEP can play by being part of the UNEP FI partnership. The Secretariat (and also the co-chairs of the GSC) often faces a challenging task when marshalling members to achieve consensus on high impact policy issues. Our judgement from the evaluation is that they perform this task to a high standard.

200. It is also relevant to note that feedback from the stakeholder survey indicates that many members wish UNEP FI to play a more substantial role in policy dialogue (Annex 1, Q16 and Q17). 63 per cent of members responding to the survey agreed or strongly agreed that UNEP FI has had a significant positive impact in this regard (Annex 1, Q11.5). In this regard, it should be matter of concern to UNEP that a significant minority of member respondents (26 per cent) disagreed or strongly disagreed with the statement that the strategic and operational relationships between UNEP FI and other parts of UNEP (including the Inquiry) are clear and make sense; when the Secretariat team was asked the same question, nearly 70 per cent shared this view (Annex A, Q14). When asked for suggestions on improving UNEP FI, many respondents commented on the need to clarify the UNEP FI/UNEP Inquiry relationship, and expressed a desire to see greater results from synergies with UNEP in general (Figure 13 and Annex A, Q17).

201. ***Question 4: To what extent are the UNEP FI objectives relevant and strategic considering the current landscape of initiatives in sustainable finance?***

202. We conclude that, in general terms, UNEP FI's objectives continue to be relevant and strategic and that it plays a worthwhile and perhaps even unique role in a community of practice that now includes several other sustainable finance initiatives. In our judgement, the distinctive features of UNEP FI that confer this durable strategic relevance include the following points:

- a) UNEP FI is the only sustainable finance initiative that has truly global scope and reach, both geographically and across all key segments of the financial market;
- b) UNEP FI provides an important and relatively successful conduit to link the private financial sector with UNEP and the UN system in general to promote mutual understanding and cooperation on the common agenda of sustainable development;
- c) After running for over two decades, UNEP FI and its member organisations possess a large and valuable body of experience, know-how and professional networks;

- d) By virtue of UNEP's involvement as both a project partner and a "critical friend", UNEP FI is more than simply a membership organisation designed to promote its members' commercial or ideological interests in the sustainability agenda. As such, UNEP FI represents an important forum for objective debate, industry self-reflection, dialogue, and partnership.

203. In each case, we believe UNEP FI has significant potential to extract more value from these distinctive features by "hard wiring" them more effectively into the way the Initiative and Secretariat is organized and operated.

204. At a more granular level, we conclude that UNEP FI could achieve greater results by improving the way that it articulates its value proposition (based on a deeper and regularly updated understanding of all its members' interests and needs, not only those who are active in the Initiative's sectoral commissions) and, importantly, demonstrating its track record and capacity to deliver on this value proposition. This includes the need to be more strategic in the selection and design of its work programmes, with greater emphasis on the Initiative's Theory of Change and greater focus on result-based targets, M&E and reporting of results as well as on inputs and activities. In turn, this requires longer-term strategic planning and greater consistency across shorter-term programmatic planning cycles. The need for better strategic planning is echoed by the stakeholder survey (see Annex 1, Q15.5 and Q17), and respondents have put forward numerous suggestions that merit further consideration by UNEP, the GSC and the Secretariat.

205. *Question 5: According to the UNEP Medium Term Strategy 2014-2017, partnerships are a corner stone of the delivery mechanisms to be adopted by UNEP. To what extent is UNEP FI successful in working in partnership with other on-going initiatives (especially considering the current landscape and its increased complexity due growing numbers of actors and initiatives) and to what extent it is successfully working in partnership with relevant internal stakeholders, including the UNEP Inquiry?*

206. As a cross-sectoral partnership itself, partnership with other initiatives and actors is fundamental to the essence and character of UNEP FI. The Secretariat has substantial experience in developing, evaluating, structuring and implementing partnerships of various kinds, from one-off collaborations to longer-term relationships and alliances. Partnerships with actors and initiatives external to UNEP include an extensive range of successful cooperative projects with organisations such as PRI, the SSEI, GCP, IFC, the UN Global Compact, the Office of the United Nations High Commissioner for Human Rights and many others.

