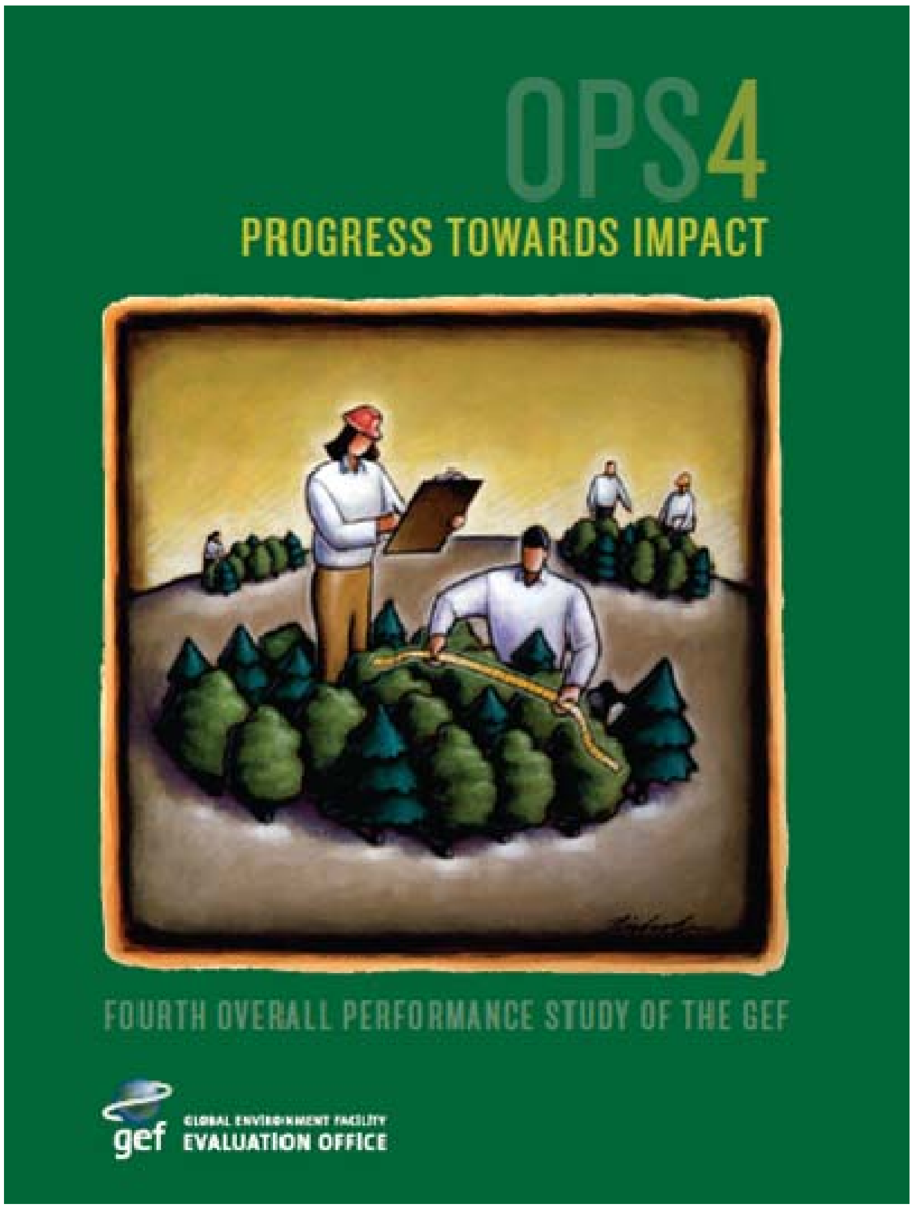
FOURTH OVERALL PERFORMANCE STUDY OF THE GEF: PROGRESS TOWARD IMPACT

FULL REPORT

(Unedited, November 9, 2009, version)



This version of the Fourth Overall Performance Study is final, but has not yet been edited. It is a revised version of the report submitted to the GEF Fifth Replenishment Meeting in Paris.
Lists of acronyms, tables, graphs and figures are still being assembled.
The Evaluation Office would like to apologize for any inconveniences caused.

November 9, 2009

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Section 1 — Main Conclusions and Recommendations

Highlights

1. Global environmental problems are worsening rather than improving, from climate change to species extinction; from pollution to degraded ecosystem services to provide water, food, and air; to new threats to the ozone layer. Since these problems concern public goods, public funding must play a key role in addressing the issues. However, while the money available for international cooperation has increased substantially in recent years, funding for the environment in general and for the Global Environment Facility (GEF) in particular has decreased in real terms.

2. The first dimension of underfunding of the GEF is to be found in the increasing number of assessments that show that the costs of solving global environmental issues are increasing dramatically. GEF funding together with realized co-funding is by far insufficient to breach the gap.

3. The GEF is a financial instrument for several multilateral environment agreements. These agreements have asked the GEF to support recipient countries on issues and to levels which the GEF currently is not able to finance. This is the second dimension of underfunding of the GEF.

4. The catalytic role of the GEF starts by enabling governments to address global environmental issues in their countries through enabling and foundational activities that lead to changes in national policies, agendas and priority setting. In a second modality of support the GEF demonstrates how new policies could lead to improved environmental management and market changes. In a third modality successful approaches are scaled up to a national level. In the least developed countries, small island development states and in fragile states, the GEF has not moved sufficiently into demonstration and scaling up, because the level of resources available to the GEF did not allow this. This is the third dimension of underfunding of the GEF.

5. In GEF-3 the average duration of project approval reached the unacceptable time of more than four years. Provided quality standards were met, approval was granted on a first-come first-serve basis. If there was no money to serve, then proposals had to wait – and they had to wait a long time. Changing to a resource allocation system, which happened in GEF-4, does not fundamentally solve this. It just means that project proposals now have to wait until they can be entered into the pipeline. This is the fourth dimension of underfunding of the GEF.

6. As OPS4 will show, the GEF brings clear added value to its role of solving global environmental problems. Its unique position as a financial mechanism of multilateral environmental agreements enables it to focus on priorities that have been agreed upon internationally and directly influence national governments on these issues. Its modalities are catalytic on three levels of support: foundation, demonstration, and investment. Its projects achieve a high level of satisfactory outcomes, and these outcomes show a high level of progress toward global environmental benefits. The GEF is achieving its mandate and objectives.

7. The successful outcomes and strong implementation of GEF support should not be a surprise, given the generally good reputation of the GEF Agencies. However, it is through their partnership with

the GEF that most Agencies tackle global environmental problems – for most Agencies this is not their core mandate. The added value of the partnership therefore lies in bringing proven expertise and capacity to countries to tackle problems through internationally agreed upon strategies.

8. Implementation of projects is more successful if there is national ownership. Progress toward global environmental benefits crucially depends on ongoing and long-term support from governments, civil society, private sector and local communities after the project has terminated.

9. Before projects can start their promising march toward impact, they need to go through a painful process of identification and approval; it is this pre-implementation phase that has given the GEF the reputation that it is "unable to deliver". Although a reform process has been set in motion in 2006, this needs to be completed. Ongoing tensions in the GEF partnership, between the Secretariat, the Agencies, and countries are mostly focused on pre-implementation phase issues. These problems can and must be solved.

10. The partnership model and the catalytic role of the GEF are in line with approaches advocated in the Paris Declaration and the Accra Agenda for Action on improving aid effectiveness and country ownership. However, the modus operandi of the GEF through project support is not; it needs to move toward a programmatic mode of operation. Programming in the GEF has always been on the level of focal areas. The introduction of the Resource Allocation Framework has meant a shift toward national programming. This shift should be completed.

11. Unique among international institutions, the GEF now has independently verified evaluative evidence on the progress toward impact of its full portfolio. From this, lessons and indicators should be derived for its results-based management framework, including monitoring, evaluation, scientific advice, and learning. Such a results-based management framework will enable the GEF to report on performance, outcomes, progress toward impact and global environmental benefits achieved.

12. If the move toward programming of support is made, the GEF would be capable of channeling substantial amounts toward agreed upon global environmental benefits. After all, the implementing arms of the GEF are its Agencies, most of which have a solid track record of channeling high levels of support to countries. It is of course possible to channel the same amounts directly through the Agencies rather than through the GEF; however, in most cases the focus on global environmental benefits could be reduced or even lost, because this focus is not their first concern.

13. If the GEF-5 replenishment recommendations include strong proposals concerning programming, efficiency and partnership, the Fourth Overall Performance Study supports the highest level of replenishment for the GEF.

Introduction

14. The Global Environment Facility (GEF) is replenished by donors every four years. These replenishments are informed by GEF achievements up to that point. To this end, overall performance studies have been undertaken since the GEF's pilot phase, and the upcoming fifth replenishment of the GEF will be informed by this Fourth Overall Performance Study (OPS4). The aim of this study is to provide an assessment of the extent to which the GEF is achieving its objectives and to identify potential improvements. The study was conducted by the GEF Evaluation Office, except for some substudies on issues that would pose a conflict of interest for the Office, such as the functioning of the GEF Council and

the GEF Monitoring and Evaluation Policy. The Office is independent from GEF management and reports directly to the GEF Council.

15. The study began in early 2008 with gradual development of and consultations on key questions and an approach paper. The resulting terms of reference were approved by the GEF Council in September 2008, with the actual work, as approved in the Evaluation Office work program, begun in July 2008. With some exceptions, the data gathering and analysis work ended in early July 2009, after which drafting of the final report began. The final cut-off date for OPS4 is June 30, 2009.

16. The main findings, conclusions, and recommendations are presented in this first section of the report, which functions as a substantive executive summary. The remainder of the report is divided into four sections. The second section, “The GEF in a Changing World,” provides an overview of the international context in which the GEF operates; its chapters delineate global issues, cover resource mobilization internationally and for the GEF in particular, present evidence of convention guidance from the conventions, and describe the GEF’s catalytic role. The section ends with a discussion of programming issues in the GEF, placed within the context of the international agenda toward stronger country ownership. Section 3, “Progress toward Impact”, brings together evidence on the relevance to the conventions and results of the GEF focal areas: climate change, biodiversity, international waters, ozone layer depletion, persistent organic pollutants and land degradation, as well as multifocal area activities. Section 4 on “Issues Affecting Results” deals with performance, learning, and resource management. Section 5 addresses “Governance and Partnership” concerns in the GEF.

Methodological Approach and Scope

17. The work was organized in five clusters. The **first cluster** assessed the role and added value of the GEF through a desk review of available literature, documents, and reports, complemented with interviews. The results of the GEF constituted the **second cluster** for assessment: the concrete, measurable, and verifiable results (outcomes and impacts) of the GEF in its six focal areas and in multifocal area efforts, and how these achievements relate to the intended results of interventions and to the problems at which they were targeted. This cluster was built on existing evaluative evidence as well as on a new review of outcomes to impact for all finished projects since the Third Overall Performance Study (OPS3). The **third cluster** consisted of the relevance of the GEF to the global conventions and to recipient countries, and was mainly based on desk reviews of documents and reports, enhanced and verified through interviews, country and agency visits, and stakeholder opinions. Performance issues affecting results of the GEF were assessed in the **fourth cluster** on the basis of existing evaluation reports and some additional case studies. Resource mobilization and financial management at the GEF level was the focus of the **fifth cluster**, which was based on data and portfolio analysis, desk reviews, and expert involvement in analysis and reporting.

18. The methodological approach and scope differed by cluster and often by question within clusters. The OPS4 web pages (accessed through www.gefeo.org) provide approach papers, protocols, methodological handbooks, and guidelines on all major areas of OPS4, as well as on most of its case studies. Furthermore, technical papers on substudies are published on the website.

19. OPS4 builds on OPS3 and the 24 evaluation reports conducted by the Office since 2004, as well as 28 case studies and technical reports. The full portfolio of GEF projects, activities, and project proposals from the pilot phase through June 30, 2009, has been analyzed. Evidence on progress toward impact was gathered from 205 completed projects. From these inputs, along with the 9 additional case studies and 10 project visits undertaken specifically for this study as field reviews of progress to impact,

OPS4 incorporates evaluative evidence from 57 countries, with varying degrees of depth and intensity, and evidence from visits to 51 medium- and full-size projects, as well as to 107 projects of the Small Grants Programme (SGP).

20. Consultations were held with all representatives of all GEF stakeholders to ensure that their voices would be heard in OPS4. Meetings with focal points and representatives of civil society organizations took place in all regions in which the GEF operates. Furthermore, four interagency meetings were held to discuss progress at key OPS4 milestones (implementation start, finalization of methodological approaches, delivery of the interim report and preliminary findings). The primary GEF partners – the GEF Secretariat, the GEF Agencies, the GEF Trustee, the Scientific and Technical Advisory Panel (STAP) – have been consulted to determine and resolve any remaining factual errors and errors of analysis in the draft OPS4 report. The Quality Assurance Peer Group has reviewed interim products of OPS4. The Senior Independent Evaluation Advisors have provided advice on the interim report and the draft OPS4 report.

Limitations

21. The Terms of Reference for OPS4 are highly ambitious. On several points OPS4 encountered the limits of what it could do with existing data and evaluative evidence, within the time limits given and the budget set for the sub studies. This meant that on some important points, this report is not able to fully answer key questions. These points are identified below. Work on these should continue and be taken up by the Evaluation Office, or in some cases perhaps by the Secretariat, STAP, or the Trustee, in the coming years. Furthermore, the advice of the Senior Independent Evaluation Advisors may throw additional light on potential further exploration of the material for the benefit of future decision making, as well as propose improvements for OPS5.

22. An important limitation lies in the use of the Project Management Information System to identify the full GEF portfolio. While on basic information the current database is an improvement over the previous system, still much of the detailed information is not fully reliable, as was discovered in the last phase of OPS4. The Secretariat has made a valiant effort to update the database end of June and early July, but further improvements are needed.

23. The achievements of the GEF are mainly revealed through finished projects, which are all independently evaluated or independently verified. OPS4 studied all projects that provided terminal evaluations as from fiscal year 2004. These terminal evaluations pose limits in reliability, as discussed in the Annual Performance Reports of the Evaluation Office. Through additional work (field verifications, case studies, and additional documentation) these evaluations have been the basis of much of the results oriented work of OPS4. This has meant that the newer focal areas persistent organic pollutants and land degradation are underrepresented. More importantly, the new GEF Agencies are not yet sufficiently represented in this cohort of projects to allow for a full assessment of their achievements.

24. OPS4 was not able to gather sufficient evidence on the involvement of Civil Society Organizations and the private sector in GEF operations. The RAF mid-term review concludes that in biodiversity and climate change the involvement of CSOs and the private sector both have gone down. There is no evidence that this conclusion should be changed. The impact evaluation on ozone depleting substances shows a strong involvement of the private sector in that focal area. The Small Grants Programme remains the champion of involvement of local communities and local organizations. More should be said, but will have to be explored in future evaluations.

25. The issue of cost-effectiveness continues to be problematic, as it is in almost all international organizations. The reason is that in order to establish cost-effectiveness, comparable measurements need to be applicable on comparable activities and products or outcomes. Benchmarking can only be carried out in a credible way in comparable markets for comparable products, and the arena for international cooperation on global environmental issues does not qualify as such. For this reason OPS4 does not venture beyond calculating the cost-effectiveness of greenhouse gas reductions in the energy efficiency and renewable energy portfolios of the climate change focal area. OPS4 ran out of time and budget before a comparison to other organizations or other modes of greenhouse gas reductions could be started; but no easy comparisons were available.

26. On the progress toward impact, the new review methodology shows great promise, and OPS4 fully supports the findings reported on in section 3 of this report, but new methodologies almost inevitably run into fine tuning problems. In some focal areas, foundation activities were not reviewed; in others they were. Time to correct this was no longer available. However, care was taken to ensure that this was reflected in the qualitative assessment of the results. The results are not always presented in the most user-friendly way; this also has to be developed further. The Evaluation Office will continue to develop this in consultation with the GEF partners.

27. The focus on progress toward impact in OPS4 also means a focus and limitation of the study to mainly the three implementing agencies of the GEF: the World Bank, UNDP and UNEP. The new Agencies which have now substantially increased their share in the GEF do not have a sufficient number of finished projects to allow any conclusion yet.

28. On human, financial and administrative resources management, OPS4 presents some progress and delivers some recommendations on how to proceed, but it does not claim to provide a full overview. Nevertheless, the current discussion could serve as a basis for further work. The cost comparison to other organizations is an example of a preliminary identification of an issue which should be further explored in future.

29. On two issues OPS4 does not “restate the case” that had already been fully explored in the past. In the years since OPS3 the GEF Evaluation Office has presented two evaluations to Council that highlighted major issues for reform in the GEF. The first was the Joint Evaluation of the GEF Activity Cycle and Modalities, which in 2006 concluded that the GEF identification and approval of projects was inefficient and ineffective, and these processes were broken and beyond repair. This led to a full reform of the cycle which is not yet finished or fully visible, given the relatively short time that has passed since the reform was initiated. OPS4 therefore does not contain a verdict on whether the reformed cycle is now adequate and efficient, although initial findings point in a positive direction.

30. The second was the Mid-Term Review of the Resource Allocation Framework (RAF), presented to the GEF Council in November 2008. This evaluation concluded that the system was: too complex; not sufficiently transparent; too costly; leading to a low level of utilization in many countries; with rigid and skewed implementation rules leading to complaints and tensions. As a result, a new system is in preparation for GEF-5, which is currently under discussion.

31. Since efforts to improve the key GEF decision points in the project cycle and the discussion on a new allocation system are continuing, OPS4 has not devoted many pages on repeating the findings of these two evaluations, but would like to reiterate that improvements are essential to achieve a better functioning GEF in the programming and pre-approval phases of key decisions on GEF funding.

The GEF Portfolio

32. The GEF Trust Fund has been the primary source of funds for grants made by the GEF. In addition to the trust fund, the GEF administers the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). Including disbursements from the SCCF and the LDCF, the GEF has, since its inception, provided funding of approximately $ 8.77 billion, of which 97.9 percent ($8.59 billion) is from the GEF Trust Fund and the remainder from the SCCF and the LDCF (table 1.1).

33. The majority of projects that have been funded from the GEF Trust Fund are in the biodiversity focal area (table 1.2). In dollar terms, however, the biodiversity share is almost identical to that of the climate change focal area: together, the climate change and biodiversity focal areas account for about a third of GEF funding committed to date. During GEF-3 and GEF-4, the share of funding allocated to these two focal areas declined; this was largely because a significant proportion of funding for multifocal projects, which increased during this period, addresses climate change and biodiversity considerations, particularly through the SGP modality. Additionally, resource utilization in these two areas has slowed slightly following the establishment of the Resource Allocation Framework.

Table 1.1 GEF Project Funding by Fund (million $)

Fund	Pilot phase	GEF-1	GEF-2	GEF-3	GEF-4	All phases
GEF Trust Fund	726	1,228	1,857	2,784	1,996	8,590
LDCF	0	0	0	6	88	95
SCCF	0	0	0	14	72	87
Total	726	1,228	1,857	2,804	2,156	8,772

Source: GEF Project Management Information System, through June 30, 2009.

Table 1.2 Number of Projects by Focal Area

Focal area	Pilot	GEF-1	GEF-2	GEF-3	GEF-4	All phases
Climate change	41	141	215	166	96	659
Biodiversity	57	206	286	240	157	946
International waters	13	13	47	48	51	172
Ozone-depleting substances	2	12	7	3	2	26
Persistent organic pollutants	0	0	45	96	59	200
Land degradation	0	0	0	45	31	76
Multifocal	1	6	28	195	80	310
All focal areas	114	378	628	793	476	2,389

Source: GEF Project Management Information System, through June 30, 2009.

Table 1.3 GEF Funding by Focal Area

	CC	Bio	IW	ODS	POPs	LD	MFA	Total
Funding in $m	2,743	2,792	1,065	180	358	339	1,114	8,591
Percentage	31.9%	32.5%	12.4%	2.1%	4.2%	3.9%	13.0%	100.0%

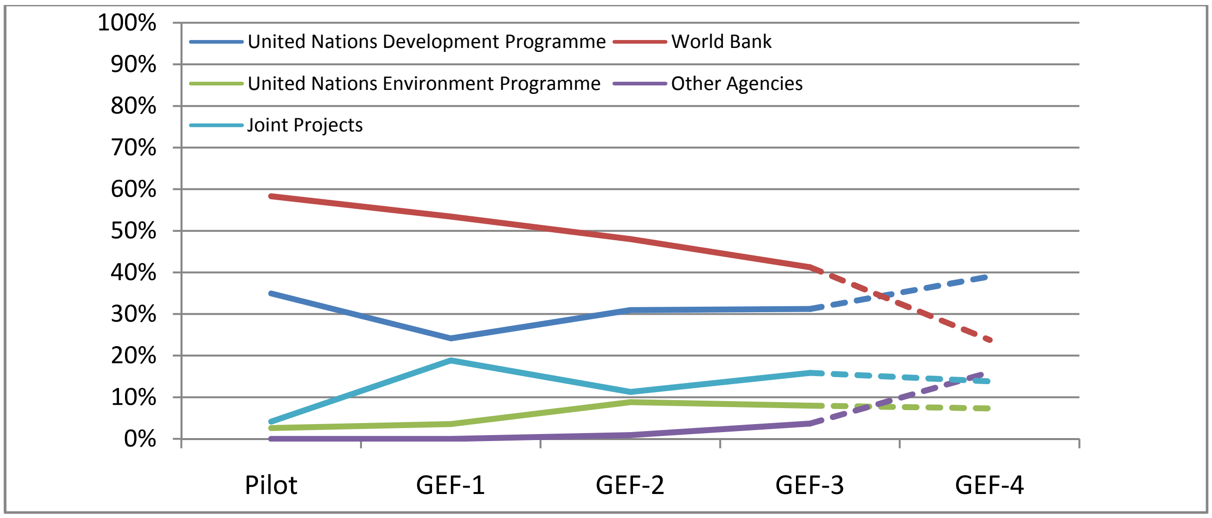
Source: GEF Project Management Information System, through June 30, 2009.

34. A remarkable trend in terms of GEF funding by its Agencies has been the decline in share of the World Bank. During the GEF's pilot phase, the World Bank accounted for 58.3 percent of GEF

funding. Its share has been declining steadily since. The pace of decline accelerated during GEF-4, and the World Bank now accounts for less than a fourth of total funding provided by the GEF (figure 1.1). The decline in the World Bank share is spread across focal areas.

35. The GEF provides funding through four basic modalities: full-size projects, medium-size projects, enabling activities, and small grants (through the SGP). Full-size projects account for 87 percent of GEF project funding. In recent years, there has been some increase in the share of SGP funding; this reflects the fact that SGP funding is front loaded. When the GEF-4 replenishment period ends, the SGP relative share will revert back to its GEF-3 level. The share of enabling activities has dropped substantially over time (table 1.4).

Figure 1.1 GEF Funding Share by Agency



Note: the dotted lines indicate the trend for GEF-4.

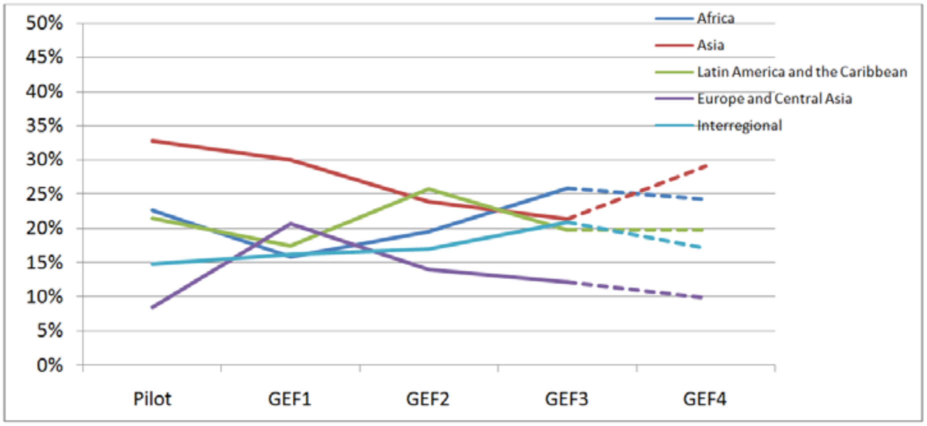
Table 1.4 GEF Funding by Modality (million $)

Modality	Pilot phase	GEF-1	GEF-2	GEF-3	GEF-4	All phases
Full-size projects	678	1,126	1,566	2,351	1,719	7,440
Medium-size projects	0	7	124	136	104	371
Enabling activities	35	69	91	132	7	334
SGP	13	26	75	165	166	446
Total	726	1,228	1,857	2,784	1,996	8,590

Source: GEF Project Management Information System, through June 30, 2009.

36. Figure 1.2 shows changes in the GEF funding share by regions across the GEF phases. From GEF-3 to GEF-4, there has been a substantial increase in the share of funding for Asia, while funding to Europe and Central Asia has declined significantly. The shares for Africa and Latin America and the Caribbean have remained stable. There has been some decline in the share of interregional projects.

Figure 1.2 GEF Funding Share by Region (Dotted lines indicate the trend for GEF-4.)



Main Conclusions and Recommendations

The GEF in a Changing world

37. OPS4 places the GEF in the context of international environmental trends. New scientific information shows that many environmental problems are increasing rather than decreasing, which leads to the first conclusion of OPS4.

Conclusion 1 – Global environmental trends continue to spiral downward.

38. The end of GEF-4 and the onset of a new replenishment coincide with a period in which the planet is facing unprecedented challenges on many fronts. The essential services supplied by the Earth's healthy ecosystems — including the provision of food, fuel, and fiber; the regulation of climate and water; and support of primary production, soil formation, and nutrient cycling — are no longer assured. The demands of our ever-growing human population for food, water, and energy and the inevitable escalating pressures brought to bear in meeting these needs have ushered in an era of growing threats to the overall security of our life support systems. This unprecedented stress on our ecological infrastructure places the guarantee of continued ecosystem services under severe threat. In so doing, it puts at risk the health, livelihoods, and well-being of all people—especially the world's poorest and most vulnerable inhabitants. The failure of market forces to ensure the sustainability of our global economy and the desperate need to lift billions out of poverty only add to this instability and signal a clear and urgent call for redoubling effective, innovative, and catalytic action to halt and reverse these trends.

39. The GEF was created to provide new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits. This mission has remained in place over the years with the addition of new focal areas, strategic priorities, and partners. Given growth in the extent, complexity, and magnitude of the problems, this mission is more relevant than ever. Funding needs on global environmental issues within the GEF mandate are increasing dramatically. Disbursements for tackling development issues through international cooperation have increased, while international funding for environmental issues, whether global or national, has decreased. However, public funding is vital, because these problems can only be solved through partnerships among governments, the private sector, and local communities.

Recommendation 1 – Funding levels for global environmental issues need to rise substantially in order to tackle increasingly urgent problems.

40. The world community may decide on other ways than the GEF to finance and create solutions to global environmental problems. The first recommendation of OPS4 does not make the case for the GEF yet; it simply states that the world community is, at this point in time, not doing enough to solve the problems, and that this conclusion is worrying, to say the least. In principle, many solutions are now available and are not beyond current technological knowledge. The issue may be that the solutions are expensive and go against ingrained economic interests. On the other hand, not solving the problems is more expensive in the long run and endangers mankind's future livelihood on the planet, posing particular dangers to the poor and to underdeveloped countries.

41. Increased need has not been sufficient motivation in the past for GEF funding. Historically, the GEF has not been very effective in mobilizing resources; funds for all subsequent replenishments following GEF-2 have decreased in real terms. Furthermore, although developed country donors have provided new and additional funding for global environmental benefits to developing countries, this has been insufficient to cover the increasing agenda of the GEF as agreed upon in the conventions.

Conclusion 2 – The GEF has been underfunded since GEF-2, given the scope of its agenda, the guidance of the conventions, and its mode of operation.

42. A variety of evidence indicates that the GEF is underfunded. Donors have kept their pledges to the GEF at the same level in both GEF-3 and GEF-4, reflecting the lower priority they attach to the environment in general and to global environmental issues. The multilateral environmental agreements the GEF serves, which were agreed to by these same donors, have continued to ask more of the GEF; consequently, in many areas, the GEF is now only minimally active. In addition, the international waters focal area is underfunded; its strategy requires up-scaling from foundation to demonstration to catalyzing investment, but the allocation for international waters in GEF-4 actually went down. The categorization of GEF activities into foundation, demonstration, and investment activities shows that least developed countries, small island developing states, and fragile states are receiving insufficient support on demonstration and investment, due to the low levels of the allocations for these countries. Lastly, project cycle inefficiencies in the past often were caused by lack of money to fund projects that were ready for approval: when approvals took place on a first-come first-serve basis, proposals had to wait until new funds became available before they could be approved.

Recommendation 2 – The GEF-5 replenishment needs to offer a substantial increase over GEF-4, or the GEF will need to dramatically reduce support to focal areas, groups of countries, or modalities.

43. The GEF model of foundational support through demonstration to investment incorporates an organic growth in funding to countries until the moment that concern for global environmental issues has been fully incorporated and mainstreamed in the sustainable development agenda. Although some of the larger recipients of GEF funding are clearly moving in this direction, it is also clear that many countries are still far removed from graduating from the GEF. Furthermore, many countries in the GEF are still awaiting further support on demonstration of approaches, market barrier removal and introduction of new technologies and are not yet ready to move to scale this up to national levels. The same level of funding in GEF5 would pose challenges. The review of progress toward impact shows that

the scale of interventions matters and that several support efforts may have failed because of lower funding amounts or reduced geographic scope.

44. If funding levels remain the same, the GEF would need to prioritize its support in order to continue to achieve impact. This could potentially done by reducing the number of focal areas, or restricting modalities to certain groups of countries, or reducing support to a limited group of countries.

Conclusion 3 – Its link to international environmental agreements as a financial mechanism is an added value for the GEF in tackling global environmental problems.

45. The GEF has a relatively unique position among international funding agencies: it is a financial mechanism for several multilateral environmental agreements. This gives it a strong mandate to support actions in countries on global environmental issues: on the one hand, with support from donors it addresses problems that have been recognized internationally as urgent; on the other, the countries that receive support are signatories to the agreements and have agreed to take action. In principle, this means that the GEF, donors and recipient countries form a strong partnership to address common goals.

46. The GEF is the primary funding source for implementation of the convention on biodiversity, the convention on persistent organic pollutants, and the convention for combating desertification. New sources of funding have emerged for climate change initiatives, but they are not yet fully operational.

47. The GEF continues to respond to guidance from the various conventions by adapting its strategies, policies, and procedures and by approving projects. Guidance to the GEF continues to accumulate, although some conventions are moving into strategies. The Resource Allocation Framework has hindered the access of many countries to the GEF, particularly in climate change.

48. Steps have been taken to improve the relationship between the GEF and the conventions and their secretariats, but more can and should be done.

Recommendation 3 – The GEF and the conventions need to interact to improve and focus guidance. Guidance should be prioritized at the national level.

49. Significant measures have been taken to improve communication between the GEF and the conventions. This initiative should continue and should focus on improving the quality of convention guidance. The GEF's future allocation system should ensure exclusions for communications to the conventions, since these are mandatory and are supposed to be paid in full by the GEF. The GEF should be responsive to new guidance received between replenishments, either by including an unallocated amount in its replenishment or by accepting additional funds between replenishments to enable implementation of the new guidance. Reporting from the GEF to the conventions should include a critical assessment of the GEF's experience with project implementation, as well as its experience with incorporating conference of the parties guidance into its strategies and program priorities.

50. National governments should take the lead in prioritization of the implementation of guidance from conventions. Within this prioritization process, issues eligible for GEF support can be identified. Convention focal points need further involvement in the GEF at the national level (i.e., GEF committees should require participation of convention focal points) and at the global level.

Conclusion 4 – The GEF's mode of operation through three levels of action – foundation, demonstration, and investment – brings an added value to its catalytic role.

51. The GEF's catalytic role, one of its principles, is embodied in its approach through *foundation* activities focusing on creating an enabling environment; to *demonstration* activities, which are innovative and show how new approaches and market changes can work; to *investment* activities that scale these up to a national level to achieve sustainable global environmental benefits.

52. OPS4 has categorized all GEF activities from the pilot phase to June 30, 2009, and concludes that this has worked well in middle income countries. On the other hand, OPS4 concludes that in small island developing states, least developed countries, and fragile states, the GEF is more or less stuck at the level of laying a foundation for future work, with some efforts made toward demonstrating innovation and market barrier removal; investment has been made for only a few countries in these groups. If the GEF continues at its same funding level, this practice will also continue. It is certainly the case that most global benefits can be gained in middle-income countries and OPS4 does not advocate to stop working in those countries for that very reason. But current funding levels do not allow for support to grow to levels which would implement good policies, promising new approaches and ensure market transformation.

53. Proposals to focus more exclusively on demonstration to the detriment of foundation and investment activities will reduce the GEF's catalytic effect and the sustainability of global environmental effects achieved. Calculations in the ozone-depleting substances impact evaluation show that, without the catalytic role of investments, 40 percent less reduction in ozone-depleting substances would potentially have been achieved.

54. The catalytic role of the GEF is well established at the strategic level, yet has not been translated into guidance for project design and has not led to tracking instruments to ensure that these effects are monitored during implementation and measured after projects end.

Recommendation 4 – The catalytic role of the GEF can be strengthened by increasing its funding level and by incorporating catalytic lessons in improved guidance and monitoring.

55. Funding levels in the GEF need to be increased substantially so it can play its catalytic role to the fullest extent in all recipient countries, to ensure that global environmental benefits are achieved.

56. The GEF's catalytic role is most evident in the international waters focal area strategy, and other focal areas could benefit from incorporating elements of this strategy. In the climate change and biodiversity areas, a better recognition of the role of enabling activities could lead to increased country ownership of support.

57. Guidance on how to design, implement, and monitor and evaluate a project in view of its catalytic role should be encouraged to ensure better tracking and measurement of the GEF's catalytic effect. The Evaluation Office will encourage this by making its methodological framework, data, and findings available for further discussion and elaboration among the GEF partners.

Conclusion 5 – GEF support is relevant to national environmental and sustainable development priorities as well as to international and regional processes.

58. Country ownership is one of the GEF principles related to its relevance to national priorities. OPS4 defined country ownership in terms of the extent to which GEF support is embedded within national or local priorities, and found several examples of such linkages. For example, the GEF has supported the development and implementation of protected area systems; has introduced climate change to national agendas (beginning with enabling activities); has assisted in the development and implementation of climate change policies, such as for energy efficiency and renewable energy, which are helping countries improve their energy choices; and has funded the preparation of national implementing plans to help countries identify persistent organic pollutants and bring them into the national agenda.

59. Evidence, mainly through the Country Portfolio Evaluations and the OPS4 country case studies shows that countries have used GEF support to introduce new environmental policies and to introduce the requisite environmental legislation and regulatory frameworks. However, for most countries, the available GEF funding is insufficient for implementing convention guidance on adaptation, biosafety, and land degradation.

60. There is no evidence that the increasing emphasis on national ownership in the GEF leads to reduced attention to global environmental issues. On the other hand, when choosing which issues to address, there are currently no incentives for countries to collaborate on regional and transboundary issues.

Recommendation 5 – The GEF should further develop programming at the national level, by supporting the creation of GEF national committees and GEF national business plans.

61. In order to achieve global environmental benefits, the GEF and its Agencies collaborate with the GEF's most important partners: governments, civil society, the private sector, and local communities in recipient countries. The average five-year support of a GEF-funded activity is not enough to ensure sufficient scale and sustainability of global benefits in energy efficiency, use of renewable energies, protected areas, improved land management, reduced threats to international waters, and reduced threats to the ozone layer and to the health of humans and the environment by persistent organic pollutants. In almost all cases, the GEF sets in motion and starts up activities that need to be incorporated into policies, strategies, practices, and livelihoods. This always requires decisions from others: governments, civil society, the private sector, and local communities.

62. The partnership between the GEF and local actors could be enhanced in order to strengthen progress toward impact. The reviews of outcome toward impact, presented in section 3, show that actions taken after GEF support ended will ensure further progress. Furthermore, outcomes that show no or little progress may be turned around through follow-up actions. In many cases, remedial actions have been taken on the basis of terminal evaluations; more can be done, however, and the GEF and the country should focus on this.

63. Country Portfolio Evaluations show that GEF Agencies do not always integrate their GEF activities into either national support strategies or the United Nations framework for support to the country in question. In several cases, their GEF grants are kept more or less separate and out of the mainstream of the discussion of the country with the international community of donors. Several recipient countries do not sufficiently coordinate activities undertaken on environmental issues by

various agencies and donors. Although there is a noticeable increase in national coordinating committees, involving ministries beyond that for the environment and other stakeholders are involved, this is not yet standard practice. A national mechanism for interacting with GEF Agencies and other donors on environmental support is vital to ensure that GEF and other environmental support is fully in line with and incorporated into national priorities and strategies.

64. Programming at the national level could support global and regional projects and programmatic approaches. If priorities set at the national level clearly identify transboundary problems, as several country portfolio evaluations have indicated over time, an approach focused on such transboundary problems could be used to ensure a higher level of relevance and country ownership of global and regional projects and programmatic approaches. The conceptual framework of the international waters focal area could be helpful in this regard. This approach also holds incentives for countries to collaborate in tackling global and regional environmental problems.

Conclusion 6 – Seventy percent of finished projects show moderate to solid progress toward impact.

65. OPS4 has reviewed all finished projects whose terminal evaluations were presented to the Evaluation Office since fiscal year 2005. The review methodology was derived from the Office's impact evaluations and has been field tested and peer reviewed, as well as checked against the well-established methodology of rating terminal evaluations. The resulting review of progress toward impact shows that 70 percent of project's outcomes show definite progress toward impact, which cannot be compared to an international benchmark, because the GEF is the first international organization to report on progress toward impact at the portfolio level.

66. The positive rate of progress toward impact is encouraging, because it assures donors and recipients that global environmental benefits can and will be achieved if continued action ensures that progress continues. A crucial time horizon must be taken into account in this regard. In general, global environmental benefits can be measured relatively quickly in the focal areas of climate change, ozone-layer depletion, and persistent organic pollutants. They require a much longer time to appear in the biodiversity, international waters, and land degradation focal areas. Nevertheless, evidence of impact exists in all GEF focal areas; in the short term, they are not yet at a sufficient scale. The evidence of short-term impact does demonstrate that the interventions supported by the GEF "work" – that they can and will produce benefits if continuously supported.

67. Worsening global environmental trends provide many counterfactuals to GEF support. Within countries receiving GEF support, biodiversity losses continue in areas that are not supported through the GEF. In climate change, trends in greenhouse gas emissions cannot be influenced directly by GEF support, however successful, given the relative low level of funding received as compared to funding needed. In other focal areas, GEF efforts are successful but insufficient to affect global trends. Ozone-depleting substances may provide an interesting illustration in this regard. While the Multilateral Fund of the Montreal Protocol, the GEF, and developed countries together may have succeeded in successfully tackling threats to the ozone layer as identified in the Montreal Protocol, climate change and new threats to the ozone layer have been added to the agenda as they have emerged, and the battle is far from resolved.

68. The GEF portfolio shows no progress toward impact in 30 percent of outcomes. Yet even here, there is evidence that impact can be achieved if remedial actions were taken. Bigger projects, as

measured by their level of funding, achieve better progress toward impact, while smaller projects do not score that well. This finding leads to the hypothesis that some of the smaller projects were actually underfunded and, as a result, were not able to build sufficient critical mass or work at a scale that would enable progress toward impact.

Recommendation 6 – Progress toward impact in GEF-supported outcomes shows the value of a portfolio approach at the national level, which enables recipient countries to fully support and maximize progress toward global environmental benefits.

69. To reach the full potential contribution toward global environmental benefits, GEF projects need to be designed and implemented as much as possible to ensure local ownership, continued government support, and ongoing availability of funding after project closure. However, no one project can guarantee the support of these various actors; there is thus much value in a portfolio approach at the national level, an approach now taken only in larger GEF recipient countries. A portfolio approach that incorporates national GEF programming and follow-up, including monitoring, supervision, and evaluation, will enable recipient countries to fully support and maximize progress toward global environmental benefits.

Progress to Impact: Focal Area Issues

70. GEF **climate change** funding has supported a solid level of achievement of progress toward intended global environmental benefits, both in terms of reduction or avoidance of greenhouse gas emissions and of sustainable market changes. Despite this achievement, the GEF contribution to reduction in greenhouse gas emissions is quite small compared to the reduction required at the global level to ensure an impact on future climate change and a more sustainable development path.

71. Projects that show better progress toward global environmental benefits demonstrate more specific attention in their design and/or implementation to steps necessary to catalyze government commitment from national to local levels; coherent financial, policy, tariff, and/or tax incentives to influence the market; commitment of the resources needed to scale up project benefits; and measures to generate and encourage the lasting commitment of key national stakeholders. Progress toward global environmental benefits also depends on ongoing and long-term support from governments, the private sector, and local communities after project completion.

72. On **biodiversity**, the GEF has been responsive to guidance of the biodiversity convention, particularly on issues related to conservation and sustainable use (through protected areas and mainstreaming biodiversity in production sectors). Access to biosafety has not kept up with potential demand. About 70 percent of the completed projects reviewed have made some progress towards GEBs with 40 percent making strong progress. The remaining 30 percent of projects have made no progress towards GEBs yet. Projects which show higher progress toward global environmental benefits demonstrate more specific attention in design and/or implementation to ensure that effective local ownership is fully operational before project completion. Progress toward global environmental benefits crucially depends on ongoing and long-term support from governments, private sector and local communities after the project has terminated.

73. The conditions in the early 1990s that gave rise to the GEF and to the creation of an **international waters** focal area have not abated, and there are new challenges that make the international waters work of the GEF highly relevant. The GEF has been instrumental in promoting new

international and regional agreements on transboundary water bodies and has catalyzed the implementation of several existing agreements, thus helping to set the stage for national policy changes that can lead to reduced ecological stress. Independently verified evidence exists that GEF projects are contributing toward the reduction of pollution stresses in many international water bodies.

74. Key factors that promote or hinder progress toward impact are direct engagement with industrial and agricultural interests to ensure stress reduction; relevance to national priorities to ensure sustainable and increasing national financial support; and a robust understanding of ecosystem services through the development of scientifically sound transboundary diagnostic analyses. Progress toward global environmental benefits is particularly difficult when all the countries in the catchment area or bordering the water body do not participate in the project at hand. Such projects should focus on including the remaining countries before proceeding to the investment stage.

75. The phased approach to foundational, demonstration, and investment activities in international waters should provide inspiration to other focal areas to better integrate foundational and enabling activities in their strategies in line with convention guidance.

76. GEF support for the phaseout of consumption and production of **ozone-depleting substances** in countries with economies in transition has made a contribution to global environmental benefits. Legislative and policy changes supporting phaseout provided a foundation for success and ensured sustainability. The private sector commitment to phaseout was a critical driver in the success of GEF investments in countries with economies in transition.

77. However, illegal trade threatens to undermine gains in ozone-depleting substances reduction in the non–European Union countries with economies in transition. Halon recovery and stockpiling has been neglected in these countries as well; this should be rectified. In some countries, the national ozone units have ceased to function after GEF support ended, which may prevent measures being put in place to address the remaining threats to the ozone layer. Also, destruction of stocks is weak—only 15 percent of countries actually destroy their stockpiled ozone-depleting substances.

78. The GEF Council should consider further investment and capacity development to help countries with economies in transition to address remaining threats to the ozone layer. The GEF should learn from the positive experiences with engaging the private sector and incorporate similar approaches into its efforts to engage the private sector in other focal areas.

79. Non–EU countries with economies in transition should consider improving the implementation of their legislation, policies, and standards on all aspects of ozone layer protection. Current efforts to prevent illegal trade must be further strengthened.

80. The GEF has been responsive to the guidance of the convention on **persistent organic pollutants** and is now moving into the next phase of support to this convention by providing funding toward the implementation of national plans.

81. The **land degradation** focal area does not yet have a sufficient number of finished projects to enable conclusions on progress toward impact.

82. The **multifocal area** project cohort has a bias toward targeted research. Consequently, it scores relatively low in terms of progress toward impact. Multifocal projects that are more operationally oriented projects do score well and combine focal area problems in a practical way.

Issues affecting Results

Conclusion 7 – The GEF achieves 80 percent moderately satisfactory and higher outcomes as compared to the benchmark norm of 75 percent; yet inefficiencies continue in the pre-approval phase.

83. Performance of the GEF's projects has exceeded the GEF target of 75 percent satisfactory outcomes – the average score since fiscal year 2005 is 80 percent. The challenge is now to move to higher levels of satisfactory outcomes. Project design and implementation can be improved by looking at how progress toward impact after project termination can be encouraged during the project's lifetime.

84. The World Bank and the United Nations Development Programme continue to provide a satisfactory level of supervision to a high proportion of the GEF projects they implement; supervision by the United Nations Environment Programme has improved significantly over time. Social and gender issues in GEF strategies and projects are not addressed in systematically; the GEF cannot rely completely on the social and gender policies of its Agencies.

85. The new 22-month project cycle seems to be reducing approval time. Twenty-one months after the approval of the first work program in the new cycle, 77 percent of projects were presented to the GEF Chief Executive Officer (CEO) for endorsement. No data are available on the remaining 23 percent. In the new cycle, the 22-month period between project identification form (PIF) approval and CEO endorsement is mostly within the responsibility of the GEF Agencies and focal points.

86. Delays were noted in the period proceeding project proposal approval. PIFs tend to cycle back and forth between Agencies and the GEF Secretariat before they are submitted for Council approval, with some inefficiency in communication. The Secretariat has adopted a 10-business-day standard for replies, which it has met for 56 percent of PIFs received. The Agencies and project proponents have no comparable standard.

87. In January 2009, a new and improved GEF Project Management Information System was introduced. Following a concerted effort on the part of the Secretariat to update the database in June and July 2009, the system's core data can now be considered reliable, although structural quality checks are still lacking.

Recommendation 7 – GEF project performance should be further strengthened through improved guidelines, a better fee structure, and strengthening of social and gender issues.

88. Several performance-related issues need to be incorporated in new guidelines, including

- the process and criteria for project restructuring;
- social and gender issues and risk;
- how risk is tackled and reported on;
- the use of midterm reviews.

89. More attention should also be given to ensure that project fees provide sufficient resources to cover all GEF supervision requirements.

90. Social and gender issues need to be better recognized and better integrated in projects and policies as an essential means to achieving sustainable global environmental benefits.

91. GEF Agencies and the GEF Secretariat should establish a communication channel to discuss PIF problem cases and the possible termination of project ideas. The Agencies should introduce a business standard within which to submit revised PIFs to the Secretariat.

92. A comprehensive, expedited resolution of the remaining weaknesses in the GEF Project Management Information System should be devised.

93. Evidence of solid progress toward impact testifies to the comparative advantage of the GEF Agencies and the support they provide to recipient countries. In some cases, Agencies' GEF activities outperform projects in their regular portfolio. Given the solid reputations of the GEF Agencies in their own right, this finding is very encouraging and may demonstrate the added value of a partnership like the GEF over a more isolated approach.

Conclusion 8 – The Small Grants Programme continues to be an effective tool for the GEF in achieving global environmental benefits while addressing the livelihood needs of local populations, with special attention to reaching the poor.

94. The SGP contributes to numerous institutional and policy changes at the local, provincial, and national levels, and to building capacities among civil society and academic organizations to address global environmental concerns. Its success has resulted in a high demand for support. By the end of GEF-4, the SGP will be operational in 123 countries, with an additional 10 interested to become involved during GEF-5.

Recommendation 8 – The SGP should be recognized as a GEF modality that should be available to all recipient countries.

95. Development of the SGP into a fully recognized modality of the GEF needs to be accompanied by the following measures:

- Reform the central management system to make it suitable for the new phase of growth
- Prepare a suitable modality for funding national programs
- Publish a grievance procedure through which conflicts can be settled
- Establish a process by which audits will be made public

Conclusion 9 – Learning in the GEF is still not structurally and systematically encouraged.

96. The GEF does not have a knowledge management strategy that pulls all the learning efforts conducted by the GEF and its partners together in a coordinated and organized way. This results in lost opportunities for learning on the part of the GEF partners and countries.

97. The Evaluation Office is sufficiently independent and its reports are especially valuable for the Council for deliberations and decision making. The GEF Monitoring and Evaluation Policy clearly defines monitoring roles and responsibilities, which however continue to remain unclear to many GEF partners, particularly at the portfolio level. Monitoring and evaluation communication, information, and knowledge sharing are inadequate in the GEF network and can be improved.

98. The role of the STAP in terms of dispensing project advice is generally appreciated, but the STAP has not fulfilled its strategic mandate as originally envisaged. On the other hand, the Council has not requested STAP advice on critical technical and scientific issues facing the GEF.

Recommendation 9 – Learning in the GEF should focus on cross-agency and cross-country learning and be consolidated in a corporate strategy.

99. Learning and knowledge management within the GEF should be encouraged in a more systematic way, building on the experiences of IW:Learn, with a special emphasis on cross-agency learning and be consolidated in a corporate strategy.

100. The GEF Monitoring and Evaluation Policy will need to be updated for GEF-5 and should take into account the issues raised by the independent peer review and the independent review of GEF monitoring and evaluation issues. GEF focal points need to be involved as resource persons and process facilitators in evaluations. They should receive technical and financial support from the GEF Secretariat in setting up portfolio monitoring.

101. The STAP should take the initiative in presenting strategic scientific and technological advice to the GEF Council on critical policy issues.

Conclusion 10 – Monitoring, tracking tools, and impact indicators are not yet fully integrated into a results-based management framework for the GEF.

102. The GEF has made considerable progress toward establishing a results-based management framework. Monitoring has been improved in the period since OPS3, and tracking tools for the focal areas have been introduced. Although discussions on introducing a results-based management framework were held over time, these have not yet led to a framework that has been fully integrated into the various GEF strategies and policies. The GEF-5 replenishment proposals outline new steps in that direction and should be encouraged.

Recommendation 10 – The GEF should integrate impact indicators and measurements in the results-based framework for GEF-5.

103. The GEF Evaluation Office should, together with the GEF partners, work toward integrating impact indicators and measurements in the GEF-5 results-based framework. Based on emerging evidence on impact drivers essential for progress toward global environmental benefits, the GEF Secretariat should ensure that its tracking tools encompass this longer term perspective. The Council should approve and finance what could be a substantial exercise: developing and monitoring indicators for progress toward impact, integrated into the results-based management system of GEF-5.

Conclusion 11 – Resources are managed relatively well in the GEF, but improvements are possible.

104. In uncertain financial times such as these, the GEF Trust Fund has higher exchange rate risks than are now taken into account. Recipient countries also face exchange rate risks. Some GEF Agencies offer countries limited support in this regard, while others do not; there is currently no uniform practice throughout the GEF.

105. By reserving funds for a project's full projected cost at the identification stage, the Trust Fund keeps a large amount of money in reserve that will not be used in the immediate future; this is unnecessarily fiscally conservative. Most project proposals will take 22 months from approved identification to CEO endorsement; some will not lead to a fundable proposal.

106. In general, the GEF Trustee manages the GEF Trust Fund well. On certain aspects such as exchange risk managements, management of resources, and transparency, improvements can be made. The Trustee is aware of this and is presenting relevant proposals for the replenishment. On the replenishment process and fundraising de facto joint responsibility is taken by the Trustee and the CEO.

107. The GEF's fiduciary standards address areas that are not generally considered to be financial (project appraisal and evaluation) and that are overly prescriptive (audits).

108. The GEF fee system (10 percent per project) is, in some cases, unfair to the Agencies and is, on some categories of projects, unnecessarily expensive for the GEF.

109. The GEF does not appear to be more costly as compared to other facilities and funds. Some agencies have introduced cost/efficiency ratios that they plan to follow over time. No best international practice has yet been established.

Recommendation 11 – Improvements in resource management should focus on developing a new system for reserving funds for project ideas and reforming fiduciary standards and the fee system.

110. Approved PIFs should not be reserved only against available funds in the GEF Trust Fund but should be reserved against funds that are expected to be paid into the Trust Fund in future years, according to the payment schedules agreed on with donors. A formula would need to take into account currency risks and the risks of deferred and delayed payments. This recommendation may become superfluous when the GEF moves into country-level programming, but given that a shift in that direction depends on voluntary steps taken by recipient countries, a new way of reserving funds for project ideas should be developed.

111. The GEF Instrument should be amended to recognize and reflect the role of the CEO and the Secretariat in the GEF replenishment process.

112. Fiduciary standards should be separated into fiduciary and management standards. These standards should provide less detail on the practices to be followed and more specification of the results to be achieved.

113. The GEF fee system should be converted into a rules-based system grounded on the principle of fees for services, including non project services for support of program development. Higher fees should be allocated to smaller projects and lower fees to larger commitments. The system should recognize that additional expenditures are needed for different types of projects and groups of recipient countries (for example, higher transaction costs are incurred by the Pacific small island developing states), as well as for national governments, including GEF focal points, who are currently compensated by a separate corporate program.

114. The GEF should begin to develop a measurement system for its costs and encourage development of an international minimum standard.

Governance and Partnership Issues

Conclusion 12 – The governance model of the GEF compares well to that of other international organizations.

115. The GEF compares very well in terms of transparency of its governance and relatively well in terms of ensuring a voice and representation for its members in governance, in comparison with other international organizations. Its governance model seems adequate for fulfilling most of the tasks assigned by the GEF Instrument.

116. The GEF Assembly currently meets once every four years, which does not fulfill its potential in enabling all GEF members to participate in key decisions.

117. The GEF Council's constituency system creates problems for developing countries due to a lack of clear guidelines as to how constituencies are formed, how they operate, and how Council members and alternates should be selected and rotated.

118. The GEF is in line with current practice for international financial institutions concerning the division between governance and management. However, that practice is not in line with what is considered best standards of governance.

119. There is no institutionalized process of self-evaluation for the Council.

Recommendation 12 – Governance can be further improved by ensuring a more substantive role for the Assembly, by addressing constituency problems, and by implementing a longer term process to achieve a better division between governance and management in the Council.

120. The GEF Assembly should meet every two years in order to respond to a rapidly evolving environmental agenda, urgent new challenges, and growing convention needs and demands. This modification will require an amendment of the GEF Instrument.

121. The current problems in developing countries constituencies should be addressed.

122. During GEF-5, the GEF Council should lead a discussion on how to better separate governance and management functions, roles, and responsibilities between the Council and the CEO/Chair.

Conclusion 13 – Tensions in the GEF partnership arise from programming and project identification issues; these mostly stem from a lack of communication but are also due in part to fundamental questions on the appropriate roles of the GEF partners.

123. There are considerable strengths in the GEF partnership model, but the fast pace of changes within the GEF in recent years has caused tensions between the GEF Agencies and the GEF Secretariat, and between Agencies and recipient countries. These tensions are to some extent "creative," in that they may lead to a renewed and invigorated GEF that better uses the relative strengths of its partners, but they also carry reputational risks and cause inefficiencies if they lead to a reluctance to communicate.

124. The tensions in the partnership and the efficiency problems in the GEF are connected. In fact, the inefficiencies at key decision points on GEF support are at the root of much of the discontent. The first and likely most visible area of complaint and concern regards the approval phase of project proposals. The Joint Evaluation of the GEF Activity Cycle and Modalities concluded that the lag time for proposals awaiting approval had become unacceptably long. The resulting decisions to dramatically cut these waiting times show promise, but are not yet visible on the ground, which means that complaints continue to be voiced. However, the real cause of the long delays was lack of money, not lack of a willingness to make decisions.

125. Three key areas of reform have emerged. The process leading up to the identification of project proposals can be characterized as generally unsatisfactory and potentially leading to reputational risks for the GEF. By adopting the Resource Allocation Framework, in which countries received an indicative allocation for biodiversity and climate change, the GEF moved in the direction of programming on a national level, without indicating at that moment in time how this should be done. Neither the Secretariat, the Agencies, nor the country focal points were ready for this shift when it occurred. As a result, practices varied enormously throughout the GEF.

126. Second, the decision point to approve project ideas for further development has also led to tension and controversies in the GEF. While some of these problems have recently been resolved, more needs to be done.

127. Third, the process leading up to CEO endorsement and Agency approval, while definitely shorter than in the old project cycle, continues to lead to tension and complaints, mostly between GEF Agencies and focal points. To some extent, this can be explained as a competition for scarce resources, which becomes more intense when the resources become scarcer.

128. Complaints in any project cycle are natural and a part of the process; similarly, tension is usually unavoidable as well and can be seen as constructive to a point. In the case of the GEF, these tensions and complaints have become a negative asset, a reputational risk for the GEF that endangers its future as a viable mechanism for the conventions in addressing global environmental problems. For this reason, they deserve the attention of the GEF Council and must be addressed and converted into a positive source of improvement rather than a negative source of reputation loss.

Recommendation 13 – The GEF Council should address tensions within the GEF partnership and provide guidance on roles and responsibilities.

129. The GEF Council has a special responsibility in improving the efficiency of the GEF by reducing tension and promoting partnership. It has a tradition of micromanagement of the project cycle. The GEF is unique among international organizations in that its Council approves both project ideas and project proposals; no other institution has a similar level of board involvement.

130. Apart from an invitation to the Agencies to present their view on the future of the GEF by the replenishment meeting, the Council has not been involved in reducing tensions in the partnership. Replenishment proposals may contain clarification of roles and responsibilities, and this effort needs to be encouraged. The Council should take responsibility for guiding the partnership in the direction it envisages; this should include a discussion of and reflection on its own role.

131. One factor behind Council reluctance to delegate more responsibility to the GEF Secretariat, the GEF Agencies, and the GEF focal points seems to be a high sense of duty toward ensuring global

environmental benefits. Since OPS3, many monitoring and supervision measures have been put in place at the portfolio level; these should provide the Council with a sufficient level of assurance to enable it to delegate further:

- A system of independent review of terminal evaluations on outcome and sustainability ratings has been put in place, which is reported on in the annual performance reports of the Evaluation Office.
- Focal area tracking tools have begun to gather evidence on portfolio outputs and outcomes; this information is now reported on in the Secretariat's annual monitoring report.
- A portfolio-wide review of progress from outcomes to impact has been introduced into the GEF, and elements of this could be incorporated into the GEF-5 results-based management framework.
- The Evaluation Office has become fully independent, and a GEF Monitoring and Evaluation Policy has been adopted by the GEF Council; this policy will be updated in consultation with all stakeholders for GEF-5.
- The GEF Project Management Information System has been improved and, for the first time ever, correctly reflects the actual GEF portfolio on essential issues.

Concluding Remarks

132. To the extent that its overall funding level permits, the GEF is **relevant** both to the conventions and to regional and national priorities.

133. The GEF projects are **effective** in producing outcomes, with the average score over the GEF-4 period of 80 percent exceeding the international benchmark of 75 percent.

134. The **sustainability** of these outcomes, as measured by progress toward impact, is good – 70 percent of finished projects see progress toward global environmental benefits, although further follow-up action from national partners is essential to achieve global environmental benefits.

135. The **efficiency** of the GEF can and should be further improved, with emphasis on programming, less time lost on project identification, better project formulation, an enhanced fee structure, more integrated learning, and a results-based management framework that includes progress to impact measurements.

Section 2 – The GEF in a Changing World

Chapter 2.1 — the International Context

1. This chapter presents the trends in the global environment as well as the intergovernmental context in which environmental problems are being addressed. The GEF does not operate in a vacuum but is placed within several international initiatives to increase the effectiveness of assistance and cooperation.

Conclusions

2. Environmental problems are growing in extent, complexity, and magnitude, and are in many cases exacerbated by the impending impacts of global climate change and a failure to revise policies and modify perverse behavioral patterns in an appropriate and timely manner.

3. Funding needs on global environmental issues within the GEF mandate are increasing dramatically. Public funding is vital, because these problems can only be solved through partnerships among governments, the private sector, and local communities.

4. Disbursements for tackling development issues through international cooperation have increased, while the share of international funding for environmental issues, whether global or national, has declined.

Recommendations

5. Funding levels on global environmental issues within the GEF mandate need to increase substantially in order to tackle the increasingly urgent problems.

6. Given the expanding scope of environmental challenges, the GEF must continue as a catalytic agent, leveraging other funds dedicated to solving problems at the global and national levels, in parallel and in partnership with other agencies, governments, the private sector, non-governmental organizations, and local communities.

Introduction

7. The Global Environment Facility was created to provide new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits. This mission has remained in place over the years with the addition of new focal areas, strategic priorities, and partners.[1] To better understand its applicability in the upcoming fifth replenishment period of the GEF, this chapter provides an overview of the GEF's current context in terms of ongoing global environmental and development issues and trends as well as the architecture evolving to address them and the financial resources the international community is making available to tackle environmental and development problems.

Environmental Trends

8. The end of GEF-4 and the onset of a new replenishment coincide with a period in which the planet is facing unprecedented challenges on many fronts. The essential services supplied by the Earth's

healthy ecosystems — including the provision of food, fuel, and fiber; the regulation of climate and water; and support of primary production, soil formation, and nutrient cycling — are no longer assured. The demands of our ever-growing human population for food, water, and energy and the inevitable escalating pressures brought to bear in meeting these needs have ushered in an era of growing threats to the overall security of our life support systems. This unprecedented stress on our ecological infrastructure places the guarantee of continued ecosystem services under severe threat. And in so doing, it puts at risk the health, livelihoods, and well-being of all people — but especially of the world's poorest and most vulnerable inhabitants. The failure of market forces to ensure the sustainability of our global economy and the desperate need to lift billions out of poverty only add to this instability and signal a clear and urgent call for redoubling effective, innovative, and catalytic action to halt and reverse these trends.

9. In recent years, climate change has captured the attention of the international community — not only of scientists and environmental practitioners but increasingly of the public at large. This unprecedented focus can best be attributed to the magnitude and breadth of the problem, its truly global and long-term consequences, and the complexity of potential solutions. Key drivers are global energy demands arising from the world's continued and growing dependence on fossil fuels, with the transport sector — including land, sea, and air — being the second largest and second fastest growing source of global greenhouse gas emissions. Unsustainable land use, including deforestation, waste disposal, and harmful agricultural practices, is, and is projected to continue to be, another major source of emissions.[2]

10. In its Fourth Assessment the Intergovernmental Panel on Climate Change (IPCC) reported highly probable scenarios showing abrupt and irreversible changes leading to increased temperatures and the frequency and severity of extreme weather events, coupled with growing aridity in many parts of the world. Some of the most devastating impacts are likely to occur in areas characterized by both extreme poverty and rich biodiversity.[3] Subsequent studies have updated these scenarios and identify more rapid onset than initially portrayed, with ice melting faster than anticipated in both polar regions and a realization of other elements among the IPCC's worst-case scenarios, including the likely devastation of coral reefs around the globe.[4]

11. International negotiations to set new targets for emissions are still under way, but no obvious breakthroughs are yet apparent, and the gap between the current positions of the developed world, emerging nations, and least developed countries (LDCs) are continuing to widen. There is widespread agreement that the cost of ensuring sufficient reduction of greenhouse gas emissions will likely exceed available public funds by several orders of magnitude. It is also clear that the costs of *not* taking sufficient action early on will be dramatic; in 2007, these were calculated as up to 5–20 percent of global gross domestic product (GDP).[5] The cost of keeping greenhouse gas concentrations below 500 parts per million was estimated in that year at 1 percent of global GDP; a year later, this estimate was increased to 2 percent.[6]

12. Currently, 60 percent of ecosystem services evaluated by the Millennium Ecosystem Assessment are degraded or are being used unsustainably,[7] further compromising their resilience and ability to meet long-term needs. Species extinction is occurring at a rate 100 to 10,000 times that found in the fossil record.[8] With terrestrial and marine ecosystems undergoing additional stress due to higher or lower temperatures, more or less rainfall, and/or more frequent and intense extreme weather events, still higher rates of species extinction are to be expected.[9] The accelerated changes in the Earth's climate will compound these and other related global environmental problems.

13. Energy use is projected to increase by 54 percent between 2005 and 2030.[10] Bioenergy production is promoted widely as a means of mitigating climate change and providing energy security and also for stimulating rural development in some of the world's poorest regions. However, current bioenergy production systems favor large-scale, mechanized production, raising unanswered questions about the true potential to further opportunities for local participation and empowerment, and deepening the north-south divide by responding to the unsustainable energy demands of developed countries at the expense of LDCs.

14. Even though biofuels hold some promise for meeting multiple development and environmental objectives, they are not a silver bullet. In reality, the growth and diversification of biofuels (solid, liquid, and gas) originating from forests, agriculture, or municipal waste carries many implicit and explicit environmental trade-offs. For some biofuel production systems, such as maize, questions exist regarding their likely contribution to increased carbon emissions.[11] And despite much talk of using "degraded" or "waste" land for biofuel production, many developing countries are instead converting productive forests, peat lands, or agricultural lands, thus driving crop cultivation into more and more marginal lands.

15. As the issues of global climate change mitigation and adaptation and of rapidly expanding land degradation have drawn increasing global attention, the once high-profile and priority issue of invasive alien species seems to have been quietly marginalized. From a terrestrial perspective, the links between the expansion of biofuel production, global climate change scenarios, and the spread of invasives need to be recognized and prioritized — because failure to do so will exacerbate environmental impacts.[12] From a marine perspective, too, a variety of threats are posed by the unintentional but significant global proliferation of harmful invasives through the shipping sector.[13] The increased connectivity of these events through expanding globalization of trade and commerce presents complex challenges that cannot be addressed from a single angle of attack. The challenges posed by invasives require collective action but are generally ignored in the realm of the global commons.

16. The growing "tragedy of the commons" continues to play itself out on other global environmental issues as well; some of these are directly related to climate change, such as the future availability of freshwater[14] and changes in the polar regions. The impact of intensifying water shortages is increasing instability and threats to global food and civil security, and the situation is likely to worsen. It is estimated that by 2030 over 47 percent of the world's population will be living in areas experiencing high water stress.[15]

17. Other looming tragedies are linked to pollution of international oceans and space through wanton disposal of often toxic and hazardous wastes. In addition to extensive and growing issues involving waste disposal, chemical pollution, and a increasing number of "dead zones," recent attention has focused on the disintegration of plastic refuse into tiny polymers mistaken for plankton by seabirds and other marine life, thereby entering the food chain with dire consequences in an area of the North Pacific Subtropical Gyre twice the size of Texas. Known as the "Great Pacific Garbage Patch" or the "Plastic Vortex,"[16] the area is blanketed with floating plastic waste—cups, bottle caps, and packaging—brought together by the prevailing ocean currents. Although efforts are under way to investigate the possibility of converting this into diesel fuel, this approach seems unlikely to solve the problem in the long term.