207. Within UNEP, UNEP FI has worked successfully in partnership with other UNEP teams responsible for UNEP's work on climate change and on ecosystems management.

208. There is less evidence of successful partnership to date with other UNEP teams and programmes such as PAGE. This appears to be the result of various factors, including limited capacity within the UNEP FI Secretariat and perhaps also the absence of compelling value proposition to UNEP FI members and differences in organisational culture. Where funding results from such partnership (as in the case of the climate change and ecosystems management work referred to above), it seems to be more successful.

209. The extent and, particularly the results, of partnership between UNEP FI and the UNEP Inquiry have been more difficult to judge. The UNEP FI Secretariat and many UNEP FI members have clearly shown goodwill towards cooperation with the Inquiry, and have collaborated on several reports and awareness-raising/dissemination events, including the September 2015 report *Fiduciary Duty in the 21st Century* (see Annex 2c). Whether this has added value to the Inquiry is hard to gauge – discussions with the Inquiry team have elicited mixed views ranging from mild appreciation to outright criticism. Whether the cooperation extended by UNEP FI to the Inquiry team has been reciprocated (and indeed, whether reciprocation has been encouraged by senior management) or has added value to UNEP FI itself is also debatable: discussions with the Secretariat and with the Inquiry team indicate that the flow of information and cooperation has been largely one way. Nevertheless, there is an appreciative consensus that the Inquiry has raised the profile of UNEP FI and is helping the Initiative to raise its level of ambition. The prospects for more efficient and mutually rewarding cooperation appear to have improved since mid 2016 following the decision by UNEP senior management to extend the Inquiry by a further 2 years, ending a period of uncertainty over possible re-organisation.

210. Feedback from the stakeholder survey indicates that many stakeholders share the view that UNEP FI/UNEP Inquiry relationship needs to be clarified and made more effective. UNEP FI's members also expressed an interest in closer cooperation and partnership with UNEP in general on practical projects of common interest.

211. Overall, we conclude that UNEP FI has been highly successful in working in partnership with other initiatives and organisations including several other UNEP teams, but that there is room for improvement on all sides with respect to partnership with the Inquiry and potential new cooperation on other UNEP work areas that may be of interest to members.

212. *Question 6: To what extent is the current operational framework effective in supporting the delivery of UNEP FI's objectives?*

213. Key elements of UNEP FI's operational framework in this respect include:

- a) UNEP FI's "founding charter" (essentially, the UNEP FI Statement of Commitment);
- b) UNEP's overall approach and policy context for partnerships in general and for private sector engagement in particular;
- c) UNEP FI's business model including funding sources;
- d) UNEP's delivery of effective HR resources and HR management of the Secretariat team, including its ability to attract and retain a suitable person to lead the Secretariat on a permanent (as opposed to acting) basis;
- e) UNEP FI's governance arrangements for directing and overseeing the success of the Initiative, including the way that programmatic planning, decision-making and result monitoring by the AGM, GSC and Commissions is integrated and aligned with equivalent UNEP processes such as the MTS, POW, PRC and M&E processes;
- f) UNEP FI's financial accounting standards and financial management & control systems.

214. As discussed in detail across *Section 4: Evaluation Findings*, our evaluation indicates that there are weaknesses, inefficiencies and missed opportunities in relation to each of these points, and we have set out a number of specific operational recommendations in that chapter. In each case, there do not appear to be any insoluble barriers to corrective action or improvement. It is acknowledged that some of these issues are matters that are beyond the direct control of the Secretariat or the membership.

215. In Section 4.6, we have rated “Factors affecting performance” as Moderately Unsatisfactory for the reasons discussed above.

216. Overall, we conclude that the weaknesses in UNEP FI’s current operational framework can and should be fixed. They do not constitute sufficient reason in and of themselves to merit a fundamental re-think or re-structuring of UNEP FI’s organisational identity.