18. Amid this morass of continuing and emergent issues, one important achievement in the reduction of global environmental threats seemingly stands alone — an almost total end to the

production of traditional ozone-depleting substances (ODS). Sadly, it is now becoming clear that current stockpiles are being reintroduced illegally into use and that ODS alternatives have adverse climate change effects. Furthermore, several ODS recognized as posing such hazards have so far been exempt from phaseout under the Montreal Protocol or have not yet been included in the protocol. The emissions from these ODS affect the recovery of the ozone layer and are of greater importance than previously estimated. In fact, ODS phaseout has achieved three times the emission reduction than Kyoto's reduction target. [17] In the last decade, scientists have identified several additional chemicals that are known or suspected to be ozone depleting, which was confirmed in a recent scientific report for the Montreal Protocol,[18] giving rise to new concerns because production and consumption of new ODS are not monitored or limited.

19. The chemicals industry is one of the largest and most complex sectors in the global economy and is projected to grow at 3.4 percent per year through 2030.[19] Beyond being a growth sector, the chemicals industry carries the dual potential of both improving life and of causing serious damage to the environment and the people dependent on it. Chemical impacts are difficult to assess both spatially and temporally because of the paucity of information relating to the types and concentrations of chemicals in products. As such, chemicals present new and difficult threats to tackle. With the diversity of chemicals present in commodities ranging from pharmaceuticals to pesticides, from food additives to consumer care products and from electronic components to lubricants, the list of dangerous chemicals being added to the environment is expanding rapidly,[20] including continuing and growing concerns about endocrine-disrupting substances likely to have developmental and reproductive effects.[21]

20. The global environmental problems reviewed here mainly occur because of market failures, lack of protection of common or public goods, and production chains that entail huge external costs for the international community as well as national and local communities. International governance and common and joint actions of governments need to move the global society beyond inaction and a continued failure to capture the costs of current practices to the removal of obstacles to new technology introductions and the identification of the common actions needed to ensure a sustainable future for our planet.

International Architecture and Governance Arrangements

21. The international architecture and governance arrangements needed to deal with today's urgent and growing global environmental problems are complex. Numerous multilateral environmental agreements aim to address specific problems; frequently, these have overlapping mandates and compete for limited resources. The Joint Inspection Unit of the United Nations recently reported that coordination and cohesion among these agreements is poor; in some cases, they are even in conflict with one another.[22] Proposals for greater collaboration and coordinated action, though welcome, have so far not yielded tangible results.

22. While the challenge presented by climate change could have resulted in a productive global focus on the environment, this has not generally been the outcome. Instead of using the potential of the climate change challenge to further efforts at seriously tackling the Earth's environmental problems and slowing the rate of biodiversity loss, this opportunity has been transformed into a political debate polarizing developed and developing countries. This failure has stalled efforts to reevaluate and redirect global policies, while perpetuating the now-obvious regulatory gaps and increasing incoherence of international efforts to reverse these disturbing trends. Nations have thus far been unwilling to come together to forge successful approaches to overcoming these problems, which are now pervasive, and

for which the solutions and their added costs will inevitably be borne more heavily by some to the consequent benefit of all.

23. Although the pressing case for urgent action is clear, the current international situation is not conducive to such reforms. With the emergence of the financial crisis in developed countries and is wide-ranging impacts, the focus of international efforts at present is on stabilizing the international financial architecture and on promoting international trade as well as preserving and creating jobs. The April 2009 meeting of the G-20 laid the groundwork for infusing the financial system with trillions of dollars, but barely made mention of the environmental challenges the world is facing or the role that safeguarding ecosystem services can play in mitigating these challenges. At the same time, the financial crisis is further exacerbating environmental problems, notably by making the use of cheaper but ecologically unsustainable alternatives for energy, chemicals, land, and water more attractive.

24. The Rio Conference of 1992 was followed by an impressive series of international environmental agreements, which together form an international framework for sustainable development.[23] Some of its cornerstones have a firmly established status; others remain challenged. In general, the international environmental law architecture enables a human rights–based approach to global environmental issues that is being adopted in a growing number of other development-related fields of international cooperation. Following a call from the United Nations Secretary General in 1997, many agencies have adopted a rights-based approach in their area of work, with reference to the Universal Declaration of Human Rights. On environmental rights, the debate focuses on potential rights conflicts between current and future generations in developing and in developed countries. Furthermore, in climate change it is sometimes argued that actions by developed countries may actually violate human rights in poor countries in an increasingly severe and extreme manner.[24] This perspective also links poverty and development issues to environmental issues more generally.

25. When the climate change convention was negotiated, developing countries fought on the basis of three basic assertions:

- That developed countries bear a historical responsibility for climate change
- That developing countries will bear the greatest costs for adapting to climate change
- That developing countries have the least capacity to deal with climate change.

26. The “principles” as laid out in Article 3 of the climate change convention refer to these three issues. This article states that “The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities.” However, the delivery of these promises is still far from guaranteed and substantive negotiations on the global environmental crisis will no doubt continue in heated international debates, including those regarding the future role of the GEF.

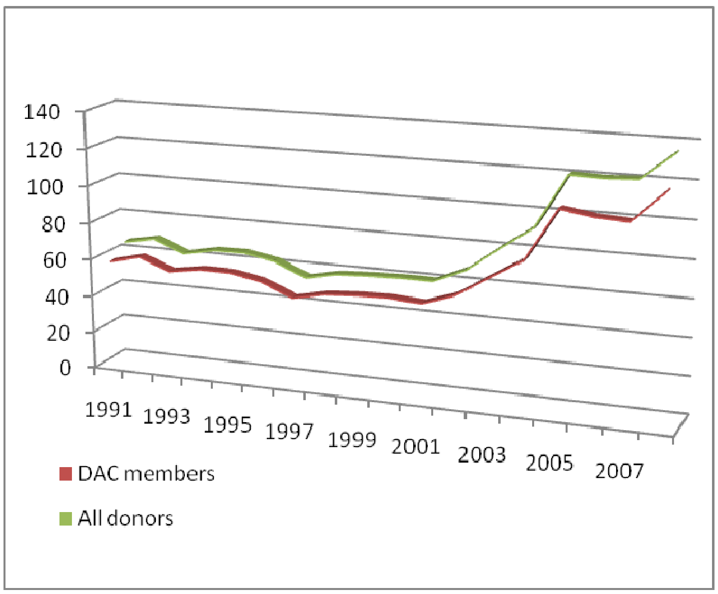
27. Recent years have seen increased calls for improving the representativeness and transparency in international governance, especially concerning the voice of developing countries in the international financial institutions. Many of the international financial institutions are considering changes in their governance structure to provide more voice to recipient and borrower countries and several have given recipient and borrower countries a voice in the replenishments of the funds of these institutions. For example, the 15th replenishment of the International Development Association included nine borrower country members.

28. The GEF is also moving on these issues and in June 2009 the second replenishment meeting for the fifth replenishment of the GEF Trust Fund decided to invite representatives of non-donor recipient countries of the GEF to the third replenishment meeting later in 2009. This decision was taken on the recommendation of the interim report of OPS4, which was presented to the second replenishment meeting. Furthermore, the replenishment meeting decided to invite two representatives from civil society organizations as observers.

Development Assistance Trends and Financial Resources

29. The nature and modalities of international cooperation and official development assistance (ODA) have also changed over time. In the past decades, aid has moved from primarily project-level funding of technical assistance and concessional loans for investments to providing core support to governments for national programs through budget support and loans for public policy programs, among other devices. The importance of this embedding of aid into national and local mechanisms has become widely recognized and was incorporated in the Paris Declaration on Aid Effectiveness of February 2005 and the Accra Agenda for Action in September 2008.[25]

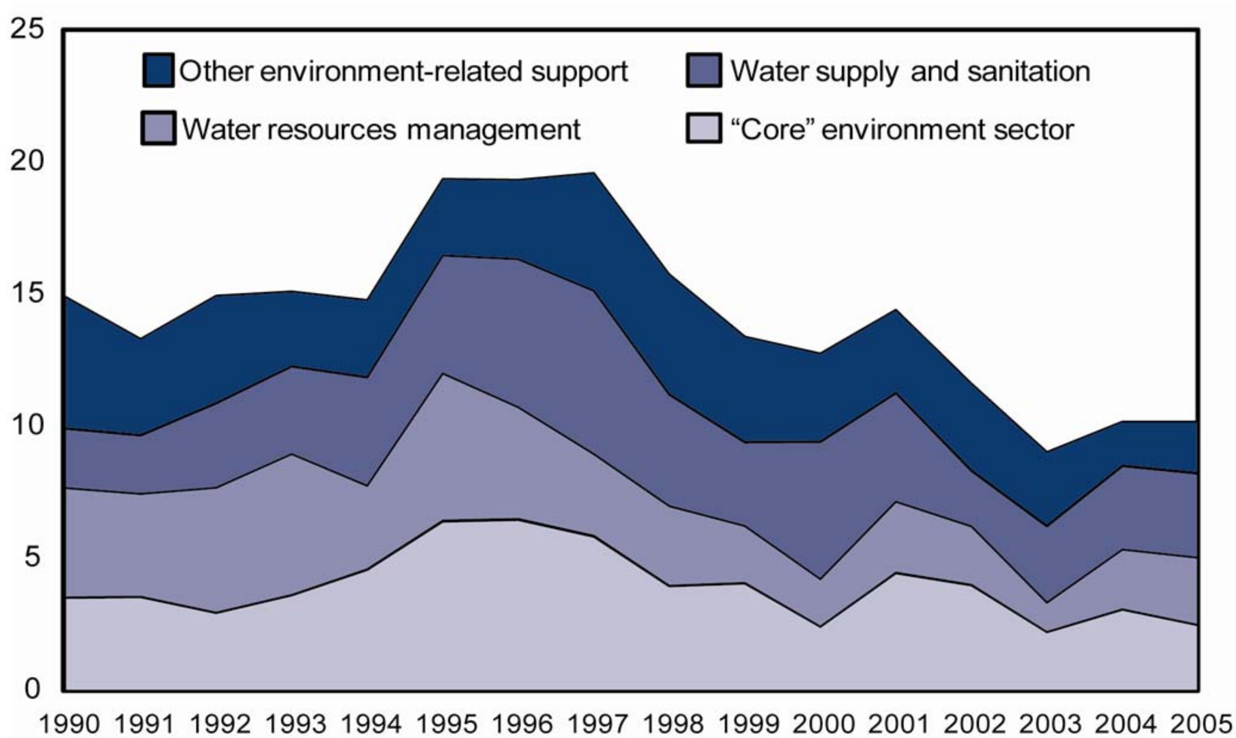
Figure 2.1.1 - Overall ODA Disbursements, 1991–2008 (in US$ billions in current prices)



Source: OECD, stats.oecd.org/qwids (August 30, 2008)

30. The most up-to-date information from the Organisation for Economic Co-operation and Development (OECD) shows the availability of overall international funding for ODA experienced a surge in the years 2002 to 2005 (figure 2.1.1), concurrent with a decline in general funding of core environmental and related issues (figure 2.1.2). Although the full impact of the current financial crisis is not yet known, it may well lead to a decrease in overall commitments; such a decline is not yet apparent in the OECD disbursement data.

Figure 2.1.2. Aid for the Environment as a Share of Total ODA, 1990–2005



Source: OECD, OECD Environmental Outlook to 2030 (Paris: OECD, 2008).

31. These trends provide a context in which the needs and requests for funding on global and national environmental issues can be better understood. As a result of an overall consensus reached within the OECD's Development Assistance Committee in the late 1970s, there has been a marked increase of bilateral ODA being provided as grants, with the percentage rising from less than 60 percent in 1975 to almost 90 percent in 2006. More recently, there has also been an increase in the use of grants by multilateral organizations. Even though funds for international cooperation increased substantially in recent years, it is clear that the level of funding needed exceeds the level available by many orders of magnitude.

32. In the context of climate change, the costs of mitigation alone are now estimated at between $100 and $200 billion for developing countries and $200 to $400 billion from 2020 to 2030 at the global level. The recent call for $200– $400 billion per year from developing countries for meeting adaptation costs is a clear indication that these will add significantly to the overall costs.[26] As a contribution to moving the climate change negotiations forward, a recent report from the UN Foundation and Club of Madrid[27] suggests that, in the short term, $1–$2 billion of additional ODA provided to small island developing states and other LDCs already experiencing the impacts of climate change should continue through the existing special window in the fifth replenishment of the GEF.

33. The costs associated with solving environmental problems in the other GEF focal areas are less than those associated with climate change, but nevertheless substantially higher than what the GEF can likely bring to the table, even with a 10-fold increase in its replenishment amount. If we aim for a healthy world without poverty, the true costs of sustaining vital ecosystem services for the planet will

need to be fully integrated and absorbed into national and global economies in accordance with common but differentiated responsibilities and respective capabilities.

34. This reality indisputably reinforces the unique role of the GEF as a catalytic agent dedicated to solving environmental problems through innovative and effective actions on the ground. By influencing attitudes, leveraging additional funds, and revitalizing synergies with its Implementing and Executing Agencies, the GEF can support the complementary efforts of governments, the private sector, nongovernmental organizations, and local communities. By providing resources to significant actions at the global, regional, national, and local levels, the GEF can build on the strong foundation now in place to further assist in the essential delivery of agreed global environmental benefits.

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[1] The Least Developed Countries Fund and the Special Climate Change Fund, which are also managed by the GEF Secretariat, do not fall under this mission.

[2] Organisation for Economic Co-operation and Development (OECD), *OECD Environmental Outlook to 2030* (Paris: OECD, 2008).

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Chapter 2.2 – Resource Mobilization

1. The GEF cannot perform miracles – it has to perform within the limits of the funding that it receives from its donors. This chapter presents the conclusions and recommendations on the replenishment process and the level of replenishment. OPS4 has analyzed recent replenishments and places these in the context of international trends in development funding and international cooperation. Donor performance is explored for the first time in the history of the GEF.

Conclusions

2. The GEF has not been very effective in mobilizing resources after the first replenishment, when additional funds for subsequent replenishments went down in real terms.

3. Although developed country donors have provided new and additional funding for global environmental benefits to developing countries, this has been insufficient to cover the increasing agenda of the GEF as agreed upon in the conventions.

4. The middle-income countries that support the GEF attach high relative priority to the GEF as compared to other international organizations and funds in which they participate.

Recommendations

5. Unless funding is increased, the GEF will not be able to expand activities into new areas and many of the current areas of activity will remain underfunded.

6. More middle-income countries should be enticed to support the GEF.

Replenishments and Donor Performance

7. Developed countries respond to their obligation to the GEF conventions to provide "new and additional financial resources" to developing countries and countries with economies in transition to meet the agreed full incremental costs to implement the convention. The GEF is one of the channels for this response, focusing on "agreed global environmental benefits," as posited in the GEF Instrument. Given the emphasis on new and additional resources, GEF replenishments therefore should focus on the additional funds pledged to the replenishment process rather than the total funds available for programming (that is, including arrears), as is currently the practice.

8. GEF funding in national budget negotiations is generally treated by treasuries as development assistance, although GEF issues at the national level are not necessarily managed by the department responsible for official development assistance (ODA). Funding to the GEF has been partially additional to total donor aid, for the purposes of reporting to the Development Assistance committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), as 77 percent of contributions to the GEF were recorded as ODA. However, the reality was recently recognized when the ODA percentage for GEF contributions was increased to 96 percent for the purposes of OECD DAC reporting. If "new and additional" was meant to refer to being beyond regular ODA, only 4 percent of current funds can now be described as such. However, many donors perceive "new and additional" in a different light and see all ODA as inherently "additional" and would argue that if they had not contributed to the GEF, less ODA

would have been included in their national budget. Since the GEF pilot phase, it has been "exceedingly difficult," in the words of that phase's evaluation, "to evaluate in practical operations" whether aid in general or to a specific country through the GEF was additional to aid that otherwise would have been given.[1]

9. In the replenishments, the principle of new and additional funds can be identified in another sense. In the fourth replenishment, the final amount was built up from pledges from donors, remaining uncommitted funds from previous replenishments, pledges for earlier replenishments that are in arrears, and investment income. A distinction should be made between the replenishment itself, which consists of new and additional pledges, and the total funds available for the next replenishment period, which includes uncommitted funds, arrears, and investment income. Table 2.2.1 provides the new and additional funds pledged in previous replenishments, as well as the amounts that were received, and the purchasing power of GEF2 through GEF4 compared to GEF1.

Table 2.2.1. GEF Replenishments

	Pilot phase	GEF1	GEF2	GEF3	GEF4
Pledged (thousand $)	843	2,015	1,983	2,211	2,289
Received (thousand $)	843	2,012	1,687	2,095	2,169
Purchasing power (%)		100	78	90	83

Sources: Replenishment data are from the GEF Trustee; $deflator from OECD DAC.

10. The previous chapter showed a decline in ODA for funding of environmental issues. A similar decline is observed in donor funding for the GEF, which decreased from 0.67 percent of ODA in GEF1 and GEF2 to an estimated 0.38 percent of ODA in GEF4 (table 2.2.2). The comparison is noteworthy, even if 45 percent of GEF funding is not considered to be ODA. The decline of GEF funding needs to be understood in the context of trends within ODA funding.

Table 2.2.2. GEF Replenishments and Trends in ODA

	Pilot phase	GEF1	GEF2	GEF3	GEF4[a]
Total ODA (thousand $)	304,725	302,595	280,529	416,132	283,278
GEF (thousand $)	843	2,023	1,687	2,095	2,169
As % of ODA	0.28	0.67	0.60	0.50	0.38

Source: OECD. GEF Replenishment Data.
[a]Based on a moving average – pledge 2006 – instruments for one-quarter of GEF4 deposited by fiscal year 2007, some in 2006 prior to end fiscal year in certain countries. As ODA commitments and not disbursements have been used data is regarded as compatible.

11. Since the late 1990s, ODA for development including the environment (excluding debt relief, administrative costs of donors, and emergency assistance) grew at a slower pace than total ODA. Only in 2005 and 2006 did ODA for development begin to exceed its 1992 level. The share of the social sectors in all sector-allocable ODA to low-income countries has grown from 36 percent in the early 1990s to 57 percent in 2002–06. Since 1990, there has been an overall shift from infrastructure and production to social sectors; currently, over half of all sector-allocable ODA goes to the social sectors. This trend is particularly apparent in Sub-Saharan Africa, where the social sectors account for over 60 percent of all sector-allocable ODA. Within the social sectors, assistance for health has increased significantly and, in

the period 2002–06, accounted for a sixth of all sector-allocable ODA to low-income countries.[2] These trends toward the social sectors are now being reversed with the current economic and food crises, but this fluctuation in donor priorities is illustrative of the competition that support to the environment in general and to the GEF in particular face in resourcing.

12. Core environment assistance as a percentage of sector-allocable ODA peaked in the period 1994–97 following the United Nations Conference on Environment and Development in June 1992, during GEF1. Since then, it has not shown a clear trend in the last decade, averaging 8.6 percent over the 10-year period 1998–2007, with some evidence of a decline from 2003 onward; this trend is now probably being reversed with an emphasis on climate change. Although there are definitional issues between OECD DAC data and that presented in *OECD Environmental Outlook to 2030*, the trend in general of declining support for environmental issues through ODA is confirmed, and the potential upswing as a result of the emphasis on climate change is not yet visible in the data. However, compared to the relatively slow decline in support to environmental issues, the decline in GEF funding has been more pronounced and dramatic.

13. The decline in donor funding of the GEF may be linked to a desire by donors to target their funding directly to groups of countries or specific areas of activities. Unless transparent and well coordinated, such redirection of financing may lead to less predictability of funding; some indications of this exist in the GEF portfolio, especially concerning cofunding. The Paris Declaration and the Accra Agenda for Action aim to deliver better integration of aid targeted to national priorities. There is evidence in the country portfolio evaluations conducted by the GEF Evaluation Office that GEF funding is not always well integrated into national systems for aid, even where it is aligned to national priorities.

14. To date, evidence from the country portfolio evaluations, OPS4 stakeholder consultations and country case studies, and portfolio analysis for the GEF annual performance report did not find increased funding for the environment from other donors and funds in GEF recipient countries. In fact, in many countries, the redistribution of core environmental support to bilateral efforts could lead to a less even distribution of support to countries. Evidence exists in many middle-income GEF recipient countries that their donor base for support on environmental issues has shrunk. In the least-developed countries and small island developing states, no evidence is visible yet that lower levels of GEF funding are compensated by additional efforts of bilateral or multilateral donors. However, cofunding has shown an increase in recent years.

15. On average for the 1998–2007 decade, core environment aid has been dominated by Japan (16 percent), Germany (9 percent), the United States (9 percent), France (6 percent), and the Netherlands (6 percent) among bilateral donors and the International Development Association (IDA) (14 percent) and the European Commission (9 percent) among multilateral organizations. These seven players accounted for two-thirds of total core environment aid; and, with the exception of the United States, they all increased their environment aid in the past decade. The share of multilateral aid for core environment moved around the average of 31 percent for the period 1998–2007, which is in line with the average multilateral share of 32 percent for all sector-allocable aid.

16. Bilateral commitments from OECD donors for ODA addressing mitigation of climate change increased by 185 percent in constant U.S. dollars in the period 1998–2000 to 2005–07, and climate change is now gaining dominance in environment funding. Core environment aid for renewable energy rose from 3.4 percent of sector-allocable ODA in 1998 to 13.6 percent in 2007. The top five providers of ODA for climate change mitigation over the past three years have been Japan (46 percent), Germany

(24 percent), the European Commission (9 percent), France (9 percent), and Denmark (5 percent), which together accounted for 93 percent of the total. The main beneficiaries of this aid were India (15 percent), China (11 percent), Turkey (9 percent), Indonesia (9 percent), Vietnam (4 percent), Egypt (4 percent), Tunisia (3 percent), Morocco (3 percent), and Azerbaijan (3 percent). The United Kingdom has suggested capping the proportion of each country's ODA for climate change at 10 percent in order to preserve the emphasis on poverty alleviation; almost all donors agree on the need for separate additional mechanisms to resource climate change mitigation and adaptation.

17. Bilateral ODA for biodiversity and desertification grew by 63 percent and 65 percent, respectively, in the period 1998–2000 to 2005–07. Multilaterals provided just 24 percent of aid to forest issues, with nearly all aid for forest policy provided by bilateral donors. The multilateral share of general environment protection was also low at 22 percent, with bilateral donors providing nearly all the aid for biosphere protection, environmental research, and training. In contrast, multilateral agencies provided 40 percent of aid for fishery development and 33 percent of that for agriculture, including land degradation.

18. There has been a trend by donors to use an increasing range of development partners beyond the specialized agencies of the United Nations (UN) and nongovernmental organizations (NGOs). The GEF itself forms part of this trend toward a proliferation of primarily governmental multilateral funds and agencies, most specialized in a particular sector or theme. There are now at least 230 such entities of significance, outnumbering the developing countries they were created to assist. In the environmental sector alone, 25 have been listed by the OECD.

19. The trend outside the bilateral donors is illustrated by IUCN, which has a total income of about $400 million expected for the GEF4 replenishment period. It saw an increase of direct government donor funding of some 30 percent between GEF2 and GEF4, and its income from donors is continuing to rise. Most of the big environmental NGOs, such as WWF and Greenpeace, are networks of national or even sub-national organizations, and the totality of their funding is not easy to calculate. The US World Wild Life Fund has seen an increase in overall funding of some 100 percent in the GEF4 period, but government grants and contracts amount to some 13 percent of its total 2008 revenues of $196.5 million, reflecting the upsurge in private donations, especially in the United States.[3] As fully recognized by the Paris and Accra Declarations, multiple and fragmented aid channels impose an additional strain on already weak implementation capacities in low-income countries.

Funding for Environment Work through the GEF Agencies

20. Funding by governmental donors of environmental issues through mechanisms other than the GEF was noted for all the GEF focal areas but was most marked for climate change, where the World Bank–sponsored Climate Funds received pledges of $6,141 million (equivalent) in September 2008 for projects to be implemented through the World Bank and the regional development banks[4], whereas the GEF received $2,289 million for GEF4.

21. Funding through the **World Bank Group** is now the single largest source of environmentally related support through IDA, International Bank for Reconstruction and Development (IBRD) loans, and trust funds, including GEF funding.[5] IDA recorded a fall in core environment aid from $1.1 billion in 199597 to $0.7 billion in 2005–07, due to the IDA replenishment cycle. IBRD commitments of non-concessional loans have averaged around $1.4 billion annually over the past five years. World Bank lending commitments for the environment have averaged 9 percent of total Bank lending during fiscal

2004–08, averaging $1.97 billion with 75 projects approved annually. The bulk of IBRD environment lending was directed to water resources management and pollution management and environmental health. Water resources management plays an even larger role in lending to IDA countries, averaging 30 percent during fiscal 2004–08, growing to a share of 45 percent in fiscal 2008. The recent World Bank evaluation of environment and natural resource management found the following distribution for the period 1990– 2007: pollution management and environmental health, 25 percent; water resources management, 21 percent; environmental policy and institutions, 18 percent; climate change, 15 percent; land administration/management, 9 percent; biodiversity, 8 percent; and other, 4 percent.[6] The big change in recent funding is the much greater emphasis on climate change. In addition to the Climate Change Funds referred to above, the share of climate change lending surged to 40 percent ($700 million) of environment lending in fiscal 2008, up from an average of 8 percent in the preceding four fiscal years.

22. In the case of **UNDP**, the GEF accounted for 4 percent of UNDP's total income for 2007–08.[7] Environment is a priority area, and the recent Evaluation of the *Role and Contribution of UNDP in Environment and Energy* reported that, in the four years 2004–07, UNDP directly contributed $113 million for the environment, as compared with over $400 million from the GEF and the Montreal Protocol and $30–40 million from bilateral donors. In 2007, $92.1 million was pledged by Japan for work in climate change. However, the GEF remains substantially the most important contributor to UNDP's environmental work, unlike the situation with the World Bank. Climate change now features as a priority on the UNDP web site; overall, however, in the period 2004–06, biodiversity received the most financial support. The evaluation further reported that sustainable energy had played an increasing role in country offices' environment portfolios, with 70 percent of country offices reported as having environment programs.

23. Support to the **United Nations Environment Programme's (UNEP**'s) core financing in its Environment Fund has shown modest growth from $110 million in 2002–03 to $125 million in 2006–07 but to $88.9 million in 2008 ($178 million for the biennium). The GEF portfolio in UNEP has seen a gradual decrease from $143 million in the 2000-2001 biennium to $113 m in 2006-07. However, the approvals for 2008 and half of 2009 were $117 million, possibly signaling a slight reversal in the trend. In the period of 2000-07, the GEF has accounted for 36% of UNEP's total income.

24. The programs and resource mobilization efforts of the **other UN GEF Agencies** address their areas of mandate and competence—for example, the United Nations Industrial Development Organization: persistent organic pollutants, ozone-depleting substances, and aspects of energy; Food and Agriculture Organization of the United Nations (FAO): pesticide persistent organic pollutants, agro biodiversity, forests, fisheries, and aspects of land and water management; International Fund for Agricultural Development: land degradation and land and water management. Environment may appear as an organizational goal, as it does in FAO where it represents one of three.

Donor Performance in GEF Funding

25. The traditional OECD donors have operated a burden-sharing formula for their contributions to the GEF. In this it parallels IDA, the UN system, the International Fund for Agricultural Development, and other international financial institutions. However, the burden-sharing formula is based on the burden shares for IDA-10 at the time of the GEF first replenishment (1994), which in the case of IDA has since been substantially adjusted. There is nothing to prevent donors from making additional contributions over and above their burden shares in the formula; for GEF4, almost all did (except Italy,

Norway, Switzerland, and the United States). This was an increase in the proportion doing so for the third replenishment.

26. The fundamental idea of burden sharing drives the obligations of parties to the multilateral environment conventions. The basic idea is that those that have more to share should do so. In addition, the conventions recognize the “common but differentiated” responsibilities for the solution of global environmental problems, to which the donors of the GEF are signatories. In many other areas of international cooperation, no such obligations have been put into international agreements and signed on to by developed countries. Whether donors are meeting these obligations is an issue that can be measured through several indicators.

27. The most general indicator is whether the GEF has received sufficient funding to undertake its obligations under the conventions. The evidence is now available that the GEF has received no increase of new and additional funding in its replenishments since GEF1, with a very visible decline in purchasing power, whereas over the same time, focal areas and strategic objectives were added and the number of recipient countries increased. This development was long masked by the practice to add remaining uncommitted funds from previous replenishments, as well as investment incomes and arrears. Even with these additions, the purchasing power of the GEF went down markedly.

28. OPS4 identified four indicators that would enable a comparison of donor performance. The first indicator is whether countries have fulfilled their pledges to the GEF. Arrears remain a problem for the GEF, principally because the United States had, as of June 2009, major outstanding arrears dating back to GEF2 and GEF3 ($167 million). In this regard, the situation in the GEF paralleled that in many other funds (the United States did largely settle its arrears with the UN system through a negotiation process in 1999, but by 2009 arrears stood at over $1 billion to the UN itself). Several other donors to the GEF have deferred their contributions,[8] with reference to the burden-sharing formula and as a lever to get arrears paid. Italy also had not deposited its Instrument of Commitment or made any contributions for GEF4. In total, arrears that have been outstanding for some time, deferred contributions, and unfulfilled pledges as of June 2009 amounted to some 18 percent of the resources originally projected for GEF4. There is no obvious solution to this issue, as those in arrears are already subject to the scrutiny of their peers and the data are in published documents. There is an incentive to make an early payment. As part of its reform process, FAO governing bodies decided that arrears and late payments should appear prominently on its web site; such a move could slightly increase the pressure, in that it can help feed national constituencies pressurizing their governments to meet their obligations. Another way to increase pressure could be that arrears are presented to the GEF convention conferences of the parties through the GEF report to these bodies.

29. The other three indicators can be found in a comparison of the share of the donors to the GEF to their share in respectively: the United Nations, the IDA, and core environmental support as reported by the DAC. These indicators, as well as the issue of timeliness of payments, can be found in the methodological annex to OPS4.

Table 2.2.3. Donor Performance in GEF Funding

Donor	Share of UN	Share of IDA	Share of ODA	Timeliness of Payments	Total
Australia	0	-1	1	0	0
Austria	1	-1	1	0	1
Belgium	1	1	1	0	3
Canada	1	1	1	1	4
Czech Rep.	1	1	0	0	2
Denmark	1	1	-1	0	1
Finland	1	1	0	0	2
France	1	0	0	1	2
Germany	1	1	-1	0	1
Greece	-1	0	0	0	-1
Ireland	-1	-1	0	0	-2
Italy	-1	0	1	0	0
Japan	-1	1	-1	0	-1
Korea, Rep. of	-1	-1	0	0	-2
Luxembourg	1	1	1	0	3
Netherlands	1	1	-1	0	1
New Zealand	0	1	0	0	1
Norway	1	-1	-1	0	-1
Portugal	-1	0	1	0	0
Slovenia	1	1	0	0	2
Spain	-1	-1	-1	0	-3
Sweden	1	1	0	0	2
Switzerland	1	1	1	0	3
United Kingdom	1	-1	1	0	1
United States	-1	0	1	-1	-1

30. Although there are no agreed standards in the GEF on donor performance and this scoring system has not been discussed with donors, this is based on publicly available information and is presented without any evaluative judgment. Nevertheless, several interesting perspectives emerge from this overview of donor performance. First of all, it should be noteworthy that small donors can relatively outperform larger donors. Luxembourg, the Czech Republic, and Slovenia are small donors, but all three provide funding to the GEF at a level that for their own budgets can be considered high. Several donors appear consistently on the higher or lower end of the spectrum. Belgium, Canada, and Switzerland consistently attach high priority to their contributions to the GEF. Ireland and Spain consistently attach a low priority to the GEF.

31. Two factors have not yet been fully taken into account. The United Kingdom has been a high-level contributor to IDA-15, and thus the shares of other donors in the replenishment to IDA have been diminished, which means that they may appear to give more priority to the GEF than a more equitable replenishment of IDA-15 would have shown. On ODA for core environmental support, Japan has a relatively very high share, thus also diminishing the shares of others, which then may appear to give a higher priority to the GEF. However, even if these two outliers were removed, the resulting picture would not differ in principle.

32. Although there was no explicit question in the terms of reference for OPS4 on donor performance, many of its questions implicitly led to this section. Given the relatively low levels of replenishments, the loss of purchasing power, the divergence between general trends in donor funding and the funding of the GEF, explanations needed to be found. The first explanation lies in the general level of replenishment, which concerns donor behavior as a group. The second level of explanation is to be found in donor behavior at a more micro level; further exploration of the data would be needed to come to a better understanding of that behavior. For example, trends of donor funding are not visible in this relatively simple scoring.

Expanding the GEF's Sources of Funding

33. Donor rationale for the expanded use of alternative partners and funding channels to the GEF seems to be linked to the perception that the GEF provides a valid mechanism for pilot work in support of the achievement of the goals of the conventions, but when it comes to upscaling through significant investment, the GEF may present an additional step in the funding and implementation chain. Many donors note that the World Bank is the biggest single multilateral actor in the area of environment in general and climate change in particular, and it has the mechanisms in place to fully integrate its support into national policies. They further note that the development banks have the greatest experience of direct investment.[9]

34. There has been an overall decrease in the number of middle-income countries that are also entitled to receive funding from the GEF and that also contribute to the GEF—from 12 during GEF1 down to 8 in GEF4 (China, India, Mexico, Nigeria, Pakistan, Slovenia, South Africa, and Turkey[10]). These countries, for the most part, pledged a minimum share of SDR 4 million (about $6 million), with China and India providing additional amounts over the minimum. It should be recognized that the middle-income countries that contribute to the GEF do so in almost all cases with higher percentage shares in the replenishment than their shares in the UN, UNDP, and IDA replenishments.

35. Middle-income countries notably absent from the current list of donors to the GEF include existing IDA donors—Barbados, Brazil, Cyprus, the Arab Republic of Egypt, Estonia, Hungary, Iceland, Israel, Kuwait, Latvia, Poland, the Russian Federation, Saudi Arabia, Singapore, and the Slovak Republic. Thailand, which contributes to the Global Fund, is not yet a donor to the GEF as well as several other upper middle-income countries with relatively large economies, such as the República Bolivariana de Venezuela, Chile, Argentina, and Malaysia. There could thus be scope for increasing the number of middle-income country donors and the level of funding by some of them from the present basic SDR 4 million input.

36. Earmarking is possible in some Bank-administered trust funds such as the Consultative Group for International Agricultural Research. This could in principle attract resources by use of multiple funds and targeted funding. There was very little support from donors or Council members interviewed for the suggestion of supplementary GEF funding targeted to particular geographical or focal areas. If the GEF were to develop in this way, it probably could raise more funds overall but this would also detract from the core funding and dilute the agreed policy directions and splits across focal areas. Nevertheless, there is precedent in the GEF for targeting funding, in particularly in the Special Climate Change Fund, also managed by the GEF and administered by the World Bank, which has allowed donors to contribute separately from the main Trust Fund to the particular objectives of the specialized fund. This is particularly the case for climate change mitigation, to which many donors now attach a high priority. Several donors saw a possible role of the GEF as leading a family of agencies that would bring additional

funding to the global environmental agenda, but also noted that this would mean that the GEF Secretariat should increasingly play a coordinating role in fundraising.

37. There is currently no legal barrier to receipt of funds from nongovernmental donors to the GEF, but there is also no provision for such donors to play a formal role in GEF decision making through the Council or the replenishment meetings. The World Bank has a policy for acceptance of donations from foundations and other private entities. However, cumulative donations from nongovernmental sources to the IDA were only $20 million between 1985 and 1997. In the five-year period 2003–2007, nongovernmental donations to trust funds increased to $577 million, but only 16 percent of this was for Bank-executed trust funds; of the remainder, the majority went to a single trust fund, that for the Global Fund to Fight AIDS, Tuberculosis and Malaria. Overall, 95 percent of private donations came from foundations, of which the Bill & Melinda Gates Foundation provided 86 percent; corporations accounted for 3 percent; and NGOs the remaining 2 percent (for fiscal 2007, the number of NGO donors had declined to two). Experience has varied with some donors, notably the Gates Foundation, requiring adherence to their particular legal requirements in addition to the Bank's own documentation and process.

38. IDA received two donations from the private sector in October 2007. The Bank is now further developing its overall strategy for acceptance of private sector funding, which would be applicable to the GEF as well. Contributions by nonmembers cannot confer rights of membership or decision making in IDA, which is reserved for sovereign nations. There is no earmarking in IDA, which has a rule-based system for allocating resources among IDA recipient countries.

39. Most of the UN agencies have some arrangement for private donations, but only in the case of United Nations Children's Fund (UNICEF) are these significant sources of funds, and they confer no voice in decision making. In UNICEF, they are backed by a long tradition and a large resource mobilization machine, both in UNICEF itself and through national organizations. Other agencies such as the World Food Programme have provision for direct private and corporate donation on their web sites. The experience has been that "charismatic" agencies such as UNICEF and the World Food Programme receive the greatest number of donations when there is a very evident humanitarian crisis such as the Indian Ocean tsunami.

40. Opening up the GEF Trust Fund to other sources of funding raises issues that many agencies experienced in accepting private donations have had to face. They have combined advocacy with fundraising in order to establish a continual relationship with private donors. The administrative costs related to managing donations including for donor screening, negotiating donation agreements, and reporting are likely to vary considerably from donor to donor. NGOs, foundations, and UN organizations such as the United Nations Educational, Scientific, and Cultural Organization (UNESCO) only guarantee up to 80 percent of funds raised going to programs and many state 70 percent or less. Seven percent of the UN Foundation's income is spent on fundraising and administration. The great majority of intergovernmental organizations accepting private funds also have provisions to guard against reputational risk. Thus, UNICEF and the World Health Organization do not accept funding from corporations engaged in the manufacture of alcoholic beverages and infant formula. FAO and the World Health Organization have restrictions on food industry financing, and FAO restricts funding from the pesticide industry. Lastly, the great majority of intergovernmental organizations have provisions to ensure that there is no access to information, preferences, or opportunity for influence in contracting by

the organization or recipients of grants and loans. Some organizations, such as FAO, exclude funding from any entity that has a current business relationship with it.

41. A number of factors indicate that nongovernmental sources would be an unlikely channel for a significant increase in GEF funding, except through partnership arrangements such as the GEF Earth Fund. First, there are a number of extremely charismatic and effective international intergovernmental organizations and NGOs active in the environmental arena, including IUCN, WWF, and Greenpeace. Second, the experience from elsewhere needs to be placed in perspective. Probably the most successful fund in terms of resource mobilization has been the Global Fund to Fight AIDS, Tuberculosis and Malaria; of its $14 billion receipts to date, 95 percent have come from governments, and nongovernmental entities are represented on its Board and have a strong voice in decision making. This is also the case for the GAVI Alliance, which includes industry representatives as well as foundations. Third, new funds such as the Gates Foundation are now tending to directly fund programs of individual agencies without working through intermediaries (although in the case of the Gates Foundation, they contribute substantially to the Global Fund).

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[1] Global Environment Facility (GEF), "Evaluation of the Pilot Phase" (Washington, DC: GEF), p. xv.

[2] These data are primarily extracted from World Bank, *Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows. An Update: May 2008* (Washington, DC: World Bank.

[3] Annual reports of IUCN and WWF.

[4] Australia ($127 million); France ($300 million); Germany ($813 million); Japan ($1,200 million); Netherlands ($50 million); Norway ($50 million); Sweden ($92 million) Switzerland ($20 million); United Kingdom ($1,488 million), and United States ($2,000 million).

[5] World Bank, *The Architecture of Aid for the Environment: A Ten-Year Perspective* (Washington, DC: World Bank, forthcoming).

[6] World Bank, *Supporting Environmental Sustainability: An Evaluation of World Bank Group Experience, 1990–2007* (Washington, DC: World Bank, 2008).

[7] Calculated from UNDP Annual Financial Reports 2007 &2008

[8] Austria US$eq. 6 million, France US$eq. 60 million, Germany US$eq. 19 million and Japan US$eq. 160 million

[9] Information relating to the World Bank Group has been extracted from: Memorandum to the Executive Directors, Operational Framework for Accepting Unsolicited Private Donations to IDA, May 12 2008. Other Elements of the discussion draw on the FAO Evaluation of its TeleFood Programme which included analysis of the experience of other agencies and NGOs, September 2006

[10] Nigeria and Pakistan have not yet deposited their Instrument of Commitment for GEF4 or any funds.

Chapter 2.3 – Convention Guidance

1. This chapter presents conclusions and recommendations on the relevance of the GEF to the conventions. OPS4 undertook a review of the responsiveness of the GEF to guidance from the conventions and its relationships with the conventions.

Conclusions

2. GEF continues to respond to COP guidance through incorporating guidance into GEF strategies, approving projects, and adapting its policies and procedures.

3. COP guidance to the GEF continues to accumulate, although some conventions are moving into longer-term strategies that could provide a better way for the GEF to develop future strategies.

4. GEF continues to be the primary funding source for implementation of CBD, UNCCD and POPs. In climate change, other sources have emerged, but they are not fully operational.

5. RAF has hindered the access of group countries to the GEF, particularly in climate change, which may explain some of the discontent of the climate change community with the GEF.

6. GEF's reporting requirements to the conventions have generally been met, yet certain aspects require improvement.

7. Important steps have been set to improve the relationship between the GEF and conventions and their secretariats, most notably the climate change convention.

Recommendations

8. Significant measures have been taken to improve the communication between the GEF and the COPs Secretariats. This will need to continue and should focus on improving the quality of guidance, meaning the relationship between the GEF Council and the COPs.

9. The future allocation system in the GEF should exclude funding for communications to the conventions, since they are mandatory and are supposed to be paid in full by the GEF.

10. Prioritization for the implementation of guidance from conventions should be done at the national level. Within this prioritization process, issues eligible for GEF support can be identified.

11. The GEF should be responsive to new guidance from COPs between replenishments, either by including an unallocated amount in the replenishment or by accepting additional funds between replenishments to enable the implementation of new guidance.

12. Reporting from the GEF to the conventions should include a critical assessment of GEF's experience with implementation of projects, as well as its experience with incorporating COP guidance into its strategies and program priorities.

13. Convention focal points need further involvement in the GEF at the national level (i.e., GEF committees should require participation of convention focal points) and at the global level.

Introduction

14. The legal relationship between the GEF and the conventions it serves is established by individual Memoranda of Understanding. These Memoranda state that the GEF is a mechanism, or an operating entity of the mechanism, for the provision of adequate and sustainable financial resources to developing countries Parties and Parties with economies in transition on a grant or concessional basis to assist in their implementation of the conventions. The mechanism functions under the authority, as appropriate, and guidance of the COP for the purpose of each Convention and is accountable to the COP. Contributions to the mechanism shall be additional to other financial transfers to developing countries Parties and Parties with economies in transition.

15. The role of the GEF as a financial mechanism is somewhat different for each convention. For the climate change convention the GEF operates, on an interim basis, as the financial mechanism for the implementation of this convention. For the biodiversity convention the GEF is, on an interim basis, the institutional structure which carries out the operation of the financial mechanism for the implementation of this convention. In the case of the Stockholm convention on Persistent Organic Pollutants the GEF is available to serve as an entity entrusted with the operation of the financial mechanism of this convention. For the desertification convention the GEF has recently become a financial mechanism.

16. The GEF Council ensures the effective operation of the GEF as a source of funding activities under the conventions. The use of the GEF resources for the purposes of such conventions needs to be in conformity with the policies, program priorities, and eligibility criteria decided by the COPs.

Responsiveness to Guidance from the Conventions

17. The Third Overall Performance Study of the GEF concluded that in general the GEF had been responsive to the guidance of the conventions with a few exceptions. For example, on biodiversity OPS3 drew attention to a relatively limited response of the GEF and lack of clarity in the guidance on Access and Benefit Sharing (ABS), one of the three objectives of the convention. On climate change OPS3 complimented the GEF for quickly responding to guidance on establishing special trust funds for adaptation, but noted that in its main activities it had not yet addressed adaptation in a substantive way. On land degradation OPS3 noted that the desertification convention focuses on arid regions, with a priority for Sub-Saharan Africa, whereas the GEF aimed to tackle land degradation in humid areas as well and is required to have a balanced geographical approach. On chemicals the GEF strategy did not address the emergence of new persistent organic pollutants. OPS3 recommended strengthening the two-way communication between the GEF Secretariat and the Secretariats of the Conventions to improve guidance and responsiveness. The GEF4 Replenishment policy recommendations took over this recommendation of OPS3 but also asked for increased efforts at the country level to promote consultations among the national GEF focal points and the focal points of that country to the conventions.

18. Since the start of the conventions, guidance to the GEF is provided within the context of the overall guidance to the financial mechanism, with the exception of the desertification convention, which only recently began providing guidance as the GEF became a financial mechanism for this convention. OPS4 has tracked all guidance given so far to the GEF, including LDCF and SCCF, which has been assembled in table 2.3.1. The historical burden of guidance has now reached 317 requests (articles within decisions), about half of which is from the climate change convention. Although guidance differs in nature, density of paragraphs, and significance from article to article and from decision to decision,

the number of articles overall is high. This is in particular problematic considering all guidance is expected to be made operational in order for the GEF to be responsive to the conventions. Guidance continues to be additional, too broad or too specific and for the most part is generated through a political negotiation process, particularly for contentious issues, producing language that is often ambiguous and reflecting political compromises. Priority setting is often a problem, given the political nature of the debates and the different interest groups represented in the COPs. New guidance hardly ever replaces older guidance: it usually becomes an addition to previous decisions and requests. This contrasts the practice in the GEF, where new strategies replace older ones. Again the political nature of the debate in the conventions makes it difficult to abandon old decisions, which were often reached after protracted negotiations.

Table 2.3.1 Number of COP articles within guidance decisions (number of COP between brackets)

Year	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	Total
UNFCCC		10 (1)	10 (2)	2 (3)	9 (4)	5 (5)	3 (6)	10 (7)	19 (8)	3 (9)	48 (10)	7 (11)	13 (12)	9 (13)	12 (14)		160
CBD	12 (1)	4 (2)	8 (3)		6 (4)		4 (5)		13 (6)		10 (7)		14 (8)		7 (9)		78
POPs												5 (1)	12 (2)	17 (3)		15 (4)	49
UNCCD								5 (5)		6 (6)		10 (7)		9 (8)			30

Source: COP decisions

19. During GEF4 (July 2006 – June 2010) all the conventions that the GEF serves have provided close to 100 additional articles of guidance. Until the end of GEF4, several more COPs will formulate guidance: COP10 for CBD, COP9 for UNCCD, and most importantly COP15 (to take place in Copenhagen) for UNFCCC.

The Nature and Processing of Guidance

20. Although the guidance from the conventions in general suffers from a lack of priority setting and compromise wording, the general drift of the guidance is often clear: support to a particular work program established by the convention, to a particular project or activity (i.e., national implementation plans and their implementation) or improvement of the GEF processes (the favorite one being: streamlining the access to GEF resources). It is thus possible to check whether the GEF has followed the guidance in principle. However, the fact that guidance is open to different interpretations means that the GEF has a certain freedom in translating the guidance into action. Furthermore, guidance is not only directed to the GEF but also to the Parties to the Conventions and other institutions that have a role in providing financial support to implementing the conventions. In general the perspective is that Parties would undertake certain actions and the GEF would support them.

21. The conventions have improved their internal coordination on providing guidance by concentrating all guidance into one decision per COP. This is an improvement from the old practice in which separate decisions could include guidance to the financial mechanism, sometimes contradicting each other. Each decision now has several articles, which may differ in nature and level of significance, such as from simple requests for funding of a program or project to references to areas of activity to be supported by the GEF. Some articles are also repeated from one COP to another. Many articles urge developed countries to increase their financial support to the GEF and many others refer to streamlining the project cycle. Not all articles are equal on the potential impact to the GEF: some articles will have huge financial implications since they request, invite or urge the GEF to support an entire work program, whereas others are requesting a review or study or reporting back from the GEF to the COP.

22. The GEF replenishment phases do not coincide with the COPs phases, so there is always a lag between the guidance to the GEF, their incorporation into GEF strategies, and their implementation. In most cases, GEF needs to wait until the next replenishment period to actually respond to COP guidance by incorporating the guidance into the new strategies that are discussed and approved by the replenishment negotiations. For example, the GEF Secretariat has responded to most of the guidance from the COP9 (2008) for the biodiversity convention and COP14 (2008) for climate change that will be taken into account in the GEF-5 replenishment discussions. When new guidance relates to older guidance that has already been taken up in strategies, a quicker response of the GEF is possible and has been followed in several cases. Once guidance is incorporated into GEF strategies and policies countries, with the assistance of GEF Agencies, prepare project proposals that fulfill the GEF strategies. In this way, countries can also fulfill their obligations under the conventions.

23. Among convention participants and recipient countries there is still confusion or disagreement about how convention guidance should tackle several key principles of the GEF: the concepts of incrementality, full costs, and co-financing.

24. The responsiveness of the GEF was assessed through "mapping" of COP guidance to GEF 4 strategies per focal area, as well as to GEF's policies and procedures. This has been followed up with interviews, stakeholder consultations and surveys. Perfect one-on-one mapping is not possible due to the nature of the guidance (sometimes this is very broadly formulated: "support capacity building") and the nature of the GEF strategies (responding to several articles at the same time). In addition, 301 projects approved in GEF-4 and 170 project identification forms have been assessed on linkage to convention guidance. A problem in this analysis is that the GEF database of projects does not contain reliable information regarding GEF strategies and projects do not provide the linkage to the convention guidance (rather they provide linkage to the GEF strategies).

25. Another important caveat in this assessment is that OPS4 did not consider the interactions of the GEF Agencies with the conventions. GEF Agencies have different roles with the conventions going from hosting some of the convention secretariats (UNEP) to providing financial support to countries to implement parts of the conventions. In addition, GEF Agencies produce technical reports that are provided and utilized by the conventions but are not considered here.

26. The findings per focal area are reported in the chapters relating to focal area progress toward impact. This chapter reports on the overall emerging picture of the responsiveness of the GEF to the guidance.

Overall Findings on Responsiveness

27. GEF continues to respond to COP guidance through incorporating guidance into GEF strategies, approving projects, and adapting its policies and procedures. According to a wide set of interviews and stakeholder consultations, the overall conclusion has been that the GEF continues to be the primary funding source for implementation of CBD, UNCCD and POPs. In climate change, other sources have emerged, but these new funds are not yet fully operational. The review of all GEF4 projects concludes that GEF supports the implementation of the conventions and the national obligations under conventions.

28. As mentioned before, since the beginning of GEF-4, there have been about 100 new "articles" in guidance to the GEF from COPs and MOPs in CBD, UNFCCC, UNCCD and POPs. Guidance continues to

be broad and cumulative, although it is provided within one decision per COP. Nevertheless, several changes may improve the situation in the future:

- The biodiversity and desertification conventions have recently moved into programmatic approaches. Parties to the biodiversity convention developed a four year framework of program priorities related to utilization of GEF resources between the period of 2010 and 2014. The desertification convention has developed a 10-year strategic framework. The GEF Secretariat has indicated that the long-term strategies of the conventions will be taken into account.
- Representatives from the Secretariats of the Conventions are participating in the GEF task forces for the development of GEF5 strategies.
- The GEF Secretariat continues to actively participate in COPs and various events held by the Secretariats of the Convention.
- Several countries are conducting national prioritizations exercises to determine which projects (and thus, convention priorities) should be funded by the GEF.

29. There is a perception among various stakeholders that the GEF does not fully follow guidance and that the GEF does not appear to be accountable to the COPs. This perception is the strongest amongst Convention Parties, and of those it is the strongest in the climate change convention. The stakeholder survey confirms that this perception is prevalent: although 85% of the respondents believe GEF support helps recipient countries with their obligations under conventions, only 66% consider that the GEF follows guidance from the conventions. The perception may be partly politically motivated. It may also be related to the quality of GEF reporting to COPs and the impact of the RAF on access to GEF funding. The impact of the RAF in the responsiveness of the GEF to CBD and UNFCCC is discussed in a later section (see Programming Resources) and in particular for countries within the group. In there, OPS4 presents evidence that the level of utilization for countries within the climate change group has been low (37%) relative to the countries with individual allocations (68%). Furthermore, as of the end of June 2009 data shows that SIDs have utilized only 22% and LDCs only 37% of their potential allocation in climate change. In the case of biodiversity the situation is better, with countries in the group reaching levels of up to 66% compared to 78% for countries with individual allocations.

30. Some of the negative perceptions within the conventions about the GEF may be related to the fact that convention focal points are still not fully informed on how the GEF functions globally. At the national level this has improved since OPS4 found several cases in which convention focal points are better informed and in which they participate in national prioritization exercises for GEF funding.

31. However, apart from perceptions, which can be addressed through better information sharing, there are other factors which may hinder a better responsiveness of the GEF to COP guidance. Firstly, as presented above, the GEF replenishment does not fit the COP cycles. Some COP decisions cannot be taken into account by the GEF if they are reached by the COP after a GEF replenishment has just been concluded. In this case, GEF needs to wait until the next replenishment to taken such guidance into consideration. This applies mainly to guidance that would move the GEF into new directions. Furthermore, this is complicated by the fact that the GEF does not allow donors to target contributions to special guidance in its main Trust Fund, though this is possible in the Special Climate Change Fund. Of course, many of the Council decisions also impact the responsiveness of the GEF, for example the decisions related to the implementing of the Resource Allocation Framework.

32. On the convention side there is a need to improve the focus of guidance (much of it is too broad), reduce its cumulative nature (and withdraw older guidance), and make guidance "SMART" (specific, measurable, achievable, realistic and trackable). Sometimes guidance responds to special interest groups in the conventions and may be very narrow (i.e., support to a particular project). Overall these factors combined lead to problems with the interpretation of guidance.

33. In general the GEF does not have sufficient funds to be able to handle increasing demands from conventions. The guidance of the conventions to GEF donors to increase their support to the GEF has not been followed from GEF-2 to GEF-4.

34. The partnership structure of the GEF presents specific challenges for following guidance since every partner has its own mandate that do not align perfectly with the GEF or the COPs.

35. Limited understanding and limited clarity in the GEF regarding GEF principles continues to cloud discussions: incremental costs, full costs (national communications are the only support projects for which the conventions ask the GEF to finance full costs), and co-financing (many Parties consider this as a conditionality to access GEF funding) continue to be debated.

Relationships between GEF and Conventions

36. OPS3 recommended improving communication between the GEF Secretariat and the Secretariats of the Conventions. GEF4 Replenishment policy recommendations focused on increasing the GEF efforts at the country level to promote consultations among the GEF and Convention focal points, as well as encouraging periodic meetings between the GEF Secretariat and all the Secretariats of the Conventions. OPS4 assessed two aspects of the relationship between GEF and Conventions: (1) quality of reporting from the GEF to the Conventions and (2) relationships between the GEF and the Secretariats of the Conventions.

37. GEF is required to report to COPs at every session. The process starts at the GEF Secretariat by preparing a report in collaboration with the Evaluation Office, Agencies, Trustee and STAP. This report is presented to the GEF Council for review and comment. Finally, the report is sent to the Secretariat of the Convention and included as an information document to the relevant COP.

38. The MOUs between GEF and Conventions describe the information that is required in these reports. Common reporting requirements:

- information on how GEF has responded to guidance provided by the COP through incorporation into the GEF strategies (and feedback on the implementation of guidance);
- a presentation of all projects approved in support to the Convention and total financial resources allocated to these projects (including co-financing) since the last reporting;
- opportunities and activities for integration across focal areas; and
- information from the Evaluation Office.

39. In addition, each COP may request that the GEF provides specific information about particular issues to be reported in a future COP.

40. GEF has prepared reports for each of the COPs as required by the MOUs, providing the information required, including a section from the GEF Evaluation Office. Nevertheless, the Secretariats of the Conventions as well as representatives of Parties to the Conventions indicated that the reporting

to the conventions from the GEF was weak. In their perception, the reports consist of a short and inadequate brief of the new GEF strategies, how COP guidance was incorporated in these strategies, including a list of projects funded by the GEF. The following information has been identified as crucial to enhance the quality of GEF reporting to the conventions:

- Co-financing data
- Assessment of project implementation experiences
- Feedback on guidance implementation and incorporation
- Results of GEF support to the achievement of conventions objectives.

41. The GEF and the Secretariats of the Conventions are requested by the MOUs to communicate and cooperate with each other and consult on a regular basis to facilitate the effectiveness of the financial mechanism in assisting Parties to implement the Convention. During GEF-4 several changes have improved this relationships:

- Secretariats of the Conventions now participate in the technical advisory groups which are developing the GEF-5 strategies. In this way, the Secretariats of the Conventions are able to provide direct feedback from the COPs and further clarification on the guidance.
- UNCCC and GEF Secretariats have held retreats, and it has been noted by the GEF Secretariat that more frequent retreats will take place in the future.
- The GEF Secretariat staff participates on regular basis in events organized by the Secretariats of the Conventions.
- During GEF4, STAP has undertaken missions to each of the convention secretariats, has established working connections to their scientific subsidiary bodies and convention focal points have participated in STAP meetings.
- Some convention focal points from UNFCCC have participated in the most recent GEF familiarization seminar, where GEF is introduced to the newcomers to the GEF partnership. Furthermore, at the country level, many of the Convention focal points are part of GEF national committees and the decision making process of prioritization exercises.
- The Secretariats of the Conventions provide a short update on how the convention is advancing during GEF Council meetings.

42. Despite the acknowledged improvements that have already taken place, OPS4 maintains that there is room for further enhancement in the relationships. First, the GEF Council does not receive direct feedback from the conventions on its reports. The steps that have been taken to improve the relationship with the climate change convention can be taken with other conventions as well. Second, further clarification of roles among the different parts of the GEF would also improve relationships.

Chapter 2.4 – The Catalytic Nature of the GEF

1. All previous Overall Performance Studies have asked attention for the catalytic role that the GEF needs to play in order to impact on global environmental issues. However, this role has never been clearly defined or evaluated. This chapter presents conclusions and recommendations of OPS4 on the catalytic nature of the GEF and an analysis of the catalytic role of the strategies, portfolio and modalities.

Conclusions

2. The catalytic role of the GEF is embodied in its approach through "foundation" activities focusing on creating an enabling environment, to "demonstration" activities which are innovative and show how new approaches and market changes can work, to "investment" activities that upscale this to a national level to sustainably achieve global environmental benefits.

3. The current funding level of the GEF is sufficient to play this role in a limited number of countries; there is insufficient funding to bring demonstration and investment to especially fragile states, the small island development states and the least developed countries.

4. Proposals to focus more exclusively on demonstration to the detriment of foundation and investment will reduce the catalytic effect of the GEF and the sustainability of global environmental effects achieved. Calculations in the ODS impact evaluation show that without the catalytic role of investments, 40 percent less ODS reduction would potentially have been achieved.

5. The catalytic role of the GEF is well established at the strategic level, yet has not been translated into guidance for project design and has not led to tracking instruments to ensure that catalytic effects are monitored during implementation or measured after projects end.

Recommendations

6. Funding levels in the GEF increase substantially to enable the GEF to play its full catalytic role in all recipient countries, to ensure that global environmental benefits are achieved.

7. The catalytic role of the GEF is most evident in the international waters focal area strategy. Other focal areas could benefit from incorporating elements of this strategy. For example, in climate change and biodiversity this could lead to a better integration of enabling activities in the overall strategies.

8. At the project level, guidance on design, implementation, monitoring and evaluation of the catalytic role of the project should be encouraged to ensure a better tracking and measurement of the catalytic effect of the GEF. The Evaluation Office will encourage this through making its methodological framework, data and findings available for further discussion and elaboration in the GEF partnership.

Introduction

9. OPS3 asked attention for the catalytic role of the GEF, noting that the GEF on its own cannot reach sustainable impact, and noted several catalytic mechanisms: cofinancing, leveraged resources,

replication, and mainstreaming. However, it also noted that sustainability and catalytic effects were often not explicitly addressed in project design, implementation and evaluation. It identified catalytic effects as a particular appropriate subject for lessons learning and knowledge management and recommended that this should be taken up in GEF4. This recognition of the catalytic nature of the GEF is in theory built into its strategies and modalities. Given the nature and scope of the challenges, it is clear that the GEF on its own cannot achieve the impact it strives for. Rather, it must be a partner with governments and donors that encourage others to contribute to, take over, and sustain the actions that ultimately lead to the impacts sought. For this reason, the GEF's ninth operational principle states that "In seeking to maximize global environmental benefits, the GEF will emphasize its catalytic role and leverage additional financing from other sources."[1]

10. In 2007, the Evaluation Office developed a methodological framework to evaluate catalytic effects. This framework was tested in a case study in China. Furthermore, the Country Portfolio Evaluations led to a re-assessment of the portfolio of the GEF for its catalytic role. Enabling activities in climate change and biodiversity had been perceived by many as a special "stand-alone" service of the GEF to the conventions, for the purpose of supporting national communications, action plans and capacity self-assessments, amongst others. In the country context the enabling activities were revealed to be more relevant to the success of the GEF portfolio than previously assumed. This led to a review of modalities of the GEF in the light of its catalytic role.

Three Catalytic Categories of Activities

11. Analysis of the focal area strategies, as well as the country portfolio evaluations, points toward three broad categories of GEF activities: (1) "foundational" and enabling activities, focusing on policy, regulatory frameworks, and national priority setting and capacity development; henceforth to be called **foundation**; (2) medium-size and full-size projects and the Small Grants Programme, which focus on demonstration, capacity development, innovation, and market barrier removal; henceforth to be called **demonstration** and (3) full-size projects with high rates of cofunding, catalyzing investments or implementing a new strategic approach at the national level, henceforth to be called **investment**. The international waters focal area uses these three categories of activities most explicitly in a phased approach: a first, foundational phase in which countries are brought together to diagnose problems and agree on joint actions; a second demonstration phase in which solutions to joint problems are tested, piloted, and demonstrated; and a third investment phase in which countries and other donors join to provide the necessary funds to scale up activities.

12. The three categories approach combines all the elements that have been shown to catalyze results in international cooperation. Evaluations in the bilateral and multilateral aid community have shown time and again that activities at the micro level of skills transfer—piloting new technologies and demonstrating new approaches—will fail if these activities are not supported at the institutional or market level as well. Evaluations have also consistently shown that institutional capacity development or market interventions on a larger scale will fail if governmental laws, regulatory frameworks, and policies are not in place to support and sustain these improvements. And they show that demonstration, innovation and market barrier removal do not work if there is no follow up through investment or scaling up of financial means. For this reason, many bilateral and multilateral donors have moved into supporting the government more directly through basket funding, public policy lending, and similar efforts to create enabling environments and sustainable systemic improvements. The GEF has included these elements from the beginning and is therefore equipped to perform its catalytic role.

13. Guidance from the multilateral environment agreements has been important to ensure that the GEF addresses all three support categories. When member countries sign on to a given convention,

they are essentially obligated to incorporate the aims of that convention into national regulatory frameworks, laws, policies, and priority setting, and are often supported in so doing by the GEF through foundational activities. Countries need to report on progress to the conventions, and the GEF has been funding these processes in part through enabling activities. Evidence from the country portfolio evaluations and the OPS4 country case studies, as well as reviews of terminal evaluations of enabling activities, demonstrates that countries have used GEF support to introduce new policies and to develop the requisite environmental legislation and regulatory frameworks.

14. The results of enabling activities are often reported to the conventions rather than through the GEF monitoring processes. This may have led the GEF to not address enabling activities directly in the development of focal area strategies or in programming at the country level. The international waters focal area—which is not accountable to a multilateral environmental agreement and therefore does not have a requirement for formal enabling activities—has more organically integrated the role of these foundational activities in its strategies and programming.

The Catalytic Nature of the Portfolio

15. All GEF projects have been analyzed to identify in which category they would most appropriately belong. The analysis is based on 2291 or 98% of approved projects listed in the Project Management Information System on June 30, 2009. The details of the analysis are available in the methodological note posted on the GEF EO web site under OPS4 (www.gefeo.org).

16. Although there are elements of demonstration in foundational projects, and elements of foundation and investment in demonstration projects, the overview reveals in broad strokes that with the exception of GEF1, the funding pattern of the GEF over the three categories has been remarkably consistent. The share of foundation activities has gone down gradually in time, from 20 percent in the pilot phase to 6 percent in GEF4. The share of demonstration activities has, with the exception of GEF1, been higher than 45 percent and is rising to more than 65 percent in GEF4. The share of investment has been more or less stable between 15 and 23 percent, with the exception of GEF1 when it reached a 43 percent share.

17. The decrease in foundation activities is partly caused by a temporary low number of national communications (due to the cycles of the conventions), but also by the fact that many countries have done most if not all of the regulatory work needed for the conventions. The increase of demonstration is a natural follow-up on the foundational work and thus to be expected. Investment also shows a slight increase in GEF4, which is interesting as the Resource Allocation Framework was supposed to have a dampening effect on investments and the role of the GEF in investments was sometimes questioned. Given the relatively large amounts involved in investment activities, the 23 percent in GEF4 is generated by a much lower number of projects than in the other categories. In total 55 investment projects were approved in GEF4, which means that two-thirds of recipient countries did not receive any GEF investment support in GEF4, up to June 30, 2009. The number of foundation and demonstration activities is sufficiently high to ensure that all GEF countries could in principle receive support in these categories. This is not the case in investment.

Table 2.4.1: GEF funding for categories through phases in percentages

Category	Pilot	GEF1	GEF2	GEF3	GEF4	All Phases
Foundation	21	15	13	10	6	12
Demonstration	53	40	67	66	69	62
Investment	19	43	15	22	23	23
Unable to Assess	7	2	5	2	2	3
Total	100	100	100	100	100	100

18. Table 2.4.2 presents GEF funding for different categories of projects by focal area. There are significant differences among the focal areas in terms of distribution of funding across different categories of projects. A considerable proportion of funding for persistent organic pollutants (POPs) and international waters (IW) focal areas has been for foundation activities. For POPs enabling activities focused on the facilitation into early implementation of the Stockholm Convention whereas for the international waters focal area the transboundary diagnostic analysis (TDA) and strategic action program (SAP) development related activities account for a major portion of the foundation funding. In contrast land degradation funding for "foundational and enabling activities" projects has been marginal.

Table 2.4.2: GEF funding in focal areas for categories in percentages

Category	BD	CC	IW	LD	MF	ODS	POPs
Foundation	12	8	24	1	5	5	27
Demonstration	57	66	55	52	80	32	60
Investment	27	23	20	45	8	63	12
Unable to Assess	4	2	0	2	6	0	1
Total	100	100	100	100	100	100	100

19. A major proportion of the funding for Ozone Depleting Substances and Land Degradation has been for investment projects. For ODS the funding is higher because a significant proportion of the projects focus on national scale replication of approaches that have been found to be effective elsewhere. For the land degradation focal area the high percentage of funding for projects in this category is primarily driven by the "Strategic Investment Program" (SIP) for sustainable land management (SLM) initiated by the GEF in Sub-Saharan Africa.