217. *Question 7: Based on evidence emerging from the evaluation of UNEP FI together with available information on the UNEP Inquiry, to what extent should UNEP strengthen its engagement with the sustainable finance sector and, if so, what would be the options to consolidate and strengthen the existing work?*

218. Taking together numerous strands of this evaluation, our overall conclusion is that UNEP should strengthen its engagement with the sustainable finance sector, but should approach this gradually over a period of 1-2 years. The initial priorities over this time horizon should be:

- a) Reinforce UNEP’s continued commitment to UNEP FI, not only through appropriate and consistent messaging, but also by taking decisive and effective action to address the various management issues, problems and untapped opportunities identified by this evaluation (most of which are already well known).
- b) Focus on the success of the Inquiry’s immediate work programme by continuing to provide a stable and certain environment in 2016, followed by a consultative, well-planned and evidence-based approach in 2017 with respect to the opportunities and options for when the current second phase of the Inquiry comes to an end. At the same time, UNEP senior management should consider reinforcing a culture of better coordination and professional collegiality between the Inquiry and the UNEP FI teams and the notion of shared accountability for the success of the overall mission represented by these two closely-related streams of work.
- c) Clarify and if necessary update UNEP’s overall position and policy context for partnership and private sector engagement. This may also be a valuable opportunity to consider whether and how lessons learned from UNEP FI over the last 20+ years could be used to develop new forms of successful cooperation with other parts of the private sector that would be relevant to UNEP (for example, the agribusiness sector in relation to ecosystems management).
- d) Further develop UNEP’s institutional understanding and capacity with respect to sustainable finance in order to lay the foundations for a more integrated and scaled-up strategy. Relevant steps could include temporary rotation of staff from the UNEP FI

Secretariat to other teams and vice versa on developmental assignments (perhaps starting with PAGE); pre-feasibility analysis and stakeholder consultation on potential new areas of endeavor (e.g. engagement with the financial sector in relation to, say, international trade, sustainable consumption or environmental crime); opportunities for UNEP's relevant Sub Programme Coordinators (SPCs) to interact and collaborate more directly with UNEP FI's members; and resourcing to enable the UNEP FI Secretariat to dedicate more time to networking, awareness raising and cultural integration with other parts of UNEP.

219. Feedback from UNEP FI members, the UNEP FI Secretariat and other key UNEP personnel (including the UNEP Inquiry team) strongly suggests that UNEP FI/UNEP Inquiry relationship needs to be clarified and made more effective.

220. The Evaluation Team agrees with this view. The *Fiduciary Duty in the 21st Century* case study (Annex 2c) illustrates the strategic issues that need to be addressed. Phase 2 of the *Fiduciary Duty in the 21st Century* work stream will be rolled out by UNEP FI and PRI over 2016-18 with a US\$1M grant from the Generation Foundation. The work involves policy/regulatory reform at country level and the development of an international statement on fiduciary duty and thus appears, at least in principle, to be ground that is relevant to the Inquiry as well as to UNEP FI. Looking at the bigger picture of this project together with the Inquiry's work over the next two years, then at best, there is potential for key external stakeholders to become confused by overlapping mandates and work streams, and there may be missed opportunities for UNEP to ensure that specialised resources and expertise are deployed in the most effective way possible. At worst, there is a risk that key stakeholders may become disengaged, that methodologies and outputs may be strategically inconsistent, and/or that the strategic timing, sequencing and mutual reinforcement of the various strands of activity may be sub-optimal.

221. Related to this, the case study in Annex 2c also highlights the need to achieve better clarity and consensus on UNEP's policy position for private sector engagement and the management of potential conflicts of interest. Although it is something of a hybrid, UNEP FI has many of the characteristics of a private sector membership organisation; PRI is a pure-play membership organisation. It is right and proper that membership organisations engage in public policy dialogue, and indeed both UNEP FI and PRI have long been mandated to do this. However, the recent arrival of the UNEP Inquiry into the equation at the same time as UNEP FI and PRI plan to use Phase 2 of the *Fiduciary Duty in the 21st Century* work stream to extend their public policy dialogue in ambitious new ways, merits a re-evaluation of the boundaries and policy context for this type of activity. For example:

- What is UNEP's position on engagement with private sector partnerships that seek to influence policy-makers and reform regulation at national and international levels?
- How does UNEP ensure that the voice and support of the private sector is best incorporated into UNEP's direct activities in the same field?
- What types of measures would it be advisable for all parties to take to ensure that conflicts of interest (whether actual or perceived) are transparently and consistently addressed and managed in the course of such work?