20. Table 2.4.3 presents the distribution of GEF funding by agencies. This distribution confirms the traditional roles of the agencies. UNEP is well represented in foundation. For UNDP, a relatively greater proportion of funding was for demonstration. The World Bank has the highest share in investment.

Table 2.4.3: Distribution of GEF funding for categories in m $ by Agency

Category	UNDP	UNEP	World Bank	Other IAs	Joint	All Agencies
Foundation	333 (13%)	205 (36%)	214 (6%)	44 (13%)	133 (12%)	930 (12%)
Demonstration	1,903 (73%)	311 (55%)	1,902 (56%)	246 (70%)	636 (55%)	4998 (62%)
Investment	296 (11%)	53 (9%)	1,126 (33%)	51 (14%)	358 (31%)	1885 (23%)
Unable to Assess	85 (3%)	2 (0%)	130 (4%)	13 (4%)	23 (2%)	253 (3%)
Total	2617 (100%)	571 (100%)	3373 (100%)	354 (100%)	1151 (100%)	8066 (100%)

21. Other cuts through the distribution of activities, by numbers or to regions, do not reveal issues that require special attention. However, when looking at groups of countries in special circumstances, as revealed in table 2.4.4, a skewered distribution is revealed. In four groups of countries: fragile states, Small Island Development States, Least-Developed and land-locked countries the number of foundation activities outnumber demonstration and investment combined, which is not the case in the other recipient countries of the GEF. In several Country Portfolio Evaluations (Benin, Samoa, Madagascar) and in many sub-regional meetings of focal points the issue was raised that through enabling activities countries were ready to implement larger scale demonstration and investment projects, but that GEF support was not forthcoming. The numbers support this to some extent for all three (especially in the distribution between foundation and the other two categories), but especially in the SIDS, which have so far only received six national investment projects from the pilot phase up to and including GEF4. To some extent the SIDS have received extra support through regional projects and programs, but this is not (yet) enough to provide a counterbalance.

Table 2.4.4: Distribution of GEF projects in categories in % by country groups for national projects

Category	Fragile	SIDS	LDCs	Land Locked	Other Countries*	All national projects
Foundational	69	75	61	53	35	47
Demonstration	23	21	30	39	52	43
Investment	6	3	7	6	11	9
Unable to Assess	1	1	2	2	2	2
Total	100	100	100	100	100	100

*'Other countries' comprise of countries that are not Fragile, SIDS, LDC or Landlocked.

22. However, the distribution over groups of countries by this categorization is also caused by the Resource Allocation Framework, which the mid-term review revealed is biased towards large recipients of GEF support. As a result the Council in its November 2008 session decided that the new allocation system for GEF5 would need to be more equitable. However, the distribution also shows that becoming more equitable will not really make a difference unless the GEF has sufficient funds to follow support to foundation and demonstration with support to national upscaling and investment. New initiatives to support investment in climate change focus on middle income countries. This will mean that if GEF funding were to remain stable, the difference between the groups of countries would grow, if non-GEF funds were to be taken into account.

23. In this sense the GEF is in a difficult position. If investment were to be ruled out as a comparative advantage for the GEF, and the GEF would focus on foundation and demonstration only, the GEF could potentially lose its catalytic perspective and global benefits would lose the prospect of sustainability. If it would continue at its current funding level, investments can only take place in a meaningful way in the large recipient countries, which have additional possibilities for funding. Many fragile states, SIDS and LDCs would continue to wait for support, since they have less possibility to generate investment through savings, private investments or investments from other donors. It is only through a substantially higher level of replenishment that the GEF will be able to play its full catalytic role in all recipient countries.

24. Compared to national projects, regional and global projects tend to have fewer foundation activities. However, they have a relatively greater proportion of their funding for this category of projects. This is so because the average funding size for regional and global foundation activities is greater (US $ 4.5 million per project compared to about US $ 0.5 for national projects). This difference is seen across focal areas but most pronounced in International Waters.

Table 2.4.5: Distribution of GEF funding for categories in % by country groups for national projects

Category	Fragile	SIDS	LDCs	Land Locked	Other Countries*	All national projects
Foundation	16	23	10	9	6	8
Demonstration	50	66	59	68	65	64
Investment	25	10	28	19	26	25
Unable to Assess	10	1	3	3	3	3
Total	100	100	100	100	100	100

*'Other countries' comprise of countries that are not Fragile, SIDS, LDC or Landlocked.

Table 2.4.6: Distribution of GEF funding in % in categories in US $ m by geographical scope

Category	National projects	Regional and Global Projects	All Projects
Foundation	8	19	12
Demonstration	64	59	62
Investment	25	20	23
Unable to Assess	3	3	3
Total	100	100	100

Evidence from two case studies and the Ozone Depleting Substances evaluation

25. In China the Energy Conservation and GHG Emissions Reduction in Chinese Township and Village Enterprises (TVEs) project was evaluated on its catalytic role by the Chinese National Center for Science and Technology Evaluation (NCSTE). In Slovenia the EBRD Evaluation Office evaluated the GEF Environmental Credit Facility jointly with the GEF Evaluation Office. The Ozone Depleting Substances impact evaluation looked at all GEF funding in this focal area.

26. The China case study revealed a success story in replication and scaling up. The objective of the project was to reduce GHG emissions in the TVE sector by introducing new energy efficient technologies. A crucial factor was the selection of appropriate technologies which were more easily demonstrated and replicated, and would also reduce costs for enterprises. A market demand for reducing energy costs had been growing in China, so the new energy efficient technologies were brought to the market at a suitable time. However, strong government support and the availability of additional financing to enterprises accelerated replication. Preferential policies, laws, regulatory frameworks, and government endorsement of new technology were a driving force outside of the direct grasp of the project. A commercial bank provided financing many times higher than originally planned due to the profitability of lending.

27. Estimates exist that more than 500 replications took place outside of the direct influence of the project in the brick, cement, metal casting, and coking sectors. This number could not be substantiated because replication was not tracked systematically. NCSTE concluded that the TVE project had unexpectedly achieved greater GHG reduction and scored remarkable demonstration and replication results, leaving behind a strong sustainability legacy.

28. The Slovenia Environmental Credit Facility was implemented successfully but did not succeed in mobilizing the financial sector. The primary objective of the Facility was the reduction of nutrient load in the Danube river basin. It also financed investments achieving reductions in other water pollutants, primarily toxic substances. The main focus intended to be on industrial companies, small and mid-sized municipalities, and large livestock farms to reduce their pollution of surface and groundwater in the

Danube river basin. The GEF component of the project was to generate global environmental benefits in the form of reduction of trans-boundary water pollution in the Danube river basin through the provision of technical support and incentives. The project did result in direct investments in water pollution reduction and pollution prevention projects in Slovenia. The EUR 45 million lent by EBRD to participating banks was quickly and entirely disbursed to eligible sub-borrowers.

29. However, the model was not adequately designed to promote the demonstration of innovative pollution reduction technologies and to contribute to their widespread adoption. The loans were allocated on a first come first served basis provided that the projects proposed by the sub-borrowers met the eligibility criteria. The model was biased in favor of support to the financially healthiest and largest industrial companies. It has not been successful at increasing the participation of the private financial institutions in financing water pollution investment under normal market terms and conditions. Overall, the project did not have an impact on participating bank's marketing strategy in the water pollution reduction sector nor on their perception of the potential of the sector as a promising business line.

30. The Ozone Depleting Substances impact evaluation revealed the importance of public-private collaboration. Whereas the initial push came from the governments, the catalytic effects could to a large extent be attributed to champions in the private sector. The finance provided by the GEF not only eliminated the use of ODS in the country being financed, but it also reduced the time to phase out ODS in companies that were not directly financed by the GEF, thereby speeding up the rate of ODS elimination in the country. The catalytic action was the result of a multi-faceted approach by the GEF that financed not only companies but also a diversity of programs that included institutional strengthening, training of customs and personnel, ODS recovery and recycling programs, training of servicing technicians, awareness raising campaign, as well as halon recovery and reclamation.

31. The ODS impact evaluation estimates that about 40 percent of the total ODS phased out in the CEITs was achieved through catalytic action. Government policies, measures and action have a significant impact on the speed and extent of catalytic action. The private sector's involvement in projects and co-financing are crucial, as they have a demonstration and replication role as well as an impact on their raw material supplier companies. Implementation of policies and measures by the government in the CEITS was important for promoting the replication of important activities undertaken by stakeholders to reduce and phase out ODS, and to ensure their cooperation in these activities. For example, the ban on the import of CFCs affected all ODS importers equally and encouraged them to import alternative refrigerants that were not ozone-depleting.

32. The two case studies and the Ozone Depleting Substances impact evaluation demonstrate that the GEF catalytic model is sound at the level of the overall strategy for a focal area, but is not always translated well into what this means at the project level – not in design and not in tracking achievements.

[1] GEF, *Operational Strategy of the Global Environment Facility* (1995); available on the GEF website at www.thegef.org under GEF Policies, Operational Strategy (August 2009).

Chapter 2.5 – Programming Resources

1. The GEF conducts programming of resources at different levels: national, programs and global. This section presents key findings and conclusions on issues related to the programming of resources at the national level and how these resources are relevant to national environmental and sustainable development priorities.; at the program level related to the programmatic approaches developed by the GEF as well as through regional and global projects; and finally on programming resources at the GEF global level, in particularly through the Resource Allocation Framework (RAF).

Conclusions

2. The GEF support was found to be relevant to national environmental and sustainable development priorities as well as international and regional processes. Evidence shows that countries have used GEF support to introduce new policies and to support the requisite environmental legislation and regulatory frameworks.

3. For most countries, the level of funding is insufficient for implementing Convention guidance on: (1) adaptation; (2) biosafety; and (3) land degradation.

4. As shown in the Country Portfolio Evaluations and country case studies for OPS4, increasing country ownership does not necessarily reduce national attention to global environmental issues, due to the fact that countries need to respond to the conventions.

5. There are currently no incentives to collaborate on regional and transboundary issues, particularly in the climate change and biodiversity focal areas.

Recommendations

6. The GEF should further develop the programming of resources at the national level, through supporting the creation of GEF National Committees and GEF National Business Plans.

7. The further development of programs should be clarified: relevance, country ownership and integrated impacts of GEF supported activities could be enhanced if they were developed within a national GEF framework.

8. Regional and global programs focusing on transboundary problems should be built on national priorities and on conceptual frameworks like that of International Waters.

Introduction

9. In a changing context, the GEF will need to adapt the way it programs resources. On the one hand the Paris Declaration and the Accra Agenda for Action require donor agencies, including the GEF and all its Agencies, to integrate their support as much as possible in national agendas and frameworks. These developments were described in general terms in chapter 2.2. On the other hand, the GEF is going through a process of change in allocating resources that started in GEF4 with the introduction of the Resource Allocation Framework. The mid-term review of the Resource Allocation Framework, presented to the GEF Council in November 2008, led to the conclusion that a new system for resources allocation would need to be introduced for GEF5. OPS4 reviewed the conclusions of the mid-term review of the

RAF and found that they are still valid; except for one on the level of funding of global and regional projects. All these elements led OPS4 to position its chapter on the relevance of the GEF for national priorities, and the allocating and programming resources in the section on the GEF in a Changing World, rather than the Issues Affecting Results section.

Programming at the National Level

10. At the national level, GEF resources should be programmed within the sustainable development and environmental priorities and agendas of the countries, according to one of the 10 principles of the GEF. Within this context, OPS4 assessed the relevance of the GEF to national priorities, measured in several ways: (1) GEF support to the development of national priorities (i.e., funding for enabling activities, prioritization exercises), (2) GEF support to the implementation of already established national priorities (i.e., protected areas, energy efficiency), and (3) linkages between environment and other sectors, including poverty.

11. Another of the GEF principles related to the relevance to national priorities is country ownership, which is defined here in terms of the extent to which the GEF support is embedded within the national or local priorities. OPS4 found several examples of linkages between GEF support and national priorities: GEF has supported the development and implementation of protected areas systems; has introduced climate change to national agendas (starting with the enabling activities); has assisted in the development and implementation of climate change policies, such as for energy efficiency and renewable energy which are helping countries in improving their energy choices; the preparation of POPs national implementing plans which have helped countries identify POPs and bring them into the national agenda.

12. One of the most important roles of the GEF has been to provide seed funding for developing and implement national priorities. This seed funding has been essential to assist countries in increasing linkages between environment and other sectors, particularly productive sectors. GEF supports activities that otherwise the government would have not developed or introduced. GEF has assisted the country in keeping many crucial areas of environment on the national agenda, rather than concentrating only on a few top national priorities. Furthermore, there is evidence that the GEF has supported to maintain the linkages between poverty and environment, most typically through communities living around protected areas. For example in Belize, the government has recognized that the incidence of poverty is generally highest among populations located where biodiversity levels are highest. The Small Grants Programme has especially helped place environment and the GEF on the map with local authorities and NGOs.

13. As discussed in Chapter 2.4, the GEF support has created the enabling environment and the foundation, and countries are ready to begin implementation to start generating global benefits. Enabling activities have supported in building the foundations for the countries' environmental frameworks and strategies, which are necessary conditions for generating global environmental benefits.

14. Another area of relevance was found in that the GEF support has been instrumental in building and maintaining individual and institutional capacities. Several of the countries visited as well as specific projects reported that there has been a decrease of reliance on international consultant expertise.

15. According to comments made by GEF Focal Points, the GEF support is considered to be relatively consistent compared to support from most bilateral funding since this funding changes with new priorities established by bilateral governments (both on sectors and on countries/regions). Furthermore, the relevance of GEF support to develop or implement national environmental agendas is expected to increase since other donor support is decreasing. In many regions and countries (particularly those that have graduated from ODA), GEF is the main source of funding for the environment. Many of these countries have a high potential to achieve global environmental benefits yet are not yet rich enough to support these public global goods on their own budgets.

16. The analysis of all GEF4 approved projects shows that the objectives of all these projects target environmental priorities defined in the national development plans, programs and strategies. Capacity building, considered by many countries a national priority, was found as a cross-cutting issue embedded in the majority of the project objectives.

17. Country evaluations showed that ownership varies: from Small Grants Programme projects, which seem to present full ownership at the local and national levels (fully in line with national and local priorities); to national projects, which have varied ownership per focal areas; to regional and global projects, where ownership becomes less apparent (with more ownership in international waters, which usually has linkages with regional priorities; for example, these projects have being implemented in sensitive, political areas, dealing with boarder disputes and exploitation of shared natural resources).

18. Evidence gathered in the Country Portfolio Evaluations and OPS4 country case studies show that GEF support becomes more strategic and effective when national GEF frameworks become available. Full support of such a framework by governments ensures better buy-in and integration of GEF activities with other, non-environmental national strategies. These frameworks also often ensure a planned program rather than a set of projects. Furthermore, the presence of GEF units and GEF national committees (permanent inter ministerial and/or multi donor committees) in several of the countries studied (Egypt, Cameroon, Costa Rica, South Africa) demonstrated that the GEF becomes more efficient (project identification and approval) and relevant (project proposals are more country driven). Several of the evaluations and strong feedback from GEF Focal Points indicate that an effective national structure to coordinate with and consult on GEF support enhances successful implementation of GEF activities.

19. Furthermore, Country Portfolio Evaluations and OPS4 country case studies show differences between countries in the way that the GEF support is integrated into national coordinating mechanisms for international support. In the Philippines, GEF support was not integrated into the national system for tracking international aid flows, even though the support of the GEF Agencies from their core programs was. On the other hand, Samoa showed full integration of the GEF support into the financial tracking system for aid. The “project mode” of operation of the GEF may encourage isolation and may promote that GEF grants are perceived as “on top of” other flows of financial support. It should be noted that the Paris Declaration and the Accra Agenda for Action call for increased ownership of aid flows and strong linkages to national systems of priority setting.

20. OPS4 found several constraints that may limit GEF relevance to national priorities in some countries:

- **GEF Principles**. The concept of incremental cost could reduce the relevance to national priorities, forcing the project to concentrate on global environmental benefits that may not be linked to national priorities. Some project proponents consider that in the process of making project ideas “GEFable” or GEF eligible there is a possibility of losing the linkages with national priorities. Furthermore, OPS4 found that many stakeholders perceived that there is a disconnect between global problems and national priorities and issues. For example, some perceive biodiversity and climate change issues as responding more to a global or international agenda rather than issues in water and land management, which are lined more closely to national priorities. However, given the impacts of global environmental problems (for example, climate change impacts or losses in biodiversity) there is increasing evidence that these global problems have a very clear national and local comment. Furthermore, countries are responding to their obligations before the global conventions, as presented in Section 2.3.

- **Availability of funding**. Most countries have gone through the process of identifying priorities and developing frameworks, policies and strategies with GEF support. In particular, those participating in the Resource Allocation Framework group allocations found themselves with access to limited funds. For example, the majority of RAF group countries have not been able to do much more than a national communication to conventions or a Medium Sized Project (some have participated in regional projects). The limited availability of funding may reduce the relevance of the GEF in the long term by reducing the potential of the GEF to support national agendas.
- **National issues**. National coordination to deal with global problem is not well organized and sometimes there are different competing interests, between GEF agencies, government entities and civil society. In addition, environmental issues are not necessarily at the top of every government agenda. The OPS4 survey confirmed that there is a perception within GEF stakeholders that GEF projects are agency driven although as presented above, the objectives of all the projects reviewed were considered directly linked to national priorities. Furthermore, changes in government or in GEF Focal Points may change national priorities or modalities of engaging different sectors (more or less pro private or civil society sectors for example) which affect the way a country engages with the GEF. Some projects may have a stronger linkage with the agenda’s agenda than with the national programming.
- **GEF frameworks.** Few countries have developed strategic frameworks that provide a roadmap or context for GEF activities, but where they have done so, country ownership is higher. Country evaluations found many in-between variations, with several countries establishing national committees that discuss GEF support. These evaluations found that the relevance, country ownership and integrated impacts of GEF supported activities could be further enhanced if they were developed within national GEF frameworks.

Programming through Global and Regional Projects and Programmatic Approaches

21. The following paragraphs provide a review of 34 programmatic approaches, as identified by the GEF Secretariat and of 60 completed regional and global projects. There may be some overlap on their geographic scope, since many of the programmatic approaches reviewed are global or regional (as well as national), and some regional and global projects may be programmatic approaches. The analysis of the processing (performance) of programmatic approaches is covered in the Performance chapter.

Programmatic approaches

22. OPS4 reviewed 34 programmatic approaches, as identified by the GEF Secretariat. The concept of the programmatic approach was developed in the Council Document: “From Projects to Programs: Clarifying the Programmatic Approach in the GEF Portfolio” (GEF/C.33/6, March 21, 2008). The OPS4 review was based on the program framework documents. There was no review of the “child” projects which are usually developed and approved under these programmatic approaches. Therefore,

OPS4 could not conduct an assessment of their performance or effectiveness, but only an assessment of the programmatic approaches design. The review used several criteria to assess the program framework documents: value-added of programmatic approaches, country ownership, governance and management arrangements and M&E plans. Out of these 34 approaches, 62% were approved during GEF4 while the rest were approved in previous GEF phases.

23. The reported **value added** of the programmatic approaches outlined in the program framework documents included improvements in coordinated/strategic levels of interaction; cost efficiencies and economies of scale; as well as synergies in program implementation. This finding is aligned with expectations from project documents. Enhanced coordination and strategic levels of interaction emerge as a key pillar in almost all of the documents reviewed, along with improved opportunities to pool resources. The programmatic approach aims to be a mechanism to better align all stakeholders from national governments, private sector, donor agencies, and so on. However, these aspirations are not always reflected through the governance set-up and institutional arrangements of a program. The linkages between the programmatic approaches and the "child projects" included are not clear in the design and management structure. Furthermore, some stakeholders consulted indicated that they remained unconvinced of the regional linkages between child projects.

24. Overall **country ownership** was found to be relatively weaker for global and regional programmatic approaches compared to the national ones, based on information provided in the Program Framework Documents. Most programmatic approaches that were considered weak in country ownership were initiated by GEF Secretariat or GEF Agencies. The 2008 Council document cited above expects approaches to be demand driven and build on national policies.

25. The presentation of **governance and management arrangements** were found to be limited in most program framework documents. This is a weakness since it is an essential condition for a programmatic approach. About two thirds of the program documents focus on governance structures with insufficient attention paid to coordination and institutional support arrangements. The remaining third did not present the governance and management arrangements satisfactorily.

Text Box 2.5.1. Programmatic Approaches in India

Three programmatic approaches have recently been launched in India, supported by the GEF: the Sustainable Land and Ecosystem Management Partnership Program; the Coastal and Marine Program; and the Energy Efficiency Program. These three programs present good examples of **country ownership** since they are based on established national plans and strategies. The Sustainable Land and Ecosystem Management Partnership is firmly based on land degradation, biodiversity conservation and adaptation to climate change national policies and the Government is investing a substantial amount annually in support of their implementation. The Energy Efficiency Program initiative feeds into the Energy Conservation Act to mainstream energy efficiency measures and stimulate market transformation. The program and its child projects have been designed to meet the overall XI plan (2007-2012) targeted consumption reduction of about 10,000 MW at the national level.

The Coastal and Marine Program presents a good example of **governance**, **coordination** and **M&E** planning. The proposed M&E system as well as outreach and communication activities provides funding to facilitate sharing and dissemination of experiences and mentions other specific knowledge products and tools that will be developed under the program. Similarly, the Energy Efficiency program has a "programmatic knowledge sharing" sub-component with allocated funding, which includes reporting structures for program impact as well as recommendations for mid-course correction activities. These elements will aim to ensure effective implementation of not just the individual child projects, but the entire Energy Efficiency programmatic effort.

26. With regards to **monitoring & evaluation plans and systems** at the programmatic level, the review found that they are mostly focused at the child project level. Only one third of the program framework documents included program level indicators. This is another weakness since it could undermine the adaptive management of these programs. The weakness in M&E plans at the programmatic level does not fulfill one of the principles presented by the GEF Secretariat in its 2008 paper on this topic.

Regional and global projects

27. Regional and global projects are modalities that are characteristic of the GEF since its inception. Historically, the GEF has provided support to countries through regional and global projects at the level of 462 projects and $2,884 m. These projects include a wide range of different activities such as: programmatic approaches, umbrella projects, targeted portfolio approaches, corporate programs as well as enabling activities, and full and medium sized projects. OPS4 conducted a review of 60 completed projects for which terminal evaluations are available. The review focused on country ownership and value added of these modalities.

28. The review of **country ownership** showed mixed results. On one hand, 26 out of the 45 terminal evaluations that had information (15 did not report on this issue) reported some good examples of strong country ownership, such as the terminal evaluations of the TDA/SAP international waters projects. . On the other hand, the other 19 terminal evaluations reported weaknesses. Some reasons for this found by OPS4 include: the difficulty of aligning global and regional projects objectives to national priorities; low visibility for regional projects activities and outcomes at the national level; institutions and stakeholders involved in the projects activities and outcomes are not necessarily the right ones or it is not sufficient; the relevance of projects objectives and outputs are not always clear to national stakeholders. Low levels of country ownership were evident in projects collaborating in countries with limited resources (both financial and human) and limited institutional capabilities.

29. Terminal evaluations indicated that generally there was a clear **value-added** for the objectives and expected outcomes. However, because of poor implementation, inherent project complexities and overly ambitious objectives sometimes this is not achieved. This if often related to project design. The complexity and overly ambitious nature of global / regional projects emerged as an overarching challenge in project design in more than one third of the projects. The main issues relate to how uncertainties and risks can be shown without endangering the funding of the project, how buy-in from countries could be ensured and how flexible management arrangements could be set up. Management, administration and M&E arrangements were other areas identified as weak in the terminal evaluations.

30. Some stakeholders indicated that in some cases there was a limited coherence between the regional projects and GEF agency programs. This can lead to delays in the pipeline, or missed opportunities to do programming with the GEF. Co-financing was also mentioned as a problem in regional and global projects. Some stakeholders suggested that softer co-financing arrangements should be explored, given the reluctance of many countries to participate in regional projects.

31. Terminal evaluations highlight a number of successful outcomes across all focal areas, however limited impact at a global environmental level was presented. Most projects report some type of positive outcome at national, regional and/or global level. Awareness raising and knowledge dissemination are two of the most frequently cited outcomes in the terminal evaluations. Networking and the promotion of closer partnerships between stakeholders are also identified as a critical outcome. Global and regional projects were also considered to be effective in pushing forward new and existing

environmental concerns. However, few impacts of global environmental significance have been truly identified throughout the portfolio, except within the International Waters Focal area.

Programming through the Resource Allocation Framework

32. At the global level, the GEF programs resources within each replenishment period. OPS4 reviewed the resources available for programming in GEF4. The first level of programming takes place at the focal area and then, introduced in GEF4 and for the biodiversity and climate change focal areas, at the country level. Allocations within each focal area (even in biodiversity and climate change) are done at the strategic objectives level.

33. From the resources available in GEF4, 66 percent were allocated for the biodiversity and climate change focal areas (each 33 percent) – thus two thirds of the GEF resources available for programming were covered through RAF. Of the other focal areas, international waters was allocated 15 percent, land degradation 9 percent, persistent organic pollutants 9 percent, and ozone depleting substances the remaining 1 percent. While resources for the biodiversity and climate change focal areas were further allocated using a resource allocation framework (RAF), for other focal areas recipient countries continued to access resources on a 'first come first serve' basis. For accessing the RAF resources for a recipient country were classified as either an individual allocation country or a group allocation country. The details on design, allocation and process followed for accessing RAF resources has been covered in the Evaluation Office's Mid-Term Review of the Resource Allocation Framework submitted to the GEF Council at its November 2008 meeting.

34. Of the ex-ante programmed resources, 73 percent of the programmed resources had been utilized by June 30th 2009. For the focal areas covered under RAF, slow progress in utilization of resources available for programming had been reported in the mid-term review that covered the period up to June 30th 2008. During the third year of GEF4, however, the utilization improved substantially and it now stands at 69 percent for both focal areas combined. For the focal areas not covered under RAF the utilization up to June 30th 2009 is estimated to be about 79 percent.

35. The biodiversity focal area has utilized 75 percent of the allocated funds and 63 percent for Climate Change. Individual allocation countries were better at utilizing allocated resources: overall they utilized 72 percent of their indicative allocation whereas the countries that could access GEF resources through group allocations utilized a lower proportion (51 percent) of their allocation. Utilization by the countries that could access GEF resources through group allocation was significantly higher for the biodiversity focal area compared to that for the climate change focal area (table 2.5.1).

Table 2.5.1: RAF Utilization by Allocation Category (as on June 30th 2009)

	Biodiversity			**Climate Change**			**Both**
Category	Number of Countries	Indicative allocation GEF4	Utilization in m $ (%)	Number of Countries	Indicative allocation GEF4	Utilization in m $ (%)	Total Utilization in m $ (%)
Individual allocation Countries	57	751	573.2 (76%)	46	753	512.4 (68%)	1085.6 (72%)
Group allocation Countries	93	149	98.4 (66%)	115	147	53.9 (37%)	152.3 (51%)
Exclusion for regional and global projects	__	50	38.7 (77%)	__	50	29.9 (60%)	68.6 (69%)
All countries	150	950	710.3 (75%)	161	950	596.2 (63%)	1,306.5 (69%)

36. Data per group of recipient countries show that SIDS countries are able to utilize RAF resources for biodiversity better than they were able to do for climate change. However, since they have a relatively higher share in biodiversity funding than they have in climate change, their overall utilization levels are comparable to the overall figures for the GEF portfolio (table 2.5.2).

Table 2.5.2: Utilization by the country groups

	Biodiversity			**Climate Change**			**Both focal areas**
Country Group	Notional allocation in m $	Utilization in m $	Total Utilization in m $ (%)	Notional Allocation in m $	Utilization in m $	Utilization as % of notional allocation	Utilization as % of total of notional allocation
Fragile	89.8	59.2	66%	61.5	38.2	62%	64 %
SIDS	111.4	93.6	84%	41.7	9.1	22%	67%
LDC	158.2	108.2	68%	85.8	32.1	37%	58%
Land Locked	87.4	52.7	60%	103.6	25.2	24%	41%
Others*	627.3	454.8	73%	746.6	497.0	67%	69%

*Others comprise countries that are non-fragile, non SIDS, non LDC and non Land Locked.

37. The assessment of data on utilization of resources allocated through RAF shows that there is little difference between the relative level of utilization of GEF funding from the earmarked set-aside for global and regional projects and the individual and group allocations of countries (table 1). Further, in addition to the resources allocated through the earmarked RAF set-aside a portion of funding from the country allocations and group allocations is also being used for global and regional projects. These emerging findings obviate the concern raised in the mid-term review that "*the exclusions did not function well and may have diminished the effectiveness of the GEF in delivery of global and regional environmental benefits*[1]".

38. The mid-term review found that at the mid-point of GEF4 (June 30th 2008) global and regional projects accounted for one and two percent of the total for biodiversity and climate change focal area, respectively[2]. The shares were considerably lower than the GEF3 figures for these focal areas. This led the review to conclude that "*the exclusions did not function well and may have diminished the effectiveness of the GEF in delivery of global and regional environmental benefits*[3]". By June 30th 2009 the share of global and regional projects in GEF funding had increased to 21 percent for biodiversity and to 4 percent for the climate change focal area[4]. Moreover, from another perspective, overall utilization of exclusions for global and regional projects at 69 percent of the allocation was identical to the figure for overall utilization of RAF resources (table 2.5.1). The concern raised by the mid-term review thus no longer holds.

39. In general the mid-term review concluded that the Resource Allocation Framework for GEF4 was too complicated for a partnership and network organization as the GEF (conclusion no. 6). Given the fact that the intention was to apply the RAF to all focal areas in GEF5, if feasible, the mid-term review also recommended that in that case the GEF would need to shift to one integrated allocation per country (Issues for the future no. 6).

[1] The eighth conclusion presented in the RAF mid-term review report.
[2] Page 119, table 6.3, Mid Term Review of Resource Allocation Framework
[3] The eighth conclusion presented in the RAF mid-term review report.

[4] These figures are not directly comparable to those listed in table 2.5.1. The table is on utilization of the exclusion for global and regional projects. The exclusion for global and regional projects can be used for national projects undertaken under a regional program. Similarly, countries that have individual or group allocations may use a part of this allocation to support global and regional projects.

Section 3 – Progress Toward Impact

Chapter 3.1 –from Hypothesis to Evidence

1. This chapter first presents the conclusions and recommendations on the progress of the GEF portfolio toward global environmental benefits. This progress is measured through a new assessment methodology that uses existing independent evaluative evidence. The analysis is introduced and some of its implications discussed – but the main analysis is described in the following chapters on focal area results. The progress toward impact differs per focal area because the problems need to be tackled in different ways, in different scales and in different time perspectives. Some environment problems can and should be solved quickly, whereas others will take decades.

Conclusions

2. The GEF portfolio shows solid progress toward impact in 40 percent of its finished projects. Thirty percent of its finished projects show progress but will need additional action to ensure progress toward impact. The last 30 percent of projects show no progress. Yet even in the last category there is evidence that impact can be achieved if remedial action would be taken.

3. In funding amounts bigger projects achieve better progress toward impact and smaller projects do not score that well. This leads to the hypothesis that some of the smaller projects were actually underfunded and as a result not able to build up sufficient critical mass or work at a scale that would enable progress toward impact.

Recommendations

4. The GEF Evaluation Office should, together with GEF partners, work toward integration of impact indicators and measurements in the results based framework for GEF-5.

Background, Methodology, and Scope

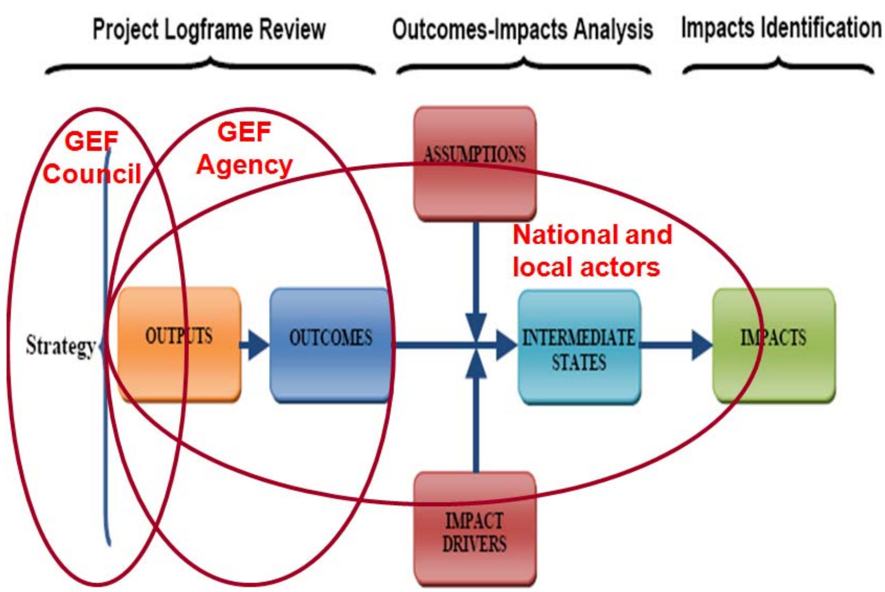
5. The Third Overall Performance Study of the GEF reported on significant results achieved by the GEF up to GEF-3 at the level of outcomes or changes in the enabling environment. It noted the difficulties in reporting on changes in the status of the environment, because impact indicators were not adequately measured in projects and thus not reported on at the end. Furthermore, impact-level targets had not been defined in focal area strategies. OPS3 therefore recommended to better define and track impacts in the focal areas.[1] In GEF-4, this recommendation has been implemented to a certain degree through refinement of the focal area tracking tools and further development of project indicators. In parallel to these activities, the GEF Council invited the GEF Evaluation Office to evaluate impacts. This line of inquiry was initiated in 2006 through methodology development and has led to a series of impact papers, studies, and evaluations that are now reported on in the GEF annual report on impact.

6. The nature of the impact of GEF-supported projects and interventions needs to be understood in line with the GEF's catalytic nature. The GEF does not intervene on its own, but together with international, national, and local partners. These partners are "catalyzed" through GEF support and continue working toward global environmental benefits after this support has ended. Thus, the GEF *contributes* to the success of a project, but the impact of the project needs to be *attributed* to the partners that continue to work on the issues addressed by the project. This premise was clearly

demonstrated in the first impact evaluations undertaken by the Evaluation Office in Eastern Africa, where GEF support and GEF Agency involvement had ended three to five years earlier, but local communities, the management and staff of protected areas, the governments of Kenya and Uganda, and new donors continued to work on improving protected area management. When a measurable increase of key species in the two protected areas studied was discerned, this could be *attributed* to the ongoing efforts of the partners that remained involved. The GEF was no longer active in the initiative, but could be shown to have made essential *contributions* to starting up the process toward impacts. Furthermore, the evaluation showed that the sustainability of the impacts achieved would crucially depend on the national and local partners involved and not on the GEF or its Agencies. The evaluation demonstrated that the causal linkages from the project to the impact achieved can be followed and documented and the contribution of the GEF identified.

7. A narrow interpretation of impact is often used in debates in the international cooperation community. Some experts advocate using the term "impact evaluation" only if the evaluation establishes a rigorous "counterfactual"—in other words, if the evaluation demonstrates quantitatively what would have happened without the intervention. Such a narrow definition is not necessary if the causal mechanism has already been scientifically proven, which often is the case for the GEF. For example, the role of excess nutrient flows in rivers creating eutrophication in downstream water bodies has been empirically established, and the causal mechanism that leads to eutrophication has been researched and demonstrated in laboratories. Similarly, renewable energy technologies and technologies with lower GHG emissions are developed in laboratories under strictly controlled conditions; there is no need to test these technologies through counterfactual evaluations. Only where human behavior is concerned would counterfactual evaluations be of interest. Such tests would, however, focus on limited elements of GEF strategies and national policies. Moreover, they would be focused on causal attribution, not contribution, and on the role of the partners of the GEF rather than on the GEF itself. Evaluating the impact of the GEF thus requires recognition that the final impact of follow-up activities of its support will be attributable to its partners: national governments, local authorities, local communities, industries, farmers, and civil society organizations.

Figure 3.1.1. Role of GEF partners in achieving progress toward impact



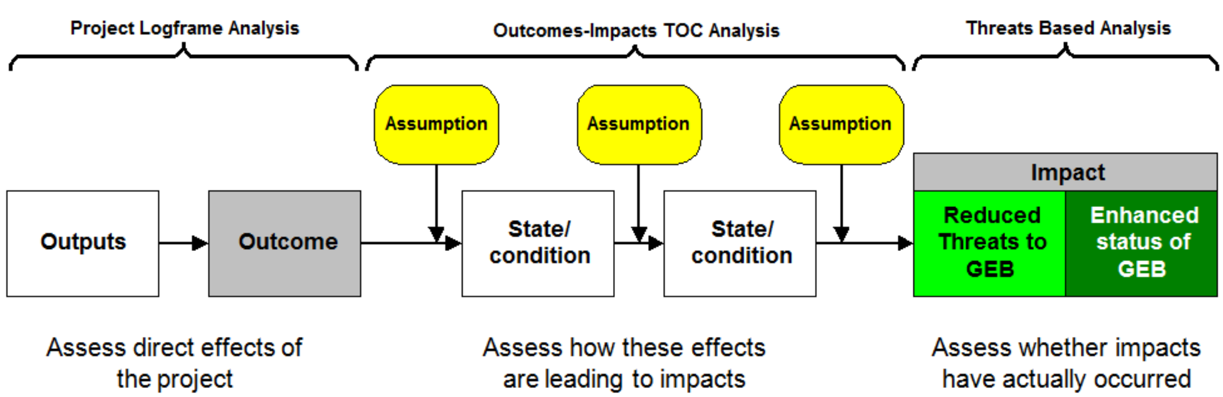
8. The GEF approach to impact evaluation begins by identifying assumptions in strategies, programs, and projects as to "who is supposed to do what" after GEF support has ended, and how these actions would lead to reduced environmental threats or enhanced environmental status. It follows the outcomes of GEF interventions into intermediate states that are supposed to ensure drivers that would lead to impacts through the reduction of stress factors, risks, or reduced threats that would lead to an enhanced status or an improved trend in the environment—and sometimes a direct change in status or trend. This tracking from outcomes through intermediate states to impact has been termed by the GEF Evaluation Office the *review of outcomes to impact* (ROtI) methodology. Through this methodology, the Evaluation Office reviews whether there is evidence that follow-up activities in fact take place and whether partners assume their responsibilities and if this is leading to changes in behavior, in markets, and in management of natural resources, and ultimately leading to global environmental benefits.

9. It is important to note that although the graphical representation of the ROtI methodology and framework appears as a linear progress from outcomes through intermediate states to impact, the reality of multiple and parallel actions by multiple actors, taking shape through multiple avenues of action, is well recognized and taken into account in the actual reviews. In other words: the linear representation of progress from outcomes to intermediate states to impact should be taken as a simplification of a multi linear process.

10. The main sources of independently verified knowledge of GEF results are project terminal evaluations and their reviews, thematic evaluations of the Evaluation Office or other independent evaluators, country portfolio evaluations, and OPS4 studies. Three additional tools have been developed to assess progress toward impact: (1) a desk review ROtI, (2) a field review ROtI, and (3) a full impact evaluation. OPS4 includes 189 desk reviews, 9 field reviews, and 2 full impact evaluations, one on three protected areas in East Africa and one on the GEF portfolio of projects intended to reduce ODS.

11. It is important to stress that the ROtI review, although primarily a desk exercise, is based on independent or independently verified evaluations that included field work. In other words: this is not paper on top of paper, but analysis of what objective and independent evaluations of GEF projects have revealed through a systematic framework. Looking at existing evidence from a new perspective allows comparison between achievements and judgments on progress toward impact that was not inferred or made explicit by terminal evaluations themselves, or not in the same terminology or with the same rigor.

Figure 3.1.2. ROtI evaluation framework



12. All desk reviews first identifies the strategy which the project employs, and establishes the *theory of change* of the intervention. They then assess the causal pathways from outcomes through intermediate states to impact. Finally, the projects are rated. The cohort of projects reviewed started with 210 projects for which terminal evaluations had been submitted since fiscal year 2005. Of these, 210 several projects did not go through to a final rating, for several reasons, varying from insufficient data, to the nature of the project (targeted research and umbrella projects), or due to the stage of activities (if follow-up phases were envisaged). Of the OPS4 cohort 189 projects did receive a ROtI rating. The Ozone Depleting Substances impact evaluation rated all ODS projects for progress toward impact, and this meant that 205 projects received ROtI ratings, with some bias towards the full ODS portfolio.

13. When all ratings were available, a check was performed to see how the ROtI ratings on outcomes complemented the Annual Performance Report's ratings for terminal evaluations on outcomes. The ratings measure different aspects of outcomes. The APR ratings focus on achievement of intended outcomes, whereas the ROtI rate for achievement of outcomes and their design elements that would enable progress toward impact. Furthermore, the ratings use different scales. This leads to a slightly lower overall rating score for outcomes in ROtIs versus outcomes in the APR. Further methodological development should lead to a fuller understanding of the complementarities of the two sets of ratings.

14. A second check was performed on the "intermediate states" ratings of ROtI versus the ratings for sustainability of the APR. This check showed more significant differences than the outcomes comparison, because the perspectives of the ratings are fundamentally different: "intermediate states" rate the degree to which conditions have been met in order to progress towards global environmental benefits, whereas "sustainability" is concerned with maintaining gains achieved at the outcome level during the project lifetime. A comparison of the ratings shows this difference is consistent across both successful and less successful projects. The ROtI ratings offer a diagnostic on what is needed get intermediate states moving forward to achieve impact.

15. Lastly, the ROtI desk reviews were also used to find independent evaluative evidence of having achieved impact by project closing. This rating, which cannot be compared with any APR rating and is new and additional, identifies whether the mechanisms enable the delivery of impact actually "works". What is measured in this rating? In many projects there is evidence of global environmental benefits at project end. If so these projects receive a "plus" rating on impact evidence. These benefits are often relatively small and not yet sustainable; they are often a tiny part of what the project aimed to deliver and they may disappear or remain small if no follow-up is taking place. However, they demonstrate that the mechanisms to achieve the global benefits at least theoretically "work" in a particular project and have been documented by project closing.

16. It has to be recognized that for many projects it is not yet possible to record impacts, let alone global environmental benefit, at project termination, because the causal mechanism employed would only start showing proof of impact over a number of years. For example, the health of an ecosystem may take a significant amount of time to restore. For some categories of projects, impact can be demonstrated much earlier, and new technologies that reduce greenhouse gas emissions are a case in point. Climate change, POPs and ODS are focal areas where projects could potentially show evidence of immediate impact, albeit on a small scale, whereas biodiversity, international waters and land degradation require patience before the ecosystems show signs of recovery. The impact achieved at project termination has to be seen as proof of the mechanism rather than the full scale intended impact, because it is not yet been scaled up to the intended level and has not become sustainable.

17. The ROtI methodology uncovers the pathways from project termination to intended impact and sheds light on what could be done to hasten progress or even achieve progress in the case of failure of the project. A project may not have delivered its intended outcomes, but it may have nevertheless demonstrated that the mechanism it employed to achieve impact does function – in other words: a secondary, better designed project could take this up, because proof exists that it can be done, even if the previous project failed. Another project may have satisfactory outcomes, designed for progress, yet could not show any follow-up. Nevertheless, it may have also demonstrated impact – so it is potential "low hanging fruit" for follow-up action to achieve solid progress toward impact.

18. These aspects of the new methodology need to be further developed in the GEF partnership. The Evaluation Office will discuss the findings with the Secretariat and the Agencies to see how lessons learned could be incorporated into focal area strategies, into project proposals, and also how to include ROtI aspects in mid-term evaluations and supervision. Most importantly, GEF operational focal points could mobilize support from their own and other ministries to enable intermediate states to progress toward impact, and redress situations where intermediate states did not materialize or have not been envisaged.

Progress toward impact of the GEF portfolio of finished projects

19. Ratings were combined to identify projects whose outcomes were making solid progress towards impact (outcome ratings A to C, and intermediate states ratings A or B), versus projects that currently have no progress toward impact (intermediate state rating C combined with outcome ratings C and D, or intermediate state D except for outcome rating A). All other projects have combinations of ratings that are promising, but also show that additional action needs to be taken to ensure that the outcomes of these projects proceed toward impact.

20. Of the 205 rated projects, 80 intermediate states show solid progress toward impact, whereas 64 need further action, and 61 currently show no progress. Impact was demonstrated in all three categories, which is indicative of the differences across focal areas in terms of the meaning of measured, documented impact, as described previously; but, it may also illustrate the potential to turn failures into successes. One third of the projects that currently show no progress from outcomes to intermediate states, nevertheless, have shown that impact can be achieved through the mechanisms and strategies they employed (new technology, improved management, changes in land or fertilizer use, etc.). In terms of funding, relatively large projects seem to make better progress toward impact and have a higher rate of demonstrating early impact. This is illustrative not only of availability of resources to execute project activities, but also a typically longer time-frame of execution, and larger scale of potential impact. The reverse is observed among projects with lower ratings; the smaller projects tend to be more likely to demonstrate impact. The reasons for these differences are both general and particular, and are drawn out in subsequent focal area chapters. Based on these findings, several hypotheses could be tested by the Evaluation Office in future impact work.

Table 3.1.1. Progress toward impact in numbers of GEF terminated projects

	# of projects	%	Impact demonstrated	%
Solid progress	80	39	44	21
Progress needing further action	64	31	24	12
No progress	61	30	21	10

Table 3.1.2. Progress toward impact in amount of funding

	Amount in US$ m.	%	Impact demonstrated	%
Solid progress	385	44	255	30
Progress needing further action	278	33	170	20
No progress	195	23	25	3

21. There is no international benchmark which will help the reader to understand these ratings and what they tell us about the GEF. No international agency has independent evaluative evidence rated its portfolio performance beyond the outcome level. Many agencies and funds have increased their work on impact evaluations, but have not yet done so on the portfolio level. Furthermore, many agencies narrowly interpret impact evaluations as focused on the counterfactual and the causal mechanism supposed to bring impact. There is no other agency or fund yet that is measuring its contribution to impact in a systematic manner for its full portfolio.

22. That the GEF is the first agency to move in this direction means that the GEF cannot yet be positioned vis-à-vis other agencies, as it can on outcome ratings. The progress shown in tables 6.1 and 6.2 can currently only be interpreted in the GEF context. The ratings show the importance of follow-up actions after the projects end and the importance of the GEF focal points, their governments, and local partners in the private sector and in local communities to ensure sustainable global environmental benefits.

23. In discussing the new GEF monitoring and evaluation policy with GEF partners, emphasis will be put on how this new methodology could be integrated into the new Results Based Management framework that the GEF will be working on for GEF-5.

[1] GEF, *OPS3: Progressing towards Environmental Results: Executive Version* (Washington, DC, 2005), p.16

Chapter 3.2 – Climate Change

1. This chapter brings together the evidence from various sources on the climate change focal area and starts with the conclusions and recommendations. The main emphasis is on whether the focal area has followed convention guidance, its portfolio overview, the review of the progress of finished projects toward impact and a reflection on what this progress means for the GEF climate change strategies. The first section of the chapter deals with mitigation of climate change through reduced or avoided green house gas reductions. The second section focuses on adaptation to climate change, in particular an evaluation of the Least Developed Countries Fund.

Conclusions

2. GEF climate change funding has supported a solid level of achievement of progress towards intended Global Environmental Benefits, both in reduction or avoidance of green house gas emissions and in sustainable market changes.

3. Despite this achievement, the GEF contribution to reduction in green house gas emissions is quite small in comparison to the emissions reductions required at the global level to ensure a more sustainable development path.

4. Projects which show higher progress toward global environmental benefits demonstrate more specific attention in design and/or implementation to: steps necessary to catalyze government commitment from national to local levels; coherent financial, policy, tariff and/or tax incentives to influence the market; commitment of resources necessary to scale up project benefits; measures to generate and encourage lasting commitment of key national stakeholders.

5. Progress toward global environmental benefits also depends on ongoing and long-term support from governments, private sector and local communities after the project has terminated.

Recommendations

6. In order to reach the full potential contribution of GEF projects towards global environmental benefits, projects need to be designed and implemented as much as possible to ensure local ownership, continued government support and on-going availability of funding after project closure.

7. However, support of such actors cannot be guaranteed by any project. This suggests the value of a portfolio approach on the national level which is currently only present in larger GEF recipient countries. A portfolio approach which includes national GEF programming and follow-up, including monitoring, supervision and evaluation, will enable recipient countries to fully support and maximize progress toward global environmental benefits.

8. Based on emerging evidence on impact drivers essential for progress toward global environmental benefits, the GEF Secretariat should ensure that its tracking tools encompass this longer term perspective. Council should approve and finance what could be a substantial exercise: developing and monitoring indicators for progress toward impact, integrated into the results based management system of GEF5.

Convention Guidance: Mitigation

9. The GEF acts as an operating entity of the financial mechanism to the UNFCCC and also acts as the Secretariat for the Adaptation Fund Board (which as a recent development has not been assessed in OPS4). During GEF4, the UNFCCC Conference of the Parties (COP) has met three times generating guidance on several issues such as technology transfer, national communications, impact of the RAF and simplification of processes in the GEF. In addition, guidance was given for the Least Developed Countries Fund and Special Climate Change Fund which will be reviewed in the section on adaptation. Table 3.2.1 shows the guidance to the GEF during GEF4 on mitigation and the response of the GEF.

Table 3.2.1 – Guidance to the GEF from COPs during GEF4 on Mitigation and GEF Response

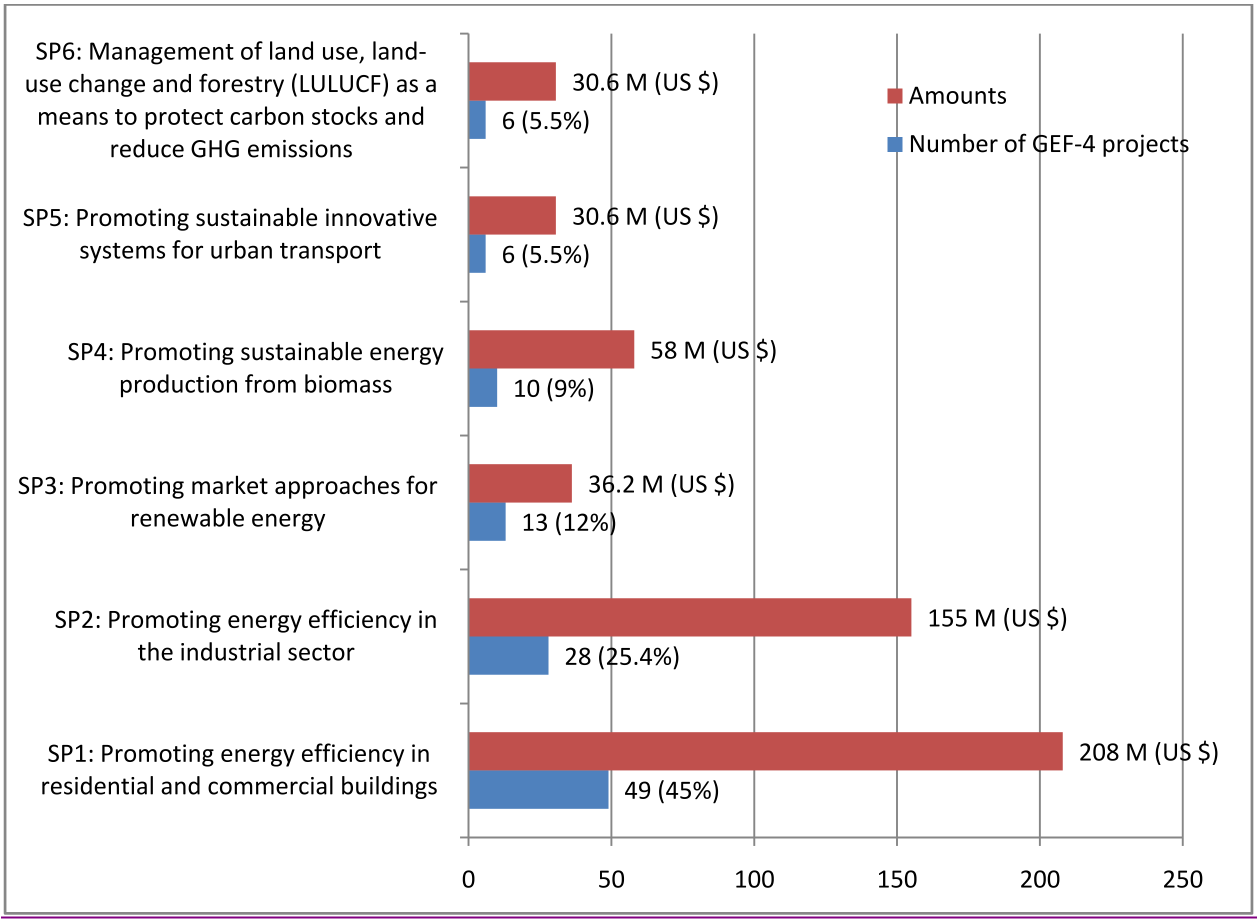
UNFCCC Theme	GEF response	Comments
Support to address developing countries needs for environmentally sound technologies	Support to a global program, Technology Needs Assessment (TNA), has been launched (implemented by UNEP) A call for proposals for technology transfer pilot projects was issued on March 2009	Too early to assess but GEF strategies in CC are supportive of technology transfer. In addition, the GEF supports improvements in the enabling environment at the national and regional levels which are necessary for technology transfer. TNA: project approved in June 2009
Address gaps identify in GEF regarding technology transfer; leveraging of private sector	To be included in GEF5	GEF report to SBI 30 on the implementation of the Poznan Strategic Program on Technology Transfer.
Report to COP16 on progress made above	GEF to provide a report to COP15 (Dec. 2009)	Under preparation
To fully address issues raised over the Implementation of the RAF	Working with GEF Country Support Program and regional constituency meetings	Not addressed substantially, very few group countries, for example, have accessed GEF (see Programming Resources Section).
Provide information on the nature of co-financing of projects	Analysis included in GEF report to COP15	GEF report to COP15 provides information on co-financing
To improve access of GEF by SIDs, and African countries	Two programs have been approved to assist these countries to access GEF: Programming: Pacific Alliance for Sustainability (PAS); and West African Programs.	Within PAS, 7 projects will address climate change adaptation and 5 will address mitigation. Within West Africa Programs about $45 million are expected to be allocated for climate change.
Support to 3rd or 4th national communications by the end of GEF4	GEF will continue to meet the full agreed costs related to the implementation of Article 12.1 of the convention	One project has been approved to support 3rd national communication (Argentina). Others are in preparation.
Communications with parties regarding GEF reform agenda	Country Support Dialogue, constituency	Not able to assess
Use of national consultants	GEF has conveyed this issue to GEF Agencies.	There are some evidence from country evaluations and studies that some recipient countries are relying less on international consultants (see Programming Resources section)
Simplify and streamline incremental cost	GEF has approved new guidelines on incremental cost.	Council has simplified. No validation of implementation

10. RAF implementation issues are important, particular for group countries. RAF has affected the access of group countries to the GEF, particularly for group countries in climate change; only 34 percent of countries have accessed climate change funding in GEF4 and 21 percent have received beyond $1 million. Information dissemination through the Country Support Program and constituency meetings has not reduced complaints. OPS4 found from civil society consultations that RAF is still not understood widely. Regarding national communications, very few countries have requested funding for their 3rd and/or 4th communications.

11. During GEF4 (as of June 30, 2009), Council has approved 92 projects ($446 million) and 16 PIFs ($25 million) for a total of $471 million in utilization. An additional 22 projects are classified under multifocal with a climate change component ($51 million). The majority of funding has gone to support projects in energy efficiency and then for renewable energy. About 77% of the funding has gone to energy efficiency technologies and practices ($363 million), 64% for energy efficiency projects dealing with residential and commercial buildings and the rest deal with the industrial sector. Renewable energy projects (about $36 million) have concentrated on the promoting market approaches. New low GHG emitting energy technologies (particularly from biomass) has received about $60 million. LULUCF, an important item of discussion at the convention, has received $31 million. Promotion of sustainable innovative systems for urban transport continues to receive a very small proportion of the climate change allocations (about $31 million). Twelve of the 22 multi focal projects included specific allocations to strategic priorities and most of these 12 were related to the energy production from biomass.

12. The overall conclusion is that the GEF continues to be responsive to COP guidance on the promotion of technologies and practices for energy efficiency and renewable. Regarding new national communications only one has been approved (Argentina, 3rd communication), while two other projects are under consideration for Council approval (Brazil and a global project dealing with 50 countries) . On the project level, 94 percent of projects targeted environmental priorities defined in the national development plans, programs and strategies (77 percent mitigation and 18 percent adaptation); the remaining six percent were national communications.

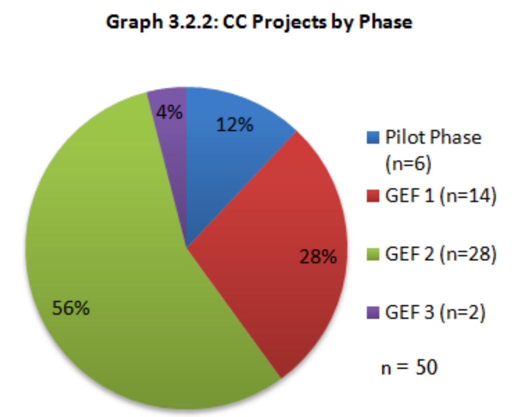
Graph 3.2.1. Projects and PIFs approved and Amounts by Strategic Programs for GEF4

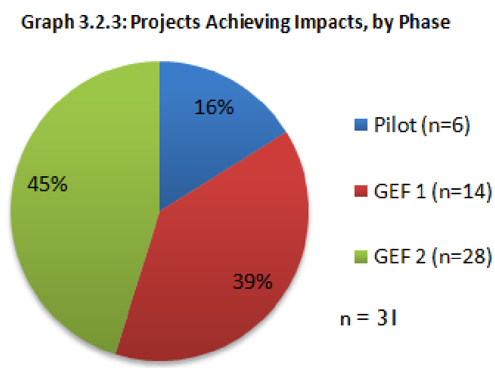


Review of Progress toward Mitigation Impacts

13. In the climate change focal area, for this assessment, an attempt was made to operationalize a definition of impacts, and to verify these by using GHG emission reductions/avoidance at project closing (based on the terminal evaluations). Graph 3.2.2 shows the overall sample of projects analyzed using the ROtI (50 in total[1]), broken down by GEF phase, while graph 3.2.3 shows that from this number, 31 projects actually achieved measured GHG impacts, accounting for 65 percent of the cohort of projects analyzed (31 out of the 48 projects for which impacts could be expected).

14. *Outcomes* typically involve results, which appear in the short term as a result of project outputs. In the climate change focal areas, this includes for instance demonstrated technical or professional capacity, increased awareness, policy implementation, regulation compliance, successful demonstration, etc. *Intermediate States* refer to secondary results following outcomes, which may lead to and promote long term changes; and includes such achievements as market transformation, replication, scaling up of activities; and mechanisms in place for sustained institutional, financial, and technical capacity.





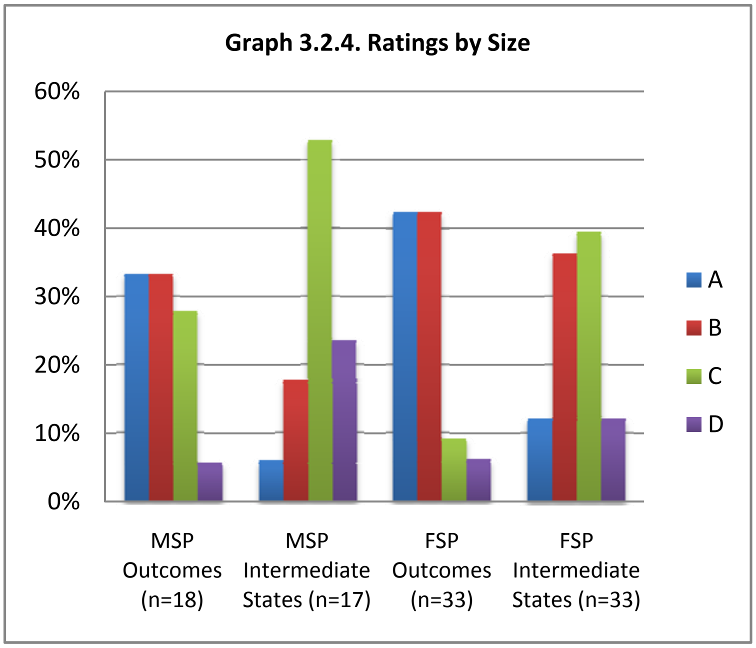
15. Table 3.2.2 summarizes the ratings coming out of the ROtI process for the cohort of 51 projects. The most common ratings relate to BC (30%), followed by AB (24%), and CD (10%). The green cells denote projects that can be described as making solid progress toward impact. The red cells identify projects that do not show such progress, whereas the yellow cells denote projects that show promise to move forward, either because of highly successful outcomes, or because of promising intermediary states. This last category will need additional inputs to ensure continued progress toward impact. Furthermore, the grey column and row show the percentages of projects with evidence of impact achieved at project termination.

Table 3.2.2. Summary of cohort ratings for Climate Change ROtIs

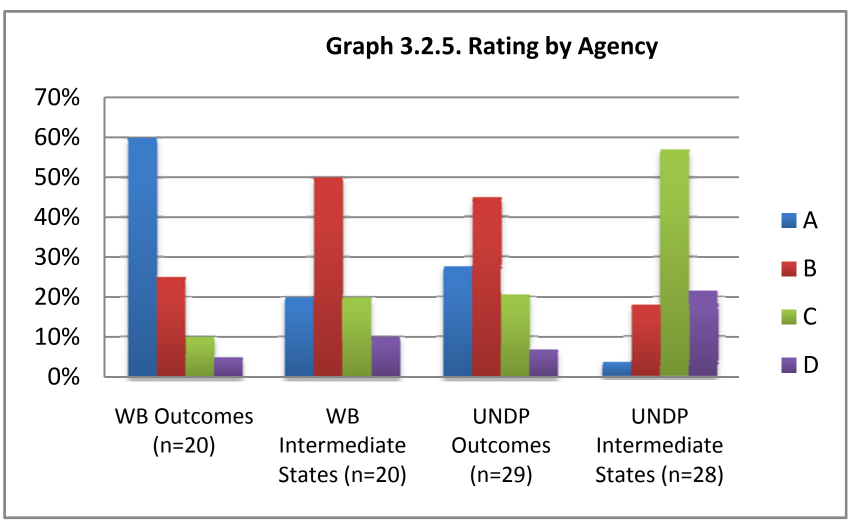
	Intermediate State					
Outcome	A	B	C	D	Grand Total	With Impact
A	6%	24%	8%	0%	38%	26%
B	4%	4%	30%	2%	40%	30%
C	0%	0%	6%	10%	16%	4%
D	0%	2%	0%	4%	6%	2%
Grand Total	10%	30%	44%	16%	100%	62%
With Impact	10%	22%	28%	2%	62%	

16. There appears to be a strong relationship between outcome achievement and impact achievement. Fully 90% of the projects rating high (A or B) in ROtI outcome achievement reported impacts in terms of measurable GHG reductions. This relationship, however, does not hold with intermediate states. This can be explained by the relatively direct relationship between outcomes and impacts. The introduction of a given technology in a demonstration project, for example, has the potential to lead directly to impact in terms of GHG emission reduction. Intermediate states on the road toward global environmental benefits in the climate change focal area refer largely to market transformation processes, which are longer term. Therefore, on the whole, intermediate states are rated considerably lower than outcomes, and measurable GHG reductions, although evident, may only be on a very small scale.

17. As shown in graph 3.2.4, Full Sized Projects (FSPs) generally perform better than Medium Sized Projects (MSPs) when it comes to outcomes, as well as with intermediate states. The success rate for FSPs is due to a range of factors. Most importantly, FSPs, in this cohort, tended to be older (all 6 pilot and 12 GEF1 projects are FSP), they thus tended to focus on the so-called ”low hanging fruit” characteristic of the first GEF projects, with larger marginal gains. In addition, over half of the FSP projects (53%; compared to 32% of MSPs) were located in Asia and Latin America, where the markets and basic management capacities are typically more developed at project inception, providing a comparative advantage in promoting market transformation, but also in terms of general project performance.



18. This is validated by complementary data which shows that projects in Asia, followed by projects in Latin America, performed generally better on outcome and impact achievement. A review of qualitative data confirms – in contrast with other regions with weaker performance – that successful projects in Asia achieve early and sustained government support, outperform market competition, and supply cost reductions to end-users; and they more readily integrate project activities into larger government objectives and legislative frameworks. Some of the assumptions that permit these successes are the continued prevalence of current energy infrastructure and of fossil fuel use, profitability in energy-savings in small and medium-sized investments, and the fact that successful pilot demonstrations could be scaled up and replicated at a large scale. To conclude, a last set of factors explaining the relative success of FSPs is the fact that, by virtue of their large scale, they are able to attract larger co-financing; and having been often in operation over longer time periods, they had the resources and time required to tackle, through adaptive management or otherwise, a number of variables related to capacity development and broader market transformation processes.



19. Implementing agencies also played a role in performance of the projects within the cohort assessed. Graph 3.2.5 illustrates that World Bank projects tended to perform better on both outcome and intermediate state ratings than UNDP (as there are only 2 UNEP projects in the cohort, they are not included in this comparison). Successes in achieving results among World Bank projects is also confirmed at the impact level, where 79% (15/19) achieved impacts, compared to a reporting of 56% of UNDP projects (15/27). Among those projects that achieved impact, 48% are WB (15/31), 48% are UNDP (15/31) and 3% are UNEP (1/31). Again, these findings are related, in particular, to project size and co-financing. As WB projects are mostly comprised of FSPs (67% or 14/21; compared to 59% or 17/29 among UNDP), they have a greater scope for financial leveraging, which is particularly valuable in terms of opportunities to scale up and/or replicate results. Furthermore, UNDP may not have placed as much emphasis on emissions reductions, since its reporting often focuses more on capacity development activities, which do not necessarily lead to 'impacts' in terms of 'calculated emissions reductions' at project closing.

20. Generally, **unmet or partially met external assumptions** that have impeded results achievement in the portfolio can be regrouped along the following broad categories, and concern the shortcoming of the projects in terms of:

- Lack of adequate and continued government support in terms of broad policies, pricing policies, regulations, codes and financing;
- Lack of cost-effective pricing of technology;
- Lack of adequate market demand for products;
- Lack of adequate and sustained behavioral and capacity change after project closing; and,
- Lack of adequate assessment of incentives in place for the use of a particular technology.

21. Similarly, **unmet or partially met impact drivers** that have impeded result achievement in the portfolio can be regrouped along the following broad categories and concern the shortcoming of the projects in terms of:

- Lack of strong government commitment (be it national, provincial, local or municipal), depending on the level of intervention;
- Lack of adequate and coherent set of financial, policy, tariff and tax incentives in place to bring about change in behavior and market;
- Lack of adequate resources available for scaling up of demonstration efforts (both from Government and from private sector, as relevant to the replication model pursued);
- Lack of adequate identification and involvement of the key stakeholders in a given market;
- Lack of continued commitment of those key stakeholders after project end;
- Lack of soundness of the pre-feasibility assessment on the development of a given RE or EE market;
- Lack of cost effectiveness of the technological shift proposed in view of the market and alternatives; and,
- Lack of adequate capacity (be it national, provincial or local) to design, implement, manage and monitor sound investments.

22. OPS4 undertook a field ROtI on The Western Java Environmental Management Project, supported by $1.74 million of GEF funding. This project sat within a much larger World Bank intervention, totaling in excess of $20 million, which was itself seen as the first part of a three-phase program. The targeted Global Environment Benefit was reduced methane generation and therefore reduced Greenhouse Gas Emissions; to be achieved by composting the organic fraction of municipal solid waste and using the compost to reduce the use of synthetic fertilizers. The overall conclusion of the Field ROtI was that the project has led to changing attitudes towards waste management and has put in place the underlying laws and processes for integrated waste management systems necessary for supporting composting. However, the government regulations, incentives and markets needed before the desired Global Environment Benefit could be reached had still not been delivered three years after project completion. The Field ROtI therefore showed that, although the project received a satisfactory outcome rating at completion, it had not been able to support changes in government regulations and incentives and had made poor progress towards delivering its intended Global Environment Benefit. However, action can be taken to bring the satisfactory outcomes forward toward intermediate states.

Progress towards Global Environment Benefits

23. About 38% of the Climate Change project cohort has made strong progress towards GEBs, based on their combined ratings for the “targeted outcomes” achieved, as measured by the ROtI method and their progress towards the intermediate states likely to be necessary for them to reach their environmental objective. At the other performance extreme, 22% of projects have made no progress towards their intended GEBs and are therefore considered highly unlikely to achieve them. 40% of the projects were in the moderate progress range, which indicates that they have produced results with the possibility of contributing to GEBs, but have not begun to take the necessary steps to do so. Additional impact drivers will need to be actively engaged to move forward after project closure, but the means and institutions to supply these drivers were not planned or put in place by the project, so the future is uncertain.

Figure 3.2.1. Progress of projects

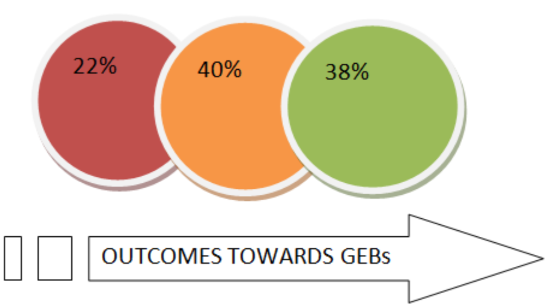
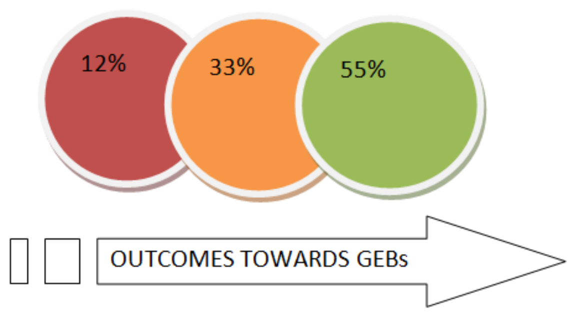


Figure 3.2.2. Progress in funding terms



24. When the ratings are placed in the context of funding provided the picture changes substantially. Fully 55 percent of the funds were spent on projects with strong progress towards GEBs and a further 33 percent on projects with a medium level of progress. These projects need new impact drivers, to progress further, but these were not put in place by the project and remain in doubt. A very small portion (12%) of funds was expended on projects, which had made no progress towards their intended GEBs by the time of their Terminal Evaluation.

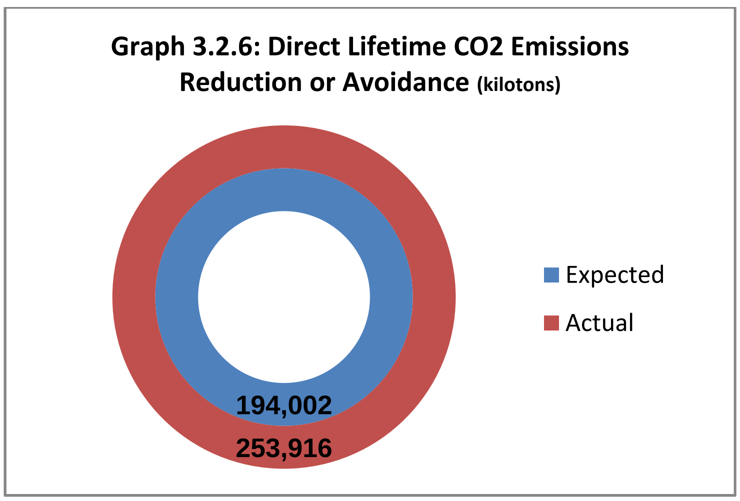
Cost-effectiveness

25. Cost-effectiveness can be explored directly from the narrow perspective of GHG emission reductions. OPS4 employed a standard methodology for the calculation of reductions and avoidance of green house gas emissions.[2] As illustrated in Graph 3.2.6, upon examining direct lifetime emissions reductions or avoidance for a sample of 31 projects (documented at project closing), actual CO2 emission reductions (according to terminal evaluations) were higher than expected emissions (according to project documents), by a large margin. This is at least due in part to the success of a single project, "Barrier Removal for the Widespread Commercialization of Energy-Efficient CFC-Free Refrigerators in China," which achieved about 127 thousand of the 225 thousand (or 56%) of the kilotons of CO2 emissions reduced or avoided in the energy efficiency cohort. Thus, including this project, and breaking down these emissions by sub-cluster (RE and EE) (see Table 3), it appears that EE projects have been the main driver within the cohort in terms of bringing about these level of performance, while RE projects seem to have achieved less than half the emission reduction/avoidance levels that were targeted, and other projects achieved only part of their expected target.

Table 3.2.3: Direct Lifetime CO2 Emissions Reduction (Kilotons), as reported

	RE (n=11)	EE (n=19)	Other* (n=3)
Expected	22,603	147,694	23,706
Actual	10,465	225,846	17,605
Cost $ per tCO2	2.71	0.45	2.22
Cost $ per tCO2 (GEF amt + Co-financing)	7.02	2.13	7.60

**Other: Esco, geothermal, carbon reduction/sequestration*



26. Building on this data on financing and CO2 emission for the 31 projects in the cohort for which a complete set of data was available, it is possible to assess relative cost-effectiveness. As Table 3.2.4 shows actual cost-effectiveness is by a large margin better than planned and comes to a figure of $0.67 per ton of CO2 reduced or avoided, with the bulk of this achievement coming from EE projects, as indicated earlier. No co-financing data has been used, given the conclusion in chapter 4.1 that co-financing in climate change often needs adjustment on whether it contributes to the baseline or the incremental funding.

Table 3.2.4: Expected and actual cost-effectiveness

	Expected	Actual
Emissions Reductions (kilotons)	194,001.93	253,915.89
Cost per ton CO2 ($US)	0.97	0.67

Relevance of findings in view of the evolving strategies

27. As mentioned already, the cohort of projects reviewed through this assessment consists mostly of Pilot, GEF1 and GEF2 projects, since projects from later GEF funds are for the most part not yet completed. Since then, the GEF strategy in the climate change focal area has evolved. For instance, based on the difficult experiences in the market with photovoltaic cells, the GEF has focused more in GEF4 on the promotion of biomass market under its Renewable Energy portfolio, confirming that lesson learning has already taken place. Of course, other significant variables play a role in shaping this evolution of the GEF Strategy beyond performance and cost-effectiveness considerations. These variables can include, amongst others, emerging areas of priority in the international sphere, specific needs expressed by recipient countries, consideration of the role of the GEF in innovation (which sometimes affects cost-effectiveness and performance in the short term as a trade off for longer term and wider impacts once the potential of new markets and technologies have been demonstrated), and last, but not least, new Convention guidance.

28. Building on all these variables, the latest evolution is the GEF5 Strategy, which focuses on 6 key objectives, namely: 1) Promote the demonstration, deployment, and transfer of advanced low-carbon technologies; 2) Promote market transformation for energy efficiency in industry and the building sector; 3) Promote investment in renewable energy technologies; 4) Promote energy efficiency, low-carbon transport and urban systems; 5) Conserve and enhance carbon stocks through sustainable management of land-use, land-use change, and forestry; and, 6) continue to support enabling activities and capacity building. A number of these areas respond to recent UNFCCC Guidance on CC mitigation.

29. From the perspective of the assessment above, it is of interest to note that growing attention is placed in both Energy Efficiency and Renewable Energy on the process of market transformation, and in particular barrier removal and technology transfer. As part of this approach, there is an emphasis on the need to strengthen institutions, build capacity and create the right enabling environments required for successful long term market transformation processes, as well as the introduction of cost-effective technologies. From the point of view of scaling up the results performance of the portfolio in the future, these aspects may play a key role, since market transformation has proven a difficult and complex proposition for the cohort reviewed. As was made clear by the findings on outcomes and Impacts, the key success/failure factors that require more attention under GEF 5 relate precisely to ensuring that adequate capacity and enabling environments are in place, sufficient and sustained government commitment, a thorough understanding of the market potential and dynamic, as well as appropriate technological choices and pricing policies, to name the most common ones.

30. GEF has performed better than expected in direct emissions reductions and cost effectiveness for $/tCO2 in energy efficiency; has achieved less than half of intended emissions in renewable energy, and has partially attained emissions targets for 'other' projects. Pilot and GEF 1 projects achieved higher ratings for outcomes, intermediate states, and impacts, which may be indicative of the increasingly complex and ambitious projects after GEF 1, but may also point to the "low hanging fruit" nature of the

early projects in the GEF. Related is the fact that the achievement of intermediary states toward impact has been more evident with larger projects with greater co-financing and leverage to fulfill impact drivers.

31. On the basis of the available data, the Energy Efficiency cluster seems to be more cost–effective than Renewable Energy in terms of total cost per ton of direct CO2 emissions reduction or avoidance. Given the lack of uniform reporting this hypothesis needs to be further tested.

32. Complex market transformations are difficult to attain, more so in Renewable Energy than in Energy Efficiency. Failure to deliver results, in particular when it comes to market transformation processes, mainly relate to a few key external assumptions and impact drivers.

33. There is a lack of systematic information on types of outcomes achieved and clear indicators with which to measure performance. There is a lack of systematic application of standardized emissions reductions calculations and reporting at the project and portfolio levels.

Adaptation

34. On the adaptation front no progress toward impact can be recorded yet, since the vast majority of the adaptation portfolio under the Strategic Priority for Adaptation in the GEF Trust Fund and the portfolio of the Special Climate Change Fund is relatively young. No independent evaluation of those funds is yet available. The exception in this area is the LDCF, which has been evaluated through a joint Danida/Evaluation Department and GEF/Evaluation Office evaluation. The evaluation will be published in October 2009 and could shed light, in particular, on the processes and the outcomes of capacity building leading to the development of the NAPAs; although here again, priority pilot projects emerging from these NAPAs are at a very early stage.

Convention Guidance on Adaptation

35. **Strategic Priority on Adaptation (SPA).** Within the GEF Trust fund and climate change focal area, Council allocated $50 million to support projects on adaptation which deal with global environmental benefits. As of the end of FY09, Council has approved 22 projects totaling $47.4 million from GEF. About half of them are in the biodiversity focal area, 35% in land degradation and 20% in international waters.

36. **Special Climate Change Fund (SCCF)**: GEF has responded to COP decisions to create the Special Climate Change Fund (SCCF) to finance activities in the following areas: (i) adaptation, (ii) transfer of technologies, (iii) energy, transport, industry, agriculture, forestry, and waste management; and (iv) activities to assist developing countries whose economies are highly dependent on income generated from the production, processing and export or on consumption of fossil fuels and associated energy-intensive products in diversifying their economies. Donors are allowed to allocate their contribution to particular items. About $114 million has been approved covering 38 projects. About ¾ of the funding has gone to item (i) adaptation, for 27 projects, which was also identified by Parties as the top priority. No projects (nor funding) has been approved for item (iv).

The Joint Least Developed Countries Fund evaluation

37. The Least Developed Countries Fund was established in 2001 by the UNFCCC COP at its seventh session in Marrakech, Morocco, to support the LDCs work program, including the preparation of National Adaptation Programs of Action (NAPAs), to identify and fund urgent and immediate adaptation actions in LDCs and to strengthen national capacity. Parties requested the GEF, as an operating entity of the financial mechanism of the UNFCCC, to operate the LDCF under the guidance of the COP. The GEF proceeded to create the Least Developed Countries Fund as a separate entity from the GEF Trust Fund, with its own Council, procedures and management. The 10 GEF Agencies have direct access to Least Developed Countries Fund to support Least Developed Countries in the identification, preparation and implementation of NAPA priority projects. Annex I countries contribute to the LDCF on a voluntary basis.

38. As of the end of May 2009, the Least Developed Countries Fund received 176.5 million. The fund has provided funding ($2 million) for the preparation of 48 NAPAs (all Least Developed Countries Parties to the UNFCCC) through three GEF Agencies: UNDP (31), UNEP (15) and World Bank (2). In addition, 26 NAPA priority projects were funding for total of $85 million with an indicative co-financing of $162.3 million.[3] At that point, only one project has reached implementation. Another 4 projects have received GEF CEO endorsement and are with UNDP to begin implementation (all 5 projects are implemented by UNDP). The other 21 projects have received PIF endorsements and the GEF Agencies are preparing the project documents for CEO endorsement.

39. The evaluation concludes that the GEF has fulfilled the UNFCCC request to set up a separate fund for Least Developed Countries which has been capitalized. The Fund has covered the agreed full cost of preparing all relevant NAPAs and 41 of 48 have been completed. It has taken on average 4 years to prepare them. NAPAs are important statements of LDC needs for urgent and immediate adaptation actions. NAPAs have contributed at an early and critical stage to increasing awareness in Least Developed Countries of climate change adaptation challenges and priority adaptation needs. Some have become key government statements of adaptation needs.

40. Priorities identified in NAPAs are largely project type interventions targeting specific activities in single sectors: food security, early warning systems and disaster relief, education and capacity development, human health and water resources. The NAPA processes have not directly addressed thematic and transformative approaches required for more effective adaptation planning and implementation.

41. Following NAPA completion it has taken on average of 1 year and 4 months (450 days) for priority project identification forms (PIFs) to be approved by the LDCF: 320 days for the country and GEF Agency to prepare a PIF to be submitted to GEF, 100 days for the PIF to be CEO endorsed and 30 days for the PIF to be approved by Council. Since there has been very few projects actually approved by Council there is not available data on this. Each of these steps includes inputs from different actors from national governments, GEF Agencies, GEF Secretariat, and Council. COPs have requested the GEF and its Agencies to expedite this process. The 2006 Least Developed Countries Fund Programming Paper was intended to speed up planning and implementation of priority projects by simplifying the application of incremental cost principle (replaced by “additional cost” and sliding scales); review and approval of projects on a rolling basis; Council approval under “no objections” projects under $2 million. The GEF

Agency country offices are currently attempting to improve their capacity to deal with climate adaptation issues, which has been limited in the past.

42. The Least Developed Countries Fund is addressing a complex subject that is new to many of the actors involved in countries with poorly defined climate adaptive capacity.

43. The scale of the financial resources made available by contributory countries to the Least Developed Countries Fund is insufficient when compared to the aggregate cost of addressing the priorities identified in NAPAs. The unpredictability of the contributions has impaired the LDCF administration in being able to program the implementation of adaptation needs across all LDCs. Furthermore, due to the narrow prioritization process and the reduced expectations related to the limited funding, the true national scale and total costs of climate change adaptation were underestimated in the Least Developed Countries Fund supported NAPA processes.

44. Least Developed Countries expressed strong support for the continuation of the LDCF but significant discontent with the lack of expeditious access to Least Developed Countries Fund support for NAPA priority project implementation. The complexity of the structure and procedures of the LDCF (the sum of all the parts) has hampered their understanding of the workings of the fund. For example, Least Developed Countries are not directly represented in the LDCF Council but through constituencies; they have little effective control over either decisions or the management of resources; GEF Agencies have relied heavily on independent consultants rather than on public sector experts, reducing the possible institutional sustainability and public sector capacity development; limited clarity on how principles such as sliding scale apply; expectations of more expeditious access to funding.

45. The evaluation recommends to UNFCCC Parties that they should consider the future role and institutional arrangements of Least Developed Countries Fund given that the context of the LDCF has changed since its creation. Additional funds have meanwhile been created, additional information about the severity of climate change has become available that implies additional costs and urgency and a precedent has been set by the COP decision to endorse direct access for countries in the Adaptation Fund.

46. Furthermore, the evaluation recommends that UNFCCC Parties should convene a multi-stakeholder dialogue to review the requirements of reform of the Least Developed Countries Fund in terms of the governance structure and operations of the Fund, including ways to achieve more expeditious access to funds, the role of the GEF Agencies, and the support policy frameworks tailored to specific country needs. Finally, any replenishment of the Least Developed Countries Fund should take into account the reforms required taking into account that sufficient to support whole NAPA programs, rather than individual project implementation.

47. To Least Developed Countries governments the evaluation recommends a climate change adaptation planning cycle to coordinate the investment funds available from all sources. Ministries of finance and/or planning could take the lead. NAPA findings should be taken into account when developing SWAPs and other sector investment programs. Furthermore, governments should support the establishment of strong national inter-institutional arrangements for adaptation planning in order not to lose the momentum gained from NAPA processes.

48. Development partner agencies should support Least Developed Countries governments to implement NAPA priority activities, designed to maximized national capacity development and integration into development and policy reform and should seek alignment of their development support with Least Developed Countries adaptation priorities as expressed in NAPAs.

49. The LDCF Council should draw on lessons learned from LDCF performance in a more systematic way. This would allow better responses to the guidance and requests from the COP. Furthermore, the timeliness and thematic breadth of the advisory support to the LDCF Secretariat needs to be strengthened. Recognition of particular and diverse circumstances of Least Developed Countries should mean that better tailored procedures for expeditious project preparation and approval should be employed.

50. The Least Developed Countries Fund management should introduce a common tracking procedure across the agencies, so that the status of a given project may be found irrespective of where it is in the cycle and with which agency it is in the process. Systematic and inclusive learning and reflection processes should be initiated alongside NAPA priority activity implementation so that Least Developed Countries and other stakeholders can draw lessons and identify ways to improve adaptation delivery.

51. In order for the Least Developed Countries Fund to play a complementary role to the emerging other climate change financing mechanisms greater responsiveness and flexibility of procedures will have to be introduced.

52. All the NAPA priority projects should use evidence-based inquiry into the ways climate change effects are differentiated between genders, introduce measures that identify women's vulnerability to climate change, and listen to the voices of climate vulnerable women.

53. Lessons relevant to the establishment of global funds for climate change adaptation:

(a) The scale of financial resources and the reliability of replenishment are crucial. If resources are too limited to handle all countries at once in an effective manner, ways should be sought to allow countries to be addressed sequentially.
(b) Funds that need to be mobilized quickly require clearly defined program design including a clear overall management strategy focusing on performance and achievements within clear deadlines; quickly genera a program pipeline with projects ready and mature enough for financing. Moreover, adaptation is still a young discipline and it is necessary for a fund to have a large degree of flexibility and to be able to deliver the specific financial and technical resources the different countries need.
(c) In countries with limited technical and human resources capacity, bottlenecks will occur in project preparation that will prevent the full benefits of adaptation considerations being integrated into national policies and programs.
(d) The ability to monitor and track achievements and results needs to focus not only at project level but also at the program level.
(e) The emergence of new funds for adaptation demands at the sequencing and synchrony of funds' objectives, targets and duration are carefully considered to maximize coverage and impact.

Results Based Management and Tracking Tools

54. The climate change tracking tools have a mix of a mix of "enabling environment" type indicators and some project specific outputs or outcomes. This information would be useful to the GEF Secretariat and also, to some extent, for evaluation purposes. The major challenges are not so much in the tools themselves, which seem sound enough in principle, but in who will gather accurate data at the field end and who in the Secretariat will have the time and expertise to work on the tools. These tracking tools would require a very substantial effort to collate, provide quality assurance and analyze; and this would require specific resources in the GEF Secretariat if it is to be done properly. If these resources are not forthcoming, the tools will not be useful at all. The challenge is now to ensure sufficient resources during GEF5 and to integrate indicators that derive from the progress from outcome to impact review into the tracking tools. The Secretariat should be encouraged to put this type of activity high on its priority list for actual resources and it should ask Council to approve what could be a substantial exercise. The tracking tools were developed through hard work by a lot of dedicated staff; the next step should turn this into a tool including indicators for progress toward impact, integrated into the results based management system of GEF5.

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[1] Three (3) of the projects in the original cohort of 51 were Enabling Activities which had no emission target or expected global environmental impact, 1 was a regional project split in two, and thus accounting for two (2) projects in the sample, while one was missing its ICR, bringing the total accounted for to 50 in this sample for impacts.

[2] GEF Evaluation Office – Guide to OPS4 2008 GHG Emissions Analysis, August 2009 (www.gefeo.org).

[3] During the June 2009 Council session additional projects were approved: 29 out of the 48 LDCs have received at least one NAPA implementation project (3 couries have 2 projects and 1 has 3 projects).

Chapter 3.3 – Biodiversity

1. Preventing the loss of globally important biodiversity is one of the longer term goals of the GEF – but at the same time one of the most complex. Nobody can tell a butterfly to go forth and multiply: it has to do so itself. We can only create circumstances which are conducive to procreation, the results of which will not be immediately visible. This chapter presents the evidence from various sources on the biodiversity focal area. The main emphasis is on whether the focal area has followed convention guidance, its portfolio overview, the review of the progress of finished projects toward impact and a reflection on what this progress means for the GEF biodiversity strategies.

Conclusions

2. GEF has been responsive to CBD guidance, particularly on issues related to conservation and sustainable use through more effective management of protected areas) and mainstreaming biodiversity into productive landscapes/seascapes and sectors). Access to biosafety has not kept up with potential demand based on the number of countries that have completed national frameworks.

3. 40 percent of completed projects in the OPS4 cohort (62 percent of which were GEF2 projects and 27 percent GEF1 projects) have made strong progress towards global environmental benefits (GEBs); while 30 percent of projects have made little or no progress towards GEBs. The remaining projects are between these two clear positions, having made some progress, but without establishing the means to continue this after project completion.

4. Projects which show higher progress toward global environmental benefits demonstrate more specific attention in design and/or implementation to ensure that effective local ownership is fully operational before project completion. Progress toward global environmental benefits crucially depends on ongoing and long-term support from governments, private sector and local communities after the project has terminated.

Recommendations

5. In order to reach the full potential contribution that GEF projects can make towards global environmental benefits, projects need to be designed and implemented as much as possible to ensure local ownership, continued government support and on-going availability of funding after project closure to support the biodiversity strategy's focus on sustainable biodiversity conservation.

6. However, support of such actors cannot be guaranteed by any project. This suggests the value of a portfolio approach on the national level, which is currently only present in larger GEF recipient countries. Such an approach would include national GEF programming and follow-up, including continuing institutional support, monitoring, supervision and evaluation, and would assist recipient countries to maximize progress toward global environmental benefits.

7. Based on emerging evidence on "impact drivers[1]" essential for progress toward global environmental benefits, the GEF Secretariat should ensure that its tracking tools fully encompass this longer term perspective. Council should approve and finance what could be a substantial exercise: developing and monitoring indicators for progress toward impact, integrated into the results based management system of GEF5. This would be particularly useful in the context of the more systemic approaches, which have emerged in later GEF biodiversity strategies, the results of which will only begin to emerge in the OPS5 cohort of projects. Furthermore, harmonization between the tracking tools and

the ROtI approach could provide a powerful system of indicators, enabling more effective management of portfolio-wide progress towards impacts.

Background

8. About 60 to 65 percent of GEF resources over time have centered on protected areas as a vehicle to reduce the ongoing loss of biodiversity. OPS3 found that the GEF has had effects on slowing or reducing the loss of biodiversity where it has intervened, although global trends in biodiversity continue to be downward. It recognized that even though more areas are being protected, the proportion of species threatened with extinction continues to increase, and many individual populations continue to decline. The challenge of halting biodiversity losses imposes on the GEF the imperative to be most efficient in the use of its scarce resources and in achieving results on the ground.

9. GEF support seems to have impacted the biodiversity portfolio of the World Bank Group and UNDP in different ways. GEF support is a relatively minor component of World Bank Group lending in the environment and biodiversity sector[2] and GEF seems to complement major biodiversity-related loans and not driving country operations. The World Bank evaluation "Environmental Sustainability: An Evaluation of World Bank Group Support" adopts a broad-brush view of the whole environment sector, with little data on the specifics of the Bank's biodiversity portfolio, and still less of its GEF-supported activities. Specific field-based impact findings in the biodiversity portfolio are contained in a set of three Impact Evaluations commissioned by the World Bank of projects in Uganda, Ecuador and Indonesia five years after closure[3]. These evaluations show that in spite of the projects showing mostly satisfactory achievements at completion, results five years afterwards show weaknesses.

10. The impact of GEF on the UNDP biodiversity portfolio, however, is considerably more significant. GEF support has played a major role in driving UNDP´s biodiversity-related operations to the point of modifying the Agency's actual priorities[4]. In practice, the availability of financial resources from GEF has had a great influence on the priority setting and choice of activities of country offices. This impact of GEF resources on UNDP activities was not anticipated.

11. An additional approach to impacts developed by the GEF Evaluation Office has been that of quasi-experimental evaluations of macro-level data on the results of biodiversity interventions. These studies have not been focused only on GEF interventions, but have sought to establish key patterns of results, so far associated with Protected Areas. Two studies in Costa Rica have shown that Protected Areas have over time led to effective reduction in trends of deforestation and that this has also led to aggregate social benefits for communities surrounding the PAs. The latter social impact finding suffered from one substantial area of missing data, inherent in the secondary statistical sources on which the analysis was based; namely the absence of time-series data on social inequality. A parallel study of Protected Areas in Thailand produced a similar aggregate income finding, but found that social inequality had also increased to an extent which had not occurred in a controlled comparison group of areas. This finding is in agreement with the situation noted in many case studies of the social impacts of Protected Areas, including some of those included in the GEF study of "Local Benefits". Whereas it has not been possible to aggregate the findings of such case studies, aggregation is possible using quasi-experimental methods and the two approaches therefore offer an element of "triangulation" of this phenomenon.

Convention Guidance on Biodiversity

12. The GEF, as the operating entity of the financial mechanism of the CBD, provides financing to country driven projects in accordance to GEF strategies in the biodiversity focal area. The GEF strategy is

guided by the Conference of the Parties guidance. All COPs have provided guidance to the GEF on the policy, strategy, program priorities and eligibility criteria to be followed in providing financial assistance to developing country parties for purposes of the Convention. Much of the decisions are geared towards support of programs (ie, protected areas, island biodiversity, etc.) and some others are in support of very specific projects, some of them responding to specific agendas of specific stakeholders and constituencies to the COP (ie, Global Biodiversity Outlook, Biosafety Clearing House Mechanism). The overview of COP guidance and the GEF response is incorporated in table 3.3.1.

Table 3.3.1 – Overview of COP guidance to the GEF during GEF4 (COP8 and COP9) and GEF response

CBD Theme	GEF Secretariat response	GEFEO Assessment
	Biosafety	
Support implementation of the protocol (COP8)	GEF Council approved the Strategy for Financing Biosafety, which prioritizes the implementation of the protocol, in particular the Updated Action Plan for Building Capacities for the Effective Implementation of the CPB.	GEF strategy (SP6) was approved as a response to the MOP request
GEF to assess impact of RAF in the implementation of the Protocol (COP9)	Issue has been put forward to GEF CEO for her consideration	GEF responsiveness during GEF4 has been limited to the approval of 26 PIFs (potential value of $25.6 million) for NBF implementation but none of them have been approved by Council.
National reports (COP9)	Under consideration for GEF5	None seem to have been approved in GEF4
Support to Biosafety CH project (COP9)	Support under consideration.	Support is under consideration. A PIF was recently approved (Sept, 2009) to support 50 countries to participate in CHM.
Support to universities and relevant institutions (COP9)	Not eligible for GEF	Not eligible for GEF
Support to capacities in the areas of sampling and detection of living modified organisms (COP9)	Eligible within GEF4	Eligible within GEF4
Support to the following issues during GEF5: implementation of legal and administrative systems; risk assessment and risk management; enforcement measures; liability and redress measures (COP9)	Biosafety strategy approved by Council in 2006 and it is proposed that this continue to be implemented in GEF-5	Agree
Global Biodiversity Outlook support (COP9)	GEF to provide information but not funding	Agree
	Access to and transfer of technology	
COP9: preparation of national assessments; improve access; capacity building under EAs; support to technologies and governance and regulatory frameworks	Under consideration for GEF5	Agree
Clearing House Mechanism	Eligible in GEF4 14 (fourteen) projects were approved so far in GEF4 that support countries participation in CHM	Agree,
Biodiversity Strategies (revision and implementation)	Eligible in GEF4 both to revise but also to support implementation	Agree, implementation of biodiversity strategies has taken place through basically all projects, since these projects are approved under NBSAPs

CBD Theme	**GEF Secretariat response**	**GEFEO Assessment**
	Ecosystem Approach	
Support to apply ecosystem approach	Eligible in GEF4, most GEF3 and GEF 4 programming utilized ecosystem approach principles	Not possible to estimate, OPS4 did not do a project level review.
Support to national or sub-global assessments making use the conceptual framework and methodologies of MEA	A number of projects were supported in GEF4 that use the MEA conceptual framework and methodologies at the sub-national level (e.g., ProEcoServ project with site interventions in Chile, Vietnam, Trinidad and Tobago, South Africa, Lesotho, Mexico, etc). Projects at the sub-national level that apply the MEA conceptual framework can operationalize and apply the MEA framework in a more practical way whereas national or sub-global level the assessments may tend to remain academic exercises.	Agree
Private Sector (engaging the business community in implementation of convention)	Eligible in GEF4, GEF has seen an increase in engagement	Not reviewed in OPS4.
Global Invasive Species (financial support)	GEF4 has a strategic program (SP7). Very few countries have requested support on this issue	Agree, very few projects have been put forward by Agencies and countries: 4 national projects and 2 regionals (LAC and Pacific Islands)
	Protected Areas	
Full implementation of program of work	Eligible in GEF4 (3 out of the 7 SPs are on PAs)	At least 147 projects deal with Strategic Objective 1 (PA) for about $487 million
Specific issues: support to UNDP/GEF project (Supporting Country Action on CBD PA); climate change links; PAs remain a priority)	UNDP/GEF project has only just completed its midterm evaluation. Any future support of this type will reflect the lessons learned and codified in the project's final evaluation. This is consistent with GEF policy on phased or follow-on projects. Supporting project interventions that address building climate resilience of PA systems was eligible in GEF -4 and will continue to be eligible in GEF-5.	Not reviewed in OPS4.
Island Biodiversity (support for implementation of work program and simplify GEF processes for SIDS)	Eligible in GEF4, programmatic approach for Pacific SIDS under implementation The GEFSEC offered to facilitate the development of a programmatic approach for the Caribbean but this was not pursued by the countries. In GEF-4, SIDS received support for 31 projects totaling $82 million benefitting 34 SIDs. Sixteen (16) Caribbean SIDs received grants totaling $ 42 million covering 17 projects. 18 SIDS have also received grants under the UNDP GEF Global Early Action project to support implementation of the CBD Programme of Work on Protected Areas. A total of $3,074,858 has been allocated for SIDS under this project which is approximately 42% of	Agree on eligibility and on support for implementation of work program. No changes in project procedures for SIDS other than the approval of a programmatic approach for the Pacific.

CBD Theme	GEF Secretariat response	GEFEO Assessment
	the total project budget. A total of 18 countries of the 47 countries funded by the Project are SIDS (38%).	
2010 Biodiversity Targets	Eligible in GEF4	All projects in the GEF are related to the targets.
Fund **Fourth National Report**	Eligible in GEF4	Agree: 6 projects approved to support 3rd report.
Taxonomy Initiatives (support of work program; support to taxonomy focal points)	Eligible in GEF4	Not reviewed in OPS4
	Others	
CBD four year framework of programme priorities program to be included in GEF5	GEF will take into account when developing GEF5 strategies.	This is a good step forward from CBD to facilitate the GEF in incorporating CBD guidance and priorities.
Resource mobilization	The GEF has worked closely with the CBD on the development of a Resource Mobilization Strategy. COP 9 has adopted a Strategy which calls for the GEF to consider how it will support it. The CBD Secretariat is elaborating this request.	Agree
Information on RAF	Included in GEF report to COP	Agree
Simplify, streamline project cycle	GEF project cycle revised	Agree

13. The overall conclusion regarding responsiveness is that the GEF has been responsive to CBD guidance, particularly on issues related to conservation and sustainable use.

14. Access to **biosafety** has not kept up with potential demand given the number of National Biosafety Frameworks completed so far (110) and based on consultations with CBD Secretariat and GEF Focal Points. The Cartagena Protocol is the only protocol for which the GEF is a financial mechanism. This arrangement is under the MOU between CBD and GEF. According to the evaluation of the GEF support to the Cartagena Protocol, the GEF has contributed to the speeding up of the ratification of the Cartagena Protocol and has promoted implementation processes. Furthermore, the GEF support has been consistent with the Protocol although awareness-raising and participation efforts by different stakeholders have not been as broad as required by the protocol. There is a particular arrangement within CBD, since the MOU is between the GEF and CBD, MOP guidance is sent as part of the CBD COP guidance.

15. The Biosafety MOP has requested the GEF Secretariat to make an assessment of the impacts of the RAF. This has not been done so far. Since the introduction of the RAF, there has been a slowdown in the GEF support to the implementation of the protocol. For example:

- Under the UNEP global Development of National Biosafety Frameworks (NBFs) that was approved in 2001, UNEP entered into sub-projects with 123 countries to develop NBFs. So far only 110 have posted an acceptable NBF on the UNEP biosafety website with 13 stalled in some way, usually because government rules do not allow them to post an NBF that has not yet been approved by government.
- As of the end of June 30, 2009 there have been 24 national-level projects approved by the CEO for the implementation of the NBFs: 12 were approved in GEF2, 11 in GEF3, and 1 in GEF4. Three regional projects have been approved, two in GEF-3 and one in GEF-4.

- 26 PIFs have been approved in GEF4 for NBF implementation projects but have not yet reached the CEO approval stage.
- Therefore, 50 national-level implementation projects have been approved or are under preparation leaving 73 countries still to develop NBF implementation projects.

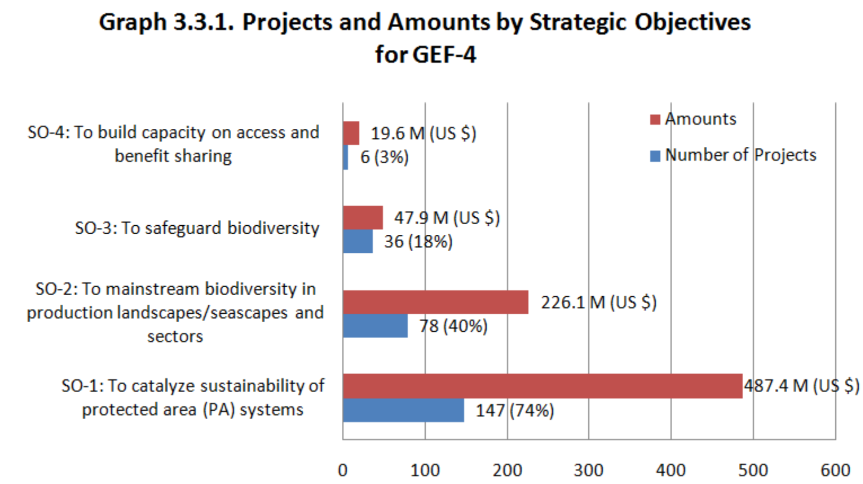
16. Lower funding and implementation levels for biosafety may have been affected by the Resource Allocation Framework given that countries need to decide how to invest their Biodiversity allocation among the strategic objectives of the GEF Biodiversity Strategy and their numerous obligations as Parties to the CBD. The demand for biosafety support may be there but due to national internal issues (for example, biosafety focal points may not participate in the GEF decision making process; biosafety may not be a recognized national priority, there is limited national capacity to identify biosafety as a priority or to develop and implement a project), biosafety projects are not developed and submitted to the GEF. If the allocation of funding for biosafety per country would have been kept separate from biodiversity then more projects could have been funded.

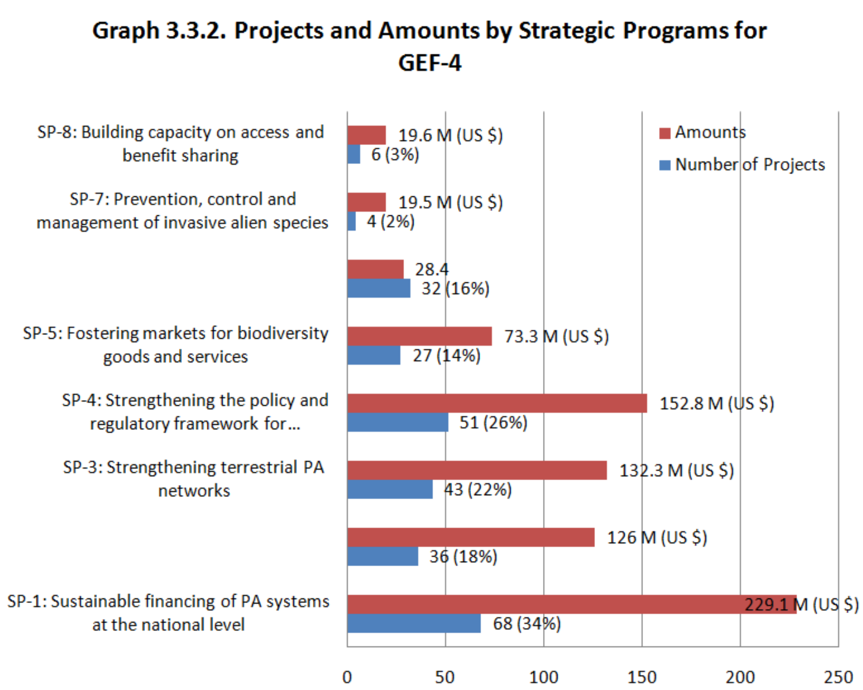
17. A new international regime for **Access to Benefit Sharing** is under preparation with the expectation that this will come into force sometime in 2010. GEF has approved all ABS projects that have been submitted to the GEF Secretariat in GEF4 under SP8 in the GEF4 strategy. The GEF has signaled its support to the future international regime in GEF5 strategy. After completion of the negotiations of the international regime, the GEF will fully elucidate project support provided under this objective in consultation with the CBD Secretariat and COP Bureau for approval by GEF council.

18. Recent figures from the Secretariat of the GEF[5] indicate that since 1991 the GEF has granted $2.3 billion and leveraged $5.36 billion to support implementation of 790 biodiversity projects in more than 155 countries. The same source reports that GEF funding has lead to the creation or improved management of more than 1600 protected areas covering 360 million hectares; and improved sustainable use and management of biodiversity in the productive landscape through mainstreaming of biodiversity in more than 100 million hectares of productive landscapes and seascapes. Through the Small Grants Programme, the GEF has invested $452 million to fund over 10,000 projects that are executed by indigenous and community based organizations in over 100 countries. GEF is undoubtedly the worlds' main financial entity for biodiversity conservation projects. GEF has also been essential for the global implementation of the Cartagena Protocol through support to the development of National Biosafety Frameworks in 123 countries and for their subsequent implementation in pilot cases.

19. During GEF4 (as of June 30, 2009) the GEF Council has approved 137 projects ($409 million), 62 PIFs ($112.6 million) and 50 multi-focal projects dealing with biodiversity ($89.4 million). Support to protected areas systems continues to be the largest allocation within the biodiversity focal area, with about 90% of the funding going to projects that deal with this issue (some of these funds correspond to projects that have more than one strategic objective).[6] There are three strategic priorities within the strategic objective of protected areas and about half of the funding has gone to supporting sustainable financing of PA systems (SP1) and about an equal amounts have gone to marine and terrestrial Protected Areas (25% for SP2 and SP3). About 40% of the funding has been allocated to projects dealing with mainstreaming biodiversity, on two priorities: strengthening the policy and regulatory framework for mainstreaming biodiversity and fostering markets for biodiversity goods and services (SP4 and SP5). The support to the Cartagena protocol has about $28 million (32 projects), while almost $20 million has gone to invasive species projects and $20 million to projects dealing with Access to Benefit Sharing. Multifocal projects have been primarily working with the effective management of marine projected

areas (16 projects) and mainstreaming biodiversity (22 projects). In addition, about $10 million of multifocal projects should be added to support Access to Benefit Sharing.





Review of Progress toward Biodiversity Impacts

20. The operational strategy for biodiversity sets forth an approach for implementing the GEF's mandate in biodiversity, in conformity with the guidance provided by the COP of the CBD. It provides a framework for the development and implementation of GEF financed activities to allow recipient countries to address the complex global challenge of biodiversity conservation and sustainable use. It also provides a framework for monitoring and evaluation.

21. In response to the Second Biodiversity Program Study of the Evaluation Office, the GEF developed strategic priorities to further sharpen the strategic focus of its operational programs. The

strategic priorities for GEF3 reflect the rich implementation experience, as well as studies and evaluations, of the decade-old portfolio. The strategic priorities internalize the guidance from the Convention and the most pertinent recommendations that have emerged from various evaluation exercises. As described in the biodiversity strategy documents, strategic priorities for GEF3 covered:

- Catalyzing sustainability of protected area systems;
- Mainstreaming biodiversity in production landscapes and sectors;
- Capacity building for the implementation of the Cartagena Protocol on Biosafety; and
- Generation and dissemination of best practices for addressing current and emerging biodiversity issues.

22. The rationale for GEF3 strategic priorities remains largely unchanged and thus, the approach in GEF4 emphasized continuity and was consistent with the recommendations from the Third Biodiversity Program Study. Nevertheless, the experience gained during GEF3 has allowed the GEF to sharpen the focus of these initial objectives. GEF4 focuses primarily on the first two strategic priorities above. These provide a flexible window to implement the guidance of the Convention and reflect current thinking in the conservation community of the need to secure protected areas while making biodiversity protection a more conscious component of socio-economic development. These are also the main contributors towards the CBD's 2010 targets. GEF4 also includes some attention to the last two objectives, although the emphasis will remain primarily on protected areas and mainstreaming biodiversity.[7]

23. ROtI desk reviews were conducted for the OPS4 cohort of 116 biodiversity projects, of which 16 projects had to be excluded from the final analysis for various reasons[8]. Thus ratings for a set of 100 projects were analyzed. This represents a major new set of data (based on field-based final evaluations commissioned by the implementing agencies) on results for the GEF's biodiversity portfolio over the past four years, which complements several other sources of data on results. The cohort was evenly split between Full Sized Projects (FSPs) and Medium Sized Projects (MSPs) and primarily included projects from GEF1 and GEF2, with a few projects from the Pilot Phase and GEF3. Almost half of the projects were World Bank projects, with another 40 percent UNDP projects and 7 percent UNEP projects; 4 percent of projects had joint implementation. Asia and LAC have similar portions of the cohort (around 30% each), while regional and Africa projects make up 17 and 18 percent respectively. The ECA region accounts for 5 percent of projects, and there was one global project.

24. Table 3.3.2 summarizes the ratings coming out of the ROtI process for the 100 projects. The green cells denote projects that can be described as making solid progress toward impact. The red cells identify projects that do not show such progress, while the yellow cells denote projects that show promise of moving forward, either because of highly successful outcomes, or because of promising intermediate states (states which need to be passed, in order to move from project outcomes to the targeted global environment benefit). This last (yellow) category consists of activities, which will need additional support (from Government, the private sector or other sources) to ensure continued progress toward impact, but for which such support had not been initiated by the time of the Terminal Evaluation.

Table 3.3.2. Summary of cohort ratings for Biodiversity ROtIs

	Intermediate State					
Outcome	**A**	**B**	**C**	**D**	**Grand Total**	**With impact**
A	14%	8%	2%	0%	24%	5%
B	1%	17%	21%	2%	41%	13%
C	0%	5%	12%	4%	21%	3%
D	0%	2%	6%	6%	14%	1%
Grand Total	15%	32%	41%	12%	100%	
With impact	5%	10%	6%	1%		22%

25. Within the biodiversity ROtI desk review cohort, 22% of projects had documented impacts within the lifetime of the project. This means the terminal evaluation included evidence of a change in the biodiversity status. However, these projects were not necessarily on the path to producing Global Environment Benefits on a significant scale. Although the achievement of a long- term change, or impact, is an important step, it normally requires to be scaled up or replicated, before it can be seen to have changed the global environment. No significant differences in terms of achievement of outcomes or progress towards global environmental benefits were identified between GEF1 and GEF2 phases, or between FSPs and MSPs.

Table 3.3.3. Biodiversity Progress towards GEBs by Agency

Agency	**No Progress**	**Medium Progress**	**Strong Progress**	**Total**
UNDP	19	12	9	40
UNEP	3	3	1	7
World Bank	6	14	29	49
Total	28	29	39	96 (4 multi-agency)

26. According to the conventional "comparative advantages" of the three Implementing Agencies of GEF activities, UNEP is placed largely in the area of enabling activities, such as research, global and regional capacity development. These areas are farthest from the situation in which direct progress towards impacts and GEBs could be demonstrated. UNDP is strongly focused in the enabling and capacity development areas, slightly nearer to verifiable progress towards impacts and GEBs than UNEP, but often still some way off. The World Bank is mainly seen as the investment arm of the GEF funds, including a number of projects in the "combined" category, which may include elements of enabling and capacity development, as well as investment. As the projects move towards "pure" investment, they have an increasing opportunity to show clear linkages towards impacts and even GEBs. Thus the desk ROtI ratings in biodiversity, based on the IAs' own evaluation data, clearly show that with regard to demonstrated progress towards impacts and GEBs, the agencies are performing precisely as would be expected on the basis of the prior allocation of responsibilities by GEF Council.

27. When examining the projects achieving different ratings, a key question is what makes a project successful (or not). A review of key met and unmet impact drivers and assumptions for each category of project achievement was undertaken. Biodiversity projects which are highly likely to contribute to GEBs have at least three main successfully met impact drivers: stakeholder ownership and support, effective financial mechanisms and adequate information flows. In addition, it can be pointed out that such projects have appropriately addressed issues of scale.

Table 3.3.4. Biodiversity Progress towards GEBs by Region

Region	No Progress	Medium Progress	Strong Progress	Total
Africa	13	5	7	25
Asia	8	12	10	30
ECA	2	2	5	9
LAC	6	11	18	35
Total	29	30	40	99 (1 global)

28. Stakeholder ownership and support is among the most commonly identified impact drivers met by successful projects, as well as unmet by less successful projects. To carry forward project results after completion, stakeholders must have ownership of the process – they must in fact be transformed from “stakeholders” to “results owners.” In many cases relevant national institutions must continue to provide political and/or financial support for GEBs to be achieved; examples include passing and implementing policies and plans and mainstreaming biodiversity concerns into policies. The support and ownership of local communities is also critical for many projects, particularly related to the effective management of protected areas. In projects related to production landscapes, private sector support can be an important factor. At the local level, ownership can also develop when community socio-economic welfare increases as a result of a particular intervention. The good and weak practices in these areas were extensively analyzed in the Evaluation Office study of “The Role of Local Benefits in Global Environmental Programs”.

29. Effective financial mechanisms in GEF biodiversity projects include a range of approaches, such as trust funds, markets for sustainable livelihoods, small grants programs, and incentives from and markets for certified products. Ultimately stakeholders need financial means to support conservation and sustainable use activities. As with stakeholder ownership, financial factors can play a role at many different levels, from alternative income generating activities for local communities to national government budgeting for competing development priorities.

30. The importance of adequate information flows is often overlooked as a factor in successful projects. This can include research, monitoring and evaluation and public communications programs. High quality data in sufficient quantities facilitates efficient resource allocation, and leads to improved decision-making. Effective information sharing also contributes to awareness-building and dissemination of experiences.

31. A wide range of key assumptions hold true for successful projects. Successful projects do not always have smooth sailing however, and the ROtI desk analysis identified some assumptions that even successful projects many struggle with. These are most often assumptions related to genuinely exogenous factors, such as socio-political stability within a country and macro-economic factors such as the relative return on investment of different land-use types, exchange rate fluctuations, and economically driven population flows.

32. An extension of these factors is the lack of emergence of unforeseen new threats. What makes biodiversity conservation so difficult is the ever-changing nature of any given set of environmental, socio-political, and economic circumstances in a geographic area. New threats can and sometimes do appear through the course of a project implementation. Such threats include infrastructure development, and changes in global commodity prices that draw pressure on resources such as timber or precious metals, or drive agricultural expansion. Among the potentially most

significant emerging threats to biodiversity at a global scale is climate change, which could, for example, shift biome boundaries and disrupt the ecological rationale for the current delineations of protected area systems supported by the GEF. For this reason, sustainability of project results must be considered a dynamic state.

33. Projects shown to be unlikely to contribute to GEBs face multiple barriers to achieving impact drivers and meeting their original assumptions, which keep them from demonstrating the progress necessary to trigger a higher rating. Commonly unmet impact drivers include:

- Insufficient technical and institutional capacity
- Ineffective or inappropriate policy frameworks, for example, related to land-tenure issues
- Lack of mechanisms for replication/scaling-up, such as dissemination strategies
- Insufficient financial sustainability; including relying on markets that are not adequately developed, or dependence on Government funding, but with a low priority to receive such funds
- Insufficient stakeholder ownership (ownership can be affected by any one of many potentially relevant stakeholder groups)
- Insufficient information/data to assess whether intended progress is actually being achieved.

34. In addition to the assumptions made by all projects, such as political stability, projects in the middle category (which are around half of all projects) often fall victim of the following unmet assumptions:

- Assumptions related to the linkage of community benefits to conservation results do not hold
- Lack of existence (and maintenance) of adequate individual technical capacity
- Inadequacy of intervention (breadth or scale) to address threats
- Political support or ownership does not materialize or is not maintained
- Unavailability of financial options, either for community benefits or general sustainability of results.

35. Projects unlikely to contribute to GEBs may fail to meet many of the same impact drivers and assumptions identified above. In addition, 14% of the projects in the ROtI desk review cohort simply failed to deliver their outcomes, also often due to factors related to the above impact drivers and assumptions. Specific issues faced by non-performing projects include:

- Achieved few or no essential impact drivers during implementation
- Failed to generate necessary support from local communities, national institutions or the private sector
- Mechanisms for replication and/or scaling up absent
- Failed to address threats relevant to attainment of objectives
- Failed to adequately assess risks to assumptions in project design or during implementation
- Lack of understanding or failure to integrate the risk of political instability in some countries
- Socio-political issues not adequately addressed, or left to other actors.

36. GEF projects often achieve outcomes such as building protected area management capacity or assisting in the establishment of institutional frameworks. However, in many cases, a protected area must be effectively managed (and monitored) for an extended period of time before it can be determined that the targeted globally significant biodiversity has been conserved. The GEF's objective to

play a catalytic role was found to be a key element of many projects' strategies. Replication and scaling up can be considered either an impact driver or desired intermediate state, depending on the time frame in which it is anticipated the replication or scaling up will take place.

Progress towards Global Environment Benefits

37. 40 percent of projects received ratings which show they have progressed towards intermediate states necessary to allow them to generate global environmental benefits. It is therefore considered highly likely that these will be achieved. At the other end of the rating scale, 30 percent of projects received a low combined rating of outcomes and progress towards intermediate states and have thus made no progress towards their targeted global environmental benefits. The remaining 30 percent of projects have produced some results with the possibility of contributing to benefits, but have not begun to take steps to achieve the intermediate states necessary to do so. For these projects it is clear that additional actors will have to continue pushing project results and activities forward after GEF funding has ceased, in order to reach the desired impact. However, the means and institutions to do this were not planned or put in place by the project. These projects are therefore shown by the ROtI approach to have made only modest progress towards the achievement of GEBs.

38. The key factors that ensure progress toward global environmental benefits are not new. They have been identified in many evaluations and in research and practitioner's papers time and again. In this sense the ROtI analysis does not bring anything new. What is new, however, is that there is a better identification whether project outcomes are really progressing toward impact, and if so, why that is the case, and if not, what can be done about it.

Figure 3.3.1. Progress of projects

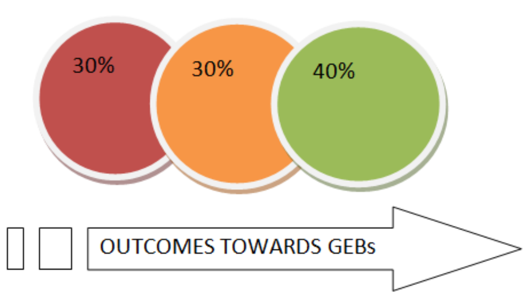
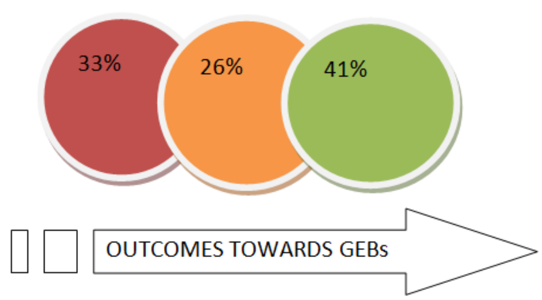


Figure 3.3.2. Progress in funding terms



39. Terminal Evaluations, which currently devote most of their attention to evaluating something which is already known (since nearly 90% of projects attain their outcomes), should focus more on the measures planned, taken and placed within sustainable financial and institutional strategies, which will take a project towards its stated long-term objectives.

Results Based Management and Tracking Tools

40. The biodiversity tracking tools were introduced in GEF3 to measure progress in achieving the outputs and outcomes established at the portfolio level under the biodiversity focal area under Strategic Objective One (catalyzing sustainability of protected area systems) and Strategic Objective Two (mainstreaming biodiversity in production landscapes/seascapes and sectors). Given changes in the GEF's biodiversity strategy for GEF4, slightly modified Tracking Tools for Strategic Objectives One (protected areas) and Two (mainstreaming biodiversity) were developed. In addition, a new tool was developed for Strategic Objective Three (building capacity in biosafety). A tracking tool for Strategic Objective Four (ABS capacity building) has yet to be developed. Outputs and outcomes derived from the

tracking tools from the GEF3 and GEF4 project cohort, respectively, are aggregated for analysis of directional trends and patterns at a portfolio-wide level to both inform the future strategic directions of the GEF and to report to GEF Council on portfolio-level performance in the biodiversity focal area on annual basis.

41. Part of the biodiversity tracking tool for strategic objective one on protected areas, makes use the Management Effectiveness Tracking Tool, or the METT which records scores to questions that measure the progress of protected areas in achieving management effectiveness as defined by the World Commission on Protected Areas protected area framework. The Tracking Tool has been developed to provide a quick overview of progress in improving the effectiveness of management in individual protected areas. The operating assumption with its application is that an effectively managed protected area is achieving its conservation management objectives and is on track to produce positive conservation outcomes. The METT has been widely adopted globally and is one of the indicators that track global progress to the CBD 2010 biodiversity target. At the level of individual protected areas the tool provides data which could be useful as background information for impacts. Notably, there is a section which analyses the threats in detail and assesses how strong each one is. However, the introduction to the tool itself notes that the tool is too limited to allow a detailed evaluation of outcomes and is really aimed at providing a quick overview of the steps in the management framework up to and including outputs.

42. Certain questions on the tracking tool are more explicitly linked to favorable conservation outcomes than others and a high total score on the METT may mask underlying weaknesses in management activities that are thought to more strongly correlate with positive conservation outcomes. Therefore, going forward, GEF should carefully analyze these relationships and augment findings gleaned from the METTs with an analysis that assessed the correlation between METT scores and conservation outcomes and impact.

43. Another section of the GEF Tracking Tool for protected areas is the "Financial Sustainability Scorecard for National Protected Area Systems" and this section is detailed and would provide very relevant information for assessing progress in maintaining the achievement of project results with regards to reducing the financing gap at the PA system level.

44. All the data being derived from the tracking tools for GEF's strategic objectives would require a very substantial effort to collate, provide quality assurance and analyze; and this would require specific resources in the GEF Secretariat if it is to be done properly. If these resources are not forthcoming, the tools will not be useful at all. The challenge is now to ensure sufficient resources during GEF5 and to integrate indicators that derive from the progress from outcome to impact review into the tracking tools. The Secretariat should be encouraged to put this type of activity high on its priority list for actual resources and it should ask Council to approve what could be a substantial exercise: to reinforce the tracking tools by including indicators for progress toward impact, and integrating these systems into the overall results based management system of GEF5.

[1] Impact drivers are "the significant factors that, if present, are expected to contribute to the ultimate realization of project impacts and that are within the ability of the project to influence" (Source: ROtI Handbook).

[2] Environmental Sustainability. An Evaluation of the World Bank Group Support 2008

[3] Assessment of the Overall Lessons Learned from Impact Assessments for Three Biodiversity Projects 2008

[4] Evaluation of the Role and Contribution of UNDP in Environment and Energy 2008; UNDP Biodiversity, Delivering Results 2008

[5] Future Strategic Positioning of the GEF 2009

[6] Many of the projects respond to more than one strategic priority so they percentages do not add to 100%.

[7] The two preceding paragraphs have been largely quoted from biodiversity strategy documents, which provide an overview of the changes in the strategies that OPS4 agrees with and probably could not improve on.

[8] Data were insufficient to develop ratings for two projects; three projects had been cancelled and a terminal evaluation was not available; one project was not rated due to being field ROtId; one project was excluded as an umbrella modality to which the ROtI methodology was not readily applicable (Critical Ecosystems Partnership Fund); three "projects" proved to be initial phases of longer-term programs' which could better be analyzed at a later stage. Six additional projects were research/targeted research projects for which impact linkages are highly indirect.

Chapter 3.4 – International Waters

1. The conclusions and recommendations regarding the International Water focal area are presented first. The historical development is briefly described, after which the current relevance of the focal area to global environmental problems is discussed. The key assumptions and impact drivers that ensure progress toward impact are presented in the next section, leading to the final assessment on the progress toward the global environmental benefits that the focal area is aiming for. The relevance of findings for GEF5 is briefly explored, after which the section concludes on the tracking tools for the International Waters focal area.

Conclusions

2. The conditions in the early 1990s that gave rise to the GEF and creation of an international waters focal area have not abated, and there are rising challenges that make the international waters work of the GEF highly relevant.

3. GEF has been instrumental in promoting new international and regional agreements on transboundary water bodies and has catalyzed implementation of several existing agreements, thus helping set the stage for national policy changes that can lead to reduced ecological stress (TORs key question 6).

4. Independently verified evidence exists that GEF projects are contributing towards the reduction of pollution and other stresses (such as overfishing) in many international water bodies.

5. Key factors that promote or hinder progress toward impact are: 1) direct engagement with industrial and agricultural interests to ensure stress reduction; 2) relevance to national priorities to ensure sustainable and increasing national financial support; 3) a robust understanding of the ecosystem services through the development of scientifically sound Transboundary Diagnostic Analyses (TDA).

6. Projects in which not all countries in the catchment area or bordering the water body are participating face difficulties in achieving progress toward global environmental benefits.

7. The absence of baselines and difficulties in obtaining monitoring data make it more difficult to determine long term International Waters project impacts.

Recommendations

8. The ROtI analysis shows that global environmental benefits need to be analyzed at the level of the water body or catchment area. The Evaluation Office plans a full impact evaluation on that level; this is fully supported by the findings of OPS4.

9. Projects which do not include all countries involved in a water body or catchment area should focus on inclusion of the remaining countries before proceeding to the investment stage. In these cases the GEF could continue to support countries willing to move forward while at the same time looking for ways to include the remaining countries.

10. The phased approach to foundational, demonstration and investment activities in International Waters should provide inspiration to other focal areas to better integrate foundational and enabling activities in their strategies, in line with convention guidance.

11. Based on emerging evidence on impact drivers essential for progress toward global environmental benefits, the GEF Secretariat should ensure that its tracking tools encompass this longer term perspective. Council should approve and finance what could be a substantial exercise: developing and monitoring indicators for progress toward impact, integrated into the results based management system of GEF5.

Background

12. The GEF strategy for its International Waters focal area builds on previous GEF achievements and experience. The long-term objectives of this focal area have remained virtually unchanged since 1995. They are:

- To foster international, multi-state cooperation on priority transboundary water concerns through more comprehensive, ecosystem-based approaches to management
- To play a catalytic role in addressing transboundary water concerns by assisting countries to utilize the full range of technical assistance, economic, financial, regulatory and institutional reforms that are needed.

13. The 1995 GEF Operational Strategy defines the kinds of transboundary concerns to be addressed under the International Waters focal area and recognizes links between the focal area and Agenda 21 (Chapters 17 and 18 on oceans and freshwater). The term "international waters" is specified in this strategy document and the GEF Council in 1995 adopted the use of the word "transboundary" in describing the shared fresh water and marine/coastal basin systems that are subject to GEF interventions.

14. The GEF portfolio extends to nearly all GEF-eligible large catchments and Large Marine Ecosystems (LME). The portfolio includes 172 projects that together have utilized $1.1 billion from the GEF Trust Fund. 154 GEF recipient countries are engaged in these projects at various degrees of intensity, with regional collaboration in 22 transboundary river basins, 8 transboundary lake basins, 5 transboundary groundwater systems and 19 large marine ecosystems.

15. The GEF does not follow guidance from conventions in international waters. This has meant that the GEF had to develop the full strategy itself. Where in other focal areas the main aim is to support countries in implementing the obligations of the convention in national policies and strategies, leading to global environmental benefits, in the case of international waters the important first steps in the overall strategy are the Transboundary Diagnostic Analysis (TDA) and the Strategic Action Program (SAP) to create a basis for international cooperation, hopefully leading to binding agreements between governments to deal with urgent problems in the transboundary water systems they share. This extra step means that foundational and enabling activities are more heavily emphasized in the first phase of collaboration than in other focal areas. They have also been fully integrated into the strategy and are seen as essential and meaningful steps to ensure the relevance of follow-up activities in the form of demonstration, piloting, innovation and later steps into investment and scaling up.

16. Cross-border challenges addressed through the GEF IW portfolio include land-based sources of water pollution, persistent organic pollutants (POPs), hazardous substances, loss of critical habitats

and biodiversity, ship waste and alien species, overuse and conflicting uses of surface and groundwater, integrated water resources management, over-harvesting of fisheries, and adaptation to climatic fluctuations (e.g., associated droughts, floods, sea level rise, reef bleaching). This is a wide array of challenges that overlap with virtually all other GEF focal areas[1].

17. Until 2006, there were three IW operational programs (Water body, Integrated Land and Water Multiple Focal Area and Contaminant). These programs were essentially a catch-all for the various IW interventions, and were criticized as being opaque and of little help in defining GEF objectives. A more programmatic approach was then developed in 2006, replacing the Operational Programs with 4 Strategic Programs (SPs):

- Restoring and sustaining coastal and marine fish stocks and associated biological diversity
- Reducing nutrient over-enrichment and oxygen depletion from land-based pollution of coastal waters in Large Marine Ecosystems consistent with the Global Program of Action
- Balancing overuse and conflicting uses of water resources in surface and groundwater basins that are transboundary in nature
- Reducing persistent toxic substances and testing adaptive management of waters with melting ice.

18. The refinement of strategies from OP to SP has helped to clarify the portfolio with respect to the type of water resource problem being addressed, however for the purposes of this analysis, a different segmentation has been used, dividing the majority of projects focused at the catchment level from global demonstration and knowledge sharing projects. Catchment and global projects tend to follow differing intervention logics and include different sets of indicators.

Relevance to Global Challenges

19. The conditions in the early 1990's that gave rise to the GEF and creation of an international waters focal area have not abated, and there are rising challenges that make the international waters work of the GEF highly relevant.

20. The role that GEF IW has played in assisting countries to implement integrated **coastal zone management**, and to control coastal pollution and erosion remains critical. The GEF multi-level approach enables support for global actions and conventions, regional (catchment) analysis and action planning, and support at national and local levels for Integrated Coastal Zone Management (ICM). This three-phased support structure sets a good foundation for coping with current and future coastal threats. ICM is a powerful tool for helping countries address environmental challenges at the local national levels, yet because of global interdependencies (global trade etc) the scale of many of the issues facing coastal areas has changed, making it difficult to tackle them wholly within country borders. Responding effectively to oil spill disasters requires regional cooperation. Dealing with the spread of invasive species via shipping requires global cooperation.

21. **Coastal fisheries** have been crashing world-wide, including depleted Cod fisheries in the North Atlantic to Blue-Fin Tuna in the Mediterranean and Sturgeon in the Caspian Sea. Coastal fisheries are a major and expanding emphasis for GEF. A recent survey of the worlds fisheries experts[2] estimates that while marine fisheries provide 15% of animal protein for humans, "80% of the world's fish stocks are either fully exploited, overexploited or have collapsed". Efforts to better manage coastal fisheries is especially targeted towards African large marine ecosystems (LMEs) and small island developing states

(SIDS) because of clear evidence that these problems cannot be managed unilaterally by a coastal state given the movements of fish stocks, the global reach of the fishing industry, and capacity constraints.

22. There is continuing evidence of increased **nutrient transfer** (particularly nitrogen) from the land to the sea, posing problems for soils and agriculture and for eutrophication and harmful algal blooms in the receiving waters.

23. GEF has increased support to assist countries that share **transboundary aquifers**. There are now five aquifer projects under implementation and two groundwater governance projects under consideration and this reflects deepening worldwide concerns about the long-term sustainability of water supplies and the potential for human conflict as well as the ecological implications.