222. This evaluation cannot provide all the answers. However, Annex 2c highlights the practical need to begin addressing these issues now in the context of Phase 2 of the *Fiduciary Duty in the 21st Century*, beginning with the review proposed in Annex 2c paragraph 75 (c).

5.3 Lessons Learned

223. The following lessons emerged from this evaluation and the three case studies which support a continued/expanded approach:

- a) **Supporting Innovation:** UNEP FI provided the framework and structure to support innovative initiatives – PSI, NCD, PDC, etc. UNEP FI should continue to innovate.
- b) **Ownership flexibility:** In some cases UNEP FI has retained ownership (PSI), while in others, UNEP FI’s systems allowed the team to (i) spin-off an activity (PRI), (ii) share ownership with the membership (Fiduciary Study), or (iii) collaborate with an NGO (GCP under NCD). Flexibility of ownership has been key. UNEP FI has not required full ownership to be an important actor and should maintain this flexibility in its approach.
- c) **Financial Management:** The UN financial system places real constraints on UNEP FI. It is not possible to link annual expenditures to cost centers, or how, for example, membership fees are distributed across UNEP FI activities. PSI membership fees appear to provide cross subsidy to other programs. In the case of NCD, funding and consultancies are handled via GCP, thus side-stepping the UN bureaucracy. Some stakeholders have nonetheless reported significant delays in transferring funds to GCP despite agreements in place for UNEP FI to do so. On the HR front, UNEP FI has had to resort to multiple consultancies to retain critical staff. UNEP FI has been able to combine membership fees, bilateral funding (Trust Funds), in-kind contributions, and private sector grants to fund its initiatives. UNEP FI should maintain flexible approaches to financial management.
- d) **Setting Principles can make a difference:** The various activities under UNEP FI are all built around a common approach. A set of guiding principles are established to which the Financial Sector signs up to. This creates an impetus for change. As the membership increases, competition sets in to advance change. The application of this voluntary principles approach should continue to be applied to new initiatives as it works.¹²
- e) *As the *Fiduciary Duty in the 21st Century* case study illustrates (Annex 2c), substantial grant funding for UNEP FI’s strategy is potentially available from foundations and other non-governmental sources, and UNEP FI is capable of successfully mobilising such opportunities.*

¹² At the same time, it should be noted that “principles fatigue” is increasing and therefore new approaches may also be necessary. As an example, the positive impact principles that are planned to be released will not be a set of principles to show goodwill against but a set of actionable and verifiable guidelines against which third party assurance and auditing can be secured.

Key ingredients for success include partnership with the right organisations before embarking on such fund-raising negotiations; extensive homework to demonstrate an in-depth familiarity with the subject matter; building on previous work to demonstrate track record and capacity; a detailed appreciation of the potential donor's objectives and thinking to ensure close alignment of interests; and structured ways for the donor to actively participate in the work where it is appropriate.

5.4 Recommendations

224. The recommendations below deal specifically with UNEP FI. Our conclusions, suggestions and advice to UNEP senior management on the broader issues incorporated into our TOR are presented separately in paragraphs 226-230.

225. Additional recommendations specific to the three case studies carried out for the evaluation are contained in Annexes 2a, 2b and 2c.

Immediate priorities

226. Although it inevitably has scope for improvement, UNEP FI is an important and valuable international initiative with significant potential to achieve even more. It is an asset to UNEP and a testimony to UNEP's far-sighted support over the last 20+ years. However, there are signs that UNEP's rationale for participating in the partnership is ill-defined, its perception of the initiative's value is unclear, and its future expectations and intentions are uncertain.