24. The global redistribution of species provides a serious challenge in places where **invasive species** diminish resource availability and damage biodiversity. GEF, through its GloBallast projects and many Transboundary Diagnostic Analysis/Strategic Action Program projects, aims to reduce invasive aquatic species risks.

Review of Progress toward International Waters Impacts

25. The cohort of 23 terminal evaluations of international waters projects is smaller than that of the two other main focal areas, for which reason no percentages are presented. Additional evidence has been obtained from a limited review of additional project documentation, as well as more extended assessments of the Danube/Black Sea catchment basin, and the South China Sea.

26. The definition of what constitutes impact and how global environmental benefits should be defined in international waters is not easy. Projects may have contributed to reducing nutrient flow into a water body from a certain source – yet this does not mean that the overall nutrient flow from all sources is reduced. As in the other focal areas, impact has a short term and a longer term perspective. Evidence that nutrient flow has been reduced, for example, will be denoted as evidence of the impact mechanism rather than the longer term and sustainable global environmental benefit which hopefully will follow. More than in other focal areas the long-term effects of projects often takes place outside of the geographical scope of the project – sometimes a project reduces nutrient flows in an area thousands of miles away from the water body that this is meant to influence. The project as a result will not have measurements available to track what is happening elsewhere. For this reason the Evaluation Office has proposed to the GEF Council to undertake an impact evaluation on the scale of the water basin rather than on a project scale.

27. Table 3.4.1 summarizes the ratings coming out of the ROtI process for the cohort of 23 projects. The green cells denote projects that can be described as making solid progress toward impact. The red cells identify projects that do not show such progress, whereas the yellow cells denote projects that show promise to move forward, either because of highly successful outcomes, or because of promising intermediary states. This last category will need additional support to ensure continued progress toward impact. Furthermore, the grey column and row show the percentages of projects with evidence of impact achieved at project termination. An important consideration is that foundational projects are the start point of a process to set up the conditions to address transboundary environmental concerns. At this early stage of the process projects are not be expected to generate impacts and also uncertainties can be expected with regards to the likelihood of the initiative to move towards impacts.

Table 3.4.1 – Summary of cohort ratings for International Waters ROtIs (in numbers of projects)

	Intermediate State					
Outcome	**A**	**B**	**C**	**D**	**Grand Total**	**With impact**
A		6			6	4
B		2	6		8	1
C		1	3	5	9	1
D					0	0
Grand Total	0	9	9	5	23	6
With impact	0	6	0	0	6	

28. With regard to the six projects which obtained a positive score for impact during their lifetime, mainly on the basis of stress reduction achieved, we see that these were also the highest scoring projects on other aspects in the portfolio. Four of the six had achieved an "A" for their outcomes and all six scored a "B" for progress towards intermediate states, the highest score obtained by any. Of the 8 projects in the red zone seven were not designed specifically for impacts, but part of the foundational phase of support. It is therefore clear that, for this cohort of International Waters projects, the steps necessary to move along the pathway towards global environmental benefits also promote the early achievement of impacts.

29. In international waters projects, assumptions and risks included in the logical frameworks tend to be generic and process-specific. They are rarely ranked, and often do not provide an indication of the specific actions that will be taken to reduce identified risks. A sampling of the predominant reoccurring risks and assumptions mentioned in the IW catchment projects includes:

- The assumption that participating countries will act on policy and management recommendations from the project is juxtaposed against the risk that conflicting use-demands amongst the partner countries and historical animosities may make it difficult to achieve consensus on common strategies.
- The risk that scarce resources will make it difficult to sustain and replicate demonstrations is matched with the assumption that successful demonstrations will create national and international donor interest in replication and up-scaling.
- There is a risk that changes in economic, political and social conditions may detract from country commitment to, and feasibility of, pilot projects and regional coordination.
- As attention to impacts increases, it will be useful to strengthen the guidance on the detailing of project assumptions and risks in project documents, in particular relating to the achievement of stress reduction and status impacts. This may include a separate and concise note on project risks prepared by the implementing agency and attached to the final project document.

30. The causal chain analysis tool that is part of the TDA-SAP methodology helps to identify and rank risks to shared waters and to identify priority collective actions. It has been well put to use in several of the Danube/Black Sea and East Asian Seas cluster projects. It should be adapted for use in project formulation, driving the development of more effective risk reduction strategies.

31. Of the 14 foundational projects, 8 are considered likely to lead to the achievement of stress reduction and status change impacts[3], while 6 of the 7 implementation / demonstration projects are

considered likely to do so. With respect to the higher expectations that implementation and demonstration projects will yield impacts, this is logical for two reasons:

- As noted in the discussion on the sequencing and clustering of projects, many of the demonstrations build from previous, or concurrent, foundational projects. This is the case for instance in the demonstrations occurring in the Danube / Black Sea basin.
- Most ProDocs and LogFrames of IW projects that were completed during GEF-4, in particular the foundational TDA/SAP projects, lacked water quality baseline data at their inception. As a consequence, there is insufficient data to gauge changes. Without baselines and monitoring evidence, impact results tend to skew towards demonstration projects which report estimated pollution reductions. So progress towards impact is easier to discern in the Agriculture Pollution Project in Romania, for example, as it yielded estimates of the annual reduction in nutrient loading as a result of on-farm techniques put in place.

32. Previous IW program studies carried out in 2001 and 2004 have focused attention on the TDA and SAP as important tools to deliver transboundary global benefits. As noted in the TDA/SAP training course documentation[4], the TDA is conceived as a decision support tool. It is "a non-negotiated assessment using best available verified scientific information to examine the state of the environment and the root causes for its degradation." The TDA is supposed to provide a clear, science-based modus operandi for GEF projects to meet their objectives. Once a TDA has been developed a SAP is then developed by the participating countries. The SAP constitutes a negotiated policy document setting clear priorities for action and milestones to resolve priority shared problems identified in the TDA.

33. The IW portfolio includes 33 projects designed to develop TDAs and/or SAPs, including several (BCLME, Lake Peipsi, Volta River, Yellow Sea and Black Sea) where support has been provided to update previous TDAs, providing a periodic measure of project impact and resetting of baselines. These TDA/SAP-specific project constitutes an investment of $315 million in GEF funds, with an estimated $663 million in co-financing. The portfolio of TDA/SAP projects is weighted towards Africa (43%), and towards transboundary river systems (49%). UNDP has been the lead implementing agency on these 33 TDA/SAP projects, managing 17 and co-managing 6 more.

34. There are 7 TDA/SAP projects in this GEF-4 cohort. Of these, five were considered as having less likelihood of GEB impacts and two were considered more likely. The relatively poor impact results for TDA/SAP projects have several causes. SAP implementation has been poorly monitored. In some cases this is because agreed SAPs do not include milestones upon which to gauge progress. In particular, there have been mixed results in the development of national action plans that are supposed to elaborate the policy, legal and financial steps to be taken to meet SAP obligations. Furthermore, progress towards impacts was considered less likely if countries in the basin were not involved in the foundational TDA/SAP project (for instance Bolivia and Paraguay not involved in the Pantanal project) or where countries within the watershed refused to sign the SAP (in the case of Russia for the Dnipro project).

35. Spanning the consideration of risks, assumptions and impact drivers is the matter of country ownership. Ideally, country-ownership is assured through the development of projects that respond to global/regional priorities and national priorities. This is sometimes difficult to orchestrate because of the need for consensus. It can be seen that country ownership is variable across the IW portfolio. The Danube project was able to establish strong country ownership due to the convergence of GEF project assistance and participating country interests to comply with the EU Water Framework Directive. On

the contrary, the Black Sea and other projects were unable to make headway on fisheries management because consensus on how to handle this issue could not be achieved; pointing up a common concern: even though countries sign up to project documents that include consideration of a wide range of issues, in many cases the GEF focal points signing the documents are not empowered to implement these obligations across all sectors.

36. The extent of convergence with national priorities relates to considerations of system boundaries and scale. The larger the basin partnership, the greater the likelihood that countries will have varying levels of interest, as well as capacity, related to project objectives. In some circumstances IW projects may focus on a particular pollution threat which is highly relevant to some countries but of less importance to others. For example eutrophication was identified as the priority transboundary issue in the Black Sea, but it was not the priority issue for the whole of the Black Sea and not the main national priority issue along the eastern shore; or for that matter, the Danube. The lack of buy-in of the eastern Black Sea countries led to poor take up of the available investment facility in those countries. A further manifestation of this is the general tendency in riverine systems for downstream, receiving waters countries to view cooperation on water quality and allocation issues as highly relevant to national priorities, whereas upstream countries may be less inclined. The Danube, Dnipro, Mekong and Nile riparian countries have faced this issue. Efforts to achieve river basin-wide consensus on actions to protect shared waters will always be saddled with the problem of unequal distribution of costs and benefits. This differences in the priority that countries give to specific transboundary environmental concerns underscores the importance of GEF support to help countries find a common ground.

37. Many project reviews have noted that focal points responsible for implementing SAP and other recommendations do not have sufficient strength to overcome opposition from economic development interests. Since the Rio conference in 1992 virtually every GEF eligible country has established an environmental ministry and then struggled to decide which agency should take responsibility for water resources. Subsequently, a tug of war has ensued, between ministries of environment, irrigation, agriculture, health, natural resources, ports and armed forces (especially coast guard and navy), all playing a role in setting standards and monitoring various aspects of water resources. The existence of multiple, overlapping responsible parties is a significant factor and impact driver for all catchment projects, whether set within one country or across multiple countries. Recognizing this, the GEF is now expecting all foundational catchment projects (i.e. developing TDAs and SAPs) to include the formation of inter-ministerial committees. The formation of inter-ministerial committees and the development of national plans are supposed to help deliver real policy and practices changes as a result of regional agreements and SAPs. The results of these efforts need to be gauged through subsequent impact evaluations.

38. **Project start-up and completion** can weigh on the achievement of GEBs. As projects take longer, basic assumptions can change, staff turnover can have a greater impact, and various socio-economic external drivers increase. While progress has been made by the agencies to quicken the pace, there remain many projects that take longer than planned to conceive, commence and conclude. Notable delays in project completion for the GEF-4 IW cohort included:

- Rio la Plata/Maritime Front: 8 versus 4 years planned.
- Lake Manzala Wetlands: 10 versus 5 years planned.
- PEMSEA: 8 versus 5 years planned.

39. All three of these projects are indicated as having had a moderate or better likelihood of achieving impacts. In fact there is no direct correlation between the timing to project completion and the extent of project impacts likely to be achieved. On the contrary, there is some evidence – for instance with 1 -2 year extensions given to projects such as the Danube, Black Sea, GloBallast and other projects, that the additional time can be constructively used to enhance the achievement of impacts by working with governments on their strategies to sustain and replicate the GEF project outcomes.

40. **Adaptive management** is a key aspect of IW programming and project implementation; and a major factor in the consideration of progress towards impacts. The term is somewhat ambiguous, but generally concerns the extent to which planned project outcomes are revised in light of changing circumstances, in particular in light of greater knowledge of the social and ecological drivers at play in large ecological systems and likely system responses. For example, the Danube project was re-crafted to contribute to implementation of the EU Water framework Directive (WFD). The river basin management and roof reports, which were supported by the GEF project, are implementation plans for WFD. This was a practical adaptation, recognizing that the EU accession process presented a unique and timely opportunity for reshaping water resource management policies in many of the countries participating in the GEF Danube project.

41. For purposes of better comparison, the cohort has been split between completed global projects, of which there are only 2 for GEF 4, and 21 national and regional projects which are grouped together as **catchment-type projects**. There is a generally high level of achievement in terms of outcomes, with 5 of the 21 projects at the A level 8 at the B level and 8 at C level. No projects were rated as not achieving outcomes. The ratings for progress towards intermediate states (as defined by indications of catalytic impacts and evidence of localized stress reduction), are distinctly in the B-C level. Bringing the two sets of ratings together yields the breakdown of achievements.

42. An important aspect of the IW focal area is its strategic emphasis on outcomes at the catchment[5] basin level and corresponding support for basin countries to determine and address shared risks. The boundaries of catchment basins can be well-delineated when considered on a hydrological basis, but a looser definition is called for when considering the basin approach in GEF. The importance is to recognize that an ecosystem-based approach is being used, one that takes into account a wide-variety of threats to water quality, including from land based sources of pollution. 87% of projects in the IW portfolio (149 / 172) can

Evidence of short term impact

In **Lake Victoria**, the project succeeded in 80+% removal of hyacinth in targeted areas and one wastewater treatment system improvements, with evidence of reduced pollution loading. However, stresses on the system remain. Water levels are lowering due to regional drought, hyacinths have grown back in many areas, the Nile perch continue to crowd out native fish species and the pace of improvement in sanitation systems has been slow. GEF is now implementing a 3rd project with the riparian countries, expanded to include also Rwanda and Burundi.

PEMSEA has been very successful in expanding the implementation of integrated coastal zone management plans in the region, and there is evidence of pollution load reductions, improved water quality (localized), restoration of marine and coastal habitats, and reduced destructive fishing practices & use conflicts. Nevertheless, the stresses from intense coastal development, including expanding aquaculture, continue to intensify, and no evidence has been provided that would suggest a resurgence of threatened fish species, or a reduction of overall pollution loading into the system.

The **Baltic Sea** project included 21 demonstration projects providing on-farm management measures that are projected to reduce nutrient loading by an estimated 238,000 kg N, and 13,000 kg P. The project demonstrated catalytic impacts with an additional 48 farms developing management measures without GEF assistance. The project also led to the reported restoration of 320 Ha of coastal wetlands. These are notable achievements, and a follow-on review may well find evidence that the on-farm management techniques have been sustained and replicated, and that the wetlands restoration efforts are contributing to improved water quality and improved species habitat.

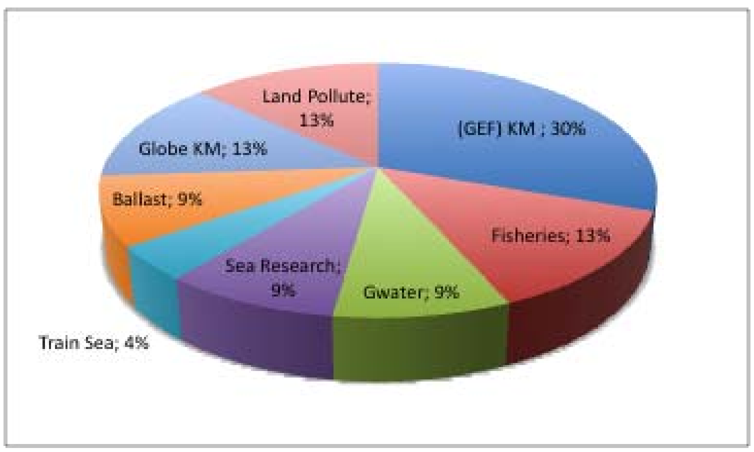
The **Romania Agriculture Pollution** project demonstrated a 15% decrease in nitrogen and 27% decrease in phosphorus discharge into surface and ground waters in the demonstration areas and an expectation of high replication and follow on 3rd party finance. These can be considered as contributing to the status impacts identified for the Danube project.

be considered as catchment oriented, including all projects identified as regional and country-specific projects.

43. Catchment oriented projects are of several overlapping types and can be considered in a phased approach: a first, foundational phase in which countries are brought together to diagnose problems and agree on joint actions; a second demonstration phase in which solutions to joint problems are tested, piloted, and demonstrated; and a third investment phase in which countries and other donors join to provide the necessary funds to scale up activities. Of the 21 catchment projects in the GEF-4 cohort, 14 can be considered foundational, and the remainder implementation and demonstration.[6]

44. Recognizing the international and transboundary nature of the GEF IW strategy, the definition of impacts used here are stress reduction and status impacts that are transboundary in nature, namely benefitting more than one country. While only one project has been designated as having delivered status change impacts, 5 additional projects demonstrated stress reduction. This recognizes that these have provided substantial transboundary stress reduction.

45. In total there are 23 **global projects** in the IW portfolio, utilizing $77.6m in GEF Trust Fund financing. Sixteen of these projects can be considered as policy and assessment projects, including the two in the GEF-4 cohort. Seven of the global projects focus on knowledge management, accounting for $18.5m in expenditures from the GEF Trust Fund, generating 8.5m co-finance. Included in this knowledge management 'cluster' is the three-project, soon to be four, series designed to promote knowledge management and capacity building within the IW focal area, known as IW: Learn.



46. With just two global projects in this cohort, an analysis of trends and tendencies is pointless. As noted in the table below, the GIWA project is viewed as unlikely to lead to GEF impacts. This is based on the end of project evaluation findings that it was unknown but unlikely that project results would translate into altered policies and programs at national levels. It is important to recognize that these impact progress determinations are not synonymous with overall project achievement. It is clear that global assessment projects of this nature require long time horizons to achieve discernable GEB impacts, and impacts are exceedingly difficult to trace.

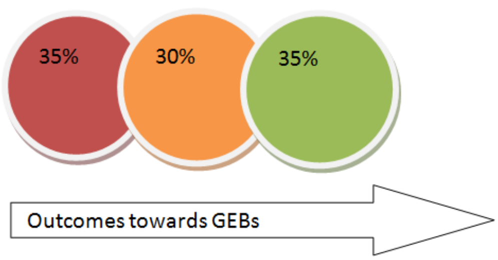
47. The Global Ballast Water Project is viewed as having been a highly successful catalyst for private sector engagement and international convention development. The project has been followed up by a second project that expands the demonstrations to six regions and 21 countries. The first phase

of the project already recorded evidence that impact can be achieved through improvement of port management systems and tougher ballasting requirements.

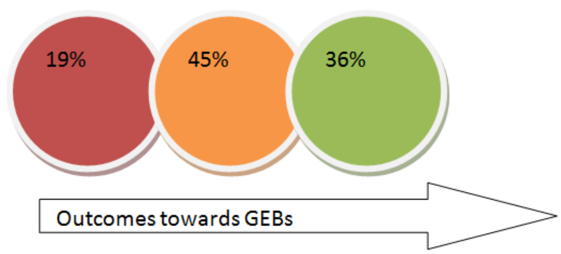
Progress toward global environmental benefits

48. Assessing these results on a project basis, graph 3.4.1 presents the picture with regard to the strength of progress towards GEBs. Thus, 35% of projects have made strong progress towards their intended GEBs, with a further 30% having made moderate progress, which will require the development of further impact drivers. Most of the remaining 35% are in an early stage of the process and thus it is too early to tell to which extent they are likely to progress towards GEBs. One project seemed unlikely to contribute towards delivery of the intended GEBs. In graphs 3.4.2 progress is shown by the amount of money spent on the projects in the cohort.

Graph 3.4.1 – Progress toward GEBs



Graph 3.4.2 – Progress toward GEBs in funding amounts



49. Projects in which no progress towards GEBs was yet assessed have absorbed 19 percent of GEF funding, with the bulk of funds expended on projects in the mid-category, where more work needs to be done to promote delivery of the intended GEBs. This middle zone in the IW portfolio is susceptible to divergent trends. On the one hand, the phased approach in GEF IW activities may mean that support will continue after the TE stage, giving the opportunity to develop the necessary impact drivers, which will move towards the target GEBs. On the other hand, it is also often noted that the Transboundary Diagnostic Analysis, on which water body approaches are based, indicates a broad range of necessary actions, many of which are beyond the delivery capacity or priorities of the Governments involved, so that progress halts.

Relevance of findings in view of GEF-5

50. The International Waters focal area has been consistent over time in its phased, catchment-level approach, which is sound in principle and leading towards global impacts. Throughout the first four replenishment cycles, there has been a quite consistent approach taken by GEF for addressing threats to international waters. Support has focused especially at the river, lake or coastal sea 'catchment' level, and has included a series of multi-phase, multi-project clusters that build from foundational activities to demonstration, replication and investment support.

51. Many projects can be expected to achieve a measure of stress reduction; however the achievement of significant status improvements is yet to be realized. GEF projects are contributing towards the reduction of pollution stresses in many international water bodies. Six of the 23 projects reviewed show some measure of stress reduction at varying transboundary scales. One set of projects, clustered within the Danube River and Black Sea Basin, have contributed to stress reduction as well as verified water quality improvements.

52. GEF has been instrumental in promoting new international and regional agreements on transboundary water bodies and has catalyzed implementation of several existing agreements, thus helping set the stage for national policy changes that can lead to reduced ecological stress. Furthermore, the GEF has aided in the development of one global convention (IMO Global Ballast Water). GEF has provided direct support to 8 of the 18 regional seas conventions, 6 of the shared inland water agreements and 5 regional fisheries commissions. Binding agreements are not essential for progress on water resource protection, yet they provide important leverage to push environmental controls to the top of national agendas.

53. Engaging directly with industrial and agricultural interests can yield stress reduction dividends. Several projects concluded during GEF-4 demonstrate the merits of direct interaction with industrial and agricultural interests. These public/private partnerships can enhance the pace of adoption of measures leading to stress reduction and have demonstrated real promise towards replication and catalyzing national and other donor support.

54. Relevance to national priorities is a key predictor of impact achievement. Projects that are highly relevant to national priorities are logically more likely to get replicated and serve as a catalyst for increased national financial support. This tends to skew impact ratings in favor of national rather that regional and international projects. There is also often an upstream / downstream difference in country ownership and engagement in many regional projects that affects the overall progress towards impacts.

55. A robust understanding of system boundaries greatly improves the chances of achieving global impacts. The GEF IW approach of pushing the development of scientifically sound Transboundary Diagnostic Analyses (TDA) is a vital program feature, as it should enable project partners to properly gauge scale and links between local and wider system drivers, and then develop interventions that can contribute to the improvement of ecological systems.

56. The absence of baselines and difficulties in obtaining monitoring data are major impediments to determining IW project impacts. Many of the project evaluations lacked baseline and monitoring data from which to gauge the achievement of impacts. In some cases this was a deficiency in terminal evaluation reporting but in most cases this was a weakness in the project design and/or implementation. The ability to assess impacts depends on a number of factors, especially the diligence by countries to maintain impact monitoring services.

57. Progress towards GEBs may be difficult to discern during the concluding months of IW projects when terminal evaluations are carried out, which actually may lead to changes: several cases show that terminal evaluations catalyzed further action from countries. Ex-post assessments at the country and catchment level are required. The ROtI provides a useful tool to consider progress towards GEBs. However, due to the catchment basin clustering of projects in IW, and the large array of contributing factors, it is sometimes difficult to assess the achievement of progress towards GEBs from desk reviews of single projects, based on terminal evaluations at project conclusion. To accurately gauge achievements it will be important to carry out ex-post impact evaluations at the catchment level.

Results Based Management and Tracking Tools

58. The Secretariat has developed and recently adopted tools for project tracking. These tracking tools include as stress reduction evidence of the implementation of national reforms and the successful demonstration of new techniques for pollution reduction. These should be considered process outcomes leading to intermediate stages. It is clear in many countries that the development of new laws

has not reduced stresses on the system because it has not led to improvements in monitoring and enforcement. A tighter definition for stress reduction requires evidence of actual reductions in pollution loading, coupled with evidence that revised laws are being enforced.

59. An additional point of debate with the tracking tools is its listing of Status Indicators, which include broad environmental, water resource and socio-economic status indicator changes, including pollution levels, fish stock biomass, productivity, unemployment rates, local per capita incomes, and increases in marine protected areas and national protected area systems. The point of contention here is the inclusion of increased marine protected areas and natural protected area systems as being indicators for status change. Merely designating a protected area indicates a process improvement. Evidence that the protected area has succeeded in restricting illegal fishing is a stress reduction. Evidence that fisheries are recovering as a result, is then a status change.

60. However, in principle the tracking tools could contribute substantially toward better monitoring, especially at the portfolio level. At the level of the Secretariat level, to collate and interpret all this material would require additional resources in the operational teams, and/or in the central monitoring unit. The Secretariat should be encouraged to put this type of activity high on its priority list for actual resources and it should ask Council to approve what could be a substantial exercise. The tracking tools were developed through hard work by a lot of dedicated staff; the next step should turn this into a tool including indicators for progress toward impact, integrated into the results based management system of GEF5.

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[1] GEF focal areas are: biodiversity, climate change, land degradation, persistent organic pollutants (Pops) and ozone depleting substances.

[2] C. Mora, R. Myers, M. Coll, et al, PLOS Biology, Management Effectiveness of the World's Marine Fisheries, www.plosbiology.org. Survey included responses from 1,188 fisheries experts from every coastal country.

[3] The foundational project GEF 530, Pacific SIDS, was a two part project, one on fisheries, the other on community based coastal protection. The two had different evaluations and different outcomes. Progress towards transboundary stress reduction impacts are likely in the fisheries component, moderately unlikely in the community-based portion.

[4] UNDP & Marine & Coastal Policy Research Group, 2005.
Training Course on the TDA/SAP approach in the GEF International waters Programme, Introduction pg 5

[5] Defined as the area drained by a river or body of water

[6] There are no purely investment projects in the GEF-4 IW cohort, however the definition between demonstration and investment is blurred in projects such as the World Bank implemented Agriculture Pollution Control project (GEF 1159). The project was designed to demonstrate on-farm nutrient management techniques and also provided financial support to farmers to upgrade waste storage facilities.

Chapter 3.5 – Ozone Layer Depletion

1. The Ozone Depleting Substances focal area has been the subject of an impact evaluation, based on a combination of quantitative and qualitative methods. Data have been gathered and analyzed through descriptive and regression-based analyses, taking into account differences in ODS consumption and gross domestic product, among other factors. On the qualitative side, the evaluation is based on four country case studies, ten “light” country case studies, semi-structured interviews, and focus group meetings, as well as a structured questionnaire to validate issues arising from the qualitative data collection. These various sources were triangulated between and within countries. The draft report on the impact evaluation was presented and discussed in detail at a workshop with representatives from the governments and the private sector of the four countries in which fieldwork was undertaken (Kazakhstan, Russia, Ukraine, and Uzbekistan). This chapter presents the conclusions and recommendations of the impact evaluation. A separate report in two volumes providing a detailed assessment of findings, conclusions and recommendations is available on the GEF EO website.

Conclusions

2. GEF support for the phase out of consumption and production of ozone-depleting substances in countries with economies in transition has made a contribution to global environmental benefits.

3. Legislative and policy changes supporting ODS phase-out provided a foundation for success and ensured sustainability.

4. The private sector commitment to ODS phase-out was a critical driver for the success of the GEF investments in countries with economies in transition.

5. Illegal trade threatens to undermine gains in ODS reduction, particularly in the non-European Union countries with economies in transition.

6. Halon recovery and banking has been neglected in the non-European Union countries with economies in transition.

7. In some countries the National Ozone Units ceased to function after GEF support ended and this may prevent measures being put in place to address the remaining threats to the ozone layer.

Recommendations

8. The GEF Council should consider further investment and capacity development to assist countries with economies in transition to address the remaining threats to the ozone layer.

9. The GEF should learn from the positive private sector engagement in the reduction of Ozone Layer Depletion focal area and incorporate similar approaches into its efforts to engage the private sector in other focal areas.

10. Non-EU Countries with Economies in Transition should consider making improvements in the implementation of legislation, policies and standards on all aspects of ozone layer protection.

11. Existing efforts to prevent illegal trade of Non-EU Countries with Economies in Transition need to be further strengthened.

12. Non-EU Countries with Economies in Transition need to take further action to manage and bank halon.

Introduction

13. The ozone layer is part of the earth's atmosphere and contains high concentrations of ozone (O_3). This layer absorbs approximately 93 to 99 per cent of the sun's high frequency ultraviolet radiation which, if allowed to pass through, would end life on earth. The ozone layer is mainly located in the lower stratosphere approximately 10 to 50km above the surface of the earth.

14. The ozone layer can be destroyed by free radical catalysts such as nitric oxide (NO), hydroxyl (OH), atomic chlorine (Cl) and atomic bromine (Br). While there are natural sources for these ozone depleting substances (ODS), the concentrations of chlorine and bromine have increased over the last decades due to the release of large quantities of manmade organohalogen compounds, especially chlorofluorocarbons (CFCs) and bromofluorocarbons which have been used mainly in refrigeration, air conditioning and agricultural treatment products. These are highly stable compounds and are capable of surviving in the stratosphere, where chlorine and bromine radicals are liberated by the action of ultraviolet light. Each radical is then free to catalyze a chain reaction breaking down ozone. A single chlorine atom is able to react with up to 100,000 ozone molecules. The breakdown results in insufficient ozone molecules being available to absorb ultraviolet radiation.

15. The environmental effect of ODS was first observed in the mid-1980s over the Antarctic stratosphere where ozone levels dropped by up to 60 – 70 per cent of their pre-1975 levels. In the mid-latitudes ozone levels have dropped by approximately three to six per cent. The consequences of ozone depletion are increases in ultraviolet-B (UVB) radiation reaching the earth's surface, which in turn leads to increases in health and environmental problems; such as skin cancers, immune system suppression and cortical cataracts; damage to plants, including crop production caused by the reduction in photosynthesis; reduction in diversity of important marine species such as Plankton and Phytoplankton. Reduction in Phytoplankton also contributes to global warming as they play a significant role in oceanic carbon storage.

16. It was primarily the impact on human health and crop production of a damaged ozone layer which led to inter-governmental action, culminating in the development of the Vienna Convention for the Protection of the Ozone Layer in 1985 and subsequently the Montreal Protocol on Substances that Deplete the Ozone Layer in 1987; both of which aimed to gradually phase-out production and consumption of ODS.

17. Although the GEF is not linked formally to the Montreal Protocol, its Ozone Layer Depletion Focal Area and the subsequent strategic revisions are an operational response to the Montreal Protocol and its adjustments and amendments. The strategic objective of the Focal Area is to protect human health and the environment by assisting countries in phasing out the consumption and production, and in preventing releases, of ODS while enabling alternative technologies and practices according to countries' commitments under the Montreal Protocol. The expected long-term impact of the GEF interventions is to contribute to the return of the ozone layer to pre-1980 ozone levels, which is expected by 2065.

18. GEF focuses on providing support to developed countries of the Montreal Protocol, specifically CEIT that are not eligible for funding under the Multilateral Fund (MLF) of the Montreal Protocol, which targets only developing countries. Since the early 1990s, the GEF has allocated nearly US$183 million to 18 countries, through 21 national and five regional projects.

Design and Methodology

19. The evaluation combined three approaches to investigate impact from several perspectives, using a mix of quantitative and qualitative methods of data collection and analysis: an overall Theory of Change approach; in-depth field case studies to assess the whether the Theory of Change approach had accurately described the process; and before and after measures of ODS consumption and production in CEITs for a comparison among the countries supported internal comparison, as well as an external comparison with a matched sample of MLF-supported countries.

20. The Theory of Change approach was applied early in the evaluation development. It was based on an initial meta-analysis of GEF ODS strategies, project documentation and available evaluations. The majority of the projects lacked a log-frame as they were developed between 10 and 15 years ago, when log-frame analysis was not a GEF requirement at that time. Consultations were then held with the GEF Secretariat, Implementing Agency staff, Evaluation Offices, national government stakeholders and enterprises. The function of the consultation was to provide an opportunity for stakeholders to give inputs at an early stage prior to the Theory of Change being applied and tested in the field case study approach.

21. In-depth case studies were conducted in four CEITs: the Russian Federation, Ukraine, Kazakhstan and Uzbekistan. A further 10 field case studies were conducted as part of the parallel UNDP-UNEP terminal evaluations, which addressed similar issues in the other Eastern European, Baltic and Central Asian countries. Four countries were examined through desk review alone.

22. In the absence of available control groups for an experimental or quasi-experimental design, before and after measures of CEIT's consumption and production were undertaken. In addition, four MLF countries were examined to compare ODS Consumption and production[1] and cost-effectiveness with a matched set of CEIT countries.

23. The evaluation team conducted in-depth interviews using standardized, semi-structured guides and questionnaire surveys with government, research institutes and private sector enterprises. Quantitative assessment was also conducted to substantiate the internal and external comparisons of ODS Consumption phase-out, compared with a Business-As-Usual (BAU) approach where ODS Consumption and Gross Domestic Product (GDP) increased together. A cost-effectiveness analysis was undertaken to compare World Bank and UNDP -UNEP project performance.

24. A number of limitations constrained the Impact Evaluation of the phase out of ODS:

- Incomplete annual data relating to the Consumption of ODS by CEITs and the MLF comparison group countries. Although countries were required in the Montreal Protocol to submit data on Consumption of classes of ODS annually, many did not do so every year. Data gaps forced the evaluation to assess only CFC and halon across CEITs and MLF countries, since these substances showed more consistency in annual reporting. This limitation was not serious because CFC and halon are amongst the most important of the ODS in terms of being among the most ozone depleting and have been the most commonly produced and consumed.

- A time-series regression analysis would have been a useful tool to explore the impact over time of the GEF funding on ODS phase-out. Two main obstacles prevented such an analysis. Firstly, the consumption data were incomplete, as mentioned above and secondly, only the World Bank could provide information on disbursement of funds on an annual basis. As a result, a time-series regression analysis was not conducted. Correlation analysis of ODS Consumption, GDP and GEF funding was used as a broad measure of the relationship between funding and change in ODS consumption in CEITs assisted by the GEF.
- Data on GEF funding across CEITs and co-financing available in the GEF database are not always consistent with data obtained from implementation completion reports (ICR) of the World Bank and UNDP-UNEP projects documents. Where possible, the actual disbursements have been used for external and internal comparison of ODS phase-out activities in the ODS consumption sector.

Findings from the ROtI analyses

25. To provide comparability with other GEF portfolios, a desk ROtI analysis was also undertaken for each project, on the basis of existing TEs or of information recently gathered by GEF EO fieldwork for a set of projects for which the TE process had been delayed. It should be noted, however, that most of these projects were not formally in the OPS4 cohort, since they either had no completed TE, or the TE was earlier than the set of projects currently analyzed. The results of this ROtI analysis for the 21 projects are shown in figure 3.5.1.

Figure 3.5.1. Progress of projects

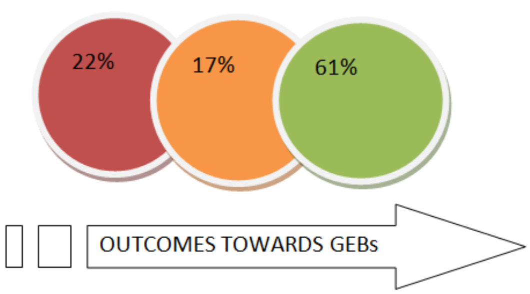
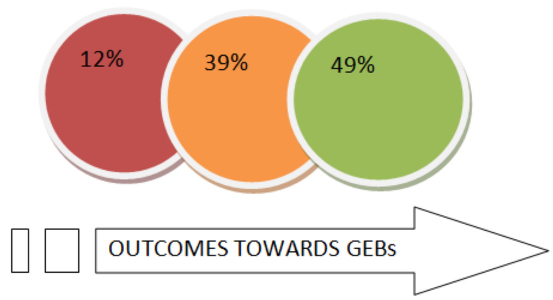


Figure 3.5.2. Progress in funding terms



26. The ROtI analysis shows that the projects in the ODS portfolio performed very well in terms of their progress towards GEBs. This is related both to the overall high performance of this portfolio, for reasons analyzed in the full Impact Evaluation summarized in the key findings below and to the fact that several projects were reviewed some years after completion (although they did not yet have a TE), which allowed substantial time for progress to be achieved and to become evident. In terms of the relationship between progress and funding, the picture changes as shown in figure 3.5.2.

27. Although funding has primarily gone to projects with strong progress towards GEBs, there is a pronounced concentration of funding on projects with medium progress, when compared with the distribution of results by project numbers. This finding relates primarily to the lack of consistent progress towards GEBs in the non-EU CEITs and this is highlighted in the key findings from the impact evaluation below.

28. In terms of achieved project impacts, 19 out of 21 projects had achieved this level. Of these projects, 8 had an “A” rating at outcome level, 5 had a “B” and 6 a “C” at this level. This suggests that even those projects, which are somewhat slow in reaching their outcome objectives, may be able to

catch up with these after closure and move on towards GEBs, as long as they achieve national government commitment. At the level of progress towards intermediate states, the relationship with achieved impacts was closer, with 12 out of the 19 having received an “A” rating. Interestingly, in terms of funding of projects with impacts, almost half of the finance had gone to projects with a relatively low outcome rating of “C”; whereas more than 80% of funds had been spent on projects with ratings on progress towards intermediate states of “A” or “B”. This shows that the funds reached projects with good prospects of achieving GEBs in the medium term, even though they had not necessarily produced strong outcomes, by the time GEF funding ceased. This is explained (see detailed key findings below) to a considerable extent by the availability to many countries of continuing EU support, which enabled them to build on their GEF-supported progress to sustain and scale up their achievements.

29. The ODS impact evaluation allowed for a comparison between desk and field ROtIs in 1 countries. Outcome ratings for desk and field ROTI were similar in all the countries.

Conclusions and Recommendations

30. **Conclusion 1:** GEF support for the phase out of consumption and production of ozone-depleting substances in countries with economies in transition has made a contribution to global environmental benefits

32. The CEITs had a baseline consumption of about 304,000 ODP-tonnes in 1986, amounting to 17% of the global total. However, much of this consumption was reduced significantly by the early 1990s because of the poor economic conditions following the collapse of communism. GEF financing was provided at the time CEIT economies were recovering in the mid-1990s and aimed to prevent a return to ‘business as usual’ with regard to the production and consumption of ODS. The assessment of the relationship between GDP and ODS consumption indicates for the CEITs shows that GEF financing contributed to a decoupling of the relationship between GDP growth and ODS Consumption growth. This was achieved by project interventions that provided the foundation for the following key ‘impact drivers’ (further details are also provided under specific findings 2 – 5):

Impact Driver 1: Government commitment to ODS phase-out

- EU-CEITs have, in general, performed better with regard to ex-post project government commitment due to EU accession which has contributed to regular updates of legislation and policy to phase-out ODS, and *inter alia* activities to reduce illegal trade in ODS*;*
- In the Non-EU CEITs government commitment was weaker in several governments, such as the Russian Federation and Ukraine which lacked National Ozone Units. Hence, ex-post policy and legislative updates have not occurred in many countries. Illegal trade in ODS was indicated by many Non-EU CEITs to be a significant challenge to phase-out.

Impact Driver 2: Private enterprise sustainability and commitment to phase out ODS:

- GEF financing enabled important technological and production changes which allowed firms to comply with the Montreal Protocol and maintain and / or gain market share and thus make profits; and
- Of the 71 firms visited and surveyed, 54 of them were still solvent as of 2009.

33. The CEITs consumption changed from about 21,000 ODP-tonnes in 1996 (1.2% of global baseline) to 1,665 ODP-tonnes in 2007 (0.1% of global baseline). The GEF portfolio contributed to the elimination of about 19,260 ODP-tonnes of annual consumption, and contributed to 1.1% of the global

benefit to the ozone layer. The Russian Federation was the only CEIT still producing ODS at the time funding commenced and under a special initiative within the project investment, the GEF contributed to phase-out of nearly 29,000 ODP-tonnes of production capacity.

34. Internal and external comparative analyses revealed the following performance findings:

- ***Internal Comparison:*** The GEF-World Bank projects were more efficient and cost-effective in phasing-out ODS consumption than UNDP – UNEP. This result was not surprising given that the World Bank focus was on CEITs which exhibited the highest ODS consumption in focused industrial sectors such as refrigeration, aerosol and foam production. In contrast, UNDP – UNEP operated in countries where the main ODS consumption was in the refrigeration and air conditioning servicing sectors. Phase-out in the service sectors is more diffused and challenging given the plethora of small private enterprises that require technical assistance and investment. Hence UNDP – UNEP operations were more costly – per ODP ton ($37) than the World Bank ($12).
- ***External Comparison:*** The GEF operations in Russian, Ukraine, Kazakhstan and Uzbekistan were compared to those of the Multilateral Fund in 4 'matched countries' - Brazil, Egypt, Romania and Cameroon on the basis of GDP and ODS consumption. In general the GEF operations ($14) were less cost-effective than the Multilateral Fund ($8) because GEF projects did not always adhere to incremental financing. However, the GEF operations (35 ODP-gram per year / per dollar) were more 3 – 4 time more efficient than the Multilateral Fund (9.5 ODP-gram per year / per dollar). Differences here are attributed to project approach – mostly single project for the GEF and multiple projects for the Multilateral Fund.

35. The ODS consumed by the CEITs in 1996 also produced approximately 147 million tonnes CO_2eq per year, falling to 42 million tonnes CO_2eq per year in 2007. The GEF portfolio contributed to avoided GHG emissions equivalent to approximately 105 million tonnes CO_2eq per year, or 1.155 giga-tonnes of CO_2. This is equivalent to approximately to approximately 10% - 25% of the total CO_2 phase-out commitments under the present Kyoto Protocol.

36. **Conclusion 2:** Legislative and policy changes supporting ODS phase-out provided a foundation for success and ensured sustainability.

37. The evaluation found that such measures as legislative and policy changes to restrict import and export of ODS; import bans; mandating recovery and recycling of ODS; and ensuring training of technicians in the refrigeration sector played a critical role in providing relevant signals to the private sector and individual consumers to move into more environmentally friendly alternative chemicals and technologies. Legislative and policy changes were observed to be most successful in those CEITs that are now part of the European Union (EU). These countries tended to have legislation in place before or soon after the beginning of the GEF project intervention and all of them continued to update their legislation after joining the EU, which has led to further reductions in ODS and more restrictive measures than those required by the Montreal Protocol.

38. In contrast, in the non-EU CEITs many of the projects were slow to develop and implement legislative and policy changes because the institutional infrastructure necessary to carry out such changes was not in place. The lack of legislation and policy led to problems in controlling ODS, particularly in relation to trade and customs controls. This resulted in consumption of ODS exceeding Montreal Protocol limits for many years. Since projects have been completed in the non-EU-CEITs

institutional capacities have been reduced, with insufficient focus on updating of legislation to address emerging issues such as the HCFC phase-out which was recently accelerated in developed countries in 2007 by the Parties to the Montreal Protocol.

39. **Conclusion 3:** The private sector commitment to ODS phase-out was a critical driver for the success of the GEF investments in countries with economies in transition. The GEF ODS portfolio has been characterized by strong private sector involvement from the early stages of project design through implementation. The umbrella structure of the projects developed by the Implementing Agencies based on targeted sub-project investments with the private sector, which provided co-finance, were efficiently executed and contributed to the rapid phase-out of ODS and implementation of alternative technologies and chemicals. This approach was necessary, given the difference in industrial processes and uses of ODS. Key highlights of the results achieved by the industrial sector were as follows:

- Refrigeration industry: the evaluation surveyed 22 companies that receiving investment from the GEF and found that 13 were still '*going concerns*' (i.e., in business) in 2009. The companies reported GEF finance was relevant and assisted in providing new technologies that enabled conversion to non-ODS production and achievement of phase-out targets. The GEF financing had been provided at a time (in the late 1990s and early 2000s) when the market was changing quickly and it contributed to companies remaining competitive and profitable, as well as phasing out CFC use. Hence, the investment was good for profit and good for the environment.
- Several companies, such as NORD (Ukraine), Snaige (Lithuania) and Atlant (Belarus), expanded their operations through internal and acquisitive based growth after the GEF investment. They believed the initial GEF investments allowed them to capture market share which enabled growth therefore demonstrating a catalytic effect.
- Foam, aerosol and solvent industries: the evaluation surveyed 33 companies (11 in each industry sector). Thirty-two of them reached their individual ODS phase-out targets with 26 of the surveyed companies still '*going concerns*' in 2009. Some reported the GEF investment contributed to a quick and timely conversion to non-ODS production technologies which in turn contributed to improved profitability.
- Refrigeration and air conditioning servicing industry: the evaluation surveyed 16 companies of which 15 were still '*going concerns*' in 2009. These companies received ODS recycling and recovery equipment through the project and the majority of this equipment was still in use (after nearly 10 years of use). The companies reported that quantity of ODS recycled and re-used was falling as old ODS based equipment had been replaced with non-ODS alternatives, indicating positive changes in market and consumption patterns. However, one outstanding threat observed was the stocks of unwanted and decommissioned ODS (CFCs) held by private companies in drums or other containers, which was at risk of leaking. Over time, this would diminish the global environmental benefit that had accrued as a result of the GEF investment. Macro-analysis of the results in some of the CEITs showed that financing the phase out of environmentally-damaging technology can be undertaken without damage to the economy of the country. In effect, GDP continued to rise annually as the economies improved, while at the same time ODS Consumption declined as ODS technology was replaced with non-ODS technology. The commercial performance of many of the businesses improved as a result, which demonstrated that the conversion to non-ODS technology had been good for business as well as the environment.

40. **Conclusion 4:** Illegal trade threatens to undermine gains in ODS reduction in the non-European Union countries with economies in transition.

41. Efforts to combat illegal trade are not yet fully effective and many of the non-EU-CEITs exhibit a lack of technical and legal capacity to curtail such trade, particularly in Kazakhstan, Tajikistan, the Russian Federation, Turkmenistan and Ukraine.

42. Illegal trade threatens to undermine gains in ODS phase out. The existence of old CFC-based equipment has created an ongoing demand for illegal imports of CFCs for refrigeration and air conditioning. Interceptions of illegal trade in ODS, most of which is reported to originate in China have become frequent in countries such as Kazakhstan and Uzbekistan. Illegal trade in ODS was frequently reported by representatives of companies and government customs officials interviewed, which supports similar findings by specialist bodies such as the World Customs Organization.

43. The Parties to the Montreal Protocol have agreed three times as many Decisions in the last eight years on ways to combat illegal trade as they had in the previous twelve years of the Protocol's existence, which is a measure of the growing concern that countries have for illegal trade. ODS trade that is transhipped through one country to another is particularly problematical as procedures and responsibility for monitoring such shipments are less well-defined than for single country destinations.

44. **Conclusion 5:** Halon recovery and banking has been neglected in the non-European Union countries with economies in transition.

45. Halon is an ODS used in fire fighting agents. Its production has ceased globally because of its severe ozone-depleting properties which destroys about six-times more ozone than CFC chemicals. Globally, halon has been decommissioned from many installations where a suitable alternative exists, and the 'used' halon has been stored for fire fighting applications where an alternative has yet to be developed. Halon is therefore a global resource that has been managed and conserved in well-sealed storage facilities or banks in many countries.

46. The EU-CEITs had management plans in place for halon for many years, and have been actively decommissioning halon and replacing it with alternatives, according to legislative requirements. Quantities decommissioned and banked are reported annually. In the non-EU-CEITs, however, there was little evidence of any active management of halon, or policies and measures that required action to replace halon with alternatives. For example, halon is still used to protect the majority of the pumping stations on the gas pipeline from Russian to Europe through Ukraine, despite the availability of a non-ODS alternative for this purpose. Funding had been provided by the GEF for equipment, training of technicians and management plans in most Non-EU-CEITs. In many countries the equipment provided was not being used. In the Russian Federation, the halon programme was not implemented because the proposed purchase of recovery and banking equipment did not comply with the procurement procedures of the World Bank. Halon use is not currently monitored in most of the non-EU CEITs and existing databases were reported to be out of date. Failure to invest in halon management and banking is an oversight in the GEF ODS programme.

47. **Conclusion 6:** In some countries the National Ozone Units ceased to function after GEF support ended and this may prevent measures being put in place to address the remaining threats to the ozone layer.

48. The EU-CEITs in the early and mid-1990s depended on international aid to finance ODS reduction and phase out programmes. This is not the case today with the improvement of their economies and links to financial programmes in the EU, that provide sustainable support to address the remaining challenges of ODS phase-out, such as HCFCs, banking and safe destruction of ODS.

49. The non-EU-CEITs, however, are not in this position. Many of them have continually faced funding shortages that threaten the existence of the National Ozone Units (NOUs) that were established to manage, reduce and phase out ODS. Kazakhstan had an NOU that was funded by external contracts rather than the central budget, Ukraine and the Russian Federation had no identifiable Ministry staff that were actively managing policies and measures on ODS, and Turkmenistan was also dependent on external funding. The GEF approved additional finance for some of these CEITs in 2007, but administrative barriers to disbursement have resulted so far in only one being funded. As a result, the NOUs in the non-EU-CEITs reported difficulties in completing the tasks assigned by the Implementing Agencies.

50. Delays in funding from donors, communication difficulties and administrative burdens within and between countries have hampered the development and implementation of new programmes. This is leading to increased threats or risks to the successful phase out of the remaining ODS and in particular HCFCs, and to actions to address destruction of banks of unwanted ODS stockpiles.

51. Unwanted CFC stockpiles were reported as a serious problem by many enterprises in the Non-EU-CEITs, as there were no facilities available to destroy it. Prolonged storage in decentralised facilities increased the risk of 'disappearing benefits' as ODS leaks out of storage containers or is dumped by private sector stakeholders. Over time, this will undermine the work that has been undertaken by servicing companies.

52. **Recommendation 1:** The GEF Council should consider further investment and capacity development to assist countries with economies in transition to address the remaining threats to the ozone layer.

53. Three threats remain to be mitigated: illegal trade in ODS; phase-out of HCFCs and halon; and lack of destruction facilities for banks of unused CFCs and other ODS. The GEF could consider the following actions, particularly in the non-EU CEITs:

- Investment projects to assist the government and private sector to recover and recycle HCFCs and increase the market penetration of non-ODS, low or zero Global Warming Potential (GWP) alternatives in the refrigeration and foam sectors;
- Investment in destruction facilities to provide government and the private sector with appropriate options for safe and cost-effective disposal of obsolete ODS;
- Capacity development for NOUs and customs authorities to function more effectively. This may include inter alia further support to update legislation and policy, ODS and non-ODS refrigerant detection equipment, training and technical assistance to improve enforcement to reduce illegal trade in ODS.

54. These actions would present opportunities for the GEF to attain double global environmental benefits - not only for the ozone layer, but also for the climate. This is because ODS is both ozone depleting and global warming. Furthermore, destruction of ODS would create synergies with the ongoing efforts to safely destroy stockpiles of persistent organic pollutants (POPs) in many of the CEITs.

Hence, there may be opportunities for the GEF to finance development of joint ODS – POPs destruction facilities.

55. **Recommendation 2:** The GEF should learn from the positive private sector engagement in the reduction of Ozone Layer Depletion focal area and incorporate similar approaches into its efforts to engage the private sector in other focal areas.

56. The portfolio of projects assessed as part of the impact evaluation exhibited strong engagement with the private sector, which contributed to the attainment of global environmental benefits and financial benefits to the enterprises involved. Such strong performance is not observed in other GEF focal areas. As the GEF is now placing greater emphasis on private sector partnerships going forward into GEF-5, it is important that experiences and lessons from the ODS projects are examined and where possible incorporated into other focal area operations.

57. Some lessons for consideration identified by the evaluation include:

- Undertaking a viability test directed at measuring organizational, economic and financial sustainability, which provides the foundation for targeted and informed green business investments;
- Focusing on a wide range of firms – small, medium and large enterprises from start-ups to established firms with a track-record for product innovation and profitability;
- Targeting a few specific sectors for green business investments which best align environmental goals of the GEF and financial (profit) growth possibilities;
- Keeping bureaucratic procedures to a minimum, bearing in mind that firms often require quick decisions on investment;
- Identifying champions who have innovative product ideas, technical and political skills, as the work in the ODS portfolio demonstrated that private enterprise 'champions' were critical for producing good business and environmental results;
- Investing in countries that have government policies and procedures which actively support green business and the '*ease of doing business*' in these countries.

58. **Recommendation 3:** Non-EU Countries with Economies in Transition should consider making improvements in the implementation of legislation, policies and standards on all aspects of ozone layer protection.

59. Legislation and policy implementation is essential for phase out of ODS consumption and for providing the basis for market transformation through the introduction of alternative technologies and chemicals. This is particularly important in non-EU-CEITs which face greater challenges than the EU-CEITs in phasing out HCFCs and reducing illegal trade in ODS.

60. Countries could consider drafting new or updating existing legislation and policies on the following aspects of ODS phase out:

- Recovery, recycling and reporting on ODS;
- Establishing private enterprise standards and requirements, particularly in sectors such as refrigeration and air conditioning servicing sector;

- Import bans for ODS and ODS-containing equipment, and / or licensing and quotas for ODS imports and exports;
- Setting appropriate penalties or deterrents for illegal trade;
- Establishing and promoting the activities of professional refrigeration associations.

61. A critical ingredient for effective implementation of legislation and policy is baseline government funding for NOUs. Experience from the EU-CEITs indicates that post-completion government funding is resulting in continued phase-out of ODS and lowered threats and risks to the ozone layer.

62. **Recommendation 4:** Non-EU Countries' existing efforts to prevent illegal trade need to be further strengthened.

63. Many approaches could be implemented to combat illegal trade. The most important is to reduce the national demand for ODS by encouraging the installation of equipment that is ODS-free, which removes the servicing demand for ODS by using economic and financial instruments and promoting voluntary commitments in the end-user sector. Many countries encouraged enterprises to substitute their CFC-based equipment for non-ODS alternatives, thereby reducing the demand for CFCs.

64. Other approaches to reduce illegal supply of ODS could include:

- Training and workshops for customs officers and inspectorates on a regular basis to maintain and improve detection capacities;
- Implementation of customs codes for all of the common ODS and blends to enable customs to differentiate legal from illegal trade
- Establishment of 'send-and-receive' communications between countries to monitor all shipments of ODS;
- Use of specialised equipment to differentiate legal from illegal ODS;
- Certified laboratory methods for confirming the nature of the ODS intercepted;
- Participation in regional meetings and networks to collate, evaluate and share intelligence on illegal trade as a basis for agreement on further action;
- Awareness-raising of illegal trade in ODS among private enterprises and the general public.

65. These activities need to be supported by legislation that empowers customs officers to take appropriate actions against smugglers and suppliers of illegal ODS.

66. **Recommendation 5:** Countries need to take further action to manage and bank halon.

67. Experiences from countries that have successfully banked and managed halon indicated that the following approaches could be adopted:

- Development of a halon management plan that includes identification of the quantities of halon installed for different purposes by location, the quantities that can be replaced by alternatives, and a timetable for decommissioning the installed halon;
- Equipment and facilities for recovery and reclamation of halon, with appropriate training for technicians to ensure safe management;
- Accounting and reporting procedures showing quantities decommissioned, reclaimed, stored and recycled;

- Promoting market mechanisms that enable responsible management of the available stock of halon.

68. Non-EU-CEIT countries could also considering making more use of UNEP's halon trader website which offers the potential to use funds derived from sales of halon to support national halon recovery and banking operations. Further emphasis on development of appropriate legislation and policy is important to provide a stable foundation for halon management plan development and implementation.

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[1] Sourced from the UNEP Ozone Secretariat

Chapter 3.6 – Persistent Organic Pollutants, Land Degradation and Multi Focal Area Support

1. This chapter brings together conclusions on the Persistent Organic Pollutants focal area, the Land Degradation focal area and the multi focal area support that the GEF has promoted. These portfolios are still relatively new and do not have many terminated projects that allow for a sufficient level of confidence in the findings to support recommendations.

Conclusions

2. GEF has been responsive to POPs COPs guidance. GEF is now moving into the next phase of supporting this convention by providing financial support to the implementation of national plans (NIPs).

3. The Land Degradation focal area does not yet have a sufficient number of finished projects to enable conclusions on progress toward impact.

4. The multi-focal area project cohort has a bias toward targeted research and as a result scores relatively low on progress toward impact. However, the more operationally oriented projects score well and combine focal area problems in a practical way.

Convention Guidance on Persistent Organic Pollutants

5. GEF has followed COP guidance, particularly regarding the preparation and implementation of National Implementation Plans (NIPs). NIPs have enabled the convention to start quickly on the ground, allowing countries to do inventories, define the problem, scope/scale and actions/priorities to address Persistent Organic Pollutants. The GEF Secretariat indicates clearly how guidance has been incorporated into GEF strategies and which strategy responds to which guidance in its reports to the convention. Table 3.6.1 is partially based on the November 2007 Council document, “Relations to Conventions” and presents the GEF response and OPS4 assessment of COP guidance to the GEF during GEF4.

Table 3.6.1 – COPs guidance during GEF4 and GEF response (COP3: May 2007; COP4: May 2009)

COPs guidance	GEF response	Comments
Support business plans for development and deployment of alternative products, methods and strategies to DDT	Eligible within GEF4 under SP3 (a)	At least 18 projects ($68 million) have been approved in SP3
Incorporate best available techniques and best environmental practices and demonstration as a priority	Eligible within GEF4 under SP2 and 3	Not possible to assess
Support capacity building related to global monitoring plan	Eligible within GEF4 under SP1	At least 36 projects and $127 million have been approved in SP1 but cannot determine how many directly support this theme.

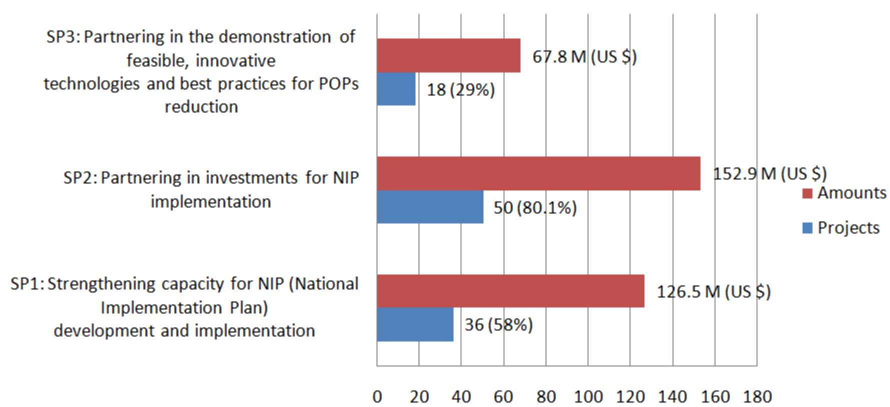
Work with regional centers	Eligible within GEF4	OPS4 did not review this
Support costs and funding needs activities in a country's NIP	Eligible within GEF4 under SP1	At least 36 projects and $127 million have been approved in SP1 but cannot determine how many directly support this theme.
COP4 (May 2009)	Response to COP4 additional guidance still under development.	OPS4 did not review this

6. At COP4, the second review of the financial mechanism was presented[1] and the conclusions included:

- The guidance issued to the GEF by the COP is substantive, but lacks specificity and clear prioritization.
- The overall responsiveness by the GEF to the guidance has been reviewed as satisfactory.
- There is a lack of clear guidance from the COP to the GEF Secretariat on strategic direction and priorities for POPs and the Stockholm Convention.

7. As of June 2009, and during GEF4, the GEF Council has approved 59 projects (Council or CEO endorsed ready for implementation) and 3 PIFs for a total of $182 million. At least 80% of projects and funding have gone to NIP preparation and implementation (SP1 and SP2); and about a third of projects and funding has gone to support innovative technologies and best practices. In GEF-4 there has been a shift from supporting the preparation of NIPs to the implementation of those plans. COP3 specially requested the GEF to support priorities in national implementation plans which promote capacity building in sound chemicals management, so as to enhance synergies in the implementation of different multilateral environment agreements and further strengthen the links between environment and development objectives. The overall conclusion is that the GEF has been responsive to POPs COPs guidance.

Graph 3.6.1. Projects and Amounts by Strategic Programs for GEF4



Review of Progress toward POPs impact

8. The POPs strategy is to protect human health and the environment by assisting countries to reduce and eliminate the production, use, release of POPs; and to support appropriate capacity building.

[1] UNEP/POPS/COP.4/28: Second review of the financial mechanism, COP4 of the Stockholm Convention on Persistent Organic Pollutants, Geneva, 4–8 May 2009

Desired outputs relate to the development and implementation of National Implementation Plans by signees of the Stockholm Convention followed by phase out of POPs manufacture and use, sound destruction of POPs stocks, phase out and disposal of PCBs, and the development of alternatives to DDT for vector control. The desired Global Environment Benefit is reduced exposure of POPs to humans and ecosystems.

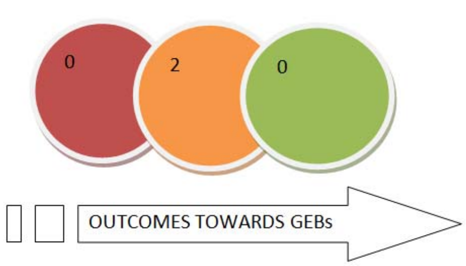
9. Only two projects were part of the OPS4 cohort of completed projects and both supported implementation of, and civil society participation in the Stockholm Convention. It is not therefore possible to draw any substantive conclusions on this portfolio on the basis of the available evidence. The two projects were both rated “BC”, being fairly robust at the outcome level but showing somewhat weak linkages forward to their intermediate states and beyond. What has to be done with POPs is well known; but eventual impact requires buy-in from the larger producer/consumer countries and from the industrial sector, government, civil society, and environmental NGOs in those countries. Provision for such support and participation was weak or lacking in these two cases.

10. Overall, the clear actions needed to address POPs could imply that impact achievement should be straightforward. In these two projects, the GEF emphasis on enabling or capacity building around the Stockholm convention, however, was not matched with project outputs and outcomes focusing on obtaining buy-in by the large and key industrial producer sectors. Table 3.6.1 and figure 3.6.1 show the assessment of the progress of the 2 finished POPs projects toward impact, although these projects cannot be assumed to reflect achievements of the broader portfolio, which will only be accessible when more projects have received terminal evaluations.

Table 3.6.1 – ROtI ratings for the POPs cohort (in numbers of projects)

	Intermediate State					
Outcome	A	B	C	D	Grand Total	With impact
A					0	0
B			2		2	0
C					0	0
D					0	0
Grand Total	0	0	2	0	2	0
With impact	0	0	0	0	0	

Figure 3.6.1 – POPs ROtI cohort progress towards GEBs



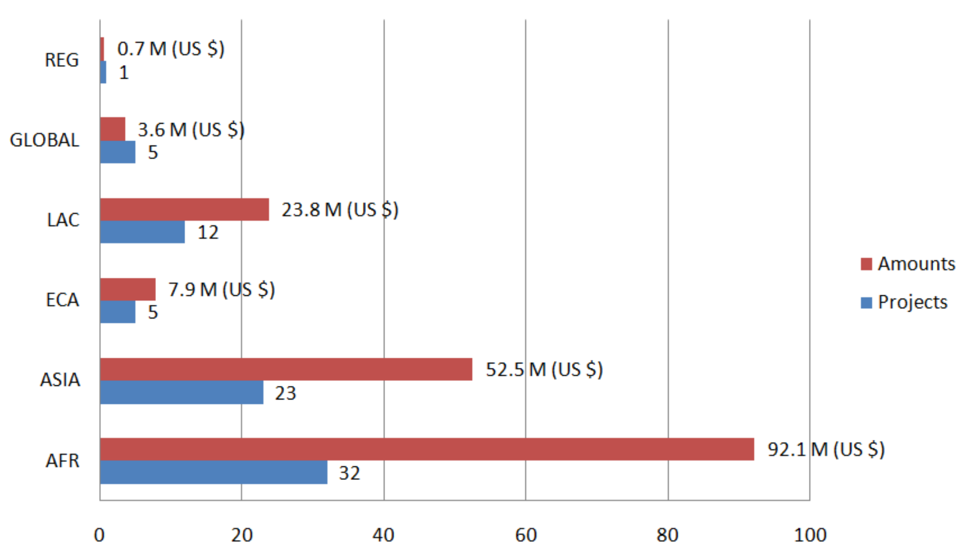
Convention Guidance on Land Degradation

11. The GEF supports the implementation of UN Convention on Combating Desertification (UNCCD) as an operating entity of the Financial Mechanism of the Convention. The GEF third assembly recognized land degradation as a new focal area. COP8 (September 2007) welcomed decisions by the GEF Council to streamline the project cycle, to adopt a revised focal area strategy on land degradation for GEF-4, and for the adoption of a cross-cutting focal area strategy on sustainable forest management. The COP invited the GEF to implement the new strategy expeditiously, and urged developed Parties and the GEF Council to provide adequate, timely and predictable financial resources. COP8 provided guidance to the GEF to fund the elaboration of national, sub-regional and regional action programs and national report; funds for projects dealing with land degradation and desertification, particularly in Africa; further simplification of the project cycle; predictability of funding; reporting on projects not in the Land Degradation focal area that are contributing to Sustainable Land Management. UNCCD is supposed to bring the 10-year strategic plan to the attention of GEF Council to ensure that this plan is in line with GEF strategy on land degradation. COP9 is scheduled for September 2009.

12. During GEF4, the GEF Council has approved 24 projects ($72.3 million) and 9 PIFs (estimated for $9.8 million in projects). Land degradation also works through multifocal projects and during GEF4 , the GEF Council approved 43 projects ($93.4 million) and 2 PIFs ($4.9 million) with land degradation components in multi focal area projects. In total the GEF has allocated about $180 million for projects and components dealing with land degradation during GEF4. One of the main programs in land degradation approved during GEF4 was the Strategic Investment Program for Sustainable Land Management in Sub-Saharan Africa. This program was allocated $62 million with closed to $1 billion in co-financing but so far has 19 projects and PIFs approved as “child” projects.

13. The following diagram presents the regional distribution of projects (all projects approved and PIFs, under LD and multifocal). This is relevant to this focal area since many stakeholders consulted during OPS4 indicated that the GEF had focused almost exclusively on Sub-Saharan Africa on the request of the Convention. However, during GEF4 41 percent of projects, amounting to 50 percent of the funding, were in Africa.

Graph 3.6.2. Projects and Amounts for GEF4 by Region (including 45 LD MF projects)



Review of Progress toward Land Degradation impact

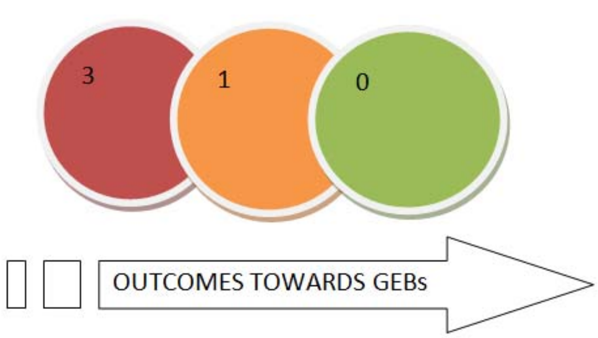
14. The Land Degradation strategy is to prevent and control land degradation, primarily desertification and deforestation. Sought after outputs are effective national institutions and governance, effective policy instruments, and increased human capacity – all at national and/or local levels. Outcomes are meant to be integrated land use planning and implementation and development and implementation of NAPs covering agriculture, forestry, and rangelands. The outcomes are meant to lead to the intermediate states of enabling environments for the adoption of Sustainable Land Use Systems (SLUS), in which the GEF plays a catalytic role in up scaling good or best practices. Desired impact is enhanced ecosystems integration in the context of sustainable livelihoods.