227. **Recommendation 1: Clarify and communicate UNEP's overall position on UNEP FI.** *UNEP senior management should seek to come to a clear and well-communicated long-term (3-5 year) view on UNEP FI, either re-affirming its commitment or initiating new dialogue at the GSC to review the mutual alignment of interests and expectations. Actions and messaging consistent with this should be delivered to coincide with UNEP FI's forthcoming GSC elections and surrounding the Initiative's AGM and Global Roundtable in October 2016.*

228. We know that all parties involved already place a strong priority on the need to appoint a suitable person to lead the UNEP FI Secretariat on a permanent basis (paragraphs 136 - 141). The current Officer in Charge has, in our view, proven to be very capable in this role since taking it on in February 2015 on a "caretaker" basis.

229. **Recommendation 2: Address leadership of UNEP FI Secretariat.** *UNEP senior management should continue to use best efforts to ensure that the UNEP FI Secretariat is provided with a suitable permanent leader as soon as possible, working in close consultation with the UNEP FI GSC co-chairs. This might involve, for example, taking advice from an appropriate executive recruitment specialist. The suggestions made in Recommendation 1 above should also help to confirm the attractiveness and likely security of this career opportunity. The appointed person should be on-boarded before the UNEP FI's AGM and Global Roundtable in October 2016. If this proves impossible, then notwithstanding the fact that the leadership post is funded by the UNEP Environment Fund budget, the GSC should take an active role on behalf of UNEP FI's members (whose membership fees pay for the rest of the Secretariat staff, after deduction of UNEP's Project Support Costs) in working with*

UNEP to better understand and decisively address the root causes of the recruitment problem (including the role that members play in supporting the recruitment process through referrals via their own professional networks).

230. UNEP FI's members, GSC and Secretariat are currently developing detailed proposals to strengthen and update the Initiative's governance structure. This will include completing and updating UNEP FI's Operating Policies and Procedures. The new proposals will be put to an Extraordinary General Meeting (EGM) in May 2016. The Secretariat has already begun to use this evaluation to help inform the governance reform process. This is an important and time-limited window to ensure that appropriate changes are made, taking into account this Evaluation Report amongst other considerations.

231. **Recommendation 3: Review Governance Reforms and Operating Policies & Procedures.** *The UNEP Evaluation Office and UNEP FI Secretariat should work together to ensure that any action plans resulting from this evaluation are integrated in and aligned with the governance changes already being developed. Key issues include (but are not necessarily limited to) those covered in Recommendations 6 and 7.*

232. UNEP FI's success and performance owes a great deal to the make-up and work of the Initiative's GSC, whose members play a key role and invest significant time and effort. New elections will be held in 2016 and one of the two current co-chairs will be stepping down.

233. **Recommendation 4: Resolve accounting Policies and Systems (UMOJA).** *UNEP FI should ensure they are sufficiently well informed about the significant challenges created by the way that UMOJA has been applied to the UNEP FI Trust Fund, and facilitate a timely and effective solution to the problem for implementation no later than Q3 2016.*

234. The way that UMOJA currently treats the UNEP FI Trust Fund as grant income means that the Initiative's budget is not allowed to run at a deficit. Given the cashflow profile of UNEP FI (core funding via membership fees 'trickles' in over the course of the financial year), this is a significant and current impediment to the effective and timely deployment of the Initiative's resources, for example affecting both recruitment of regular staff and the use of short term consulting contracts. The UNEP FI Officer in Charge is already seeking a solution in coordination with the relevant Fund Manager; this may involve transferring the UNEP FI Trust Fund to a different UMOJA module. Tentatively, we suggest another option might be the provision of a "working capital" credit facility from UNEP reserves; a more radical long-term solution might be to "out-source" UNEP FI's administration to UNOPS.

Programmatic planning and approval

235. UNEP FI currently has two distinct, dissimilar and largely disconnected processes for the preparation and approval its work programmes. On the one hand, the Secretariat supports members (via the GSC and sector commissions etc.) to develop annual work programmes on a bottom-up basis for approval at the AGM. On the other hand, the Secretariat works with UNEP's SPCs and PRC to feed into the preparation of UNEP's 4-year Medium Term Strategies (MTS) and biannual Programmes of Work (PoWs); moreover, the resulting PoWs do not easily or clearly explain where UNEP FI fits into UNEP or how it contributes to UNEP's mission. There are various problems, inefficiencies and lost

opportunities involved in this situation, which also does nothing to mitigate the sense of confusion amongst all types of stakeholders as to whether UNEP FI is a UNEP project/team, a membership organisation or a genuine cross-sectoral partnership (see paragraph 48 and Figure 2).