15. The OPS4 cohort of Land Degradation projects is too small to permit substantial analysis of this portfolio. Of the four rated projects, three rated "BC" and one was rated "CC". These projects' emphasis on capacity and awareness building produced satisfactory outcomes but was weak in terms of forward linkages towards improved Sustainable Land Management. Attention is given to both decreasing and avoiding degradation through various mechanisms and to the rehabilitation of degraded lands using current technical and social innovations. The progress toward impact and global environmental benefits ratings of the Land Degradation projects can be found below in table 3.6.2 and graph 3.6.2.

Table 3.6.2. ROtI ratings for Land Degradation projects

	Intermediate State					
Outcome	**A**	**B**	**C**	**D**	**Grand Total**	**With impact**
A					0	0
B			1	2	3	0
C				1	1	0
D					0	0
Grand Total	0	0	1	3	4	0
With impact	0	0	0	0	0	

Figure 3.6.2 – LD progress toward global environmental benefits



Multi-Focal Area Support

16. No theory of change could be developed for the Multi-Focal Area Operational Program 12, since each project turned out to be different. The desk review cohort consisted of ten projects, five implemented by the World Bank, four by UNEP and one by UNDP. Nine of the ten projects were MSPs and one was an FSP. Three projects were country-specific, three were global projects, and four were regional. Two projects were classified as short-term response measures (STRM) and four were targeted research projects (one project was classified under both of these categories). Of the six non-targeted research projects, four of these can be considered "enabling" type projects – from the project titles: "building wider public and private constituencies" in "promotion of global environment protection", "institutional strengthening and resource mobilization", "technology transfer networks", and "support for the world parks congress." At least five projects addressed carbon sequestration, focusing on the natural inherent interrelationships between climate change and biodiversity variables: well functioning and maintained ecosystems generally retain or increase both their carbon stocks and biodiversity.

17. Two projects did not have sufficient information available to assess ROtI desk ratings. One of these was a multi-phase project for which the initial "terminal evaluation" covered only ten months of implementation; the other was the project supporting the World Parks Congress in 2003.

18. Given the heavy focus on research and enabling type activities in these projects, the ROtI methodology may lead to relatively low scores, because for these types of projects impact linkages are highly indirect. For other focal areas with significantly larger desk review cohorts, the research and enabling type projects were excluded from the final analysis precisely for this reason. However, excluding these projects from the multi-focal area cohort would leave only two projects.

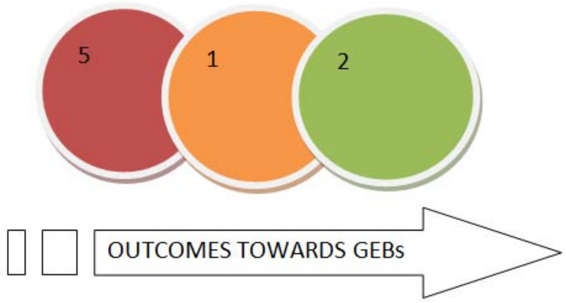
19. At the same time, it is clear that many research/enabling type projects fail to articulate their potential value with clear linkages and rationale for their contribution to achieving Global Environmental Benefits. It is often stated that research projects will produce an "increased understanding" regarding a certain issue, but then do not identify any specific mechanism through which the increased understanding will be applied. Many multi-focal projects lack log frames or any other type of results-based framework to demonstrate the logic behind the proposed approach to the issue or problem. Even for research projects, the linkage from outputs to GEBs should be identified even if the specific mechanism or timeframe is beyond the scope of the project.

20. Table 3.6.3 and graph 3.6.3 show the ratings and progress toward global environmental benefits of the multi-focal area cohort.

Table 3.6.3 ROtI ratings of the Multi-Focal Area cohort (in numbers of projects)

	Intermediate State					
Outcome	A	B	C	D	Grand Total	With impact
A		2	1		3	0
B					0	0
C			3		3	0
D				2	2	0
Grand Total	0	2	4	2	8	0
With impact	0	0	0	0	0	

Figure 3.6.3 Multi-focal area progress toward global environmental benefits



21. The OP12 Program Study, completed in 2005, identified many of these issues through a broader desk review of OP12 project documents at entry. Desk reviews were completed for 38 project documents, and six approved PDF-Bs. The program study concluded, "OP12 is a valid and important program for the GEF. There are, however, a number of issues that contribute to potential failure in achieving the desired impacts of multifocal, synergistic integration. These include quality of entry for some projects, an apparent lack of strategic guidance of the OP, and unclear guidelines for designing and achieving successful IEM projects. These problems are solvable." The results of the limited number of projects available for ROtI analysis in the OPS4 cohort offer some support for the OP12 program study perspective. Impact achievement of multifocal projects could and should reflect inherent overlaps and interactions among environmental variables, the most basic of which is environmental systems health (via restored degraded lands and/or avoided Land Degradation) with potentially greater above and below ground biodiversity and/or greater above and below ground biomass (for carbon sequestration purposes linked to Climate Change).

22. The OP12 Program Study proposed a number of approaches to strengthen and improve the coherence of the OP12 program; yet the strategic focus and future role of OP12 remain unclear. This is potentially concerning because of the large number of multi-focal area projects currently in the GEF portfolio, many of which have been approved after the OP12 Program Study. The GEF's OP12 portfolio now consists of 155 projects with approximately $655.1 million in GEF funding[1] - more than quadruple the number of projects in the portfolio at the time of the program study. The results of the ROtI analysis of multifocal projects, which support the "at entry" findings of the OP12 Program Study, give a strong indication that the recommendations of the OP12 program study should be revisited for further action. As more and more multifocal projects are completed the evidence base for further assessing results will grow significantly, but preliminary indications are that action on OP12 need not wait for further extensive results.

[1] Excluding replenishments to the Small Grants Programme.

Section 4 – Issues Affecting Results

Chapter 4.1 – Performance

1. This chapter reviews the evidence on performance issues in the GEF. The Evaluation Office has built up a steady stream of evaluate evidence through the Annual Performance Report. The conclusions and recommendations on the basis of four years of APR and additional work for OPS4 provide the introduction to this chapter. Issues that are presented in this chapter are the terminal evaluation reviews and what we can learn from them, cofinancing issues, why projects fail, quality of project supervision, social and gender issues and the Small Grants Programme, project cycle, as well as the reliability of the Project Management Information System (PMIS).

Conclusions

2. Performance of the GEF has exceeded the target of 75 percent moderately satisfactory or higher outcomes – the average score since fiscal year 2005 is 80 percent. The challenge is now to move to higher levels of "satisfactory" outcomes.

3. Design and implementation can be improved further if more attention is paid to how progress toward impact after project termination can be encouraged during the lifetime of the project.

4. GEF gains from mobilization of cofinancing through efficiency gains, risk reduction, synergies of collaborating with complementary partners, and greater number of options to determine an optimal project mix. The role of cofinancing to gain additional global environmental benefits is important, but sometimes overstated, especially in large investment projects.

5. World Bank and UNDP continue to provide a satisfactory level of supervision to a high proportion of GEF projects implemented by them; supervision has improved significantly in UNEP.

6. Social and gender issues in GEF strategies and projects are not addressed in a systematic manner; the current approach of relying on application of social and gender policies of individual agencies to all GEF projects is inadequate and leads to differences in approaches.

7. The Small Grants Programme continues to be an effective tool for the GEF to achieve global environmental benefits while also addressing the livelihood needs of local populations, with special attention to reaching the poor.

8. The new 22 month project cycle seems poised to reduce approval time. Twenty-one months after the approval of the first work program in the new cycle, 77 percent of projects have been presented to the CEO for endorsement. No data are available on the remaining 23 percent. In the new cycle, the 22 month period between PIF approval and CEO endorsement is mostly within the domain of the GEF Agencies and GEF Focal Points.

9. Delays were noted in the phase before project proposals are approved. Project Identification Forms tend to be sent back and forth between Agencies and Secretariat before they are submitted for Council approval, with several inefficiencies in communication. The Secretariat has adopted a ten day business standard for replies, which it has kept for 56 percent of PIFs. Given their differentiated responsibilities in the review process and the fact that they need to consult with the project proponents

in revising the PIFs, the Agencies generally take longer to respond. Both agencies and project proponents do not have a business standard.

10. In January 2009 a new and improved Project Management Information System (PMIS) has been introduced. After a concentrated effort of the Secretariat to update the database in June and July 2009 it can be considered to be reliable on core data, but still lacking structural quality checks.

Recommendations

11. There are several performance related issues that need to be incorporated into new guidelines:

- on the process and criteria for project restructuring;
- on social and gender issues and risk;
- on risk tackling, tolerance and reporting;
- as well as the use of midterm reviews.

12. GEF should be realistic in its portrayal of the importance of cofinancing. There is a need to developing transparent rules for cofinancing requirements that distinguish among categories of projects.

13. More attention should also be give to ensure that project fees provide sufficient resources to cover all supervision requirements of the GEF.

14. Better recognition and integration is needed of social and gender issues as essential means to achieve sustainable global environmental benefits.

15. OPS4 strongly supports the proposals in the replenishment process to recognize the Small Grants Programme as a modality of the GEF which should be available to all recipient countries. This needs to be accompanied by measures: to reform the SGP central management system to make it suitable for the new phase of growth, to prepare a suitable FSP modality for SGP funding, to introduce a grievance procedure and to establish a process through which audits will be made public.

16. On Project Identification Forms Agencies and the Secretariat should set up a communication channel to discuss problem cases and possible termination of PIFs. The Agencies should introduce a business standard for submitting revised PIFs to the Secretariat.

17. Attention should also be given to a more comprehensive expedited solution to the remaining PMIS weaknesses.

Performance as measured through the terminal evaluation reviews

18. The GEF's relative youth means that it has been able to keep track of what has happened in most of its funding commitments through terminal evaluations, which are available for a large proportion of GEF projects finished since 2000, including projects from the pilot phase. Coverage since 2002 is excellent. Since 2004, the GEF Evaluation Office, together with the independent evaluation offices of the World Bank, United Nations Development Programme (UNDP), and United Nations Environment Programme (UNEP), has analyzed, reviewed, and rated these terminal evaluations and reported on outcomes, risks to sustainability, and terminal evaluation quality in the GEF Annual Performance Reports.

19. The *Annual Performance Report 2008*, which was presented to Council in June 2009, included an assessment of all terminal evaluations received since fiscal year 2005. This comprises 210 terminal evaluations, which represent a total GEF funding of approximately $1 billion. The same 210 terminal evaluations form the cohort of projects reviewed for OPS4 on progress toward impact (See Table 4.1). Fourteen of these terminal evaluations have been verified in the field.

20. The policy recommendations for GEF4 contain a target of satisfactory outcomes ratings of 75 percent, focusing on whether intended outcomes were achieved. This target has been achieved and exceeded: 80 percent of projects are rated as moderately satisfactory or higher. It should be noted that the evaluation offices of the GEF, the World Bank, and UNEP agree with each other's ratings, with minor differences.[1] Particularly in recent years, the ratings of the offices have been remarkably similar, building confidence that these ratings are sufficiently triangulated to ensure their reliability. Furthermore, the World Bank's Independent Evaluation Group has noted that GEF projects in the Bank score higher than environmental projects the Bank has undertaken without GEF cofunding.

21. Terminal evaluation outcome ratings of moderately satisfactory or above received since fiscal year 2005 are presented by GEF Agency and focal area in table 4.1.1. Note that the Executing Agencies cannot yet be included in a meaningful way, given that very few terminal evaluations for their projects are available. Furthermore, only the three largest focal areas—climate change, biodiversity, and international waters—yield meaningful data in this regard.

Table 4.1.1. Outcome Ratings by GEF Agency and Primary Focal Area

Agency	% rated moderately satisfactory or above	Focal area	% rated moderately satisfactory or above
World Bank	85	Climate change	84
UNDP	78	Biodiversity	81
UNEP	72	International waters	78

Source: GEF Evaluation Office, *Annual Performance Report 2008* (Washington, DC, forthcoming).

22. Four types of risks to sustainability are assessed on the basis of reviews of the terminal evaluations: institutional, economic, socio-political and environmental risks. Over the GEF4 period, the average rating has remained relatively stable, with 58 percent of projects rated at least moderately likely to remain sustainable. Throughout the GEF4 period 54 percent of the projects rated at least moderately satisfactory in outcomes and moderately likely on sustainability. The progress from outcomes to impact analysis "unpacks" this general rating and provides more detailed information on why and how projects and follow-up actions are achieving impact in the longer run.

Cofinancing

23. Since its pilot phase the GEF partnership has reportedly mobilized a promised cofinancing of US $ 37.6 billion, i.e. 4.4 dollars per dollar of GEF grant, for its approved projects. For GEF4, up to June 30th 2009 a promised cofinancing of US $ 12.3 billion had been mobilized at 6.2 dollars per dollar of GEF grant. Most of the cofinancing is promised by the government agencies of the recipient countries. For the projects approved during FY2007 and FY2008, government agencies accounted for 51 percent of the total promised cofinancing. Among other major contributors: multilateral institutions account for 24 percent and private sector institutions for 18 percent. However, if the business loans made by the multilateral institutions to the recipient countries are accounted for as contributions by the recipient countries, the share of multilateral institutions reduces by half.

24. For completed projects for which the agencies have submitted terminal evaluations (285 projects) and for which information on materialization of cofinancing has been reported by the agencies (210 projects) on average 95 percent of the promised cofinancing materialized. However, there is considerable difference among the projects in terms of the extent to which promised cofinancing materialized. For 35 percent of completed projects less than 75 percent of promised cofinancing materialized whereas for 10 percent of the projects less than half materialized. The data shows that projects with lower materialization of cofinancing are less likely to be rated in the satisfactory range. However, the extent to which lower materialization affects outcome achievements has less to do with the leverage ratios than with the extent to which activities supported through cofinancing are integrated with the objectives pursued by the GEF.

25. While the statistics on promised cofinancing and its materialization are important from the perspective of the extent GEF partners are gaining commitments from the non-GEF agencies for the projects they propose and the extent the commitments made at project inception are being met, these by themselves do not indicate the extent to which cofinancing has been instrumental in furthering GEF objectives. Although Council has on several occasions articulated the importance of cofinancing for achieving GEF's objectives[2] and the Secretariat has portrayed it as an indicator of GEF's "multiplier" effect in generating additional resources for generation of global environmental benefits[3], the empirical evidence that will support such assertion is missing. In fact the evaluation of the pilot phase of GEF (1994), which assessed cofinancing in GEF and its efficacy in generating additional resources for environment in detail, questioned the instrumentality of GEF projects in mobilizing World Bank lending resources. Similarly, OPS3 questioned whether the highly leveraged projects that account for a substantial part of cofinancing, but are less driven by GEF goals and would go forward with or without GEF contributions, should be a priority. OPS3 then poses the question whether the GEF should give more attention to less leveraged projects that are more driven by GEF goals and would not take place without GEF support.

26. An assessment of the project documents of 20 highly leveraged GEF projects – each of these projects had a promised cofinancing of more than US $ 240 m and a cofinancing of more than 7 dollar per dollar of GEF grant – was carried out to understand how such projects differ from the less leveraged projects in the GEF portfolio. The highly leveraged projects tend to focus on GEF supported themes such as energy efficiency, transportation, waste water management and land degradation that involve production of a higher level of local and national benefits vis-à-vis generation of global environmental benefits. A high percentage of these highly leveraged projects were implemented by the international financial institutions (95%). The assessment shows that highly leveraged projects tended to have:

- Low 'GEF-ability' of cofinancing: although on average for these projects 26 dollars of cofinancing was promised per dollar of GEF grant, less than one dollar was for activities that GEF normally supports from its own resources.
- Lower level of integration of cofinancing with the GEF supported components. Compared to the other projects where cofinancing for non GEF components accounted for 14 percent of the total cofinancing (159 observations), for the highly leveraged projects (18 observations) 41 percent of the total cofinancing was for components in which GEF had not invested a single dollar.
- A significant proportion of cofinancing (48 percent) managed by entities other than the executing agency of the project (6 observations)

27. These findings suggest that high levels of cofinancing and cofinancing ratios do not lead to substantially higher levels of global environmental benefits, whereas for lower levels of cofinancing the

link to additional global environmental benefits remains confirmed, as was shown in the evaluation of incremental cost analysis. Furthermore, the case for cofinancing still remains strong as it allows GEF to:

- Reduce its risks in funding projects that require substantial investments. For projects that require substantial investments, even though a high proportion of its benefit mix is consistent with the GEF mandate, GEF may desist from investing on its own. Cofinancing allows for risk sharing and, thus, allows GEF to reduce its risk.
- Make operations cost efficient. For some projects GEF may be able to increase the scale of the project through cofinancing. This increase in the size of envelope allows GEF to make its project operations more cost efficient as they benefit from economies of scale.
- Benefit from synergies created from working with complementary partners.
- Explore greater number of options to determine its optimal project mix – GEF will be able to choose the ones that it deems most cost effective.

28. The level of cofinancing that GEF should seek for its projects should primarily be with a motive to protect GEF investments and make them more cost effective. In this process identification of the strategies and activities that will generate greater global environmental benefits is most important. So far the GEF partnership has focused more on the overall cofinancing ratio than on the specific characteristics of the projects for which cofinancing has been sought. This emphasis could distort incentives in the system. Firstly, it may veer GEF partners towards projects that generate a higher cofinancing ratio which could crowd out other potential projects with lower cofinancing ratios that may be more cost effective in producing global environmental benefits. Secondly, it reduces incentives for adherence to an agreed definition of cofinancing and candid reporting on it.

Factors Affecting Underperforming Projects

29. In most of the underperforming projects the key factors at play were related to processes that were under the control of the GEF partnership. This indicates that there is significant room for improvement in the attainment of project results in most of GEF underperforming projects.

30. Out of the 210 projects reviewed 40 (20 %) were rated moderately unsatisfactory (MU) or lower. Design flaws were noted in 30 projects (75%) as the key driving factors for underachievement. Twenty six projects had design weaknesses related to problem analysis, choice of activities, implementation and execution arrangements, and project's theory of change. Eleven projects were overambitious as they allocated inadequate resources in terms of finance and timeframe to the problems being addressed. Seven of these also had other weaknesses related to project design. Of the 26 projects that had lower outcomes due to weaknesses in project design, in seven cases the project theory of change was weak. For all of these projects even though project components and activities were completed in a timely manner, and the project did not face any exogenous change that could have affected its ability to achieve intended outcomes, the expected outcomes did not materialize because the activities chosen and assumptions made did not eventually lead to the expected outcome.

31. For 24 projects (60 %) lower outcome achievements were linked with implementation and execution related problems. These include weak technical capacity of hired staff, high staff turnover, delays in implementation of critical project activities such as hiring of staff, weak institutional capacity of the chosen executing agency, financial mismanagement and weak oversight, and poor project supervision by the implementing agency. Due to these problems the project activities were either not completed at the time of project closure or were completed after considerable delays leading to lower

outcome achievements. Of the projects for which problems related to project implementation and execution were reported, for 15 of them problems related to project design were also reported.

32. For four projects (10 %) lower outcome achievements were linked with the exogenous factors that were beyond the control of GEF partnership involved in project implementation. For three projects outcome achievements were reported to be lower because of the political instability and civil strife in the project area.[4] Activities of one project had to be curtailed because of a natural disaster.[5]

Quality of Project Supervision

33. The quality of project supervision assessments evaluated the Agency performance on project supervision with regards to the identification and tracking of, and response to, risks, problems, and technical needs affecting project implementation and achievement of project objectives. Thus, these assessments focused on the Implementing Agency (IA) performance rather than the project performance. The supervision assessment takes into account the supervision systems in place and the overall supervisory effort demonstrated by the IA, including the effort of the task teams and management.

34. Two quality of supervision assessments were carried out during the GEF4 period. Each looked into the Agency supervision systems in place and examined a sample of projects using three review criteria: 1) focus on results, 2) supervision inputs and processes, and 3) candor and quality of project performance reporting. The first assessment took place in 2006 and included the examination of 55 projects of the three Implementing Agencies. The second assessment took place in 2008, and included 47 projects of Implementing Agencies and Executing Agencies.

35. As indicated in Table 4.1.2, there was a marked improvement in the number of projects rated moderately satisfactory or higher for overall quality of supervision from 2006 (70%) to 2008 (85%). The most significant finding of this assessment is the dramatic increase in UNEP's performance ratings, from 36 to 73 per cent for projects rated marginally satisfactory or higher. For two criteria the increases are substantial: from 50 percent to 73 percent on focus on results, and from 43 percent to 72 percent on adequacy of supervision inputs and processes. These improvements brought UNEP's ratings just below that of the other two IAs in the two criteria. While candor and quality of project performance reporting ratings increased from 29 to 66 percent, the rating for this criterion remains low and requires further attention by UNEP.

Table 4.1.2 Percentage of projects rated moderately satisfactory or higher for overall quality of supervision by Implementing Agency and project size

Agency						Project Size			
UNDP		UNEP		World Bank		FSP		MSP	
2006	2008	2006	2008	2006	2008	2006	2008	2006	2008
88	92	36	73	87	86	82	88	79	88

36. These changes are explained by the actions UNEP took between the two reviews to develop a more structural approach to project supervision. A new risk tracking system has been developed and was functional during FY 2008; it includes risk identification during project preparation and tracking of risks and mitigating actions during project implementation. All new projects have adopted this system and old projects are being retrofitted. The new system addresses a set of predetermined risk categories, risks specific to the project that were identified during project preparation, and institutional risks

pertinent to the various partners. Oversight was also strengthened by requiring focal area team leaders to regularly monitor the follow up given by task managers to risky projects and by appointing a staff dedicated to monitoring project progress and supervision at the portfolio level. A new database was also put in place, allowing better tracking of individual GEF projects and the portfolio. Beginning in fiscal year 2008 UNEP has also started tracking quality of supervision across its project portfolio.

37. The World Bank ratings had virtually no changes in the overall assessment of quality of supervision; they remained at 86 percent. Ratings on adequacy of supervision inputs and processes, and candor and quality of project performance reporting also remain the same. This most likely is attributable to the fact that there were virtually no changes in World Bank supervision standards for the time period involved. The solid ratings in the two supervision reviews make it safe to conclude that the World Bank system and practice of project supervision meets the GEF supervision requirements for focus on results, supervision inputs and processes, and candor and quality of performance reporting during implementation.

38. Likewise, UNDP had consistently solid ratings on supervision. Slight improvements in ratings since the 2006 quality of supervision review are likely the result of robust technical teams placed in the various regional offices of UNDP, and of the full integration of ATLAS in the supervision process. The solid ratings in the two supervision reviews make it safe to conclude that the UNDP system and practice of project supervision meets the GEF supervision requirements for focus on results, supervision inputs and processes, and candor and quality of performance reporting during implementation.

39. The supervision assessment identified several weaknesses that need to be addressed in new guidelines:

- Still lacking is a specific guidance on how to identify risk factors and assign the ratings. Currently risk ratings are to be assigned on the basis of an estimate of a probability (in percentage terms) that a risk will materialize. More discussion with the Agencies and guidance with respect to the critical risk factors affecting project implementation would allow a more systematic risk tracking in the portfolio (including social, political, financial, economic, institutional, technological, and environmental factors).
- Options for project cancelation and restructuration are rarely exercised even though some of the projects reviewed should have been strong candidates for restructuring or cancellation given that disbursements were lagging significantly behind projections or some components were performing very poorly.
- Both supervision assessments found that mid-term reviews (MTRs) have often been of crucial importance in identifying problems and proposing solutions. Yet, both reviews also found instances where project MTRs were prepared too late to implement any substantial changes.
- The review also found that, under certain circumstances, the 10 percent implementation fee is not providing enough resources to the Agencies to carry out of the necessary services. This is particularly the case when Agency portfolios are heavily weighted towards MPSs and Enabling Activities. There is a need to assess the extent to which the current fee system (one size fits all) meets the supervision needs of all GEF projects and Agencies.

Social and gender issues

40. Global Environmental Benefits can only be achieved if human behavior towards the environment changes. This was well recognized in the pilot phase of the GEF; yet gradually GEF projects tended to focus more on the technical environmental issues rather than on the context in which these

operate. The Local Benefits Study re-established the link between global and local benefits: the global benefits are only sustainable if there are local benefits to sustain them. The Quality of Supervision Review also looked into the extent to which social and gender issues are addressed by GEF Projects.

41. While the Secretariat has recently moved towards mainstreaming gender issues, overall the guidance provided by the GEF to Agencies on social and gender issues has been too broad. Up to now GEF has depended to a large extent on the policies and practices of Agencies, but standards and practices vary significantly among agencies. With regards to social and gender issues, the Evaluation Office has only examined the systems of Implementing Agencies; the systems of other agencies will be examined in during GEF5.

42. The World Bank Social and Environmental Safeguards are specific policies that were put into place to prevent and mitigate undue harm to people and their environment. These policies provide specific guidelines in the identification, preparation, and implementation of programs and projects. UNDP has adopted a Humans Rights Based Approach to Development which is an overall framework for project and program preparation and implementation. UNDP is also quite advanced in putting in place the instruments and tools to mainstream this approach into project preparation and supervision. The Division of GEF in UNEP requires a social assessment of GEF projects during preparation and requires that projects report on social risks on an annual basis. Social issues also figure prominently in UNEP's institutional strategies and policy statements. However, compared to World Bank and UNDP, UNEP has not developed these strategies and policy statements into specific tools, guidance and processes that could facilitate it in addressing social issues more effectively.

43. There is also scope for more attention in many GEF projects for gender issues to ensure sustainability of global benefits. The GEF has the mandate to mainstream gender issues: all conventions except UNFCCC provide guidance on gender. GEF has so far relied on its Agencies to apply their gender mainstreaming policies and strategies to all GEF projects in their purview. However, "recognizing that each GEF Agency has a different gender policy and/or strategy, with varying application to GEF projects"[6], the GEF Secretariat has felt the need to rethink this approach to mainstream gender in to GEF projects. As a first step, the GEF Secretariat produced a think-piece to provoke discussion in and outside the organization and generate ideas for new directions. OPS4 examined the gender mainstreaming practices of the two largest Agencies of the GEF, the World Bank and UNDP. The agencies were found to be very active in trying to put in place the necessary policies, systems and structures that will contribute towards the goal of gender equality. But despite many years of practice, neither of these organizations is at the point of proficiency in gender mainstreaming that GEF can totally rely upon them. Recent evaluations in several GEF agencies show that mainstreaming of gender issues is still incomplete and depends on champions amongst staff.

44. OPS4 looked at 210 terminal evaluations across the agencies to check whether gender is at all mentioned in the reports. The results per focal area show that at least 50 percent or above of the projects do mention gender, except for climate change projects, which score a low 10 percent. Agencies overall also scored 50 percent or above. In the absence of adequate directives or gender sensitive TORs used by the evaluators, a more precise interpretation of this data is not possible. What is clear is that the terminal evaluation form is not capturing the actions taken on gender at the beginning of the project nor at the very end. Some revisions of terminal evaluation guidelines and practices can be included in the upcoming revision of the GEF Monitoring and Evaluation policy.

45. GEF needs to develop criteria with regards to social and gender issues and risk in GEF projects. These criteria should focus on expected results in GEF operations through the project cycle, including the preparation, implementation and evaluation. Three key concerns that criteria should address are:

- That GEF operations have no adverse effects on indigenous peoples and ethnic minorities, women, the poor and other vulnerable populations;
- That social and gender factors and risks that affect project sustainability of outcomes are properly addressed;
- That GEF projects thoroughly assess options that, without undermining the effectiveness or efficiency of attainment of global environmental benefits, contribute to improvements of the livelihood of local populations, including gender aspects.

The Small Grants Programme

46. The GEF Small Grants Programme (SGP) continues to be an effective tool for the GEF to achieve global environmental benefits while also addressing the livelihood needs of local populations and gives special attention to reaching the poor.[7] SGP country programmes, particularly the older ones, also contribute to numerous institutional and policy changes at the local, provincial and national levels, and to building capacities among civil society and academic organizations to address global environmental concerns. The success of SGP has resulted in a high demand for SGP country programmes. By the end of GEF 4, SGP will have grown to 123 countries and 10 more countries have expressed their interest to join during GEF5.

47. The Joint *Evaluation of the SGP* pointed out that as the program grows it is also facing new challenges and opportunities. More notably, the SGP will need to reform its central management system to make it suitable for the new phase of growth and address the risks of growing program complexities. Some actions in the right direction have been taken by SGP Steering Committee, but this is a critical area in which progress has been slow and requires urgent attention. The SGP is also making provisions to upgrade mature country program in GEF5. This will require that country programs function in a more independent manner and with broader responsibilities in a funding modality similar to Full Size Projects, but within an overall SGP programmatic framework, and following SGP operational guidelines. The upgrading of country programs into a SGP Full Size Project modality will also require a careful development of that modality which will ensure that the benefits of the SGP approach are adequately safeguarded and continue to flow. The growth of the program expected during GEF5 has also required SGP to undertaken several actions to strengthen program oversight, governance, and monitoring and evaluation. A grievance procedure for SGP has not yet been made public, as required in the GEF minimum fiduciary standards for all GEF support.

48. The RAF has also resulted in new challenges for the SGP. The initial rules of access to GEF resources were particularly complex and affected the efficiency of SGP. Since then, amendment of the matching requirement for resources from core funds and RAF was a step in the right direction, but overall there is still a need to make the criteria for accessing GEF resources more flexible and responsive to the willingness of countries to channel resources to the program. In GEF5, as the GEF moves into more coherent country portfolios, SGP country programs will also have to become integrated into the GEF overall country operational frameworks (so far referred to as GEF country business plans). This will most likely be a gradual process that will be particularly challenging if the RAF allocations remain divided by focal areas, as will be the utilization of SGP RAF funds for focal areas in which there is little demand for grants, which is already taking place with Climate Change funds. The GEF has also moved in the

direction of establishing levels of SGP management costs on the basis of services rendered and cost efficiency. It is important that the GEF continues with this approach to determine the management costs allocations for SGP and ensure the program provides all critical services.

49. Issues that require further attention are:

- Reform of the SGP central management system to make it suitable for the new phase of growth and address the growing complexity of the program. These changes should consider ways to tap into UNDP technical regional teams and ways to strengthen interactions with other Agencies.
- The replenishment process for the "SGP Full Size Project" modality will need to be such that it does not disrupt ongoing country program operations.
- A grievance procedure should be publicized. This process should be practical and should initiate at the country level but should also be linked to the corporate grievance procedure of the GEF now under development.
- A process needs to be established through which SGP audits are made public.

Project Cycle – Project Identification Form (PIF) Clearance

50. One of the major findings of the "Joint Evaluation of GEF Activity Cycle and Modalities," which was presented to the GEF Council in December 2006, was that "*the GEF Activity Cycle is not efficient and the situation has grown worse*[1]." It called for "*a radical redrawing of the cycle*[2]". Taking note of the evaluation findings and recommendations, the Council asked the GEF Secretariat to come up with proposals for a new project cycle[3]. In its next meeting in June 2007 the GEF Council reviewed the paper "GEF Project Cycle[4]" prepared by the GEF Secretariat and approved the new project cycle outlined in the paper for immediate application. The new project cycle comprises of following key steps: CEO clearance of project identification form (PIF); Council approval of PIF; CEO Endorsement (or approval) of the project document; Implementation supervision, monitoring and final evaluation of the project. Two key business standards established by the paper are: a turnaround time of 10 days for the GEF Secretariat to respond to PIF submissions and CEO endorsement submissions; and, a targeted elapsed time of less than 22 months from PIF approval to endorsement by the CEO.

51. Only two years have passed since the adoption of the new project cycle, and the first work program approved by the Council was in November 2007. The data available for the 39 PIFs that were approved as part of this work program shows that by August 2009 (21 months) the agencies had submitted the project appraisal documents for CEO endorsement for 30 projects (77 percent) and 24 of these (62 percent) had been CEO Endorsed. It is still early to draw conclusions from the emerging data for the period between Council Approval to CEO Endorsement stage[8]. There is, however, sufficient information on the preliminary stages. An analysis of the efficiency of the GEF in reviewing PIFs and the time taken for PIF clearance shows that:

- The rules for termination of project proposals during the PIF review are not clear. This has led to cluttering of the project pipeline with proposals that are unlikely to be cleared.

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[1] Joint Evaluation of the GEF Activity Cycle and Modalities, GEF EO, May 2007: Finding 2, page 6.
[2] Joint Evaluation of the GEF Activity Cycle and Modalities, GEF EO, May 2007: Recommendation 1, page 11.
[3] Joint Summary of the Chairs - GEF Council Meeting, December, 2006: Decision on Agenda Item 9 - Evaluation of GEF Project Cycle and Modalities.
[4] GEF/C.31/7; GEF/C.31/7/Corr.1

- The Secretariat responded to 56 percent of the PIF submissions within the 10 work-days business standard (table 4.1.3). Compared to the first submissions, the Secretariat is quicker in responding to subsequent resubmissions.

Table 4.1.3. Turnaround time of GEF Secretariat – percentage of PIFs responded to by FY of submission

Year of Submission	Number of observations	Responded to within 5 work days	Responded to within 10 workdays	Responded to within 22 work days (about a month)
FY 2007	110	15%	58%	91%
FY 2008	582	22%	54%	87%
FY2009	465	33%	58%	89%
All Yrs	1157	26%	56%	88%

- Generally between the first-submission to its clearance, a PIF spends less time with the Secretariat than outside of it (table 4.1.4). The response rates of the agencies, both in terms of percentage of PIFs resubmitted and elapsed time, improve for second and third resubmission.
- The median of the time taken from first submission to CEO PIF clearance decreased from 84 days in FY08 to 38 days in FY09. The proportion of cleared PIFs as percent of submissions also increased from FY08 to FY09 for any given time period from submission. This indicates increasing efficiency of the PIF review process as the hurdles faced during the first year of implementation of the new project cycle get sorted out.
- In 4 percent of PIF reviews GEF secretariat comments made during subsequent rounds of PIF submission could have potentially been made earlier. There are also two other categories of comments that cause friction between the secretariat and agencies: where a new comment made by the Secretariat is an elaboration of an old comment (4 percent); and, where an old comment is repeated because no changes have been made in the relevant section of the resubmitted PIFs (7 percent).

Table 4.1.4. Turnaround time of GEF Secretariat – percentage of PIFs responded to by agency

Agency	Number of observations	Responded to within 5 work days	Responded to within 10 workdays	Responded to within 22 work days (about a month)
UNDP	483	22%	53%	89%
UNEP	232	22%	50%	81%
World Bank	205	33%	66%	93%
Other Agencies	237	32%	58%	91%
All Agencies	1157	26%	56%	88%

52. These findings underscore a need for establishment of clear rules for termination of PIFs, need for the secretariat to improve its adherence to the 10 work days business standard for responding to PIF submission, and introduction of business standards for agencies and project proponents in submitting revised PIFs.

The Project Management Information System (PMIS)

53. Given its network structure, the GEF needs to maintain operational and financial information on its projects in a readily usable form for a wide range of stakeholders. The project management information (PMIS) is expected to facilitate the GEF partnership towards this end. While the currently operational PMIS is an improvement over its earlier versions and it fulfils many of its intended functions, there are many areas where further improvements are required to facilitate the GEF partnership in its operational and knowledge sharing functions.

54. The discussion to create a project management information system (PMIS) first took place in the December 1999 meeting of the GEF Council. The Secretariat expressed its intent to streamline its procedures and improve partner support and listed the development of data systems that help track GEF projects and commitments as one of the proposed measures[9]. In its May 2000 meeting the GEF Council approved a special initiative to develop a PMIS, which eventually became operational in 2001 as an MSAccess® database accessible only to the users at the GEF Secretariat.

55. OPS2 reported that the PMIS was especially weak in maintaining and providing information on cofinancing. It recommended that "the GEF Secretariat help empower operational focal points by providing better information services on the status of projects in the pipeline and under implementation[10]". OPS3 observed that the PMIS does not capture information systematically and make it available to GEF partners regularly, and that the PMIS did not facilitate monitoring of GEF portfolio in a reliable manner. It also mentioned that the Secretariat has not provided sufficient resources for the database management function. The need for significant improvements in the PMIS was felt by all. In its November 2005 meeting the Council reviewed the document 'Management Information System' (GEF/C.27/10) and endorsed the Secretariat's proposal to "establish a reliable management information system to enable the GEF and its partners to improve effectiveness across all areas of GEF business."

56. After more than three years since its approval by the Council, it was in January 2009 that the new PMIS became operational. Compared to the earlier system, the new PMIS provides following advantages:

- Web-based access to the database. This makes the database accessible to all the GEF partners and addresses the weakness observed in OPS2 that information services provided to the operational focal points was not adequate.
- Better security features. The new PMIS has more stringent protocols on data entry and modification. It finger prints the changes so that the system may track the person that made the changes.
- Minimizes errors in recording of data. The new PMIS has some inbuilt logical constraints to minimize data entry related errors and help program managers track inconsistencies in the project proposals.
- Better monitoring of progress of project proposals. The new system facilitates the program managers and other stakeholders in tracking progress of project proposals, and alerts the responsible official on the pending actions.

57. In addition to these advantages, the structure of PMIS has also been modified to address the evolving needs of GEF. For example, it now also provides information relevant to programmatic approach, resource allocation framework, and the new project cycle.

58. Despite substantial improvements, PMIS remains a work in progress. The level of automation, which could improve the work flow and could reduce the time taken to enter information, still remains below the desired level. For example, the information provided in the project proposals needs to be re-entered from the proposal documents attached to the email submissions. This redundancy could have been obviated and errors minimized if the project proponents could make the relevant entries directly. Further, only some of the key letters pertaining to various actions in the project cycle are generated automatically. The level of automation in the system has not kept up with the need to enter a greater volume of information.

59. Poor quality of information maintained in and provided by PMIS has been noted as a concern in earlier OPS2 and OPS3. In GEF4 the Secretariat has undertaken steps to ensure better quality of data. For example, in June-July 2009 the Secretariat also undertook an exercise to update and enter missing information on the project cycle related milestones. As a result it was able to reduce the number of fields for which date of GEF action on submitted project information forms (PIFs) were missing from 16 percent to less than 2 percent. On the other hand, Secretariat is yet to dedicate the required resources to improve quality of data for the period before GEF3.

60. In past eight months that the new PMIS has been operational, many design improvements and additions have incorporated and some of the glitches that were prevalent during the earlier stages making the new PMIS operational have being addressed. However, the pace at which this is happening is relatively slow. Although improving PMIS is a stated commitment of the Secretariat, it has demonstrated disinclination to utilize the approved amount for establishing a reliable management information system to this end. This disinclination has been guided by the emphasis of the Secretariat on cutting its management costs. While this has resulted in significant savings for the GEF, these financial savings also entail a tradeoff – inability to develop a better PMIS quickly and the resultant frustration caused in the GEF partnership.

61. The present tradeoff that the Secretariat has made – on time taken to develop a better PMIS and the savings that could be made by delaying the development – is not optimal. GEF should prioritize speedy development of the PMIS to catch up with its information needs.

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[1] UNDP's Evaluation Office does not review the outcome ratings of project terminal evaluations. Its reviews focus on the quality of terminal evaluations.

[2] Joint Summary of Chairs: Highlights of Council Discussions – Agenda item 9, Cofinancing, October 2002; Highlights of Council Discussions, Agenda Item 11 – Strategic Approach to Enhance Capacity Building, November 2003; and Discussions of the Council, Agenda Item 7 – Work Program, April/May 1997.

[3] GEF Contributions to Agenda 21, GEF, June 2000 (page 15); GEF… Dynamic Partnerships: Real Solutions, GEF, 2002 (page 6); GEF Annual Report 2005, GEF, 2005, (page 13).

[4] Examples: Aceh Elephant Landscape Project (GEF ID 26, World Bank); West Africa Pilot Community-Based Natural Resource Management Project (GEF ID 55, World Bank); Forestry and Conservation Project (GEF ID 513, World bank).

[5] Dry Forest Biodiversity Conservation (GEF ID 815, World Bank)

[6] GEF. 2008. *Mainstreaming Gender at the GEF*. p16

[7] More information on the SGP is provided in the *Joint Evaluation of the GEF Small Grants Programme* (2007) and on the *Midterm Review of the GEF Resource Allocation Framework (*2008).

[8] While average time taken for the GEF4 projects that have been CEO Endorsed so far can be calculated, it provides downwardly biased estimate for the PIFs approved by the GEF Council during GEF4 because it captures a high proportion of "success stories" whereas it doesn't capture to an equal extent proposals that will take more than 22 months before they will be eventually endorsed.

[9] "FY01-FY03 Corporate Business Plan"(GEF/C.14/9), November 1999.

[10] Page xi, OPS2 report (2002).

Chapter 4.2 – The GEF as a Learning Organization

1. This chapter looks at how the GEF functions as a knowledge organization and first formulates the conclusions and recommendations on this issue. After a general overview, learning at various levels is explored (project, agency and corporate level). Monitoring and evaluation as a source of learning is discussed, after which the role of the Science and Technological Advisory Panel is explored.

Conclusions

2. Learning is still not structurally and systematically encouraged. This does not mean there is no learning: in fact much good is happening in the dark, but more light is possible. The GEF lacks a knowledge management strategy that pulls all the learning efforts together in a planned and organized way.

3. The Evaluation Office is sufficiently independent and its reports are especially valuable for the Council for deliberations and decision making.

4. Although the GEF Monitoring & Evaluation policy clearly defines roles and responsibilities, in monitoring these are somehow unclear to many GEF partners, in particular at portfolio level.

5. Monitoring and evaluation communication, information and knowledge sharing are inadequate in the GEF network, and can be improved.

6. The role of the STAP on project advice is generally appreciated, but the STAP has not fulfilled its strategic mandate as envisaged. But Council has also not requested STAP's advise on critical technical or scientific issues facing the GEF.

Recommendations

7. Learning and knowledge management should be encouraged in a more systematic way, building on the experiences of IW:Learn, with a special emphasis on cross-agency and cross-country learning and be consolidated in a corporate strategy.

8. The GEF monitoring and evaluation policy will need to be updated for GEF5 and should take into account the issues raised by the independent Peer Review and by the review of monitoring and evaluation issues by ICF Consulting.

9. GEF focal points need to be involved as resource persons and process facilitators in evaluations. They should receive technical and financial support from the GEF Secretariat in setting up portfolio monitoring.

10. STAP should take the initiative to present strategic scientific and technological advice to Council on critical policy issues.

Background

11. In principle, the GEF is well poised to be a learning organization par excellence. It has a Scientific and Technical Advisory Panel (STAP), supported by efforts in the UN system to better track and understand global environmental trends and challenges. It has a fully functional monitoring and evaluation system, extending from the GEF Evaluation Office and Secretariat into the coordinating and evaluation units of the GEF Agencies and into sufficiently funded monitoring and evaluation at the project level. To fulfill the GEF's catalytic role, many GEF projects aim to be innovative. The GEF Council discusses monitoring and evaluation reports and promotes feeding evidence back into programming.

12. However, OPS3 stated that there was no systematic, comprehensive, GEF-wide approach to ensuring that lessons learned are captured and disseminated properly throughout the network. In fact, there is no knowledge management strategy and developing such a strategy would encounter serious challenges:

- Although GEF Agencies often have strong learning capacity within their own portfolios, there are relatively few efforts to ensure learning from Agency to Agency (IW:Learn, within the international waters focal area, is an exception; past initiatives, such as the GEF focal area task forces, have functioned intermittently in the last few years).
- No explicit strategy, toolbox, or framework for innovation, demonstration, replication, or scaling up exists in the GEF for all GEF strategies.
- Learning at the Council level does not ensure that information will be adequately shared at the level of project identification, preparation, and management. Efforts to equally promote learning at all levels of the partnership are insufficient.

Learning at the Project Level

13. The development and implementation of GEF projects vary in their use of lessons from previous projects, in their use and application of science, and in their generation of new scientific knowledge as a public good. OPS4 investigated to what degree projects and Agencies integrate lessons from previous projects at the project development and design stage. During project design UNEP and the World Bank frequently incorporate and build on lessons from previous GEF and no-GEF projects in project documents. While UNDP gives less attention to the incorporation of lessons during project design, its "adaptive management" approach is generally able to address design weaknesses during implementation trough sound project supervision.

14. OPS 4 also looked into the extent projects build on, and contribute to, current science and scientific knowledge[1]. While projects differ in respect to the need to incorporate science, projects in which science is relevant tend to more fully incorporate scientific literature in project design and to more fully address STAP reviews. Projects by the World Bank and UNDP tend to more frequently conduct original research. Some Task Team Leaders also facilitate the exchange of lessons learned and good practices trough project preparation workshops and conferences, and other direct exchanges among country teams on specific topics or types of project.

15. Experiences from projects are gathered and analyzed in terminal evaluations. The *Annual Performance Report 2008* provides an overview of the quality of terminal evaluations since the Evaluation Office started assessing this in fiscal year 2004. The quality of terminal evaluations, further promoted through the adoption of minimum standards in the 2006 GEF monitoring and evaluation policy, has increased from an initial 69 percent to an average of 89 percent moderately satisfactory or higher in the GEF4 period.

16. Project experiences will only lead to more systematic learning if they have been adequately tracked, monitored, and evaluated. Quality at entry of monitoring and evaluation in projects is generally high, at 76 percent moderately satisfactory or above. During implementation, generally high levels of satisfactory performance are maintained. However, many projects still need to assemble baseline data in the first year of implementation. Only 18 percent of projects have a full baseline established at the time of final approval. While quality of monitoring at entry has improved in general, the percentage of projects that start with an established baseline has remained at the same level over the GEF4 period. Terminal evaluations increasingly provide information on project performance and factors that have affected performance and could be used as a basis for drawing lessons at the portfolio level. The Evaluation Office has started doing this by looking into the factors driving underperforming projects. But Terminal evaluations remain in general underutilized by GEF stakeholders to identify lessons. The analysis of terminal evaluations could provide valuable information to identify what works or does not work for innovation, demonstration, replication, or scaling up. All of which are concerns central to the GEF but for which there is very little guidance in the partnership.

Learning at the Focal Area Level

17. The annual monitoring process with the Focal Area Task Forces (which include GEF Secretariat staff and staff from the Agencies) in the past was a joint effort where these stakeholders came together to distill and exchange lessons from the projects and feed these into the new focal area strategies and into the design and supervision of projects. However during GEF 4, with the loss of the Focal Area Task Force prominence within the GEF, the attention of interagency interactions has shifted to other topics. Nevertheless, the Secretariat still receives synthesized feedback from the Agencies for this purpose.

18. Efforts have been made to carry out structured identification and collection of lessons in the Biodiversity, Land Degradation, and International Waters focal areas. In the Biodiversity Focal Area, the Bio: Learn initiative never really took off the ground. Its proponents considered that a system meeting the needs would be prohibitively expensive. The Land Degradation initiative is more recent and its knowledge management component has not yet reached the implementation stage.

19. The IW Focal Area stands out for its achievements and lessons. It has worked to develop a directed learning approach trough the IW: Learn effort. With 10 years of experience and now going in to its fourth phase, the IW: Learn effort has experimented with many approaches and tools, including a Biennial International Waters Conference, specialized thematic workshops, learning visits, learning notes, and various forms of web based learning and exchanges. A logical sequence can be seen, as the IW:Learn effort: a) started with a concept pilot and web site development, b) expanded and refined its web-based knowledge exchange tools; and c) is continuing to provide information management services in subsequent projects while emphasizing training and demonstrations on "new" challenges (air/water nexus then aquifer recharge), and in specific regions (Asia / Pacific then Mediterranean). There is a distinctly 'new age' virtual style to the IW:Learn effort, with earnest attempts at internet-based community building. However, significant hurdles remain in developing countries for this approach, especially in those without widespread, high speed internet access.

20. The primary utility of IW:Learn is as a repository for information for persons involved in IW projects, via the web-based IW Resource Center. It is the place to go to get background on projects, to get formats and templates and to learn about upcoming GEF IW events. It supports project teams looking for practical project management information like website design tool kits, TDA/SAP guidance and the latest project document template. There may have been some resulting benefit in terms of better coordination amongst projects in the same regions, and of the same type, across the Agencies,

especially UNDP, UNEP and World Bank, however this needs further review to substantiate. In general, the IW:Learn effort constitutes a very useful information exchange program. There are many lessons for the GEF to be drawn from a decade of achievements and growing pains of IW: Learn.

Learning at the Corporate Level

21. While learning at the corporate level does take place, this often occurs on an ad-hoc basis and without a formalized mechanism to ensure specific thought-out objectives are fulfilled. With regards to knowledge management a workshop was held in early 2006 aiming at addressing learning at the corporate level in the GEF and drawing a roadmap or strategy for knowledge management and learning. However, this initiative was discontinued. For GEF5 the GEF Secretariat is proposing new corporate learning initiatives that draw on the achievements and lessons from the IW Focal Area and build on existing learning activities at the project, the Agencies and other focal areas. These initiatives include a proposal to create a GEF Learn, the inclusion of results based learning objectives in the upcoming GEF5 focal area strategies and the planned new monitoring review missions with learning products as an output from each mission. The missing piece is a strategy that pulls all the efforts together in a planned and strategically anchored manner.

22. Learning at the corporate level also takes place when Agencies and the GEF Secretariat adopt Council decisions stemming from recommendations and or feedback provided by evaluations. The Management Action Record (MAR) kept by the Evaluation Office indicates that for the most cases the Agencies and the GEF Secretariat have addressed issues raised by evaluations in a reasonably timely manner. Since its inception in June 2006, the MAR tracked 59 Council decisions stemming from 16 evaluations, of which the Office could not provide rating for 6 decisions, because of insufficient information. Of the 53 Council decisions for which progress was reported, 40 (68%) of the 59 Council decisions were rated “high” progress achieved (19) or “substantial” progress achieved (21). Only 13 decisions were rated as having achieved a “medium” progress and none were rated as having achieved “negligible” progress.

23. Adoption of Council decisions varies depending on the type of the decision itself. Some Council decisions are straight forward and require simple and specific actions. Other decisions require substantial changes in strategies and processes, and therefore take longer to be fully adopted and integrated in to the GEF system. Examples of quick institutional learning during GEF4 include the improvement of terminal evaluations in UNDP and UNEP and the improvement of quality of supervision in UNEP.

Learning at Country Level

24. Learning in the GEF partnership is also fostered by the GEF National Dialogue Initiative (NDI), a corporate global program implemented by UNDP on behalf of the GEF Secretariat, the 10 GEF Agencies and the GEF-NGO Network. Governed by an Inter-Agency Steering Committee chaired by the GEF CEO and composed of representatives from all GEF Agencies, the NDI has been a part of GEF’s efforts to engage national stakeholders and foster dialogue and participation on global environment issues. The NDI follows and builds upon an earlier program, the GEF Country Dialogue Workshops (CDW 1999-2003), designed to strengthen country coordination and capacity and to promote country ownership and awareness. CDW also aimed to inform national stakeholders about the GEF, its mission, strategy, policies and procedures, and provide practical information on how to propose, prepare and implement GEF-financed activities. In addition to what CDW intended to achieve, the NDI aims at sharing lessons learned from project implementation, achieve greater mainstreaming of GEF activities into national

planning frameworks, and foster coordination and synergies amongst the GEF focal areas and convention issues at the national level.

25. The NDI has recently been evaluated and the final report, which has been peer reviewed by the independent evaluation offices of the GEF and UNDP, will soon be submitted to the NDI Inter-Agency Steering Committee. The evaluation concludes that the NDI is highly relevant in the context of GEF as the financial instrument to support the implementation of multi-lateral environmental agreements addressing global environmental issues, and recommends it to be continued. The NDI is efficiently managed by a small program management team based at UNDP-New York, which coordinates the Initiative jointly with the Country Support Program (CSP) for GEF Focal Points and takes advantage of the large UNDP Country Offices network. Based on requests from GEF recipient countries, national dialogues are efficiently organized and delivered in GEF recipient countries. On results, while the evaluation concludes that the NDI has contributed to the promotion of GEF strategic priorities, policies and procedures, it also acknowledges the difficulties linked with assessing impact of such initiatives, especially when it comes to measuring national efforts in mainstreaming of GEF activities into national frameworks. In this sense, the recommendation formulated in the NDI evaluation on the need to identify indicators to track NDI events follow up activities is appropriate.

Monitoring and Evaluation

26. The evaluation function in the GEF, particularly the role of the Evaluation Office, has been the subject of a peer review. The peer review report has been presented to the Council in June 2009, and the conclusions of this review and its recommendations will on the request of the Council be incorporated in the review of the GEF Monitoring and Evaluation Policy for GEF5. The conclusions of the Peer Review and the response of the Office are annexed to this report. In addition to the Peer Review, an independent review was undertaken to broaden the basis of findings of the Peer Review and look beyond the functioning of the Evaluation Office into other domains of the M&E policy, such as monitoring, and partners in M&E. This review was undertaken by ICF Consulting and their report is published as a technical paper of OPS4.

27. Both the Peer Review and ICF Consulting conclude that the evaluation function in the GEF is sufficiently independent and that evaluation reports are useful for deliberations and decision making in Council. On other levels, gains could be made through more interaction with stakeholders, which would result in more involvement of GEF partners in designing EO evaluations as well as in choosing what to evaluate. Evaluation practices in the Office are consistent with best international practices and the evaluations are mainly perceived as useful for strategic issues in the GEF. These issues will be taken on board in the proposed revision of the GEF Monitoring and Evaluation Policy.

28. On monitoring issues, ICF Consulting concludes that while the GEF M&E policy clearly describes roles and responsibilities for monitoring, this is still unclear for many GEF partners, in particular at the portfolio level. As a consequence, frustrations have emerged about the extent and type of data the Agencies must report to the GEF Secretariat, as well as misunderstandings about the role of the GEF Secretariat in monitoring individual projects. As a matter of fact, the Secretariat does not monitor individual projects, but needs projects data from Agencies to provide portfolio results at either focal area or corporate level.

29. ICF Consulting further concludes that communication, information flow and knowledge sharing, and a sense of community of practice as it relates to M&E are inadequate in the GEF network. A stronger linkage between monitoring and evaluation work could improve generation and dissemination

of lessons. Reported data management and information flow deficiencies may partly be attributed to the relatively recent transition of portfolio level monitoring to the GEF Secretariat[2], combined with its extensive staffing changes in the Secretariat over the past few years. A further explanation may be that monitoring has not yet sufficiently been tackled in a consultative way, as it is the case with evaluation. A last point on M&E is the fact that although Council requested GEF Agencies to ensure that GEF focal points are aware of monitoring and evaluation efforts on their projects, this is still not standard practice. This aspect emerged in previous country portfolio evaluations, and has been reiterated by the GEF focal points consulted through the e-survey and in sub-regional meetings. Several focal points called for increased technical and financial support in portfolio monitoring in their country.

Science and Technology Advisory Panel

30. The Scientific and Technical Advisory Panel (STAP) is mandated to provide strategic, scientific and technical advice throughout the whole GEF partnership, including to the Council on its strategy and programs. The Panel consists of six members who are internationally recognized experts in the GEF´s Focal areas of work. UNEP provides the STAP´s secretariat and operates as the liaison between GEF and the STAP.

31. OPS3 and the Joint Evaluation of the GEF activity cycle identified a number of improvements needed to the fundamental design and functioning of the STAP. These led to proposals from STAP and UNEP which were approved by the Council in June 2007, and resulted in complete reconstitution of a smaller Panel and an enlarged STAP Secretariat. In parallel with the implementation of these reforms, a new GEF project cycle was also approved resulting in significant changes to the modality of STAP's advisory work. Overall, several major changes were implemented simultaneously with potentially major impact upon the GEF's access to scientific and technical advice. As a result of these reforms, STAP's advisory role in the project cycle is now appreciated by many, and STAP's involvement in operational issues is appreciated as well. Recently, STAP started providing strategic advice to the GEF Council through the GEF Secretariat-convened Technical Advisory Groups, as in the case of the advice provided on strategy development for GEF5 and for the new resource allocation system to be adopted in GEF5, or the scientific and technical advice provided on indicators and monitoring. STAP also collaborated with EO on quasi-experimental impact evaluations. However, STAP's role in strategic advice is still under-utilized. Council does not request STAP advice on specific strategic issues, and STAP has not been forthcoming with "uninvited" higher level and synthetic advice to Council. In fact, STAP itself acknowledges that it has rarely used opportunities to present challenging ideas to the Council directly in plenary session, and has recently tried to redress this through introducing a Working Document for decision by the Council.

32. Council members interviewed for the Governance study acknowledged that STAP has played a satisfactory role in individual projects, but believe that the desired strategic guiding role to the Council on contemporary issues and challenges of the global environment and how to address them is lacking. They also think that STAP has not given sufficient guidance on cross-focal area issues in an integrated manner. Overall, both STAP and Council seem to agree that a much better articulation of the role of STAP as provider of strategic scientific advice to Council into GEF policies and strategies is needed.

33. STAP's composition remains in principle on focal area basis, whereas both STAP and GEF are moving in the direction of multi-focal area and synthetic/cross-cutting issues. The question is whether STAP's members should continue to be selected based on their technical expertise in a given GEF focal area or rather on their ability to cross the bridge between science and policy/strategy, especially when STAP itself highlights the need for building linkages across the Focal Areas and taking a more integrated

approach. In this respect, it might be useful to look at the experience of the former Technical Advisory Committee and now the Science Panel of the CGIAR, which has exerted a great deal of influence on strategies, policies and decisions of that body.

[1] Investigations about project learning in the GEF relied on examination of project documents, including STAP and other reviews and on interviews of selected Agencies and GEF Secretariat representatives. Documents of twenty projects for each major agency (World Bank, UNDP and UNEP) were examined on areas: building on GEF projects, building on non-GEF projects, STAP reviews, incorporating the scientific literature, and conduct of original scientific research.

[2] GEF Monitoring and Eevaluation Policy, 2006.

Chapter 4.3 – Resources Management

1. First the conclusions and recommendations on various aspects of resource management in the GEF are presented, after which the chapter deals with the management of the GEF Trust Fund, the role of the Trustee, the fiduciary standards that currently are being applied in the GEF, the fee system in the GEF and an initial effort at starting to compare the costs of the GEF to that of other similar agencies.

Conclusions

2. In uncertain financial times, the GEF Trust Fund has higher exchange rate risks than currently are taken into account. Recipient countries are also facing exchange rate risks. Some GEF agencies offer countries limited support in this regard, others do not – there is currently no uniform practice throughout the GEF.

3. The current system of setting aside funds in the Trust Fund for the full amount that a project is projected to cost at the Project Identification Form (PIF) stage is unnecessarily financially conservative: it means that a large amount of money is set aside, which will not be used in the immediate future. Most of the project proposals will take 22 months from approved PIF to CEO endorsement; some of them will not lead to a fundable proposal.

4. In general the Trustee manages the GEF Trust Fund well; on some aspects such as exchange rate risk management, management of resources and clarity of information, improvements can be made. The Trustee presented options for exchange risk management to the second meeting of the fifth replenishment and has developed an approach to exchange risk management.

5. On the replenishment process and fund raising de facto joint responsibility is taken by the Trustee and the CEO.

6. The Fiduciary Standards in the GEF include areas that are not generally considered to be fiduciary (project appraisal and evaluation) and overly prescriptive (audit).

7. The fee system of the GEF (10 percent per project) is in some cases not fair to agencies and on some categories of projects unnecessarily expensive for the GEF.

8. In comparison to other Facilities and Funds the GEF does not appear to be more costly. Some agencies have introduced cost/efficiency ratios, which they plan to follow over time. There is not yet a best international practice established.

Recommendations

9. Approved PIFs should not be reserved only against available funds in the GEF Trust Fund, but should be reserved against funds that are expected to be paid into the Trust Fund in future years, according to the payment schedules as agreed with donors. A formula would need to take into account currency risks and the risks of deferred and delayed payments.

10. The Instrument should recognize and reflect the role of the CEO and the Secretariat in the replenishment process of the GEF.

11. Fiduciary standards should be divided out into fiduciary and management standards, less detailed on practice to be followed, but more specific on results to be achieved.

12. The fee system of the GEF should change into a rules based system grounded on the principle of fees for services, including non-project services for support of program development and which allocates higher fees to smaller projects and lower fees to larger commitments. Such a system should be linked to additional expenditures that are needed for types of projects and groups of recipient countries (for example, higher transaction costs in the Pacific SIDS), as well as national governments, and the support for GEF focal points.

13. The GEF should start work on a developing a measurement system for its costs and encourage development of an international minimum standard.

Management of the GEF Trust Fund

14. OPS4 is the first overall performance study that looks at the management of the Trust Fund and the role of the Trustee. This means that there is no evaluative baseline; no evaluative data to fall back on for comparison with the current situation. This first exploration of the management of the Trust Fund and the role of the Trustee is therefore to some extent of an exploratory nature.

15. Management of the GEF Trust Fund has become more difficult as a result of the international financial crisis, which has increased the currency risks that the GEF is facing. The recent volatility in the currency markets and a relative strengthening of the US$ and more recently a return to a decline has precipitated greater concern for the foreign exchange rate risks to which the GEF is exposed. During GEF4 donor receivables appreciated by some ten percent in US$ (US$ 240 million) in the period August 2006 to mid 2008 but have been decreasing up to early 2009 and increasing again since that time. In GEF4 some 62 percent of pledges are in currencies other than the US$. Of these some are settled in annual cash installments over the four years of the replenishment cycle but 76 percent of non-US$ pledges to GEF4 have been met through the deposit of promissory notes. As can be seen from Table 4.3.1 the percentage of resources subject to currency risk steadily declines as cash is received.

16. In the Trust Fund a reserve has been set at US$45 million to guard against risks on committed GEF resources for projects. This represents about one percent of total current commitments. It could be further expanded to guard against all currency risk, offsetting volatility in foreign exchange rates. All funds set aside in this way are of course not available for disbursement. At the moment the reserve is not clearly separated from GEF's total resources available for grants and is not identified in the Replenishment. In this it differs from IDA where the level of the reserve is clear in the Replenishment statement. It should be noted that the percentage of total contributions to GEF4 subject to currency risk in the current payment schedules will remain considerable in the coming years (2010: 36; 2011: 26; 2012: 19 and gradually going down to 1 in 2016).

17. Participants agreed at the second meeting of the fifth replenishment to the Trustee's proposal for foreign exchange risk management. The options presented by the Trustee included the option of disbursement in other currencies, but this option was not adopted. However, many projects may not complete implementation until 8-9 years after they were designed. Except for the current volatile period, the purchasing power of the US$ in the international markets has consistently declined. World Bank operated projects include a budget line for currency variance but this does not seem to be the case with the other GEF agencies.

18. The Council has decided that prudent management requires that the GEF should not agree for projects to be developed from PIFs for more funds than are currently on deposit. This is not a requirement of the Trustee but of the Council. The requirement of the Trustee is that there are sufficient funds to cover CEO endorsed projects, which constitute a legal obligation. The Council decided to hold funds in reserve for PIFs because of the problems in the previous activity cycle of the GEF, where project proposals were actively encouraged for which no funding would be available in future years. In that cycle, the pipeline of project proposals was not managed for funding availability. As a result many project proposals had to wait for a number of years before the Trust Fund had sufficient resources to enable the Council to fund them. The Joint Evaluation of the GEF Activity Cycle and Modalities led to a recommendation to reform the activity cycle to a few key GEF decision points. As a result, the Project Identification Form (PIF) was introduced, which was supposed to enable a decision on eligibility for GEF funding. The availability of sufficient funds in the GEF Trust Fund became a part of this, when the Trustee was asked to hold funds in reserve for the amount identified in the approved PIF.

19. This means that when no uncommitted and unreserved funds are available in the GEF Trust Fund, the PIF process has to stop, which happened in the summer of 2009. This seems a harsh measure for a process which still takes about 22 months from approved PIF to CEO endorsement. Over that period of time a certain amount of resources are expected in the Trust Fund through the agreed upon schedules of payments. Reservations for PIFs, which after all are not legal obligations yet, could to some extent be made on payments to be received, which are not yet in the fund, but are to some extent certain. Not all payments will eventually materialize. Therefore, arrears are a reality and have over time reached 18% of the replenishment amount–and currency exchange risks pose a challenge, but in principle a proposal could be developed to shift the burden of the preparatory process toward funds to be received. Lastly, keeping available funds reserved in the Trust Fund for PIFs that yet need to be developed, means that there is a lot of money in the Trust Fund which is not active; it is not used to provide a guarantee for implementation funding, but kept in waiting for that moment to arrive.

20. Changing the way that PIFs block funds in the Trust Fund should be decided by Council. However, the Trustee can and should develop proposals to address this issue in a financial sound way. Furthermore the Trustee is preparing proposals for the replenishment process, which should include:

- Separating currency risks from other risks
- Providing more information and clarity on uncertain commitments, such as arrears;
- Strong recommendations to donors to commit in US$ (although some are constrained by legislation), as France and Germany have done in GEF4;
- Adjusted payments through promissory notes to denominations in US$.

21. The Trust Fund accounts have undergone several processes to reconcile them with the various GEF partners. A difficulty that the Trustee faces is that the GEF Agencies have their own accounting systems and different financial years, as well as different auditing arrangements. In recent years the Trustee has gone through a long and difficult process of mapping the financial processes in the GEF and incorporating them in the management of the GEF Trust Fund. Since financial systems are to some extent dynamic and will undergo software changes and process changes, and management systems will change over time to adapt to new circumstances or incorporate new best practices, this process of reconciliation needs to become a permanent fixture.

22. There is a high degree of donor satisfaction with the performance of the Trustee and donor confidence in the GEF is partially dependent upon the Trustee preserving its role.

23. In one respect the GEF Instrument does not reflect the current relationships between the Trustee and the GEF CEO in replenishment and resource mobilization. De facto, joint responsibility is taken for the actual Replenishment process and resource mobilization has become a joint responsibility of the Trustee and GEF CEO.

Resource Management in the Partnership

24. Currently the GEF does not have a full overview of the way resources are managed throughout the partnership. Each partner has his own procedures, staff, internal rules and regulations and way of doing business. This does not necessarily mean that this is a weakness. The GEF forms a partnership in which it is recognized that the respective roles of national governments, the GEF agencies, secretariat and trustee should capitalize on their respective strengths. With the development of the GEF, including the assertion of countries central responsibility for national programs, expansion of the number of agencies with direct access, and greater initiative by the GEF secretariat, roles have been shifting. Whether these roles are now most efficiently managed is the question. While two thirds of government respondents to the questionnaire believed the GEF was efficient in managing resources, only one third of agency or secretariat respondents shared this view.

25. **The GEF secretariat and the GEF Evaluation Office** are two core units in the GEF which are administratively hosted by the World Bank. This means that on many issues they follow World Bank procedures, rules and regulations and business practices. The services they require and receive from the various World Bank departments are laid down in Memoranda of Understanding that the CEO signs on behalf of both units. The administrative costs of both units form part of the administrative budget of the GEF and their budgets are discussed annually in Council.

26. The services provided by the World Bank to the Secretariat and the Evaluation Office range from legal, human resources to administrative and IT support. The evidence from the UN agencies in Rome (FAO, IFAD, WFP), and elsewhere, is that the separate establishment or contracting in of such services, proves more costly than sharing. Thus the Geneva based UN agencies have developed some common services. The GEF is also a more attractive employer through staff being World Bank employees with all the safeguards and opportunities this provides. The GEF is currently free-riding on certain benefits such as the reserves it would be necessary to establish for redundancy as a free standing employer, investment costs in areas such as IT systems and World Bank contracted prices for travel.

27. There is a natural and gradual push towards more independence and a better recognition in the parent institution of the needs of the "child". This happened to the Global Fund, which as a result became independent from the UN, except for the treasury function. The World Bank has in the past shown itself flexible in adapting its level of involvement in institutional relationships such as the Consultative Group for International Agricultural Research (CGIAR) and the Global Fund but tensions still emerge both on matters of substance and on adaptation of procedures.

28. With 50 professional staff the **Secretariat** is organizationally split into the Office of the CEO (5 professionals plus the CEO); External Affairs dealing with communications, country relations, etc. (8 professionals); Operations and Business Strategy (11 professionals), which, together with external affairs, services GEF governance and develops operational policies and overall strategy as well as handling general operational matters. Two focal area units are divided in responsibilities along the lines of the focal areas and cover Natural Resources (13 professionals) and Climate and Chemicals (12 professionals).

29. The **Evaluation Office** currently has 10 professional staff. The peer review noted that as far as budget and staffing is concerned, the Office functions at a comparable level as similar offices in other international organizations. Its budget is presented separately to the Council, but is considered to be part of the core administrative budget of the GEF.

30. **The World Bank**'s technical capacity on the environment is located within the Sustainable Development Department which also includes important environment interfaces such as: energy, agriculture and rural development, transport and water. Advisors are also located in the seven Regional Departments and there are officers based in some of the country offices, often covering more than one country. There are no GEF dedicated staff and GEF work is integrated with other World Bank work on the environment and sectors such as energy and forms part of the portfolio of cooperation at individual country level. The coordination function is assigned at Director level in the Environment unit, together with management of the budget derived from GEF fees. Cost recording is at the individual project level for staff time, etc. against the GEF fee income and staff is employed on normal Bank terms.

31. In the GEF Coordination unit, in addition to the Executive Coordinator (about half-time on GEF matters), five persons work part-time on GEF issues (a Senior Operations Officer, an Operations Officer, an Assistant, an Operations Analyst and one Resource Management Officer. The seven regional coordinators split their time on GEF and other Bank-related activities, depending on their portfolio, and time covered for the GEF may range from 20 to about 38 staff weeks in a year. The thematic specialists (currently five) cover about 5 to 10 staff weeks yearly for GEF corporate activities. In line with World Bank policies, no staff is working for project or covered by project budget lines.

32. The World Bank applies its own procedures for the preparation and implementation of GEF projects following GEF approval of the PIF. For those projects where GEF funding is integrated with other World Bank funding, reporting is also integrated. National authorities implement the projects charging project operations, consultancies, contracts, etc. to the projects in the normal way. This results in savings for both the countries and the World Bank in transaction costs and duplication of procedures.

33. The **Trustee** follows Bank rules and procedures and consequently also has no GEF dedicated staff, although some professionals in the Multilateral Trusteeship and Innovative Financing Department de facto spend most of their time on the GEF. The administrative budget of the Trustee is based on full cost recovery of actual costs and expenses based on the time and expenses of Trustee staff. It is part of the core administrative budget of the GEF but of a different nature than the budgets for the Secretariat, the Evaluation Office and STAP.

34. **UNDP**'s GEF Coordination unit is currently the largest of four divisions in the Environment and Energy Group which is located in the Bureau of Development Policy. Both the Environment and Energy Group and the GEF team are headed by D2 level staff. The GEF team is divided both by region and by specialization, with GEF team technical staff having post graduate degrees in environmental subjects. The regional teams are located in the UNDP Regional Service Centres for each of UNDP's five regions. Within each regional team are one or more regional technical advisors covering each of the GEF focal areas. One of the senior technical specialists in each region is designated as Regional Team Leader. Regional Technical Advisors report directly to a global Principal Technical Advisor (one per focal area). So as well as being divided into regional teams, the UNDP/GEF team is matrixed into Focal Area teams with regional technical advisors from the same Focal Area supporting each other across the regions. Every UNDP country office has at minimum one Environment Focal Point who is usually a specialist in some environmental field.

35. Globally UNDP has more than 8,000 staff members. It is estimated that more than 20 percent of these spend some or all of their time on GEF work. In a country office with a large environment portfolio there may be up to 30 full and part-time staff in the environment team, generally nationals but also sometimes including international staff. Most staff assigned to the GEF team serve on annual renewable contracts, though a few are on temporary contracts. On rare occasions UNDP may use UNOPS to contract GEF team staff.

36. UNDP does not have a project level cost recording system for the GEF fees and costs are allocated pro-rata against that income. Currently the formula for fee distribution is 30% to the country office, 40% to the regional team, 10% to the UNDP/GEF central unit, and 20% to UNDP central services for the provision of legal, human resources, and other administrative and logistical support. In line with UNDP's cost recovery policy, the costs of staff time are met from the GEF fee budget, though the extent to which the costs of any individual staff member are charged to the GEF fee depends on the percentage of their time which is allocated to GEF work with some 100 percent dedicated to GEF and others less (e.g. administrative or financial staff in a country office, may spend only five percent of their time on GEF work).

37. GEF funded projects follow standard UNDP procedures to which additional GEF specific requirements, such as project level rather than program level evaluations, are added. In addition to the usual implementation and oversight support to projects by UNDP country offices, additional technical support and GEF specific oversight/supervision of projects, particularly during the project development stage, is supplied by the Regional Technical Advisors. Project implementation or execution, including all contracting and procurement, is normally carried out by the national government, supported by the UNDP country office. UNOPS is used for project implementation/execution in the case of regional projects and for countries where national execution is not possible.

38. **UNEP** maintains a separate Division of GEF Coordination, headed at D2 level, funded from the GEF fees. This division prepares projects and exercises technical and financial project oversight, ensuring compliance with GEF minimum fiduciary and monitoring and evaluation standards. It provides strategic, policy and operational inputs to the GEF and also hosts the STAP. The division has a total of 38 professional and 18 support staff, all charged against the GEF fees and is organized into Focal Area Teams (Biodiversity, Biosafety and Land Degradation; Climate Change Mitigation and Adaptation; International Waters and Chemicals) and a Finance Team. A quarter of the staff are posted outside of Nairobi, primarily in UNEP Regional Offices. UNEP does not have an individual project cost recording system for application of fees and allocates fees based on a 40:60 percent split between preparation and implementation at the portfolio level, and is moving towards a "focal area" cost centre approach.

39. In order to prevent conflict of interest between UNEP's role as a GEF implementing agency and direct project operational (execution) functions, there is a financial, legal and accountability firewall between the UNEP GEF Coordination Division and the rest of UNEP. The substantive technical divisions house substantial environment expertise and do provide technical and execution services to selected GEF projects, charged against the project budgets (project operations, consultancies, contracts, etc.). About 25 percent of UNEP's GEF projects are executed (contracted) by UNEP divisions and collaborating centers, while the remainder are executed/contracted to external specialized technical partners or to national governments (about 30 percent of the portfolio is directly executed by governments).

40. As an organization, UNEP employs some 500 professional staff, of which one third are located in Nairobi. UNEP maintains five regional offices and four liaison offices in developing regions but does

not have a presence in most developing countries. UNEP's strength lies in its technical expertise and its role as the centre point for discussion and global governance of global policy and strategy for the environment and its coordination role vis-á-vis the environmental Conventions.

41. **STAP** is part of UNEP and thus follows UNEP practices. It currently has four professionals in its Secretariat, whereas the STAP chair and members are on temporary contracts. STAPs budget is transparent and is part of the core administrative budget of the GEF.

42. **Regional development banks** operate in many ways similar to the World Bank and of course have an important country presence in their respective regions. **UNIDO, FAO and IFAD** have coordination officers for GEF (in FAO's case two full-time professionals in the case of UNIDO and IFAD one each). Project preparation and implementation follows the standard organizational procedures, except in so far as the specific requirements of the GEF must be met for PIFs, Project Documents, evaluation and audit. FAO maintains a country presence in the great majority of developing countries. In UNIDO's case this is very partial and IFAD's country level presence is limited to a few national liaison officers.

Fiduciary Standards

43. The approval by the GEF in June 2007 of comprehensive fiduciary standards for agencies was a pioneering step in the international community, both in clarifying what standards agencies were expected to fulfill and in generally reflecting best practice. No stakeholders have questioned the basic intent of the fiduciary standards but it has been observed that they put together a number of areas which would not normally be regarded as fiduciary (project appraisal and evaluation). They also became prescriptive in some regards, such as audit, where the letter of the requirements were based on World Bank and US practice, rather than a wider acknowledgement of international best practice. Thus, the independent report prepared for the GEF Council in June 2009[1] reflected a more flexible interpretation of the letter of the fiduciary standards in such areas as project appraisal processes and the audit standards to be adhered to (the UN system is adopting IPSAS[2] which was not referenced in the standards and the necessity for the external auditor to be a commercial firm rather than the public government auditors normally used in the UN system). The report also noted, among other considerations:

- variances in the interpretation from agency to agency on what should be required to meet the standards; and that
- some standards specifically cited the applicability to processes related strictly to GEF funds while others applied more broadly to the organization as a whole and agencies questioned the relevance of these requirements beyond those processes which impact GEF funds.

44. In addition agencies have questioned the cost of reporting on adherence to the fiduciary standards for those agencies which only have a small amount of GEF business. Furthermore, agencies which achieve full compliance with the standards may not need a full costly reconfirmation of compliance every four years, but could go through a less costly procedure.

45. Based on these considerations it was recommended that the GEF Council revisit the set of established minimum fiduciary standards to provide further clarity, guidance or refinement, without comprising the intent of sound fiduciary management practices. This recommendation was not followed up on by the Council in its June discussion.

Fee Structure

46. Following six years of discussion, studies and adaptations, the management fee structure for the GEF agencies was modified in December 2006, when the GEF Council decided that the agencies would receive a flat fee of ten percent on all categories of projects to cover their project management and other functions. This followed a period of transition during which a flat fee of nine percent had been applied to medium and large scale projects, plus a corporate budget of approximately US$ 3 million per year paid to each of the three implementing agencies (UNDP, UNEP, WB) to cover project development and support to GEF work on policy, strategy, etc. The increase of the fee from 9 to 10 percent was thought to compensate the Implementing Agencies of the GEF for the loss of their corporate budget, which was abolished in the same decision. Together these decisions ensured a more level playing field between the Implementing Agencies and the new Executing Agencies. Furthermore, it was decided to cap the total fee amount for any Implementing Agency in a fiscal year at what it would have received under the 9 percent fee system plus $3 million in the corporate budget.

47. In the UN system 13 percent fee many UN specialized agencies include human resource recruitment, contracting and purchasing, as well as some technical support. Evaluation is normally excluded but audit is included. The picture is different in the UN funds and programs which externalize more of these costs. In the GEF evaluation and some technical support are internalized and the other costs appear separately but the technical support is generally greater than that offered by the UN system within the overhead fee. Another difference between the way in which UN agency fees are applied and the GEF formula is that whereas the GEF fee is paid up-front to cover a project of up to six years duration, in the UN agencies such fees are linked to disbursements. What is however clear is that the GEF ten percent, of which nine percent is intended to cover management costs of projects, is not *prima facia* excessive.

48. Although the current GEF fee formula is simple, it has had a variable impact on the different agencies. As can be seen in Table 4.3.2, cumulatively the average size of a GEF World Bank project is US$ 7.04 million and that for the IFIs as a group 6.89 million. The World Bank and other IFIs generally manage these projects as part of larger interventions of which a substantial part of the funding comes from their own resources. The UNDP has an average project size of US$ 2.36 million and has to actively seek co-financing to a much greater extent than the IFIs, as do UNEP with an average project size of US$ 1.47 million, and the UN specialized agencies with average project sizes of US$ 1.45.

49. In addition to the size distribution of projects, this split is also reflected in projects by type with UNEP and to some extent UNDP being concentrated on medium-sized projects and enabling activities by number but projects by value still being concentrated more towards the full size category, albeit with a smaller average size than the World Bank. The World Bank and IFIs in general, have a small minority of projects by both number and value which are not large scale. UNIDO has been very strongly concentrated on enabling activities. The fact that smaller projects have higher management overheads was documented for the GEF Evaluation Office review of the Small Grants Programme and is generally accepted.

Table 4.3.2. Average size of projects by agency cumulative to June 2008

	Average size of projects ($m)
Overall average	3.73
World Bank	7.04
UNDP	2.36
UNEP	1.47
ADB	5.21
UNIDO	1.37
IFAD	4.56
IADB	3.67
EBRD	9.28
FAO	3.55
Average for IFIs	6.89
Average for specialized agencies	1.45
Calculated from Table 1.1 GEF Annual Monitoring Report FY 2008 GEF/C.35/Inf.3 May 2009	

50. This picture is in line with the roles defined in the original GEF instrument where UNDP was to have a primary role in capacity building, UNEP in technical analysis and developing approaches to environmental management and the World Bank in investment. Thus, UNDP, UNEP and the specialized agencies have been much more concentrated on technical assistance which has a greater managerial requirement. They have also tended to have more regional projects, which once again have greater managerial complexities.

51. A further element, which can be overlooked in this discussion, is the technical support which the agencies are expected and it is desirable to provide to the GEF secretariat. This varies with the competencies and potential of the agencies and is reflected in the statements of comparative advantage referred to above. It was previously covered to some extent in the flat contribution of US$ 3 million per agency. This was addressed under the new system, only by adding one percent to the project management fee, but this took no account of the volume of work each agency would be expected to do, in addition to projects. In particular UNEP possesses normative environment expertise, as do the UN specialized agencies in their particular fields, although this is not drawn on as much as would be desirable by the GEF (partly because it is not a priority for the GEF Council and secretariat). If such roles are to be enhanced, for example in relation to support to the focal point and planning authorities by UNDP and the WB with their country presence or articulation of the requirements or response to the Conventions by UNEP, it cannot necessarily be absorbed in the present fee structure.

52. Overall the impact of switching from a corporate budget contribution of $ 3 million per year, per agency was much greater on UNEP than UNDP or the World Bank. In FY 2008 the application of the old formula of nine percent of project costs plus $ 3 million contribution to the corporate budget would have resulted in UNEP receiving about 13 percent of the project allocation, while UNDP would have received slightly more than ten percent and the World Bank slightly less. The result of the current fee structure has been that while the World Bank and other IFIs find the compensation quite adequate and UNDP is covering its costs (but with little margin for flexible action and technical backstopping), UNEP and the UN specialized agencies find that their total costs are not being met.

53. **GEF Focal Points** are being expected to play an increasing role in overall program development, the formulation of individual projects and monitoring implementation on behalf of the national authorities, roles for which they currently receive no support from the GEF. Dependent upon the role GEF Focal Points or other national authorities are being asked to play the fee structure needs to support them in this.

Some Cost Comparisons among Five Funds and Facilities

54. OPS4 undertook an effort to compares costs, some cost metrics (especially the “efficiency ratio”[3] used by some organizations), and lessons about relative costs between the GEF and four other funds and facilities. This explores issues of efficiency rather than the relative effectiveness of different organizations, or their cost-effectiveness. The main focus of this study was comparisons among the five Funds and Facilities in regard to the overall cost of program delivery (administration plus program management). The cost of specific programs and systems within each organization was beyond the scope of the study.

55. After a preliminary review of 10 organizations, five organizations were chosen for further study: the Global Environment Facility, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the GAVI Alliance, the International Fund for Agricultural Development (IFAD) and the World Bank Climate Investment Funds (CIF). Each organization was chosen for a different reason. In some cases there were similarities with the GEF, although, of course, none of the Funds and Facilities selected is exactly the same as the GEF in mandate, structure or financial practices. In some cases specific differences from the GEF, in scale of operations for example, were a factor in the choice.

56. The International Fund for Agricultural Development (IFAD) was selected because it is a special purpose Fund that, in 2008, had a budget that was relatively similar to the GEF's. IFAD offers some contrasts with the GEF, especially in regard to the relationship with implementing agencies and executing organizations that may have implications for relative costs. Furthermore, the IFAD Council has mandated a relative costs metric (the efficiency ratio) and sets targets annually.

57. The GAVI Alliance was selected because it is a special purpose Fund, like the GEF, with an annual budget that was relatively similar to GEF’s in 2008. However its governance, mode of operations and relationships with stakeholders (both donor and recipient) are different from the GEF in ways that might suggest lessons about relative costs. For instance its use of joint-pay schemes and incremental incentive schemes are meant, among other goals, to increase its relative costs.

58. The World Bank Climate Investment Funds (CIF) were selected, despite the fact that they are new and therefore they are still evolving rapidly, because their field is climate change, one of the focal areas of the GEF and they are administered by the World Bank. The CIF intends to commit large monies

over the next three years with what is presently a very small secretariat (Administrative Unit); and therefore its concepts and plans might provide useful ideas in regard to relative costs.

59. The Global Fund to Fight AIDS, Tuberculosis and Malaria was chosen because it is a special purpose Fund, with three “focal areas”. In this case the fact that it has operated at a larger scale than the GEF makes it a potentially useful comparison, because it might provide lessons about economies of scale that are useful to the GEF as it contemplates the possibility of a larger replenishment for GEF5. As well, the Global Fund has operating systems and practices (such as rounds of calls for proposals rather than continuous assessment of a pipeline) that might affect relative costs.

60. This is an exploratory study and does not provide definitive information. It has several important limitations. First, it is not a joint study with the organizations reviewed; and has not had direct inputs from them or review and challenge by them. Second, its sources of information are limited and preliminary. The study relied on information on websites, including annual reports, budgets and work plans, and evaluations. This tends to be partial and tends to vary in coverage and format from one organization to another. Therefore the information base used in this study is stronger in different aspects from one organization to the other. Third, there are inherent limitations in the comparability of the Funds or Facilities.

61. The **mandate and reach of a granting institution** can affect its costs. An organization that has a fixed clientele that it must serve is likely to find it more expensive to deliver its program than an organization that can choose its clientele.

Table 4.3.3. Number of Countries Receiving Grants/Concessionary Loans

	Number of Recipient Countries	Percent of Largest Number of Recipients
Global Environment Facility	160	100
International Fund for Agricultural Development	140	88
GAVI Alliance	72	45
Global Fund to Fight AIDS, TB and Malaria	140	88
Climate Investment Funds (Clean Technology Fund)	20	13
Climate Investment Funds (Strategic Climate Fund)	9	6

62. The GEF has a mandate to serve all countries that are signatories to various environmental conventions. The World Bank Climate Investment Funds (CIF), in contrast, targets far fewer countries. As one can see from Table 4.3.3 above the Funds/Facilities in our sample have very different numbers of recipients of grants. The numbers of recipients differ about 17 fold. Like the GEF, IFAD and the Global Fund have a wide and diverse clientele. The reach of the GAVI Alliance is half as wide. The World Bank Climate Investment Funds (CIF) target far fewer countries and this probably contributes to lower program delivery costs.

63. Different organizations regard different **services** as integral parts of their delivery of their program. Related to the issue of the size of grant, there may be cost efficiencies to be gained from more programmatic approaches (which tend to involve larger grants as well as other characteristics that result in lower management costs to the grantor). Program-based funding is inherently less expensive to deliver per grant dollar. This is partly a matter of displacement of costs to the grant recipient that must assume more responsibilities for identification, preparation, management and assessment of activities

to be funded at the next level. The economy of program-based funding is also influenced by the size of grant, program-based funding being typically comprised of fewer and larger grants. General budget support is an example. There is a recent study of general budget support by a consortium of donors that considers the cost efficiency of the instrument among other things.[4] The World Bank CIF, Strategic Climate Fund supports broad country-based programs. Similarly, one of the windows of the GAVI Alliance, "Health Systems Strengthening" (HSS) provides cash support for countries' health systems development. The GEF still works predominantly through a project modality, even though programmatic approaches are increasing. Nevertheless, the GEF does not appear to be more costly than some of the funds and agencies that are more program oriented.

64. **Technical assistance**, as such, should seldom be counted as a cost of making a grant. However it is often impractical to distinguish between technical assistance in general and project-based or program-based technical assistance. An organization that provides general technical assistance often finds that its projects and programs arise from it or are related to it.[5] The GEF EO study of small grants programs notes that the degree to which the organization emphasizes capacity building of the grantee organization affects management costs; but the study does not attempt to quantify the effect of capacity building on administrative and program delivery costs.

65. There seems to be a consensus that greater **country presence** and more decentralized decision making result in more effective grants, but are also an expensive mode of administration and management. (See, for example, the World Bank's studies of its experience in decentralizing its country programs in the late 1990s.)[6] There are many ways to establish an in-country presence, with different cost implications. For instance, at present IFAD is experimenting with various alternative approaches to building its country presence. In 2006-07 it conducted an evaluation of its Field Presence Pilot Program. This evaluation found that the various modes of establishing field presence (including outposting of two Country Programme Managers or the use of proxies) had positive effects but that data on costs was limited. Since that evaluation IFAD has signed a framework agreement with the United Nations Development Programme (UNDP) and with the UN Food and Agriculture Organization (FAO) to strengthen its county presence. It plans a self-assessment of its country presence practices in 2010 and presentation of a Country Presence Policy to the Executive Board in 2011.

66. The **scale of operations** affects relative costs and is often measured through efficiency ratios. Both IFAD and the Global Fund have set target levels for their efficiency ratios and monitor this metric periodically. It is an imprecise measure of efficiency but, nevertheless, a useful one for the purposes of high-level management review and control of costs.

67. Three special purpose Funds/Facilities that had roughly similar total budgets in the period 2008-2009 had similar efficiency ratios. To put the point another way, the differences between the efficiency ratios are small and our data and analysis is not yet in sufficient depth to tell whether they are significant. They are clustered in the 12% to 15% range. (See Table 4.3.5)

Table 4.3.5. Efficiency Ratios (Internal expenses/Total expenditures)

	Total Budget (US$M)	**Efficiency Ratio (%)**
GEF (2008)[7]	662.7	12.3
IFAD (2008)	796.6	14.7
GAVI Alliance (2009)	723.0	12.2
Global Fund to Fight AIDS, TB and Malaria (2006)	$1902	4

68. Funds/Facilities operating at the same scale appear to have similar efficiency ratios whether they manage implementation themselves or pay fees to other agencies for implementation. However there are various factors that have not been taken fully into account in these data. In particular it is not immediately clear what is "internalized" within the ratio, especially in regard to project preparation grants. It does not appear to make a significant difference to costs whether implementation of a granting program is largely in-house (IFAD) or contracted out (GEF). For example, IFAD implements its own projects and programs (and has about 500 staff) and GEF contracts out implementation. Both have similar efficiency ratios once administrative/delivery fees are taken into account. The implication may be that GEF could bring more implementation responsibility in-house without being less cost efficient.

69. In many types of operations marginal costs are lower than average costs and, therefore, there are efficiencies from operating at a larger scale. This tends to be less true of service operations than manufacturing operations, so it is not a foregone conclusion that larger granting institutions will be more efficient. However there is at least one case that supports the idea of economies of scale in granting operations. The Global Fund to Fight AIDS, TB and Malaria is much larger than the GEF (and larger than any other organization considered in this study, with the future possible exception of the emerging World Bank CIF); and it has lower average costs per grant dollar. In fact its efficiency ratio is less than half the efficiency ratios of the smaller Funds/ Facilities. However, the low average costs of the Global Fund may be a result of factors other than a pure effect of scale.

70. Small grants programs are less cost efficient than the Funds/Facilities' overall operations (including large grants and loans), by a considerable margin. In 2007 the GEF Evaluation Office did a study of the management costs of small grants programs.[8] Small grants program incur management costs that are typically from one quarter to one third of total disbursements. That is, their efficiency ratios are, in general, considerably larger than the efficiency ratio for whole granting organizations, including the GEF. The Joint Evaluation concluded that programs "that award larger grants are likely to have lower management costs due to lower transaction costs per dollar of grants made".[9]

71. Granting organizations are difficult to compare because they **internalize or externalize** different functions. A granting organization, for instance, can take different levels of responsibility for supervision of the activities that it funds or for the evaluation of their results. Project preparation costs may be *internalized* (in project/program delivery budgets or in project-specific preparation grants) or *externalized* in an arms-length proposal process. The World Bank CIF, for example, says that if the incremental costs of activity preparation are significant they will be funded by grants. In addition the implementing multilateral development banks will recover their project preparation costs through project fees that will be approved at the time the project is approved.[10] Other organizations, including the GEF, give project preparation grants, thereby externalizing some costs that might otherwise be incurred in the internal budget.

72. Several other factors influence costs. However, a preliminary examination of these factors did not reveal major differences, either in approaches or in costs. These incorporate the following:

- The apparent costs of a granting organization also depend on how much of the full **chain of contributions** is encompassed within the organization's operations; i.e., how many of the transactions that link the first donor to the ultimate beneficiary are undertaken by the organization rather than by others in the chain.
- **Being marginal to a larger project** affects relative costs: many large projects funded by loans from the international financial institutions have smaller grants attached to them.

- Funds operate in very different ways and they may have different **levels of efficiency** for even those systems and practices that are relatively standard.
- Funds/Facilities that **receive contributions up-front** from donors could be more cost efficient than Funds/Facilities that receive commitments against which they borrow money for disbursement, because they do not incur financing and interest charges to the same degree as Funds/Facilities that borrow on the capital markets against future cash flow.

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[1] Summary Report, Compliance of the GEF Agencies on the Implementation of Minimum Fiduciary Standards, Price Waterhouse Coopers, May 15th 2009

[2] IPSAS – International Public Sector Accounting Standards

[3] The "efficiency ratio" is the ratio of administrative + program delivery costs to total expenditures. Sometimes the denominator is program disbursements rather than total disbursements. As long as the metric is defined consistently either denominator will do.

[4] University of Birmingham, IDD Associates (May 2006) Evaluation of General Budget Support. OECD DAC: Paris.

[5] See, for example, Watson, K. et al, (2006) Evaluation of Technical Assistance by the Caribbean Development Bank. Barbados: CDB; or the similar evaluation by the Asian Development Bank.

[6] 6 World Bank (2005). The Costs and Benefits of Bank Decentralization: A Review of Qualitative and Quantitative Data, FY01-04. World Bank (1997). Cost-Effectiveness Review. Washington DC. World Bank (2005). Organizational Effectiveness Task Force. Washington DC.

[7] Administrative costs as a percentage of total GEF grants were estimated to be 12.91% in FY2009 and expected to be 13.3% in FY2010. (GEF Business Plan and Corporate Budget for FY10, May 28, 2009, Table 6, pg. 33.) Over the past ten years the ratio has varied between 12% and 14% with one spike to 16% in 2002. (Op. cit., Figure 1, pg. 33)

[8] GEF Evaluation Office, N. Negi, (Nov. 2007) "Joint Evaluation of the GEF Small Grants Programme – Technical Paper on Management Costs of the Small Grants Programme", Washington DC.

[9] Ibid, p.7

[10] CIF, Business Plan and FY10 Budget Paper, CTF-SCF/TFC.2/7, pgs. 7ff.

Section 5 – Governance and Partnership

1. Findings and recommendations on governance and the current partnership structure of the GEF open this chapter, after which the evaluative findings on these issues follow. The governance issues raised in this chapter follow mainly from the independent governance review that was commissioned within OPS4, to prevent the conflict of interest that would emerge if the Evaluation Office were to evaluate the Council. On the partnership issue the evidence from Mr. Pérez del Castillo and the OPS4 team is presented jointly.

Conclusions

2. The GEF scores very well in terms of transparency and relatively well in terms of voice and representation in comparison with other international organizations. The governance model seems adequate for fulfilling most of the tasks assigned by the Instrument, and compares relatively well with other organizations in terms of representation and transparency, and to some extent effectiveness.

3. The Assembly currently through meeting once every four years does not fulfill its potential to enable all GEF members to participate in key decisions concerning the GEF.

4. The constituency system of the GEF Council shows problems for developing countries due to the lack of clear guidelines on how constituencies are formed, how they operate and how Council member and alternates should be selected and rotated.

5. The GEF is in line with current practice in international financial institutions concerning the division between governance and management. However, that practice is not in line with what is considered best standards of governance. The GEF has two elements that other international organizations usually do not have: the practice of appointing a co-chair in a Council meeting and a performance assessment procedure for the CEO and Evaluation Office Director by the GEF Council. The lack of division between governance and management is currently expressed in involvement of the CEO in governance issues (as Chair of the Council) and an involvement of the Council in management issues.

6. There are considerable strengths in the GEF partnership model, but the fast pace of changes in recent years in the GEF has caused tensions between the GEF Agencies and the Secretariat, and between Agencies and recipient countries. These tensions are to some extent "creative" in that they may lead to a renewed and invigorated GEF better utilizing the relative strengths of the partners, but they also carry reputational risks and can cause inefficiencies if they lead to reluctance to communicate.

7. Tension between recipient countries and Agencies can often be resolved by the Conflict Resolution Commissioner. However, this is not the case for tensions between the Agencies and the Secretariat – in those cases the Commissioner is perceived as not independent enough from the CEO.

8. There is no institutionalized process of self evaluation for the Council.

Recommendations

9. The review recommends that the Assembly should meet every two years in order to respond to a rapidly evolving environmental agenda, urgent new challenges and growing Convention needs and demands. This will require an amendment of the Instrument.

10. The current problems faced by Constituencies should be addressed as a key factor for improving the sense of ownership by especially developing country members.

11. During GEF5 the Council should lead a discussion on how to better separate governance and management functions, roles and responsibilities between Council and the CEO/Chairperson of the GEF.

12. Apart from an invitation to the Agencies to present their view on the future of the GEF by the Replenishment meeting, Council has not been involved in reducing tensions in the partnership. Replenishment proposals may contain clarification on roles and responsibilities, and this effort needs to be encouraged. The Council should take the responsibility for guiding the partnership in the direction it envisages.[1]

13. An institutionalized process of self evaluation for the Council should be developed over time.

Governance Review of the GEF

14. For OPS4 the independent consultant Carlos Pérez del Castillo has reviewed the governance of the GEF, with a special focus on the functioning of the GEF Council. Mr. Pérez del Castillo has been a senior diplomat from Uruguay involved in international trade negotiations, and more recently was the team leader for governance issues in the independent external evaluation of FAO. Council has agreed to this independent study within OPS4 to ensure that the GEF Evaluation Office would not have a conflict of interest to evaluate the Council, to which it reports and from which it receives its budget. The full report is published on the website of OPS4. The report was based on a mixture of literature and documents analysis, interviews, a survey and direct observation of a Council meeting.

15. Mr. Pérez del Castillo looked at the governance of GEF, its institutional structure, its functions and processes. His objective was to assess whether the governance system of GEF is adequate and up to international standards. The composition, role and performance of the governing bodies was examined: including how they reflect the interests of the membership as a whole; how transparent, efficient, effective and accountable the decision making process is; how governance functions compare to those of other comparable intergovernmental organizations; what the governance role is of the different actors; what is the relationship is between governance and management and how is it equipped to respond to the realities and challenges of the 21st century. This has been done through a comparison with 17 other intergovernmental organizations.

16. While there is not a unique, formally agreed, definition of governance for multilateral organizations, in the context of this review Governance is defined as the exercise of political authority by the Member Nations. It is the action or manner of steering or directing an organization, of fixing clear strategic directions, of setting priorities, of providing clear guidance and allocating resources commensurate to the agreed mandates. Another function of governance is the monitoring of the implementation of governance decisions by those they govern (management) and the evaluation and follow up of their activities.

17. A review of this function requires an examination of the institutional structure and the formal and informal relationships that govern the organization's decision making processes and activities. Good governance can contribute to the organization's legitimacy by ensuring appropriate representation for the membership and by facilitating transparency that allows scrutiny by relevant stakeholders. It allows it to fulfill its mandates effectively and efficiently, it renders the organization and its main organs accountable to the membership and provides voice to relevant stakeholders. These four dimensions: effectiveness, efficiency, accountability and voice constitute essential components to be examined in any governance evaluation[1]. These dimensions are drawn from codes of good governance in the public and private sectors and from academic literature on governance in multilateral organizations; corporate governance and not –for-profit governance.

[1] Mr. Pérez del Castillo recommends Council to devote a one day session to partnership issues.

18. The architecture of governance is set out in “the Instrument for the Establishment of the Restructured Global Environmental Facility” of the Organization and consists of an Assembly, a Council, the Secretariat, the Implementing and Executing agencies and the Scientific and Technical Advisory Panel (STAP). The Assembly and Council are the governing bodies empowered to take decision. The others, while an integral part of governance, have only an advisory role. As financial mechanism for four international environmental Conventions (Biodiversity, Climate Change, Persistent Organic Pollutants, and Combating Desertification) the GEF helps fund initiatives that assist developing countries in meeting the obligations of the Conventions. GEF also collaborates closely with other treaties, protocols and agreements.

19. The **Assembly** is the highest political body of the GEF in which representatives of all 177 member countries participate. According to the Instrument it is supposed to meet every three years, although it currently convenes every four years. It is responsible for reviewing and evaluating the GEF´s general policies and operations, although most of these functions are delegated in practice to the Council. The Assembly keeps the membership under review and admits new members and approves the financial Replenishment process of the organization. It is also responsible for considering and approving proposed amendments to the GEF Instrument. The Assembly is attended by Ministers and high level government delegations of, in principle, all GEF member countries. It combines plenary meetings with high level panels, exhibits, side events and GEF project site visits.

20. The **Council** is the main governing body of the GEF. It functions as an independent board of directors with primary responsibility for developing, adopting and evaluating the operational policies and programs for GEF financed activities. Council Members representing 32 **constituencies** (16 from developing countries, 14 from developed countries and 2 from countries with economies in transition) meet twice a year for three days and also conduct business by mail. Each Constituency nominates a Council member and an alternate member, who serves for periods set up by each constituency. They may be reappointed by their respective constituency.

21. The GEF Council with 32 members is the third largest, after the UNDP (36) and WHO (34), of all the other organization’s executive boards analyzed in this evaluation[2]. This large number of members has a number of drawbacks from an operational governance point of view. For example, it makes it more difficult than in smaller boards examined, to achieve efficient decision making and engage in strategic planning. At the same time, however, it represents a better regional balance in terms of representation and opportunity for members to have their views considered in the decision making process.

22. In individual interviews with all Council members and some alternates, sixty-nine percent felt that the GEF Council model is adequate for fulfilling the tasks assigned by the Instrument and compares relatively well with other organizations in terms of transparency and effectiveness. Most members agree that it would be politically difficult trying to negotiate a smaller, more executive Council. Eighty-four percent felt that no major structural changes in the governance should be envisaged but that some institutional adjustments were needed. The reform should bring improvements to the governance without altering the fundamentals of the system.

23. A **Co-Chair** is elected by the Council at every meeting, alternating between donor and recipient countries. He/she conducts the deliberations on issues related to the Council responsibilities, including the appointment of the CEO, the approval of the administrative budget, the regular evaluation of programs and the relations with the Conference of the Parties of the Conventions. The **GEF CEO** is the Chair of the Council and conducts the deliberations on issues related to the review and approval of the work program; guidance to the GEF agencies, the utilization of GEF funds and mobilization of financial resources and the operational modalities of the organization, including strategies and directives for project selection, preparation and execution.

24. The general perception is that GEF governance is relatively balanced in geographical terms, and compares well with most of the other organizations systems of governance reviewed in this evaluation. This does not imply that members have equal voting or political power. It means rather, that all members of the Council enjoy an equal right to speak and be heard. The Council serves as a forum for giving voice to the views of individual members. Decisions are judged legitimate only if they are arrived at through a process of deliberation in which all voices, interests and concerns can be heard and considered.[3] Good governance should appropriately balance the interests of all members to optimize value.

25. In practice however there is recognition that Donor Members, and in particular the larger ones, have a significant influence in governance. This is mostly secured through the decisions that are taken in the Replenishment process. This was confirmed in interviews which revealed that 74% of Council members and alternates felt that the strategic objectives and program priorities decided by the GEF Council were largely influenced by the replenishment process negotiated by donors.

26. However, this trend is considered inevitable by most members: both donors and recipients. On the one hand, those who contribute the bulk of financial resources will only do so if they can be assured a certain degree of control over their use. On the other, recipient countries which are on the receiving end of GEF grants for the finance of important national or regional environmental projects, seemed resigned to this reality and are not willing to challenge it openly.

27. The democratic deficit of the replenishment process has been reduced by the decision of the replenishment members to allow the participation of four representatives of recipient countries as well as two representatives of civil society in its future meeting. Donors argue that while the major strategies may be decided at the replenishment meetings, they have to be subsequently discussed and approved by the Council, which in general, does not limit itself to rubber stamp them.

28. With regards to member's voice or representation, it is clear that a board with a one-country-one-vote system such as those functioning in UNDP, WHO and FAO most closely conforms to the ideal of a democratic forum. The democratic character diminishes as voting power becomes more concentrated. In the organizations examined by this evaluation, this is the case in most international financial institutions, such as: World Bank, IMF and all Regional Development Banks. Their executive boards have a weighted majority voting decision making process, which is related to the member's share of the financial stock held. The majority voting power is dominated by relatively few Members who may exercise considerable influence. This decision making pattern has significant influence in the governance system, since the larger the number of members needed to secure a majority decision, the greater the incentive of members to consider the views of the rest of the membership.

29. GEF governance can be considered in the middle of the road between these two situations. Decision making is based on a double majority: 60 percent majority of the total number of Participants and a 60 percent majority of the total financial contributions expressed in voting powers assigned to members. Double majority voting magnifies the voice of smaller members and guard against powerful minorities pushing through decisions opposed by the majority of members. It balances the power of numbers versus the power of financial contributions.

30. In practice, decision making is by consensus and the Council has never resorted to voting. The decisions taken by the Replenishment process have to be considered and approved by the Council. This could be considered to balance to a certain degree, the large influence by donors mentioned above, although the preponderance of the weighted votes has a large influence in decision making, even if no votes are formally cast.

31. The Council is attended by representatives of the Conventions; GEF Agencies; the GEF Evaluation Office; the STAP and the Trustee, all with a voice but no vote. The Council also accepts the

participation as observers of non-governmental organizations and representatives of civil society with voice and no vote.

32. The **Secretariat** is responsible for all aspects of the internal day to day business of the organization and its program of work in line with the decisions of the governing bodies and in conformity with the Instrument. The Secretariat reports directly to the Assembly and the Council through the CEO and Chairperson, and ensures that their decisions are translated into effective action. It coordinates the formulation of projects, included in the annual work program, oversees its implementation and makes sure that the operational policies and strategies are followed. The Secretariat support to the GEF Council (reliable, sufficient and timely flow of information), is considered satisfactory by Council members.

33. The **CEO** is appointed by the Council to serve for three years and may be reappointed for an additional three year period. As its June 2009 session, the Council proposed to change the Instrument to a four year appointment period with one extension for another four years.

34. The **GEF Agencies** consist of the three implementing agencies that were at the origin of the establishment of the GEF, namely: the World Bank (which acts also as Trustee and the administrative host of the GEF), UNDP and UNEP, to which have been added seven executing agencies: the EBRD, IADB, AsDB, AfDB, IFAD, FAO and UNIDO. These agencies are responsible for preparing project proposals for GEF funding within their respective areas of comparative advantage and for managing GEF projects. The Agencies are accountable to the Council for their GEF financed activities.

35. The role of the **Scientific and Technical Advisory Panel (STAP),** the **Evaluation Office (EO)**, and the **Trustee** are described in earlier chapters of OPS4.

Assembly

36. While the GEF Instrument indicates that the Assembly should meet every three years, in practice it has been convened every four years. This practice has been followed largely to make its meetings coincide with the four year financial Replenishment processes of the GEF. A review of the activities of the Assembly reveals that they have been largely formal and ceremonial and that it has delegated most of its powers to the Council. This delegation however does not imply that the Members have abdicated their overall responsibility for stewardship of the organization.

37. The interviews with GEF Council members and alternates bring out that sixty percent of GEF Council members (71% if only Recipient members are considered) were of the opinion that the Assembly should meet more often than the current four years. The findings indicate that the Assembly, as currently conceived, is not playing an effective role, it does not provide strategic direction and has contributed little to GEF governance and is not cost-effective. Indeed, the argument advocated against Assembly meetings every two years was its cost. This would be compensated if the Assembly would play a more effective and constructive role.

38. The Assembly should meet every two years in order to respond to a rapidly evolving environmental agenda, urgent new challenges and growing Convention needs and demands. This will require an amendment of the Instrument. The resort to more regular meetings of all GEF members, will only be justified if the Assembly, as the highest political body of the facility re-organizes itself and strengthens its policy and strategic role in order to contribute in a cost-effective manner to good governance, as well as becoming more attractive for active participation by ministers and key stakeholders in the environmental field. A major re-definition of its traditional role, including a major reshaping of its agenda and modus operandi is required in order to stimulate debate among ministers on key environmental issues.

39. One area where the Assembly could contribute to global coherence in the environmental field would be serving as the forum for discussion and coordination of all funding devoted for environmental programs and projects. GEF only covers a small proportion of all the international financing needs of global environmental programs. Nevertheless, the fact that it is the financial mechanism of the main environmental Conventions means that it is the major link among them. Thus its capacity to be the hinge that unites them can be exploited so as to ensure that they act less as isolated silos and more as a coherent system in defense of the global commons.

40. The Assembly could act as a facilitator and coordinator for developing a clearer and more transparent picture regarding global finance in environmental activities. Issues such as the underfunding of the GEF as compared to the guidance from the Conventions; combining this guidance with the replenishment cycles; environmental assistance as a proportion of ODA could be addressed at the Assembly. This would require the presence of Ministers of Economy and Finance of member countries and as such contribute to better synergies and coordination with other ministers of the environment and cooperation also involved in GEF financed environmental activities.

41. Another important function for the Assembly would be the provision of a forum for high level discussion aimed at identifying mechanisms that would ensure a better articulation and coordination of the Conventions with GEF governance and among Conventions.

42. Faced with an evident fragmentation in world environmental governance, a function that could be explored in order to give to the Assembly a more strategic role in addressing emerging global environmental issues is a much closer coordination with UNEP. UNEP and the GEF could prepare joint reports relating the GEF financed activities to global, regional, sub-regional and national environmental assessments and contribute in strengthening and building synergies among multilateral environmental agreements.[4]

Developing Countries Constituencies

43. The review points out that especially developing countries constituencies often have variable performance. While a few seem to be working satisfactorily, the majority do not. There was dissatisfaction expressed by the recipient countries in general (74%) and in particular those not sitting in the Council (87%) with the composition, operations, and performance of constituencies. Since all developing countries are represented on the Council as part of multi-country constituencies[5], the practices within constituencies are critical to the quality of the member's representation. Some are too big, ineffective and the needs of its members are too heterogeneous to formulate a common platform. Some other complaints refer to the sporadic nature of their meetings, to the inadequacy of the flow of information or consultation among its members, to the ineffectiveness of the rotation system, to the failure of their needs being taken into account by their constituency representatives at GEF Council meetings. They also point out that the money allocated by GEF to constituencies is not sufficient to perform their role and that they do not get the personalized technical GEF support that they require.

44. Problems faced by developing countries constituencies need to be addressed as a key to improve the sense of ownership in GEF governance by a large number of members that feel that their needs and interests are ignored or not properly dealt with. The Council should establish guidelines and criteria regarding their operations that will result in clear rotating schemes in most constituencies. Membership should no longer be held exclusively by the largest vote-holding member of the constituency, as it is the case in many of them, but should rotate equally among all members regardless of voting weight. The advantage will be a much enhanced voice and sense of ownership of the institution by small holders.

45. Complaints that need to be addressed include: constituencies do not meet often enough and do not have a sufficient flow of information among its members. There are no rules for constituencies.

Support to constituency meetings from the GEF is insufficient. Constituencies rarely make recommendations for the setting of Council meetings agendas.

46. Eighty-four percent of members expressed their preference to keep the number of Council Members – and thus of constituencies – as it is. However, the ideal number of Board members is considered to be 12.[6] Given that the GEF is far removed from this ideal, the marginal efficiency loss of adding one or a few more Council members might be outweighed by the gains in voice, representation and sense of ownership. However, if the preferred option is to retain the current number of Council Members, then there will be a need to review single country seats. The Council could impose a cap on the number of countries that can be represented by a single Member, forcing some countries to migrate to other constituencies.

47. Mr. Pérez del Castillo recommends that Council establishes an Interim Committee to develop suggestions and guidelines for Council endorsement. In view of the reluctance shown by members to the establishment of Council Committees, an alternative approach would be the extension by one day of a Council session with the support of documentation prepared by the Secretariat in prior consultation with constituencies.

Governance and Management

48. One fundamental rule of good governance is a clear definition by both governance and management of their respective functions, roles and responsibilities. At present, the GEF shows an overlap of these roles, with management assuming some of the prerogatives of governance and the governing bodies involving themselves in the micro-management of the organization.

49. While most Council members agree that the Council should concentrate on strategy and not stray into management, some of the largest contributors have a keen interest that the Council continues to monitor – or at least continues to be involved – in the project cycle of all the GEF financed projects. While these two functions foreseen in the GEF Instrument may well complement each other in the exercise of good governance, they also give rise to difficult trade-offs in the light of the relatively short periods of time the Council meets.

50. While more than two-thirds of Council members are of the opinion that the Council engages into too much micromanagement, an assessment of this result depends very much on what countries consider as micromanagement. For example many countries consider the time devoted to project appraisal by the Council as micromanagement, while others consider it as an essential function of governance foreseen in the Instrument. Others consider micromanagement as an unnecessary involvement by the Council on issues that should be left to management or could be entrusted to the Governing Bodies of the GEF agencies.

51. Eighty-seven percent of members interviewed were satisfied with two annual meetings of the Council and considered they were adequate for fulfilling the governance tasks. A number of Members expressed concern with the growing tendency by the Secretariat to address the approval of important substantive decisions by mail, outside Council meetings, without the proper discussion the issues required. One possibility to be explored in order to discourage such a practice would be the convening of a third annual session or a special session of the Council to deal with outstanding substantive issues. If a third session of Council is not possible, then one of the current Council sessions could be extended by one day. More than three quarters of members were not in favor of establishing standing or ad hoc Council Committees to devote more time to policy or strategic issues. While these findings express the sentiments of the Members regarding additional Council meetings or the convening of Council Committees, they are not in line with international practice.

52. The separation of functions and independence of the governing bodies from management is currently being implemented as a central feature of governance in UN bodies as well as a growing

number of other international and regional organizations, with the exception of the International Financial Institutions. Governance not only requires that the Boards provides guidance to management but also that, as a collective body, it gives strategic planning and direction to the policies and programs of the organization, standing above the pursuit of the particular interests of the larger more influential members. This is the direction of the current reform of the UN system, where a high priority is given to governance reform in terms of ownership, effectiveness, transparency and coherence.

53. In the case of the international financial institutions examined, including GEF, the actions of the Board and CEO are not easily separable and decision-making is dominated by management issues. In the World Bank the Board's COGAM (Committee on Governance and Administrative Matters) has worked for the last three years on bringing the Bank's Board oversight and management systems up to 21st century standards, to get the Board more focused on policy and oversight and less on micromanagement with broad delegation of authority to management.[7]

54. With the exception of the CGIAR and recently the GEF, there is no process for evaluating the CEO or Head of Agency. In the private and nonprofit sectors, the performance of the CEO is a central feature of Board functions. Ninety-six percent of the S&P 500 firms have a formal process to evaluate the CEO´s performance on an annual basis. Eighty percent of non-profit executive boards in the USA follow the same practice[8]. The GEF has recently adopted this best practice standard.

55. At present the GEF Council and the CEO acting as Chair exercise separate but closely related powers. In theory, the Council should be responsible for determining the precise scope of the CEO´s powers. In practice however, through being chair of the Council, the CEO assumes governance functions. One legal argument that has been advanced justifying the necessity for the CEO being at the same time the Chair of the GEF Council, is the relationship of GEF with the Conventions. Currently the Conventions have Memoranda of Understanding with the Council, not with the implementing agencies or the Trustee. The latter are legal entities – the Council is not – and thus the Council could not sign an agreement with the Conventions. The CEO does so on behalf of the Council as Chair of the Council. This should not pose an insurmountable problem to deal with the separation of functions between governance and management. One approach could be for the Council to entrust and authorize the CEO of signing agreements on their behalf (a familiar practice in most international organizations). Another way would be to amend the Instrument to authorize the elected Chair of the Council to exercise this function.

56. Mr. Pérez del Castillo recommends that the Council addresses this issue in order to prepare the ground and make the necessary governance adjustments (including changes in the Instrument) so that the next CEO to be appointed will no longer act as Chair of the Council. A Chair and Vice-Chair with enhanced functions and roles from that of the current selected Co-Chair in each Council session could be appointed by the Council among its Members for a two year period. Regular rotation between donor and recipient countries should be envisaged. At the end of his period the Chair could be replaced by the Vice-Chair.

57. There is no institutionalized process of self evaluation for the Council, such as the ones that exists in some other boards and council (for example CGIAR) and this should be developed over time.

Governance and the Conventions

58. The governance review examines the reasons, which have impeded a better articulation and coordination between the Conventions and GEF governance. It recommends that this problem be brought to the attention of the GEF highest political body: the Assembly, in its new role.

59. GEF was conceived as the financing mechanism for several Conventions and its first operational principle is to be accountable to the Conventions. The designation of GEF as the financial mechanism or entity operating the mechanism has raised a number of expectations, which in practice,

GEF has been unable to fulfill completely. Firstly, GEF resources are too limited to attend the multiple demands of these Conventions. Secondly, the Conventions have not been able to establish a clear list of priorities for GEF Council attention among the programs, policies and strategies they have identified. Thirdly, there is an important divergence of focus between Conventions and GEF, while the former looks at both global and national benefits the GEF ultimately aims for global benefits. Fourthly, most national governments are not acting in a coherent and coordinated manner in the governing bodies of the Conventions and in GEF. Fifthly, the Conventions have a limited role and voice in the governance of GEF.

60. The review shows that there is an almost consensus sentiment among members as to the urgent need to find mechanisms to ensure better communication and coordination between the conventions and GEF governance. The current Council practice of listening to a short statement by a Convention representative at the beginning of each session is not sufficient. The existing situation is not in the long term interests of GEF and it needs governance action. The review recommends bringing this subject to the attention of the highest level of decision making in the GEF: the Assembly, in the new strategic role that has been suggested for it.

61. The next Assembly in Punta del Este, Uruguay should incorporate as a priority subject for governmental attention the identification of mechanisms for a better articulation and coordination of the Conventions into GEF governance. The presence and participation of the Chairs as well as Secretary Generals of the Conventions should be ensured, in order to secure a substantive high level discussion by members at a Ministerial level. In order to engage in a meaningful discussion and to achieve positive results, the Assembly should focus on the five problems that have been identified above. The independent review contains proposals on how this could be fleshed out.

62. Eventually, the question of the new GEF partnership discussed by the Council, and the most effective role of each GEF Agency in supporting GEF´s mandate, as discussed below, could also be addressed by future Assemblies.

Tensions in the GEF Partnership

63. The GEF exists through its three Implementing Agencies—at the request of the member countries, the governing bodies of the World Bank, UNDP, and UNEP have adopted the GEF Instrument. Together with the GEF Secretariat, they have shaped the GEF into what could potentially become a world-class international organization. As OPS3 pointed out, with the addition of seven new Agencies, the GEF is reaching the limits of what can be done in a network organization. Since then, further evaluative evidence underscores the difficulties in the system, including the midterm review of the RAF as well as perceptions raised in stakeholder consultations.

64. The mid-term review of the RAF concluded that the Resource Allocation System for GEF4 was too complicated to run in a network organization like the GEF. A major effort undertaken by the Secretariat to explain the RAF to all GEF partners did not succeed. In a network and partnership organization like the GEF information has to be shared through too many linkages, with the dangers of miscommunication increasing per numbers of linkages. Furthermore, in a network organization where many staff work only part-time on GEF issues the institutional memory is not guaranteed.

65. On programming and project identification, other chapters of OPS4 have revealed tensions between various partners:

- Focal Points complain about lack of support from Agencies in the pre-PIF phase;
- Agencies and the Secretariat complain about each other’s efforts in the PIF-phase.

66. Various other developments in the GEF have added stress to the situation, including the following:

- Increasing emphasis on competition for resources among Implementing and Executing Agencies; in contrast, the origins of collaboration in the GEF were based on an agreed-upon division of labor founded on comparative advantages;
- Shift toward greater country ownership subsequent to the Paris Declaration's promotion of harmonization and alignment;
- Growing demand for direct access to funding, starting in the climate change negotiations but now apparent in other negotiations as well.

67. In her proposals to the replenishment process, the CEO has represented the GEF as a unique bridge between the international financial institutions and the UN. Furthermore, the GEF is unique in its role as the financial instrument of various multilateral environmental agreements. The GEF cannot continue with business as usual, and the CEO has taken up this challenge and is proposing various options to the replenishment process. The Agencies have provided an input as well.

68. The international proliferation of development aid and international cooperation agencies active in support of developing countries has increased transaction costs, lowered the net amount of donor resources which reach countries and placed unnecessary pressures on scarce national capacities. The World Bank comes closest to applying its standard procedures for GEF projects. In others varying extents of additional reporting and evaluation have been required by the GEF. While weaknesses in some the agencies' processes are clear, this may not always an efficient use of resources for developing countries which must meet the additional requirements and those of the international organizations[9].

69. The country-based strength of the agencies is not being provided in a joint fashion to assist national focal points and planning authorities in developing their programs. The lead for this cannot currently be provided by the GEF secretariat, which is not in the countries and does not have the country based or technical knowledge present in the agencies. At the same time the agencies have not moved to collaboratively develop coherent support to country led processes to address environmental issues. In this vacuum the GEF Focal Points could take the lead, in accordance with the Paris Declaration, and facilitated by the GEF Secretariat, to ensure national programming of GEF support.

70. All the agencies consider that the GEF secretariat is not adequately drawing on, and the agencies are not adequately providing, support to a GEF secretariat lead role in developing policy for consideration by the GEF Council.

71. A further efficiency issue relates to the number of GEF agencies. About half the government respondents to the questionnaire considered that there should be further diversification in the GEF Agencies. However, although larger number of agencies could provide more choices to countries to implement support, there are also efficiency costs that should be considered: costs for both the agencies and verification mechanisms in meeting fiduciary standards and other monitoring requirements; costs for the GEF secretariat in portfolio monitoring and maintaining relations with the various agencies; cost to the Trustee in ensuring that data flows into financial systems are compatible from the various agencies. Perhaps most importantly, the larger the number of agencies, the less interest that agency potentially has in the GEF and the more the GEF becomes just another source of funds. The returns to diversification in terms of additional specialist comparative advantages also diminish.

72. The concept of GEF partnership has also evolved since the early days through a number of adjustments. Originally, the three implementing agencies and in particular the World Bank exerted a great deal of influence in the conduct of business, in the design of GEF policies and strategies, and in its operational activities. Over the years the agencies have seen their roles and responsibilities weakened throughout the GEF business cycle. A series of operational changes have gradually increased the functions of the GEF Secretariat. As the discretionary powers of the Secretariat increased in the course

of time, the roles and responsibilities of the other partners became less clear and complaints about duplications of tasks between the work of the GEF Secretariat and the agencies emerged.

73. The tensions among different actors in the GEF network-partnership system have a negative impact on its performance and operations, according to Mr. Pérez del Castillo, who recommends that this subject should receive urgent Governmental attention. The Council should give orientations as to the specific roles of the GEF Secretariat and the Agencies in a new partnership system. This should take into account that replenishment proposals are now addressing role issues. Mr. Pérez del Castillo concludes that the partnership concept continues to be valid and relevant to strengthen the GEF.

74. GEF agencies are part of governance and sit at Council meetings with voice but no vote. The original three implementing agencies would like to have a more active role and voice in the Council and better opportunities to discuss concerns, share their experiences and participate in debates, rather than answering questions when requested to do so, as is the current practice. The other seven Executing agencies seem to be relatively satisfied with their current role in GEF. They see the GEF basically as a source of finance. They welcome the efforts of the CEO to integrate them at the same level as the original implementing agencies, although they still see some differential treatment. They would very much like to be considered partners rather than project contractors.

75. GEF agencies consider that the current centralized approach used by GEF regarding projects and programs is not cost effective and is counterproductive. They also feel that the Council is too much project oriented and too much influenced by the CEO. They acknowledge the fact that they have very little influence in decision making. Each Agency prefers to keep its individual identity in the Council and not be represented by another organization – as has been suggested – i.e. the World Bank speaking for IFI´s and UNDP for the UN system organizations. Furthermore, one Agency is concerned that the role of Implementing Agencies as advisory bodies to the Council is eroded.

76. Agencies are concerned about the current GEF Project cycle. The process takes too long and has high transaction costs. They express that the record shows that for non-GEF projects financed activities they can provide support in a faster and more responsive manner. They feel strongly that the Agencies should be allowed to use their own project cycles and approval procedures, with simple results based portfolio monitoring from the Secretariat (as currently done in the Multilateral Fund). The Council should hold the Agencies accountable for major outcomes and results. The current replenishment proposals are looking at the notion of delegated authority for Agencies in which Boards take project decisions.

77. OPS4 has registered a great deal of dissatisfaction with the operation of Agencies at the country level. Close to two-thirds of beneficiaries expressed a high level of frustration by the way they are treated by agencies. Their perception is that Agencies seem to be more interested in selling their projects than by attending to the needs of the recipient countries. Furthermore, many representatives of countries in group allocations expressed the feeling that many Agencies are not interested in supporting them because of the low level of funding.

78. OPS4 detected no support for the GEF to become an independent agency. The current tensions in the partnership could be reduced if roles and responsibilities of all actors are clarified with a view to minimizing overlap and addressing possible gaps. The Instrument provides the possibility for the CEO to convene periodically meetings with the heads of the GEF Implementing Agencies to promote interagency collaboration and communication and to review operational policy issues regarding the implementation of GEF-financed activities. This high level interagency Committee for coordination among GEF Secretariat and Agencies has not been able to solve the tensions in the partnership.

79. While, as mentioned before, tensions in the partnership system are real and may negatively affect performance, they have never been openly discussed in Council. The replenishment process requested the Agencies to submit an Inter-Agency paper providing their views, concerns and proposals

on the paper on strategic positioning of the GEF. This was presented at the second replenishment meeting in June 2009[10]. Mr. Pérez del Castillo recommends that a Special Session of the Council be convened to address the question of the tensions between the different actors in the GEF network and partnership model. The Council should define and give specific orientation as to the respective roles and functions of the GEF Secretariat and GEF Agencies in this new partnership, combining the strengths of all entities in support of GEF mandate. This should contribute to restore the level of trust and confidence and provide a sense of ownership to all the actors involved.

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[1] Governance of the IMF – An Evaluation . IEO of the IMF 2008. Executive Boards in International Organizations; Lessons for strenghthening IMG Governance – Leonardo Martinez –Diaz; IEO of the IMF Background paper, May 2008.

[2] The WTO was not considered here, since it does not have an executive type Board like the other organizations examined. Decision making in the General Council or other governing bodies always involves representatives from all the 153 members.

[3] The decision taken on the establishment of the RAF, was mentioned as one example of decision pushed forward by a minority of members without proper Council deliberation.

[4] UNEP would like to point out that the OPS4 proposals for a reformed Assembly could duplicate existing structures including the Global Ministerial Environment Forum and should be discussed within the context of the international environmental governance discussions.

[5] With the exception of China and Iran.

[6] Carter and Lorsch. Executive Boards and Corporate governance, 2003,

[7] Interview with former COGAM chair Mr. Aass, September 15, 2009, World Bank intranet.

[8] See Executive Boards in International Organizations, Leonardo Martinez-Diaz, Brookings Institution, Background Paper by the IEO of the IMF, May 2008.

[9] An example is the individual evaluation of medium sized projects which agencies such as FAO, IFAD and WFP are quite consciously moving beyond as a cost-effective learning or management tool.

[10] Issues for the Strategic Positioning of the GEF, Prepared by GEF Agencies; GEF/R.5/16, June 1, 2009.

Annex 1 – Terms of Reference (extract)

Date: July 17, 2008

APPROVED BY THE GEF COUNCIL ON SEPTEMBER 5, 2008

This version contains three chapters of the Terms of Reference, including the Key Questions of OPS4. The full version is available on the website of the Evaluation Office (www.gefeo.org) and will be published on the CD-ROM of OPS4.

II. The GEF and Overall Performance Studies: a brief overview

1. The GEF was originally established in 1991 as a pilot program in the World Bank to assist in the protection of the global environment and to promote environmentally sound and sustainable development. In 1994 the GEF was restructured partly in response to the action plan of the 1992 United Nations Conference on Environmental Development. Three entities became GEF Implementing Agencies: the World Bank, the United Nations Development Programme (UNDP), and the United Nations Environment Programme (UNEP). In 2002 the second GEF Assembly amended the GEF Instrument, adding two new focal areas (land degradation and persistent organic pollutants) to the four existing ones (biodiversity, climate change, international waters, and ozone layer depletion). Seven other agencies have meanwhile gained direct access to GEF funding: the four regional development banks, as well as the International Fund for Agricultural Development (IFAD), The Food and Agriculture Organisation (FAO), and the United Nations Industrial Development Organization (UNIDO). Since 1991, the GEF has provided $7.6 billion in grants for more than 2,000 projects in over 165 countries.

2. The GEF underwent an independent evaluation of its Pilot Phase in 1993. Three Overall Performance Studies of the restructured GEF were completed in 1998, 2002, and 2005. All of these evaluations provided a basis for and supported the decision-making process of the GEF Replenishment and Assembly. The three Overall Performance Studies were prepared by independent teams of evaluators, with substantial support of the Monitoring and Evaluation Unit and later the GEF Monitoring and Evaluation Office (now the GEF Evaluation Office).

3. The Second Overall Performance Study concluded that GEF-supported projects had been able to produce significant results that address important global environmental problems. However, whether the results had had an impact on the global environment was difficult to determine. Given GEF's relatively short existence and the limited amount of funds made available, it was unrealistic to expect its results to be able to halt or reverse the deteriorating global environmental trends at the time. What was clear was that the GEF had produced a wide array of important project results – results that could be considered as reliable process indicators towards achieving future positive environmental impact.

4. The Third Overall Performance Study (OPS3) found that the GEF had achieved significant results, particularly at the outcome level, in the focal areas of biodiversity, climate change, international waters, and ozone depletion, and was well placed to deliver substantial results in the newer focal areas of land degradation and persistent organic pollutants. The OPS3 team experienced difficulties in measuring program impacts and concluded that the GEF system for information management was inadequate. The Study recommended that to measure the results of the GEF, and to evaluate whether the GEF is programming optimally to achieve results, indicators should continue to be developed and refined in all focal areas to allow aggregation of results at the country and program levels. A comprehensive, reliable, and harmonized management information system could allow OPS4 to confidently report on the results of the GEF and the GEF's progress in meeting its operational principles.

5. However, as has been pointed out by this Office before: any impression that the GEF on its own would be able to solve global environmental problems needs to be qualified immediately.[1] The world community currently spends approximately US$0.5 billion a year on solving these issues through the GEF. The problems are immense. Any solution would need the strong involvement of many other actors. Greenhouse gas emissions continue to increase. Extinction of animal and plant species continues. Pollution and waste treatment pose enormous challenges. Access to safe water is not ensured and even endangered for many people. Land degradation is a huge problem in many countries across the world. The only global environmental problem that seems almost solved is that of the elimination of ozone depleting substances – but new challenges are appearing on the horizon. For most of these problems, the GEF contribution needs to be seen in its proper perspective: directly ensuring global environmental benefits on a relatively small scale and indirectly aiming to initiate and catalyze actions that would enable a broader impact in the longer run.

6. The Third Overall Performance Study benefited from a high level advisory panel. The panel recommended key questions that would enable the Fourth Overall Performance Study to go beyond summarizing previous findings to a more analytical and evaluative approach. This would allow an assessment of the value added of the GEF at the global level. It would enable a

[1] See the Statement of the Director of Evaluation to the Assembly on August 29, 2006 - http://www.thegef.org/uploadedFiles/GEFEO%20Director%20Statement-Assembly.pdf (May 5, 2008) and OPS3: Progressing Toward Environmental Results, Executive Version, Foreword.

look at which aspects of the GEF partnership have performed well and which have not. To address these issues the panel recommended that OPS4 assess results at the local, regional, and global levels in each of the focal areas and assess the implications of the views among and within GEF's various stakeholder groups. This should allow the Study to evaluate the GEF system as a network. The Fourth Overall Performance Study should also address the substantive and not just the management issues of the GEF by drawing on the current state of scientific literature in often contentious areas such as the congruence and competition in the realization of the objectives of biodiversity conservation and poverty alleviation, and country experience and client perspectives in a deeper way.

7. The findings, conclusions, and recommendations of the Fourth Overall Performance Study will be incorporated into the discussions and negotiations of the fifth replenishment of the GEF. The replenishment process is scheduled to begin with a formal meeting in November 2008. Two or three meetings are planned in 2009 with a possibility of one more early 2010. An interim report of the Fourth Overall Performance Study will be presented to the replenishment meeting in the spring of 2009. Based on the interim report the GEF Secretariat will prepare for discussion at the meeting proposed policy recommendations relating to the strategic issues to be addressed by the Council during the GEF-5 period. The final Fourth Overall Performance Study report will be presented in the summer of 2009 and the GEF Secretariat will present revised policy recommendations based on the discussions of the previous meeting.

III. Emerging Issues and Questions

8. The Evaluation Office started brainstorming on the Fourth Overall Performance Study in January 2008 and circulated a first draft of emerging key questions to its senior advisors in March. A revised version of the emerging key questions was included as an annex in the Four-Year Rolling Work Plan and Budget for fiscal year 2009 that the Evaluation Office presented to the GEF Council on 22 April 28, 2008. Comments and suggestions made during the GEF Council week were taken into account in an approach paper, which was published on May 7, 2008. Suggestions and comments on that approach paper were taken into account in these draft terms of reference.