236. **Recommendation 5: Align planning and approval processes/documents.** *UNEP senior management should request the UNEP FI Secretariat to coordinate with the GSC and UNEP's SPCs on the preparation of a single overarching project document, covering the next 4-year window (with a mid-term review), for joint review and approval. This should provide an agreed framework that is consistent with UNEP's MTS and POWs, and under which individual work streams and activities can be reviewed and approved on a more streamlined basis. The framework should balance UNEP's requirements and processes with an acknowledgement that, under its current governance structure, UNEP FI is also accountable to its membership via its AGM.*

Results-based monitoring and evaluation

237. As noted throughout this report, UNEP FI does not currently have a strong culture or system for M&E, especially with regard to target-setting and measurement of results (outcomes and impacts) as opposed to inputs (budget) and outputs (deliverables). It is essential that this be addressed.

238. **Recommendation 6: Investment in M&E.** *UNEP FI should ensure that the Monitoring and Evaluation function is embedded in project implementation and adequately funded. This should be a priority across the team and built into the new 2016 project documents. Effective M&E entails establishing SMART measurable indicators to monitor against performance.*

Communications and reporting

239. UNEP FI does not currently have a robust communications strategy or adequate resources for communications, a problem echoed by feedback from members via the stakeholder survey. The stakeholder survey also indicated that other parts of UNEP do not have a good awareness or understanding of UNEP FI.

240. **Recommendation 7: Invest in communications.** *The UNEP FI Secretariat should obtain approval and secure funding to appoint a full time Communications Officer. A documented communications strategy should be developed and further funding sought for its implementation. To reinforce UNEP FI's capacity for M&E (see Recommendation 7), the communications strategy should aim to improve the quality and flow of information into UNEP FI as well vice versa. In preparing this strategy, consideration should be given to repeating a version of the stakeholder survey used by this evaluation (see Annex 1) on an annual or biannual basis.*

241. **Recommendation 8: Publish an Annual Report.** *UNEP FI should publish an annual report for distribution to members, donors, UNEP colleagues and other stakeholders, summarising the year's news, activities, achievements, and results.*

Funding - growth and diversification

242. **Recommendation 9: Invest in donor relations and pursue new funding sources:** *In 2016, UNEP FI should develop a strategy to maximize access to and use of donor funds, both those available*

to UNEP, and in partnership with other international organizations such as IFC, EBRD and the Green Climate Fund.

Membership recruitment

243. **Recommendation 10: Invest in growing the membership base:** UNEP FI should work to increase its membership in Latin America, Africa, MENA, CIS/CEE, and South Asia and Asia/Pacific by 10 per cent per year to the point that these regions represent 60 per cent or more of the membership, while also expanding South-to-South collaboration. We note that UNEP FI is in the process of on-boarding a new member of staff with specific responsibility for member relations.

Suggestions on work programme

244. The Evaluation Team have a number of ideas for UNEP FI in relation to the Initiative's work programme. These are presented as suggestions only, not as matters that merit agreement via an action plan.

245. **Recommendation 11: Develop baseline assessment and market practices analysis.** UNEP FI and the UNEP Inquiry should collaborate (on equal terms) to prepare a "state-of-the-art" report along the lines originally proposed by UNEP FI in 2013 (see paragraph 114), perhaps for launch at the UNEP FI Global Roundtable in October 2016 if time and budget permit. Amongst other things, such a report would help to (a) further raise UNEP FI's profile (b) review trends and gaps that UNEP FI may wish to prioritise in future (c) establish a baseline against which progress in the market can be tracked and UNEP FI's impact measured or estimated.