9. Following the overall objectives of previous overall performance studies and bearing in mind specifically articles 14a and 15 of the Instrument, the overall objective of the Fourth Overall Performance Study will be:

To assess the extent to which the GEF is achieving its objectives and to identify potential improvements

10. OPS4 will be based on the GEF objectives as laid down in the GEF Instrument and in reviews by the Assembly, and as developed and adopted by the GEF Council in operational policies and programs for GEF-financed activities.

11. More than in previous overall performance studies, OPS4 will report on portfolio outcomes, the sustainability and catalytic effect of those outcomes and the impacts that were achieved in its focal areas. There are five clusters of questions on which the study will focus. On many of the questions and sub-questions in these clusters the GEF Evaluation Office has already

reported to the Council on achievements and progress made. OPS4 will build on these reports, identify gaps to be reviewed and integrate findings in an overall achievement report to be presented to the Council and the replenishment process. This report will contain lessons learned and recommendations.

12. The **first cluster** will assess the role and added value of the GEF. This section will aim to assess the relevance of the GEF for the international architecture for tackling global environmental problems, of which the various multilateral environmental agreements are important building blocks. This international architecture is changing, also to address emerging issues and to ensure harmonization of international support. Furthermore, there is growing recognition that sustainable development can only be achieved if dynamic changes in natural resources management are adequately addressed. The GEF is not the only actor and depends on collaboration, often through co-funding, with other partners to achieve its objectives as a financial instrument of several multilateral environmental agreements. The principle of additionality has promoted the partnership mode of the GEF. Furthermore, the Paris and Rome declarations of aid effectiveness and harmonization will be taken into account. The role and added value of the GEF will be looked at from the perspective of its current mandate. This cluster will also be described as the **role cluster.**

13. The first cluster will be based on a desk review of available literature, documents and reports and will not require major investment. The work will be done mostly in-house, but will require peer reviews of the desk review, to ensure quality.

14. The results of the GEF constitute the **second cluster** for assessment. OPS4 will respond to questions regarding the concrete, measurable and verifiable results (outcomes and impacts) of the GEF in its six focal areas, and in multi-focal area efforts and how these achievements relate to the intended results of interventions and to the problems that they were targeted at. Furthermore, the results will be reported on different levels: global, regional, national and local. The balance between local and global benefits will be assessed as well as changes in the behavior of societies which ensure sustainability of benefits. The issue of the sustainability of results will be further explored through an in-depth look at the impacts of the GEF in its focal areas, global, regional, national and local. OPS4 will also relate the achievements to groups of countries, such as Small Island Development States (SIDS) and the Least Developed Countries (LDCs). This cluster will also be described as the **results cluster.**

15. This cluster will build on OPS3 as well as a large number of GEF Evaluation reports, starting with the Program Studies that were undertaken for OPS3, which will provide a basis for an update of the three major focal areas, as well as the Local Benefits Study, the Biosafety Evaluation, Country Portfolio Evaluations, the Joint Evaluation of the Small Grants Programme, the Annual Report on GEF Impacts, and the evaluative work on the catalytic role of the GEF and capacity building. In addition, two more Country Portfolio Evaluations will be undertaken during OPS3, as well as an impact evaluation of the Ozone focal area. Even though this is already an extensive coverage, major additional work will need to be undertaken: updating the program studies and ensuring coverage of all focal areas, as well as field (verification) work to ensure representativeness of findings.

16. The **third cluster** consists of the relevance of the GEF to the conventions and to recipient countries. First and foremost OPS4 will report to what extent the guidance of the conventions has been followed by the GEF. In international waters, the extent to which the GEF has been able to

promote and support international collaboration will be taken as a measure for relevance. Second, the relevance of the GEF for national environmental and sustainable development policies will be assessed. Another question tackled in this cluster is the extent to which the GEF has been able to support national sustainable development policies, and to what extent it has been able to integrate the concern for global environmental benefits into these policies, based on the needs and priorities of the countries concerned. This cluster will also be identified as the **relevance cluster.**

17. Building on OPS3 and the Country Portfolio Evaluations, as well as other evaluation reports such as the Biosafety evaluation, this cluster will require mainly desk reviews of documents and reports, to be enhanced and verified through interviews, country and agency visits as well as stakeholder opinions. Two additional Country Portfolio Evaluations will be undertaken during OPS4.

18. Performance issues affecting results of the GEF will be assessed as the **fourth cluster** to investigate whether the performance is up to the best international standards or whether improvements are needed. OPS4 will look at the governance system of the GEF and assess to what extent it is adequate and manages the GEF well. It will look at the extent to which the policy recommendations of the Fourth Replenishment were implemented. The Mid-Term Review of the Resource Allocation Framework (RAF) will be updated to a final assessment of the extent to which the RAF promotes global environmental benefits. The cost-effectiveness of GEF operations and interventions will be assessed. The roles of the components of the GEF will be looked at in this section. A series of questions will be directed at monitoring and evaluation, science and technology and knowledge sharing: activities that focus on enhancing the quality of interventions through lessons learned and infusion of the highest available technical expertise. OPS4 will assess the extent to which the GEF is a learning organization and achieves levels of best international practice on these issues. This cluster will also be known as the **performance cluster.**

19. This cluster will make extensive use of existing evaluation reports, most prominently the Annual Performance Reports, and the mid-term review of the Resource Allocation Framework, as well as the Joint Evaluation of the GEF Activity Cycle and Modalities. OPS3, The Joint Evaluation of the Small Grants Programme and the Country Portfolio Evaluations also provide important evidence that will be incorporated in this cluster. The on-going work for the Annual Performance Report will be integrated into OPS4, as will the mid-term review of the RAF. As a result, the additional work needed, including further analysis of Terminal Evaluations, field and country and agency visits, as well as stakeholder perceptions, can be kept within reasonable bounds.

20. Resource mobilization and financial management on the level of the Facility itself is the **fifth cluster** that OPS4 will tackle. A series of questions will assess the replenishment process and financing of the GEF throughout its history, and the management of the GEF Trust Fund. Furthermore, the GEF's fiduciary standards, accountability and transparency on general financial issues will be reported on. This cluster will build on OPS3 and identify additional work that would need to be done, mainly through data and portfolio analysis, desk reviews and expert involvement in analysis and reporting. This cluster will also be described as the **resource cluster.**

21. These five clusters of questions have led to a first identification of key and sub-questions to which OPS4 will need to provide an answer, or for which it will need to identify what needs to be done to ensure that answers will be provided in future evaluations of the GEF Evaluation Office, or the Fifth Overall Performance Study.

IV. Key questions of OPS4

22. This chapter presents the key questions in five clusters. Many of these questions require several sub-questions to allow for an informed answer in OPS4. The sub-questions have been incorporated in the first version of the evaluation matrix, which has been included as annex to these terms of reference – as a "work in progress".

FIRST CLUSTER: ROLE AND ADDED VALUE OF THE GEF

(1) What is the role and added value of the GEF in tackling the major global environmental and sustainable development problems?

This key question will establish the context and international framework in which the GEF operates. It will look at the current understanding of global environmental problems, their dynamic and trends, what is known about their causes and how they could be addressed, as well as at the role of the multilateral environmental agreements and the GEF in addressing these issues. The general assessment of OPS4 on the GEF's achievements will then be matched to the international framework to conclude on the added value of the GEF's support vis-à-vis that of other actors and its resulting role in tackling global environmental and sustainable development problems.

SECOND CLUSTER: RESULTS OF THE GEF

(2) Which concrete, measurable and verifiable results have been achieved by the GEF in the six focal areas and in multi-focal area activities?

This assessment will provide an overview of results in regular and multi-focal area activities per focal area – biodiversity, climate change, international waters, ozone depletion, persistent organic pollutants and land degradation – and provide lessons learned on each of the strategic objectives within the focal areas, where applicable. It will also report on the geographical distribution of these achievements.

(3) Which concrete, measurable and verifiable results have been achieved by the GEF in supporting national and local priorities for sustainable development?

OPS4 will assess the extent to which the GEF has enabled recipient countries to meet their obligations under the conventions, as well as build up the national and local capacity to do so, and the extent to which this has led increased global environmental benefits. The role of technology transfer in the latter will be looked at as well, and finally the distribution of these achievements over groups of countries, such as SIDS and LDCs, will be reported on, as well as the distribution over geographical regions.

(4) To what extent has the GEF achieved sustainable impact on global environmental problems?

This question will build on the work done for the Annual Report on Impacts. Additional assessment will take place on theories of change and assumptions on why interventions will achieve impact. This links into an assessment of sustainability of the achievement of global environmental benefits.

THIRD CLUSTER: RELEVANCE OF THE GEF

(5) To what extent has the GEF followed the guidance of the conventions for which it is a financial instrument?

OPS4 will relate the guidance of the conventions to the GEF strategies, modalities and operations, as well as its achievements as assessed in previous questions. This will enable a judgment on whether the GEF has been following the guidance.

(6) To what extent has the GEF been able to promote international cooperation in environmental areas that have not previously been covered by agreements?

OPS4 will provide an assessment of the GEF's support to countries to enter into and implement transboundary agreements on international waters.

(7) To what extent has the GEF been able to provide feedback to the conventions on their guidance, the implementation of that guidance and the results achieved, including on multi-focal area issues?

OPS4 will assess the communication between the GEF and the conventions on the feedback that the GEF has given to the conventions on its results, experiences and lessons learned, as well as on multifocal area issues and activities, and whether that feedback has been helpful to the conventions in improving their guidance and to promote synergy and minimize conflict between the conventions.

(8) To what extent has the GEF been relevant to national policies on environment and sustainable development?

This question aims to address the issue of how GEF support has contributed to countries' sustainable development agenda and environmental priorities, and whether it was possible to integrate global environmental issues into the poverty and/or development agenda of the recipient countries, including the question of trade-offs. Whether the portfolio was owned by the country will be addressed here as well.

FOURTH CLUSTER: PERFORMANCE ISSUES AFFECTING RESULTS OF THE GEF

(9) Is the governance system of the GEF adequate and up to international standards?

This question will build on OPS3 and look at the role and effectiveness of the Council, and the extent to which the GEF has a transparent system of governance. This system will be compared to governance in the United Nations, the International Financial Institutions and similar Global Programs and Funds. The responsiveness of the Council to guidance of the conventions and also to the needs of the recipient countries will be assessed, as well as the way the Council has kept track of the adoption of its decisions.

(10) To what extent has the RAF succeeded in allocating funding to ensure a maximization of global environmental benefits?

The mid-term review of the Resource Allocation Framework will have been presented to Council in November 2008. The terms of reference of the mid-term review contain the questions that will be addressed and the findings will be incorporated into OPS4. In the remaining months to conclude OPS4 these findings will be updated with the latest information and data on approval and new evidence that can be gathered and analyzed.

(11) To what extent has the GEF been efficient and cost-effective in achieving results in each focal area?

OPS4 will assess the extent to which the GEF has been efficient in terms of funding, human resources and time spent. As far as possible these costs will be compared to similar activities of other agencies, leading to an assessment of the cost-effectiveness of GEF interventions. The possibility will be explored to report per focal area on geographical distribution and distribution per groups of countries, as well as per GEF agency and modality, which will be related to the comparative advantage of these agencies to address specific issues within the GEF. Furthermore, issues like the reform of the project cycle, as well as co-funding will be raised here, as they have an impact on the cost-effectiveness of GEF investments.

(12) To what extent are the GEF's composition, structure and division of roles and responsibilities meeting its mandate, operations and partnerships?

Building on OPS3, this question will address the networking and partnership aspects of the GEF – is the current organizational model the best possible for the GEF? What are its associated costs and to what extent is it functional and efficient? The role and tasks of all components of the GEF will be assessed here, as well as the performance and comparative advantage of GEF Agencies.

(13) Are the GEF Monitoring and Evaluation Policy and its implementation up to international standards?

OPS4 will assess whether the GEF Monitoring and Evaluation Policy is up to international standards and the extent to which its implementation has been successful. The evaluation part of it, especially the role and performance of the GEF Evaluation Office, will be independently assessed by a Professional Peer Review panel, composed of internationally recognized panel members who will follow a framework for the review which has been adopted in the three professional evaluation communities (OECD/DAC Evaluation Network, UN Evaluation Group and Evaluation Cooperation Group of the International Financial Institutions). The monitoring issues and the quality of evaluation in the agencies will follow up on work of the Annual Performance Report.

(14) How successful has the GEF been as a learning organization, including state of the art science and technology?

Knowledge sharing and feedback mechanisms will be reviewed to see to what extent the GEF is a learning organization which ensures that its future builds on past experiences. Special attention will be paid to how the GEF has learned from best practices, including science and technology, as well as the role of STAP in improving the GEF's strategies and interventions.

FIFTH CLUSTER: RESOURCE MOBILIZATION AND FINANCIAL MANAGEMENT

(15) How effective has the GEF been in mobilizing resources for tackling global environmental and sustainable development problems?

OPS4 will assess the efforts to communicate the GEF's procedures, strategies and successes. A historical perspective on the replenishment process and how it has mobilized resources for global environmental issues will lead to an assessment to what extent these resources have enabled the GEF to meet the guidance of the conventions and tackle global environmental problems. GEF funding will be compared to replenishments and funding of other international organizations, global programs and funds. The additionality of funding will also be reviewed.

(16) How have human, financial and administrative resources been managed throughout the GEF?

OPS4 will assess the role and functioning of the GEF Trustee, as well as the fiduciary standards of the GEF, and how human and administrative resources are managed to ensure the best support to the GEF's interventions.

Annex 2 – Approach and Methodology

Overview

1. The methodological approach per chapter and issue evaluated in OPS4 has been developed through approach papers, guidelines and handbooks that have been published on the OPS4 website (which can be reached through the GEFEO website at www.gefeo.org), including protocols for stakeholder consultations. Information in this annex provides some specific information related to the evidence presented in the main report. The following technical documents, methodological papers, protocols and surveys have been or will be published on the website:

	Technical documents
1	Portfolio Overview of the GEF
2	Future Role of Ozone Depleting Substances - Touchdown
3	Energy Conservation and GHG Emissions Reduction in Chinese Township and Village Enterprises (TVEs) - NCSTE
4	Catalytic Role of EBRD project in Slovenia - EBRD Evaluation Office/Baastel
5	Governance of the GEF - Carlos Pérez del Castillo
6	Peer Review of the GEF Evaluation Function
7	Monitoring and Evaluation Review - ICF International
8	Resource Mobilization and Management - John Markie
9	Gender Issues in the GEF - Thelma Awori
10	Stakeholder Consultation Matrix of Findings
11	Comparison of ROtI to APR ratings

	Methodological papers
1	Terms of Reference (full text)
2	ROtI Handbook - GEF Evaluation Office and CDC
3	Assessment of Quality at Entry of M&E
4	Assessment of Time Lags in PIF Clearance
5	Assessment of cofinancing
6	Assessment of quality of supervision
7	Approach to Management Action Records
8	Approach to Project Classification
9	Approach to Terminal Evaluation Review
10	Approach to Learning & Science in the GEF
11	Country Case Studies & Field Visits Terms of Reference
12	Country Case Studies Selection Note
13	Stakeholder Consultations Approach Paper
14	Protocol for interaction with GEF Agencies

15	Protocol for interaction with GEF Focal Points
16	Protocol for interaction with representatives of international NGOs
17	Protocol for interaction with representatives of national NGOs
18	Protocol for interaction with representatives of donor countries

	Surveys
1	General
2	Monitoring and Evaluation
3	Governance
4	Civil Society Organizations participating in subregional meetings

	Reference documents
1	List of GEF Evaluation Office publications
2	Bibliography
3	List of OPS4 cohort of finished projects

Donor Performance – Chapter 2.2

2. OPS4 identified four indicators that would enable a comparison of donor performance. The first indicator is whether countries have fulfilled their pledges to the GEF. Arrears remain a problem for the GEF, principally because the United States had, as of June 2009, major outstanding arrears dating back to GEF-2 and GEF-3 ($167 million). Several other donors to the GEF have deferred their contributions, with reference to the burden-sharing formula and as a lever to get arrears paid. Italy also had not deposited its Instrument of Commitment or made any contributions for GEF4. In total, arrears that have been outstanding for some time, deferred contributions, and unfulfilled pledges as of June 2009 amounted to some 18 percent of the resources originally projected for GEF4. There is an incentive to make early payments. The second, third and fourth indicators can be found in a comparison of the share of the donors to the GEF to their share in respectively: the United Nations, the IDA, and core environmental support as reported by the DAC.

3. The scoring system is as follows:

- On timeliness of payments, advance payments score a 1, regular payments a 0, and arrears -1.
- On the other three indicators, donors scored 1 if their share in GEF support was substantially higher (in relative terms) than their share in the United Nations, IDA, or core environment ODA; 0 if their share was more or less the same; and -1 if the share was substantially lower.

4. Data from OECD/DAC have been used and the table of data is to be found in the technical document on Resource Mobilization and Management, published on the OPS4 website.

Convention guidance and relationship with the conventions – Chapter 2.3

5. This part of OPS4 responded to two key questions in the Terms of Reference of OPS4, respectively on responsiveness to guidance (key question 5) and relationships with the conventions (key question 7).

6. Extensive reviews were undertaken of all documents generated during GEF-4 regarding communications between the GEF and the COPs, as well as all the decisions provided by the COPs to the GEF and MOUs between GEF and all the conventions. Furthermore, a meta-evaluation was conducted with all evaluations prepared by GEFEO since OPS3. Extensive interviews were conducted with all convention secretariats, as well as the GEF Secretariat and some selected COPs. These interviews were analyzed together with reports from all the consultations conducted during OPS4 with GEF Focal Points and civil society organizations. In addition, all GEF-4 approved PIFs and projects were reviewed to consider their linkages with COP guidance and GEF strategies. The OPS4 general stakeholder survey was considered although only 91 responses were received. OPS3 was used as a baseline and starting point to respond to the key questions 5 and 7 of the OPS4 TORs. In addition, the GEF4 replenishment policy recommendations were also used as baseline for this analysis in OPS4.

Responsiveness to the conventions

7. The following table presents a summary of the approaches and sources of information utilized:

RELEVANCE Questions	**Projects (as of July 2009)**	**GEFEO documents since OPS3**	**Documents from and in between: GEFSEC, Council, Conventions**	**Interviews**	**Survey**
Responsiveness to Conventions	• All GEF4 approved projects (301): BD: 102; CC: 88; LD: 13; POPs: 45; MF: 53 • All GEF4 PIFs (170): BD: 87; CC: 37; LD: 17; POPs: 9; MF: 20 • For LDCF, SCCF, SPA: all GEF projects (GEF3 - GEF4)	• Biosafety, • RAF MTR, • LBS, • JE, • CPEs • OPS4 Country Case Studies	• GEFSEC Reports to Council • GEF Reports to COPs • Convention statements in Council Meetings • MoUs between GEF and Conventions • GEF4 Replenishment Negotiations	• GEFSEC • Convention Secretariats • Convention Focal Points	• General stakeholder perceptions (91 respondents: 7 Council,41 government/Focal Points; 32 Agencies)

8. The assessment included the following steps:

- Guidance from COPs was "mapped" to GEF 4 strategies, per focal areas;
- Project objectives were "mapped" to GEF4 strategies per focal areas;
- Qualitative analysis coming from interviews, stakeholder consultations and surveys;

9. Several challenges had to be faced: much of the guidance is not focused, but very broad (i.e., support capacity building or the entire CBD protected areas work program); GEF-4 strategies may

respond to several guidance; the assessment requires to review each project objective and component (there were 301 projects approved in GEF4 plus 170 PIFs). Other constraints included that the GEF PMIS does not have reliable data regarding GEF strategies. Furthermore, the GEF PMIS does not have a link to COP guidance. For those projects that have respond to multiple strategic objectives and priorities it was not possible to determine how much money has been allocated for each strategy.

Relationships between GEF and Conventions

10. The following table presents a summary of the approaches and sources of information utilized.

RELEVANCE Questions	**Projects (as of July 2009)**	**GEFEO documents since OPS3**	**Documents from and in between: GEFSEC, Council, Conventions**	**Interviews**	**Survey**
Feedback to conventions	No project reviews	None applicable	• Convention Secretariats to Council; • Council to COPs; • GEF Secretariat to Council; • Council to conventions • MOUs	• GEFSEC • Convention Secretariats	Not applicable

11. OPS3 (including the program studies prepared by GEFEO) were used as baseline information on which the OPS4 analysis was built on. In addition, the GEF4 replenishment negotiations recommendations were also used as baseline for this analysis in OPS4.

Relevance to national priorities – Chapter 2.5

12. This question was assessed using information gathered through the OPS4 propose as well as GEFEO evaluations conducted since OPS3, in particularly country portfolio evaluations. In addition, the team reviewed all projects and PIFs approved during GEF4 to assess their links to national priorities. Finally, the OPS4 survey was used but in limited occasions because of the low levels of responses.

13. The following table presents a summary of the approaches and sources of information utilized.

RELEVANCE Questions	Projects (as of July 2009)	GEFEO documents since OPS3	Documents from and in between: GEFSEC, Council, Conventions	Interviews	Survey
Relevance to national priorities	All GEF4 approved projects (BD: 102, CC: 88, LD: 13, POPs: 45, MF: 53) and PIFs (BD: 87, CC:37, LD: 17, POPs: 9, MF: 20)	Review of Biosafety, RAF MTR, LBS, JE, CPEs	• Review	• GEF Focal Points • Civil Society Organizations • Conventions • GEF Secretariat	General stakeholder perceptions: 91 respondents (7 Council, 41 government/Focal Point; 32 Agencies)

14. The GEF relevance to national priorities was measured in two ways:

- GEF supports the development of national priorities (ie, funding for enabling activities; prioritization and inventories exercises, etc.)
- GEF supports the implementation of already established national priorities (ie, protected areas, energy efficiency, etc.)

15. Country ownership is defined in terms of the extent to which the GEF support is embedded within the national or local priorities.

Methodology of the classification of GEF projects according to catalytic category – Chapter 2.4

16. Based on an exploratory assessment three broad categories were identified for classifying the projects. These are:

- **"Foundational" and Enabling Activities:** the projects classified in this category include activities that develop a basis on which an environmental issue that is relevant to the GEF mandate may be addressed in future. It includes – but is not restricted to – overlapping activities such as an assistance in defining the environmental issue of concern more clearly[1]; building the knowledge base on environmental status[2]; awareness and capacity building of the key decision makers at the national, regional or global level; planning for addressing the issue and identifying actions that need to be undertaken[3]; monitoring changes in the status of the problem[4]; and establishing national or regional decision making structures that will facilitate in addressing the issue.

[1] For example: Transboundary Diagnostic Analysis, The Millennium **Ecosystem** Assessment, etc
[2] For example: The Millennium **Ecosystem** Assessment, and other research studies supported by the GEF.
[3] For example: Transboundary Diagnostic Analysis – Strategic Action Program, National Implementation Plan, Management Plans for Protected Areas, etc
[4] For example: Surveys for monitoring status of the ecosystem/water body or establishing baseline for it.

- **Demonstration, piloting, innovation and market barrier removal:** The projects classified in this category include activities that involve implementation of an approach that has potential to be adopted or replicated at a larger scale; awareness and capacity building of institutions that have a mandate to address the issue of concern; projects that intend to develop innovative technologies; and those that intend to remove barriers and or mainstream an approach. The small grants program (SGP) related GEF funding will fall in this category.
- **Investment and national scale implementation**: the projects included in this category include activities that intend to upscale and/or replicate a preferred approach to addressing the issue of concern. These may also include relatively large scale one time investments that may not have high potential for replication but may be justified based on the direct benefits that are anticipated from the activities undertaken by the project and/or activities that directly address an issue of a concern and are implemented at a national, regional or global scale.

17. Tracking the level of investment made to pursue these different strategic objectives is important because it will help GEF to monitor its project portfolio from this perspective. So far PMIS, the GEF project database, does not do so. As part of OPS4, the Evaluation Office classified the projects listed in the PMIS based on the strategic objectives that were pursued through the supported projects.

18. The assessment used the PMIS dataset downloaded on June 15th 2009 as a basis for classification. In all 2291 of the projects that GEF had approved since its inception were classified[5]. The team that undertook the classification exercise comprised of the Evaluation Office staff. To classify the projects, the title of a listed project was assessed to determine whether it gave sufficient clues about the category to which it belongs and the nature of activities undertaken. When a project's title provided sufficient clues, then the reviewers assigned the project to one of the three categories. When such clues were not sufficient, the reviewers perused the project description and then used this additional information to classify the project. However, if it was still not possible to classify, then the project category was reported as "Unable to Assess". The projects approved as Enabling Activities, were automatically categorized as "foundational and enabling activities".

19. One of the difficulties faced by the reviewers was that the classification categories are not mutually exclusive. Some projects have elements that pertain to more than one category. In such instances the reviewers took stock of proportion of funding for activities related to different categories and classified the project in a category for which relatively greater funding had been provided.

20. Another constraint that made classification difficult was that a project which appears to be an "investment" at the local level may be categorized as a "demonstration" project if were to be looked at from a national, regional, or global perspective. For example, a project that involves activities that significantly solve the land degradation problems at local level may make it appear as an investment at the local level. However, at a national level, when such approaches have not been tried in other places, it will constitute a demonstration activity. To resolve such problems, the reviewers assessed the scope of a project from a regional or global perspective for regional or global projects, and for the remainder from a national perspective.

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[5] Total number of approved projects in the GEF portfolio, as on July 1st 2009, is 2389. The dataset based on which this review was conducted was downloaded on June 15th 2009 and it includes 2291 projects. Thus, 98 projects that had been approved by the GEF by July 1st 2009 have not been reviewed.

21. To assess patterns across groups of countries such as fragile states, LDCs, SIDS, land locked countries, lists for such countries published by UNDP (LDC, SIDS and land locked countries) and World Bank (fragile states) was incorporated in the dataset prepared for this assessment.

Results Section Methodology, including an overview of Outcomes to Impact (ROtI) Methodology – Section 3

22. The Result Section of OPS4 presents evidence of the three basic levels of results in the GEF portfolio: outputs, outcomes and impacts. The most complex results area is that of impacts, which the OECD DAC Working Group on Evaluation has defined as: “Positive and negative, primary and secondary long-term effects produced by development intervention, directly or indirectly, intended or unintended.” The “review of outcomes to impact” methodology has been used to assess progress toward impact. The handbook of this methodology is found on the OPS4 website. This annex contains specific information regarding the focal areas.

23. This annex contains a “theory of change” model for the International Waters focal area, because this model is very clear on the catalytic roles of the foundation, demonstration and investment activities of the GEF and how they could ideally follow each other in time. It should be recognized that in practice no such rigid division between phases can be found, as foundational activities often include demonstration or even investment components, and similar mixes can be found in other phases.

24. **Climate Change** specific methodological issues:

- A meta-evaluation provided an overview of result and impact achievements, in the GEF and its agencies, building on APRs, GEF EO Evaluations, as well as Evaluation and Studies from the GEF Agencies. It builds on over thirty key evaluation documents and also investigates the key barriers and success factors that influence result achievement based on evaluative evidence.
- Fifty-one desk ROtIs were completed for the climate change focal area, building on the TER cohort selected as a basis for OPS4. This cohort included: 3 enabling activities (2 targeted research, 1 National adaptation Plan of Action/National Communications), 23 energy efficiency projects (7 product/market, 8 productive use, 7 public service), 20 renewable energy (4 product/market, 12 productive use, 3 rural, 1 urban), 6 other (2 financial instrument/Energy Service Company, 1 geothermal, 1 alternative transport, 2 carbon capture/sequestration), 2 cancelled (with TEs). In addition, for the purpose of completing desk ROtIs, one regional project is split into the two countries. One project was missing an Implementation Completion Report and could not be evaluated.
- These two types of data were complemented by expected and, whenever possible, actual data for GHG emissions and project costs. These estimations are based on project documents, terminal evaluations and actual financing data. The calculations methodology is consistent with the methodology used for the Third Overall Performance Study, which has been improved upon with more precise financing estimations, and also further developed in cooperation with the GEF Secretariat to generate more accurate proxies for expected emissions reductions.

25. **Biodiversity** specific methodological issues:

- A meta-evaluation provided an overview of result and impact achievements, in the GEF and its agencies, building on APRs, GEF EO Evaluations, as well as Evaluation and Studies from the GEF Agencies.
- ROtI desk reviews were conducted for a cohort of 116 biodiversity projects, identified as ALL biodiversity projects for which a terminal evaluation was submitted in the period covered by OPS4. It is not a sample of projects and therefore no issues related to sampling bias arise. Of this cohort, 16 projects had to be excluded from the final analysis for various reasons. Data were insufficient to develop ratings for two projects; three projects had been cancelled and a terminal evaluation was not available; one project was not rated due to being field ROtId; one project was excluded as an umbrella modality to which the ROtI methodology was not readily applicable (Critical Ecosystems Partnership Fund); three "projects" proved to be initial phases of longer-term programs' which could better be analyzed at a later stage. Six additional projects were research/targeted research projects for which impact linkages are highly indirect.
- Thus ratings for a final set of 100 projects were analyzed. This represents a major new set of data (based on field-based final evaluations conducted by GEF implementing agencies) on results for the GEF's biodiversity portfolio over the past four years, which complements several other sources of data on results.
- Although this cohort appears to be a small portion of the GEF's overall biodiversity portfolio, other projects have either been completed and reported on in earlier Overall Performance Studies or have not yet finished and thus are not available for results analysis (and will be covered by subsequent Overall Performance Studies). The cohort is therefore total coverage of projects available for study under OPS4.

26. **International Waters** specific issues: the cohort of 23 terminal evaluations is smaller than that of the two other main focal areas, which may affect the validity of the findings. For this reason, no percentages are presented. Additional evidence has been obtained from a limited review of additional project documentation, as well as two more extended case studies looking at the Danube/Black Sea catchment basin, and the South China Sea. The limited evidence base poses some limitations on the conclusions.

27. All 23 of the completed IW projects during GEF-4 cohort have been analyzed. The 23 are reflective of the portfolio at large, although there are some imbalances. The breakdown across operating programmes is fairly reflective of the portfolio. There is an over-representation of full size projects, with only four medium size projects in the cohort. There is an over-representation of GEF-2 projects, although this is logical as the time required to complete IW FSPs logically places their completion in GEF4. There is an overbalance of projects from the Europe and Central Asia region (10), and less from Asia (2) than would be representative of the portfolio as a whole. The breakdown across implementing agencies over-represents UNEP (7 projects) while the World Bank (5 projects) is underrepresented relative to the full IW portfolio..

28. On the following page, a generic "Theory of Change" for IW catchment projects is illustrated. This theory of change is perhaps the best illustration available in the GEF for its catalytic role through foundation, demonstration and investment. They are represented in three phases. It is important to recognize that these do not represent a linear progression. Due to the nature of the project development cycle and desires of participating countries to include an array of achievements, the foundational projects can include demonstrations, and there are already efforts on-going at earlier stages to build funding partnerships for investments. In fact, no basins have exhibited a clear-cut linear

progression from foundational to demonstration and then investment phases. Nevertheless, the sequence is useful to consider, as it suggests the general trends in support provided to countries within specific catchments. Due to the fact that the other focal areas follow guidance on foundation activities (especially climate change and biodiversity), the theories of change in the other focal areas are less pronounced on the role of foundational and enabling activities in their strategies.

Comparison of Terminal Evaluation Review and ROtI Ratings on Outcomes and Sustainability / Intermediary States – Section 3

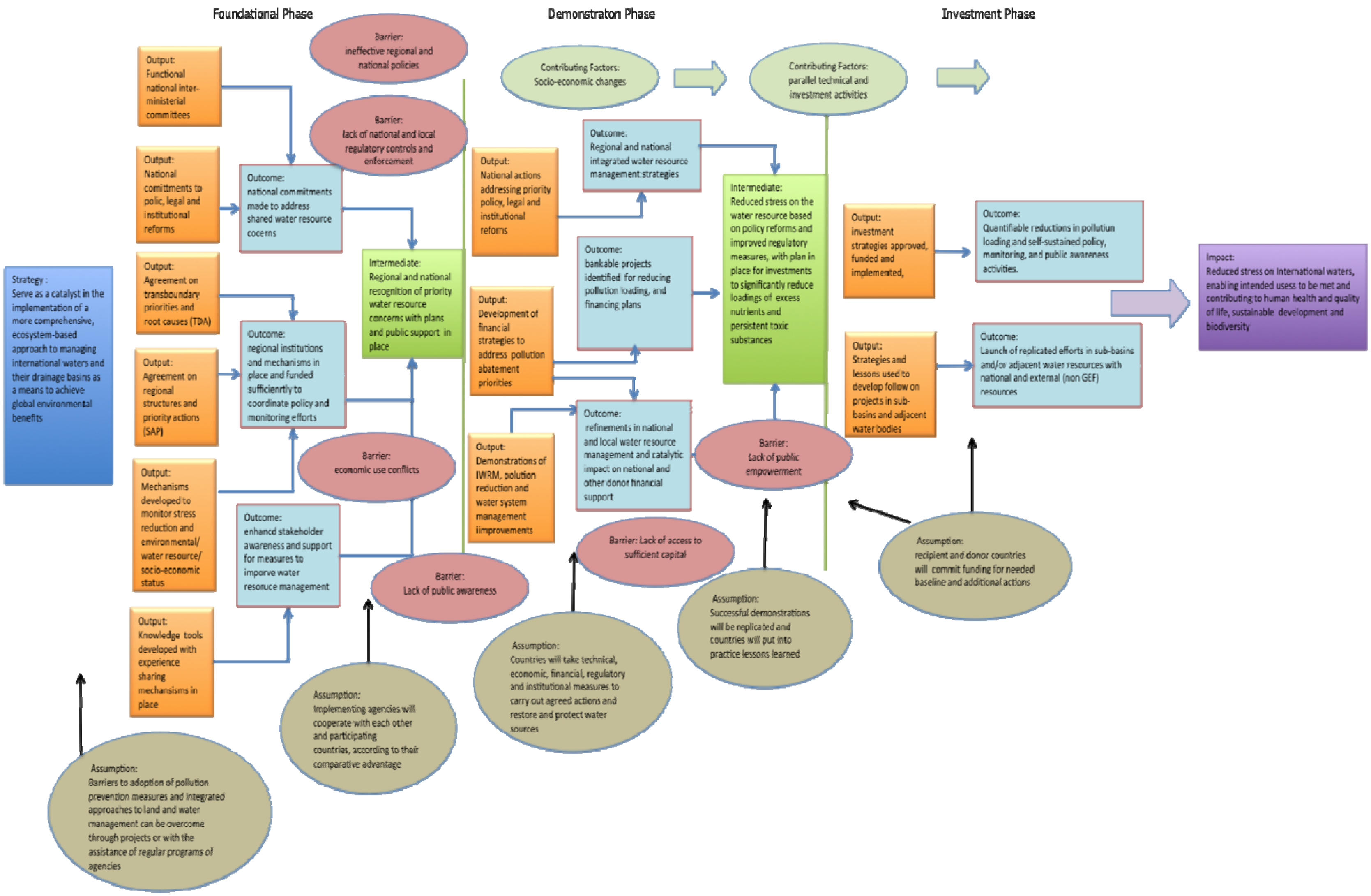
29. The Terminal Evaluation Review outcome ratings were compared with the ROTI outcome ratings, and TER sustainability ratings were compared with the ROTI 'intermediary states' rating. A technical document containing this comparison can be found on the OPS4 website.

Methodologies of the Performance chapter (4.1)

30. The GEF Evaluation Office has reported on performance to the GEF Council annually. The development of methodologies can be followed through the Annual Performance Reports, which contain a methodology section. The specific approaches used for OPS4 have been published on the GEFEO website.

Methodological approach to learning – Chapter 4.2

31. The approach paper on inclusion of science and technology in projects can be found on the OPS4 website.


Foundational Phase
Demonstraton Phase
Investment Phase
Barrier: ineffective regional and national policies
Contributing Factors: Socio-economic changes
Contributing Factors: parallel technical and investment activities
Output: Functional national inter-ministerial committees
Barrier: lack of national and local regulatory controls and enforcement
Outcome: Regional and national integrated water resource management strategies
Output: National commitments to polic, legal and institutional reforms
Outcome: national commitments made to address shared water resource cocerns
Output: National actions addressing priority policy, legal and institutional reforms
Intermediate: Reduced stress on the water resource based on policy reforms and improved regulatory measures, with plan in place for investments to significantly reduce loadings of excess nutrients and persistent toxic substances
Output: investment strategies approved, funded and implemented,
Outcome: Quantifiable reductions in pollution loading and self-sustained policy, monitoring, and public awareness activities.
Strategy : Serve as a catalyst in the implementation of a more comprehensive, ecosystem-based approach to managing international waters and their drainage basins as a means to achieve global environmental benefits
Output: Agreement on transboundary priorities and root causes (TDA)
Intermediate: Regional and national recognition of priority water resource concerns with plans and public support in place
Outcome: bankable projects identified for reducing pollution loading, and financing plans
Impact: Reduced stress on International waters, enabling intended usess to be met and contributing to human health and quality of life, sustainable development and biodiversity
Output: Development of financial strategies to address pollution abatement priorities
Outcome: regional institutions and mechanisms in place and funded sufficienrtly to coordinate policy and monitoring efforts
Output: Agreement on regional structures and priority actions (SAP)
Output: Strategies and lessons used to develop follow on projects in sub-basins and adjacent water bodies
Outcome: Launch of replicated efforts in sub-basins and/or adjacent water resources with national and external (non GEF) resources
Outcome: refinements in national and local water resource management and catalytic impact on national and other donor financial support
Barrier: economic use conflicts
Output: Demonstrations of IWRM, pollution reduction and water system management imiprovements
Barrier: Lack of public empowerment
Output: Mechanisms developed to monitor stress reduction and environmental/ water resource/ socio-economic status
Outcome: enhancd stakeholder awareness and support for measures to imporve water resource management
Barrier: Lack of access to sufficient capital
Assumption: recipient and donor countries will commit funding for needed baseline and additional actions
Barrier: Lack of public awareness
Output: Knowledge tools developed with experience sharing mechansisms in place
Assumption: Successful demonstrations will be replicated and countries will put into practice lessons learned
Assumption: Countries will take technical, economic, financial, regulatory and institutional measures to carry out agreed actions and restore and protect water sources
Assumption: Implementing agencies will cooperate with each other and participating countries, according to their comparative advantage
Assumption: Barriers to adoption of pollution prevention measures and integrated approaches to land and water management can be overcome through projects or with the assistance of regular programs of agencies

Methodology of Cost Comparison Study – Chapter 4.3

32. The cost comparison comprises five case studies, based on documents available on the websites of the organizations reviewed and some telephone and email correspondence. The documents included annual reports, work plans and budgets and evaluation studies and audits. In addition the consultant scanned the (relatively scanty) literature on the topic of the cost efficiency of granting agencies. This scan included a review of the methodologies that have been used in the past to make costs comparisons. The documents in the general literature that were consulted included:

- Small grants program joint evaluation by the GEF Evaluation Office and UNDP.
- Three World Bank studies of its cost-effectiveness.[6]
- A Government of Canada study of the relative cost-effectiveness of four multilateral development banks.
- A cost-comparison Guideline of the US Government (describing procedures to be followed in comparing the costs of delivering the same service or similar services through different channels – a government department or contracted out to a private firm, for example).
- Some published literature, including the following. William Easterly and Tobias Pfutze (Spring 2008) "Where does the Money Go? Best and Worst Practices in Foreign Aid". Journal of Economic Perspectives. Vol. 22 Number 2.
- Some other pertinent literature has been noted but not yet reviewed.[7]

33. The following evaluation questions guided the study.

- What are the objectives of the five organizations (including the GEF), and how might differences in objectives influence costs?
- What is the scale of operations of each organization and how might that influence costs?
- What is the relative complexity of operations for each organization (including the degree that it takes responsibility for final results) and how might this affect costs?
- What are the program delivery modes used by the organizations and how might they influence costs?
- What are the 'cost profiles' of the five organizations? In particular what has been the experience of each organization in regard to its "efficiency ratio" defined as the ratio of "internal expenses" (administrative costs, with and without financing charges, + program delivery costs) to total expenses?[8]
- How does the GEF compare in general with 'best costs practices' among the comparison organizations?

34. The study identified eight factors that appear to affect the administrative/delivery costs of granting agencies:

1. An organization's mandate and reach.
2. Types of services.
    - Project vs. program-based activities.
    - Capacity-building and technical assistance.

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[6] World Bank (2005). The Costs and Benefits of Bank Decentralization: A Review of Qualitative and Quantitative Data, FY01-04. World Bank (1997). Cost-Effectiveness Review. Washington DC. World Bank (2005). Organizational Effectiveness Task Force. Washington DC.

[7] Archarya, A. et al (2004) "Proliferation and Fragmentation: Transaction Costs and the Value of Aid". Journal of Development Studies 42(1):1-21; Martins, B. et al (2002) "The Institutional Economics of Foreign Aid", Cambridge University Press; Roodman, D. (2006) An Index of Donor Performance. Centre for Global Development. Working Paper 67.

[8] In some instances we found an organization expressing the "efficiency ratio" by using program expenditures rather than total expenditures as the denominator. Either approach will rank organizations in exactly the same order so it does not matter which is used as long as one is used consistently for all comparisons.

- Country presence.

3. Scale of operations.
   - Efficiency ratios of organizations of similar sizes.
   - Economies of scale.
   - Grant productivity related to staff.
   - Average grant size and delivery costs.
4. Being marginal to a larger project.
5. Efficiency of delivery systems and practices.
6. Efficiency of delivery systems and practices.
7. Mode of financing.
8. Administrative/delivery costs may be decreased by a pay-by-results approach.

Governance Review – Chapter 5

35. The analytical framework which guided the governance review was based on the following information sources: the GEF Instrument; Council documents and Reports of Council sessions; GEF Annual Performance Reports 2005, 2006 and 2007; OPS3: Progressing Toward Environmental Results; GEF Evaluation Office Publications (2004 -2008), a selected number of GEF Country Portfolio Evaluations. It also included an extensive bibliography related to best practices in governance as well as governance issues, from several national governments, international organizations, academics, public and private institutes as well as NGO´s.

36. Benchmarking of GEF governance to that of other comparable or relevant international organizations was undertaken through comparisons to: the World Bank; International Monetary Fund; International Finance Corporation; Multilateral Investment Guarantee Agency; African Development Bank; Inter-American Development Bank; Asian Development Bank; European Bank for Reconstruction and Development; European Investment Bank; Bank for International Settlements; Consultative Group on International Agricultural Research; United Nations Development Programme; Food and Agriculture Organization; World Health Organization; World Intellectual Property Organization; International Labour Organization; World Trade Organization and Organization for Economic Cooperation and Development.

37. GEF Decisions and guidance from Council decisions was analyzed as reported in the Joint Summary of the Chairs. A desk Review of Follow up of Council Decisions was undertaken, as well as personal interviews conducted on Governance issues with 31 of the 32 Council members and 4 alternates (or designated representatives), as well as with a representative sample of 30 Country Members of all constituencies (GEF Political or Operational Focal Points) not sitting at Council meetings. Furthermore, the CEO, Director and other Senior Staff Members of GEFSEC and GEFEO were interviewed, as well as Executive Coordinators or their designated representatives of the ten Implementing and Executing Agencies, Heads of the Secretariats of the Conventions (or their designated representatives) and selected distinguished persons related to the organization and other influential stakeholders in GEF activities, including private sector and NGO's.

38. The consultant participated in the June 2009 GEF Council Meeting, as well as the June 2009 CSO Consultation meeting and the second Replenishment Meeting. A specific Governance questionnaire was sent to all GEF Member countries.Qualitative and quantitative data were analyzed using proper analytical tools and techniques.

Annex 3 – Professional Peer Review of the Evaluation Function of the GEF and GEF Response

Introduction

1. The GEF is replenished by donors every four years. All replenishments have been informed by overall performance studies, which provided an independent assessment of the achievements of the GEF up to the time of the study. The GEF Council asked the GEF Evaluation Office to undertake the Fourth Overall Performance Study (OPS4), which will be an important information document for the fifth replenishment of the GEF.

2. One of the key questions of OPS4 is on the implementation of the GEF Monitoring and Evaluation Policy that was approved by Council in February 2006. The evaluation part of it, especially the role and performance of the GEF Evaluation Office, has been independently assessed by a professional peer review panel to avoid conflict of interest. The peer review panel was composed of internationally recognized members who followed a framework that has been adopted in the three professional evaluation communities (OECD/DAC Evaluation Network, UN Evaluation Group, and Evaluation Cooperation Group of the International Financial Institutions). The peer review of the GEF evaluation function was conducted between August 2008 and May 2009.

GEF Council decision on the peer review

3. Both the Peer Review report itself and its Executive Summary were presented to the GEF Council on June 22, 2009. Mrs. Caroline Heider, Director of the Evaluation Office of the World Food Programme, and one of the peer panel members, presented the peer review to the Council. Mr. Rob D. van den Berg, Director of the GEF Evaluation Office, presented the response. The GEF Council discussed the peer review document and took the following decision:

> *The Council, having reviewed document GEF/ME/C.35/3, Peer Review of the GEF Evaluation Function, requested the Evaluation Office to take the findings and recommendations of the peer review, as well as comments made during the Council meeting, into account when preparing a revision of the GEF Monitoring and Evaluation Policy, to be presented to Council at its meeting in the second half of 2010. Furthermore, the main findings, conclusions and recommendations of the peer review should be incorporated in the Fourth Overall Performance Study of the GEF.*

Independent Professional Peer Review Report – Executive summary

4. The years reviewed by the Peer Review represent a particularly dynamic, but also difficult phase of the GEF, characterised by the urgent demand of members for reform and change out of bureaucracy and stagnation. The new leadership in both the Secretariat and the EO had to deal with high and often conflicting expectations in the Council, the staff and among the GEF membership at large. This report pays tribute to the considerable results achieved by the GEF EO and aims at discussing issues for further improvement.

5. Every four years, the GEF produces an Overall Performance Study (OPS). The principal aim of this study is to inform the replenishment process, as well as the Council and General Assembly of the GEF,

about the achievements of the organization during the previous period, to draw lessons and give indications on the way forward in the succeeding replenishment period.

6. In June 2007, the GEF EO offered the Council to take responsibility for OPS-4 as part of its regular work program. The Council approved the proposal except for the study components that would pose a conflict of interest. Accordingly, it was proposed that the role of the GEF Evaluation Office would be independently assessed by a Professional Peer Review Panel, composed of internationally recognized members.

7. In February 2008, the Director of the GEF EO approached the Head of Evaluation of the Finnish Cooperation and the Special Evaluator of the Belgian Cooperation, asking them to organize such peer review of the GEF EO. In early April 2008, it was decided that the Peer Review would be financed equally by the Finnish and the Belgian Governments and that the Office of the Special Evaluator of the Belgian Cooperation would chair the Peer Panel and coordinate the process.

8. The Panel was composed as follows:

- Dominique de Crombrugghe, Special Evaluator for Development Cooperation, Ministry of Foreign Affairs, Belgium, Peer Panel Coordinator
- Caroline Heider, Director, Office of Evaluation, World Food Programme
- Heidi Pihlatie, Senior Evaluator, Unit for Evaluation and Internal Auditing, Ministry of Foreign Affairs, Finland
- Oumoul Khayri Ba Tall, Senior Evaluator, President of the International Organisation for Cooperation in Evaluation (IOCE), Mauretania
- Zhanar Sagimbayeva, Evaluator, Eurasian Development Bank, Kazakhstan
- Karel Cools, Senior Evaluator, Evaluation and Quality Control Service, MOFA, Belgium

9. Two Advisors assisted the members of the Panel, one from the North (Dr Horst Breier from Germany) and one from the South (Dr Dunstan Spencer from Sierra Leone). The Advisors were responsible for data collection and information gathering; preliminary assessment of the collected information; assisting Panel members in their interviews with stakeholders, and drafting the assessment report.

10. The Peer Review examined the GEF evaluation function on three core criteria: Independence of the GEF-EO and of its evaluation processes, Credibility and Utility of its evaluations.

Budget and Finance

11. The Panel finds that GEF EO's financial independence is secured. The key stakeholders (EO and Council) are in agreement on what needs to be done in evaluation and on the corresponding level of financing. The GEF-EO evaluation budget is activity based, it reflects the Four-Year GEF Work Program for Evaluation and it represents the Four-Year Program's translation into annual programs of work and budgets.

12. From FY 05 to FY 09 the budget of the EO including special initiatives show an overall increase in of 52 per cent[1], amounting to USD 3,907,167 in 2009.

[1] This significant increase is partly due to the exclusion of the costs for OPS-3 from the regular evaluation budget.

Evaluation Products and their Quality

13. The Peer Panel analysed a great number of documents (listed in annex,) and conducted interviews with the GEF Council, the GEF Secretariat, the GEF EO, the World Bank and the IEG, most GEF Agencies and a large number of stakeholders.

14. Further, the Peer Panel analysed a sample of six products representing recent work of the EO in the categories of Program Evaluations and Thematic Studies, Annual Performance Reports, and Country Portfolio Evaluations.[2] While this sample is not representative of the whole EO evaluation endeavour, it covers sufficient ground to extrapolate strengths and weaknesses of the evaluations produced by the GEF EO in recent years.

15. The main conclusion from this analysis is that, overall, the GEF EO produces solid evaluation work, at the forefront of the state of the art with a welcome emphasis on methodological rigour and clarity.

16. Some points of attention are worth mentioning for further consideration with a view to consolidate and to deepen the good results achieved so far.

- The level of involvement of national and local stakeholders and beneficiaries in GEF EO evaluations processes remains a sensitive issue ; various stakeholders perceive these processes as a top down approach, which is hardly consistent with the Paris Declaration on Aid Effectiveness and other current aid philosophy;
- GEF EO evaluation methodology shows a strong reliance on written material and third party assessments which is not always matched by a corresponding allocation of human and financial resources to on-site checks and verification, as well as to original evaluative research.
- The targeting of the Council as the main audience for evaluations is a safeguard for the independence of the EO. However there is room for improvement for bringing evaluation results to the attention of a wider audience than is the case at present.
- A short note about the evaluation team in a section or at the back of the reports, with regard to the qualifications and independence of consultants, to the gender balance and to the balance between international and national consultants, would be welcome.

Tools and Guidelines

17. The GEF Evaluation Office has produced a number of guidance documents over the last years. These are designed to help translating the *GEF Monitoring and Evaluation Policy* of 2006 into practice and to answer the demand contained in the Policy Recommendations of the Third GEF Replenishment for more rigorous minimum standards to be applied in GEF-related M&E work. Though these documents differ widely in character and coverage, weight and reach, they by and large represent state-of-the-art

[2] The sample comprised: Annual Performance Report 2007 (October 2008); Country Portfolio Evaluation Philippines (March 2008); The Role of Local Benefits in Global Environmental Programs (2006); RAF Mid-Term Review (October 2008); Joint Evaluation of the GEF Activity Cycle and Modalities (2007); and Annual Report on Impact 2007 (May 2007).

tools which are perceived by most stakeholders as helpful contributions towards harmonizing approaches, methods and modalities within the GEF partnership.

Independence

18. The Third Replenishment negotiations in 2002 recommended that the GEF Monitoring and Evaluation Unit should be made independent, reporting directly to the Council, with its budget and work plan determined by the Council and its head proposed by the GEF CEO and appointed by the Council for a renewable term of five years. In 2003, the GEF Council decided to establish an independent Office of Monitoring and Evaluation. In February 2006, the Council approved the new and comprehensive *GEF Monitoring and Evaluation Policy*, a thoughtful, ambitious and action-oriented policy document.

19. The Panel notes the positive effects on the conduct of evaluations brought about by the achievement of structural independence of the EO. Independence is seen as important by EO staff and as conducive to freeing them from pressures to negotiate and amend approach papers, TORs and reports.

20. Essential for the structural independence of the EO is its reporting to the Council, the EO's primary audience. Stakeholders, including staff of the GEF Secretariat and the EO, as well as in GEF Agencies, consider that the cost for the EO's structural independence reflects in isolation from the Secretariat and the GEF Agencies.

21. Stakeholders complain that this affects negatively the consultation and communication process during the preparation of the EO work plan as well as the organisational learning loop from evaluations. Council members, however, do not appear to share this view. They believe that the evaluations cover important issues for corporate development and discussions at the Council.

22. The structural independence of the GEF EO is vested in two letters of agreement exchanged between the CEO and the EO Director, authorizing the latter to speak to the Council directly on all matters pertaining to evaluation and to take decisions on human resource issues in the Evaluation Office. The Panel finds that the sustainability and validity of the letters of agreement as a binding institutional measure are questionable. Incumbents in either of the two positions could in theory change or even abrogate the agreement at any time. Therefore, the Panel holds that a more formal agreement, at least at the level of rules and regulations, is needed to put the structural independence of the GEF EO on a firmer legal basis.

Credibility

23. The Panel notes that the quality of the GEF EO evaluations has improved over recent years. Evaluation reports provide good technical information, with lots of facts and evidence, and in-depth analysis. This contributes to the credibility of the products. Moreover, robust methodological rigour has been introduced in the work of the EO.

24. The Panel was nevertheless faced with some issues that deserve consideration:

- The analysis of the evaluation products has shown that particular products and specific actions are more important for establishing – or affecting – credibility than others. E.g. the Annual Performance Report (APR) provides an important and credible bridging function between the evaluation activities of the GEF Agencies and the role of oversight and aggregation that the Evaluation Office plays for the GEF as a whole. However the Panel was surprised to see an overwhelming majority of evaluations being rated moderately to very positive rather than a more even distribution across the rating scale.

- The Panel was informed about persisting workload overstretching the human resources in the EO over extended periods of time. This could put the present quality of evaluations at risk.

- The Panel found a restrictive practice regarding fieldwork. It has doubts that limiting fieldwork is an adequate way to cope with existing constraints. Less field exposure will mean reduced contact of the EO with the reality of GEF programmes and projects, which so far has been a strength of EO's work.

- The transparency of planning and conducting evaluations through full and early consultation, ongoing dialogue and participation of stakeholders is an essential element of establishing the credibility and the appropriation of the results of an evaluation. Perhaps, this is the weakest part in the work of the EO at present. The Panel's discussions with stakeholders of the GEF partnership, including the GEF Secretariat, GEF Agencies, and governments of recipient countries showed that the existing practice is not entirely satisfactory. While the Panel is aware that stakeholders do not always make use of participation opportunities offered by the EO, this criticism is real and could have implications for the credibility of the evaluation products.

- A complaint voiced across the whole GEF partnership, in Washington as well as in other places visited by the Panel, relates to the very short period of time that the EO provides for the GEF Secretariat as well as for the GEF Agencies between submitting an evaluation report and the deadline set to react to it. Stakeholders find this short time span totally insufficient to absorb the evaluation report, discuss its implications for future work, and provide a meaningful and thought through management response. The Panel finds the present practice of two-week deadlines arbitrary and counterproductive.

- Eventually, the Panel noted the absence of an assessment of the performance of GEF Agencies in Country Programme evaluations, due to the corresponding clause in the *Standard Terms of Reference for Country Portfolio Evaluations*. The Panel therefore will recommend dropping this clause so as to increase the credibility of the CPE process.

Utility

25. The primary audience for the work of the independent Evaluation Office is the GEF Council. The evidence collected during the Peer Review allows the Panel to confirm that the Council and its members are generally satisfied with the work of the Evaluation Office, with the coverage of its work plan and the topics selected for and addressed in evaluations. On the whole, the Council members find that the evaluations are useful in clarifying issues of general concern for the GEF, in informing Council discussions and in helping members to take the necessary decisions in the ongoing reform process. Evaluations also appear to find their way into GEF Constituencies. The Panel noted for example that the Caribbean Constituency had discussed evaluation reports ahead of a Council meeting, a good practice that could easily be replicated.

26. Notwithstanding the criticism of the consultative process, GEF Agencies confirm that the work of the EO has been of great utility in a number of areas and has significantly contributed towards improving the performance of the GEF. Examples mentioned include guidance produced by the EO which has helped to coordinate and unify yardsticks and evaluation criteria for GEF financed activities across the partnership, and a significant improvement of mid-term reviews and terminal evaluations since the EO has begun to rate these reports.

27. In the field, the Panel faced situations where the EO evaluation work is seen as quite removed from the national level, with the exception of the CPEs. The planning and preparation of EO evaluation

activities in the country is largely conducted in Washington, with no or only little advance communication with and consultation of the government, and consequently with a low degree of transparency for national stakeholders. As a result, the EO evaluations are predominantly perceived as top-down approaches, at a distance from the operational level.

28. Finally, the Panel has observed on several occasions, that there is a kind of “competitive relationship” between the EO and the Secretariat affecting the smooth running of business between the two. The Panel thinks that this relationship needs to be kept under review to avoid disruptions and adverse impacts on the utility of evaluations.

Conclusions

29. The GEF EO has been successful in establishing itself as a new and independent core player within the overall GEF structures and in finding acceptance in this role. This is primarily due to the fact that the Office under its new Director has made commendable efforts to improve and facilitate professional evaluation work in the GEF and to provide leadership in this area, both within the GEF partnership and internationally, especially in the United Nations Evaluation Group (UNEG).

On Independence

1. On structural independence
   The Panel **concludes** that structural independence of GEF EO has largely been achieved and is beneficial to the GEF. It has enhanced the credibility of evaluations and therefore of the whole institution. However, it **finds** that the legal basis for the actual arrangements of EO independence is precarious. The Panel **recommends** that the Council take steps to put the arrangements for structural independence on a better and more sustainable legal footing than is the case at present.

2. On institutional independence
   The Panel **concludes** that the GEF EO work plan preparation is independent and that the evaluative criteria used in developing the work plan are justified. However, it finds that there is insufficient consultation with stakeholders during the development of the work plan. Therefore, the Panel **recommends** that EO enhance the consultation efforts.

3. On the budget
   The Panel **finds** that the programme and activity based budgeting and the concomitant level of financial independence of the GEF EO is very commendable.

4. On evaluation processes
   The Panel **concludes** that the independence of the evaluation processes for both thematic and strategic evaluations and the review process for terminal evaluations conducted by the GEF Agencies are adequately safeguarded.

5. On conflicts of interest
   The Panel **concludes** that sufficient steps have been taken to avoid conflicts of interest by EO staff. Risks of staff being partial are low and therefore negligible. However, the Panel notes that, notably in country, expertise in the thematic fields of the GEF can be scarce and therefore **recommends** the EO to pay attention to the selection and recruitment of consultants to ensure also they do not have any conflict of interest.

6. On quality assurance

The Panel **concludes** that the process for quality assurance of reports set in place by GEF EO is light, given the technical content of the evaluations and **recommends** strengthening it through the use of technical expert panels or similar mechanisms.

On Credibility

1. On the overall level of satisfaction

The Panel **finds** a high degree of satisfaction of many stakeholders with the credibility of EO products.

2. On fieldwork

The Panel **finds** that limitation of fieldwork is not an adequate way to cope with individual evaluation budget constraints, as it would reduce contact of the EO with the reality of GEF programmes and projects. Therefore the panel **recommends** that annual budgets should secure adequate allocation of funds for relevant fieldwork.

3. On deadlines for management responses

The Panel **finds** the present practice of two-week deadlines for management responses is arbitrary and counterproductive The Panel therefore **recommends** allowing a minimum of four weeks after submitting an evaluation report to stakeholders for the preparation of an inclusive management response.

On Utility

1. The Panel **finds** that the Council and its members are generally satisfied with the work of the Evaluation Office, with the coverage of its work plan and the topics selected for and addressed in evaluations Council members find that the evaluations submitted to them are useful in clarifying issues of general concern for the GEF, in informing Council discussions and in helping members to take the necessary decisions in the ongoing reform process.

2. On the interaction between the GEF Secretariat and the GEF EO

The Panel **concludes** that the present relationship between the GEF EO and Secretariat is not always apt to support the utility of the evaluation function. It therefore **recommends** enhancing and intensifying the interaction and cooperation between both for the common benefit of all parties.

3. On the Programme of Work for Evaluations

The Panel **finds** that the limited consultations between the EO and the GEF Secretariat in the process of drawing up a program of work for evaluation could impair the utility of planned evaluations. Therefore, the Panel **recommends** to the Council, the CEO and the Director of Evaluation to keep the situation under review and, if necessary, provide additional guidance to clarify consultation requirements to both the EO and the Secretariat.

4. On upstream contacts with stakeholders in countries

The Panel **concludes** that not enough is done to establish early and upstream contacts with stakeholders in countries where an EO evaluation is being planned in order to discuss knowledge needs and to allow a country input into the TOR. It **recommends** establishing such contacts well ahead of the scheduled beginning of the work and/or the arrival of the evaluation team. Similar arrangements should be established with the GEF Agencies, both at headquarter and at in-country operational level.

5. On the learning loop

The Panel **finds** that there is room for improved feedback of evaluation results into the GEF Secretariat and with the other stakeholders.

The Panel therefore **recommends** incorporating dissemination aspects in the planning of evaluations right from the beginning, including budgetary provisions if needed.

Response of the GEF Evaluation Office on behalf of the GEF

30. The GEF Evaluation Office has been tasked by the GEF Council to implement the GEF Monitoring and Evaluation Policy, which was approved by Council in February 2006. Furthermore, the Policy states that any proposals for change of the Policy will be presented to the Council by the Evaluation Office. The peer review has implications for the Policy and thus the Response to the peer review has been coordinated by the Evaluation Office.

31. In general the Office has a positive assessment of the peer review report. It comes to a strong conclusion on the independence of the office, provides evidence that evaluation reports are seen as credible and especially highlights the utility of reports for the Council. The issues that are identified that will be a challenge in the next phase of the GEF, such as improved consultation on the work program, early country involvement in country level evaluations and improved utility and feedback at other levels than the Council, as well as work load of staff, are recognized by the Office and the peer review report will help us move forward on these issues.

32. The Work Program for the Evaluation Office for the next fiscal year includes a proposal to start up a consultative process with the GEF Secretariat (with a special responsibility for monitoring issues), the GEF Agencies, STAP and the NGO Network on a revision of the GEF monitoring and evaluation policy, our work procedures, methodologies, budget proposals, in order to incorporate the lessons learned from the GEF-4 period, OPS4 and the peer review report and ensure that the Policy follows clearly identified benchmarks and best international practice. This proposal will address the issue of enhanced consultation with stakeholders on the work plan of the office as promoted by the peer review panel.

33. On credibility, the peer review panel finds that limitation of fieldwork is not an adequate way to cope with budget constraints. The Evaluation Office fully agrees and would like to point out that in many evaluations fieldwork has increased while remaining within budgetary limits. Overall, the Evaluation Office has done field work in more than 55 countries in the past four years and thus considers itself well grounded in the reality of GEF programs and projects. A particular challenge is to find the right balance between the involvement of staff of the Office in fieldwork and the involvement of consultants.

34. The Evaluation Office does not have the budget to fully incorporate all of the recommendations of the peer review panel, especially on improved feedback to other levels than the Council, on enhanced interaction with national governments and local communities. This should be taken into account in the process of revision of the GEF Monitoring and Evaluation Policy. The peer review panel notes that the regular budget of the Office has increased with more than 50% over the past five years. However, after discussions with Council it was decided to include the Overall Performance Study and any Special Initiatives into the regular budget of the Office. Therefore the increase in the regular budget needs to be related to the old regular budget plus the costs of OPS3 and special initiatives. The table below shows

that the overall costs for corporate evaluations in the GEF has more or less remained the same over the last five years and has not kept up with inflation and the lower value of the US dollar.

GEF Evaluation Office	FY05	FY06	FY07	FY08	FY09
Regular Budget	$2,321,000	$2,821,975	$2,906,634	$3,793,365	$3,907,167
Special Initiatives & OPS3	$1,575,502	$1,136,358	$641,317	$57,747	$0
Total	$3,896,502	$3,958,333	$3,547,951	$3,851,112	$3,907,167
(%) Increase/decrease over previous fiscal year		1.59%	-10.37%	8.54%	1.46%

35. Furthermore, the peer review notes that a substantial part of the administrative budget of the GEF is allocated to the GEF Evaluation Office. This is not so much a reflection on the budget of the Office as a reflection on the administrative budget of the GEF, which is relatively very low compared to other international organizations and funds. More importantly, this is not a correct comparison. The international best practice is to compare evaluation budgets of central evaluation units to the overall commitments or budgets of the organization or fund. Most recently FAO decided to allocate an amount between 0.8 and 1.0 % of its operational budget to its evaluation office, referring to best international practice for organizations like the FAO. In many international financial institutions the budgets of the central evaluation units are in the range of 0.1-0.2 % of the overall budgets of the institutions. In the case of the (current) fourth replenishment period of the GEF the overall budget of the Evaluation Office for that period amounts to 0.5 % of the overall budget of GEF-4. This seems reasonable, given the fact that the GEF operates both through the UN (which has a higher norm) and the IFIs (which have a lower norm).

36. On the short time period for the management response we would like to point out that the Office always has meetings with the main stakeholders on preliminary findings and emerging issues. In the case of Country Portfolio Evaluations these take the form of workshops in which all partners in the GEF are invited. Other evaluations also often have final workshops in which findings are presented. The RAF mid-term review is a case in point: the preliminary findings of that evaluation were presented to the GEF Secretariat on August 28, 2008 and to an interagency meeting on September 11, 2008. Often these workshops take place well before the Council meeting. They allow the Secretariat and the Agencies to prepare for a management response. The peer review report does not recognize this process.

37. The main text of the peer review report is detailed in its descriptions of the issues that the Panel encountered during its visits to Washington, New York, Nairobi and Manila. Although the Panel has based the report on a solid desk review of many of the Evaluation Office's products, the limited basis of the field work of the Panel has led to inclusion of statements in the final report on which we disagree. The Evaluation Office also notes that none of the earlier peer reviews of the evaluation functions in UNDP, UNICEF, WFP, and OIOS have provided such detailed comments. Nevertheless, the Evaluation Office feels that even though the peer review panel has not always properly identified the trees, it gives a good description of the forest. Some misrepresentation may have resulted, but it is not serious. For example, the Evaluation Office feels that it has made a strong effort to engage with all GEF stakeholders when preparing the approach papers and terms of reference for the RAF mid-term review and for the Fourth Overall Performance Study of the GEF. Draft approach papers, proposed key questions and draft terms of reference were posted on the website and extensively discussed in various meetings, including

several sub-regional meetings of GEF focal points. This should provide some counterpoint to the finding of the Panel that the Office insufficiently consults with stakeholders on how it sets up its evaluations.

38. The GEF Evaluation Office would like to express its sincere gratitude to the peer review panel which has spent so much time and energy to understand the role of evaluation in the Global Environment Facility. The peer review report should enrich the GEF Monitoring and Evaluation Policy and lead to improved monitoring and evaluation in GEF5.

Annex 4 – OPS4 Team

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