246. **Recommendation 12: Consider and implement new topics.** The Evaluation Team felt that UNEP FI should investigate with its membership possibilities to address gender in the context of sustainable finance. Other topics that appear to be of potential mutual relevance to UNEP and UNEP FI are (a) the role of financial institutions in combatting international environmental crime (tying in with Anti Money Laundering issues etc.) and (b) the ESG aspects of trade finance (c) the intersection between sustainable financial markets and international trade agreements. We also suggest that the UNEP FI GSC should take a fresh look at the opportunity/need to develop new work on the topic of ESG accountability and reporting by the financial sector.

247. **Recommendation 13: Expand training.** We encourage UNEP FI to expand its excellent training activities with a target of increasing the number of participants by 10% per year over the next 4-year cycle.

Other management and administrative issues

248. As discussed in Section 3.6, there are opportunities to improve the efficiency, real-time accuracy and functionality of UNEP FI's internal (i.e. non-UMOJA) management information and budget monitoring systems.

249. **Recommendation 14: Upgrade MIS in the UNEP FI Secretariat (including better tracking of contributions-in-kind).** In 2016, UNEP FI should upgrade their internal accounting systems by introducing appropriate user-friendly software. Members and UNEP FI should develop a system to track and report on in-kind contributions.

Annex 1: UNEP Evaluation Quality Assessment

Evaluation Title:

Evaluation of the UNEP Finance Initiative

All UNEP evaluations are subject to a quality assessment by the Evaluation Office. The quality assessment is used as a tool for providing structured feedback to the evaluation consultants.

The quality of both the draft and final evaluation report is assessed and rated against the following criteria:

	UNEP Evaluation Office Comments	Draft Report Rating	Final Report Rating
Substantive report quality criteria			
A. Quality of the Executive Summary: Does the executive summary present the main findings of the report for each evaluation criterion and a good summary of recommendations and lessons learned? (Executive Summary not required for zero draft)	Final report: Very good summary, revised based on comments to include positive findings		6
B. Project context and project description: Does the report present an up-to-date description of the socio-economic, political, institutional and environmental context of the project, including the issues that the project is trying to address, their root causes and consequences on the environment and human well-being? Are any changes since the time of project design highlighted? Is all essential information about the project clearly presented in the report (objectives, target groups, institutional arrangements, budget, changes in design since approval etc.)?	Draft report: Good overview, changes described and precise presentation of key points, evolution and timeline of UNEP FI included. Final report: Same as above	5	5
C. Strategic relevance: Does the report present a well-reasoned, complete and evidence-based assessment of strategic relevance of the intervention in terms of relevance of the project to global, regional and national environmental issues and needs, and UNEP strategies and programmes?	Draft report: Relevance to UNEP POW needed further information and specific links Final report: Links and specific information added	4	5
D. Achievement of outputs: Does	Draft report:	4	5

	the report present a well-reasoned, complete and evidence-based assessment of outputs delivered by the intervention (including their quality)?	Assessment provided on a demonstration basis due to complex structure of the initiative. More details added after first draft Final report: Final report includes comprehensive analysis		
E.	Presentation of Theory of Change: Is the Theory of Change of the intervention clearly presented? Are causal pathways logical and complete (including drivers, assumptions and key actors)?	Draft report: ToC reconstruction of very good quality, only issue is additional clarity needed on intermediate states and links to POW Final report: POW links clarified in final version	5	6
F.	Effectiveness - Attainment of project objectives and results: Does the report present a well-reasoned, complete and evidence-based assessment of the achievement of the relevant outcomes and project objectives?	Draft report: Yes, good assessment Final report: Same as above	5	5
G.	Sustainability and replication: Does the report present a well-reasoned and evidence-based assessment of sustainability of outcomes and replication / catalytic effects?	Draft report: Yes all dimensions considered Final report: Same as above	5	5
H.	Efficiency: Does the report present a well-reasoned, complete and evidence-based assessment of efficiency? Does the report present any comparison with similar interventions?	Draft report: Yes, efficiency is assessed and used for the development of operational recommendations Final report: Same as above	5	5
I.	Factors affecting project performance: Does the report present a well-reasoned, complete and evidence-based assessment of all factors affecting project performance? In particular, does the report include the actual project costs (total and per activity) and actual co-financing used; and an assessment of the quality of the project M&E system and its use for project management?	Draft report: Not all factors included in initial draft Final report: All factors covered, including issue of govt ownership/cooperation	4	5
J.	Quality of the conclusions: Do the conclusions highlight the main strengths and weaknesses of the project, and connect those in a compelling story line?	Draft report: Conclusions highlight key points Final report: Same as above	5	5
K.	Quality and utility of the recommendations: Are recommendations based on	Draft report: R needed refinement Final report:	4	6

explicit evaluation findings? Do recommendations specify the actions necessary to correct existing conditions or improve operations ('who?' 'what?' 'where?' 'when?'). Can they be implemented?	R refined and targeted, divided btw strategic and operational, several already complied with by the end of the evaluation process		
L. Quality and utility of the lessons: Are lessons based on explicit evaluation findings? Do they suggest prescriptive action? Do they specify in which contexts they are applicable?	Draft report: Lessons are useful and covered a broad range of issues Final report: Same as above	5	5
Report structure quality criteria			
M. Structure and clarity of the report: Does the report structure follow EO guidelines? Are all requested Annexes included?	Draft report: Good structure, but also very long Final report: Same, structure made lighter by graphs and tables	5	6
N. Evaluation methods and information sources: Are evaluation methods and information sources clearly described? Are data collection methods, the triangulation / verification approach, details of stakeholder consultations provided? Are the limitations of evaluation methods and information sources described?	Draft report: Yes good description Final report: Same as above	5	5
O. Quality of writing: Was the report well written? (clear English language and grammar)	Draft report: Good writing style, could increase cross-referencing and needed to improve flow among the different sections Final report: Very good	5	6
P. Report formatting: Does the report follow EO guidelines using headings, numbered paragraphs etc.	Draft report: Good formatting for draft stage Final report: Very good	5	6
OVERALL REPORT QUALITY RATING		4.7	5.375

The quality of the evaluation process is assessed at the end of the evaluation and rated against the following criteria:

	UNEP Evaluation Office Comments		Rating
Evaluation process quality criteria			
Q. Preparation: Was the evaluation budget agreed and approved by the EO? Was inception report delivered and approved prior to commencing any travel?	Yes, inception mission helped towards preparation of the inception report		5
R. Timeliness: Was a TE initiated	Initiative has been ongoing for 20 years		5

within the period of six months before or after project completion? Was an MTE initiated within a six month period prior to the project's mid-point? Were all deadlines set in the ToR respected?	and is not ending, evaluation took longer than expected due 1. Delays in issuing consultants contracts (umoja roll out period), 2. Time required to collect comments from ERG 3. Revision of the ToR scope in November 2015 4. Time require to collect survey data		
S. Project's support: Did the project make available all required documents? Was adequate support provided to the evaluator(s) in planning and conducting evaluation missions?	Yes, team transition from a situation of low interest in the evaluation process to very active engagement		5
T. Recommendations: Was an implementation plan for the evaluation recommendations prepared? Was the implementation plan adequately communicated to the project?	Yes, several already complied with by the end of the evaluation process		6
U. Quality assurance: Was the evaluation peer-reviewed? Was the quality of the draft report checked by the evaluation manager and peer reviewer prior to dissemination to stakeholders for comments? Did EO complete an assessment of the quality of the final report?	Yes		6
V. Transparency: Were the draft ToR and evaluation report circulated to all key stakeholders for comments? Was the draft evaluation report sent directly to EO? Were all comments to the draft evaluation report sent directly to the EO and did EO share all comments with the commentators? Did the evaluator(s) prepare a response to all comments?	Yes		6
W. Participatory approach: Was close communication to the EO and project maintained throughout the evaluation? Were evaluation findings, lessons and recommendations adequately communicated?	Yes		6
X. Independence: Was the final selection of the evaluator(s) made by EO? Were possible conflicts of interest of the selected evaluator(s) appraised?	Yes		6
OVERALL PROCESS RATING: 5.6			

Rating system for quality of evaluation reports

A number rating 1-6 is used for each criterion: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, Highly Unsatisfactory = 1

The overall quality of the evaluation report is calculated by taking the mean score of all rated quality criteria.